G20 STATEMENTS
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Room Document 5

DAC Senior Level Meeting, 9-10 December 2008

This room document is for BACKGROUND INFORMATION to discussions at the Senior Level Meeting lunch on 9 December 2008.

It is available in PDF format only.

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Communiqué
Meeting of Ministers and Governors
São Paulo - Brazil
8-9 November 2008

1. We, the Finance Ministers and Central Bank Governors of the G-20, held our tenth annual meeting in São Paulo, Brazil. We met at a time when the global economy is facing its most serious financial crisis and economic slowdown in decades. We discussed the causes of and policy responses to the global financial crisis, and shared perspectives on scenarios going forward, with a particular focus on ensuring financial stability, supporting global growth and maintaining recent achievements in poverty reduction and social inclusion.

2. We welcomed that the Heads of G-20 countries will convene for a Leaders’ Summit on Financial Markets and the World Economy to be held on 15 November 2008 in Washington, noting that the global crisis requires global solutions and a common set of principles and that the forthcoming summit is an important step in enhancing international cooperation. We stand ready to urgently take forward work and actions agreed by our leaders to restore and maintain financial stability and support global growth.

3. We noted that the current financial crisis is largely a result of excessive risk taking and faulty risk management practices in financial markets, inconsistent macroeconomic policies, which gave rise to domestic and external imbalances, as well as deficiencies in financial regulation and supervision in some advanced countries.

4. The key challenge is to resolve the financial crisis in a durable manner and to mitigate the impact of the crisis on global economic activity through comprehensive, coordinated and timely measures as appropriate. Measures must be designed not only to restore growth and financial stability, but also to minimize the negative social impact particularly in emerging and low income countries. The G-20, with its broad representation of major systemically important economies, has a critical role to play in ensuring global financial and economic stability, and, with that purpose, is committed to enhancing collaboration.
5. We welcomed the bold and decisive measures taken in a number of countries to stabilize financial markets and restore the flow of credit, to support global economic growth. These measures have begun to stabilize the banking system and other financial sectors. However, there remains considerable volatility in global financial markets. We will continue to work together to take all necessary actions to reduce this volatility and restore normal functioning of money and credit markets in both advanced and emerging market countries.

6. We agreed that all countries must address the risks associated with excessive leverage and improve their regulatory and supervisory regimes in order to deliver improved risk assessment and management by financial institutions, to enhance transparency and accountability in financial markets, as well as to strengthen international cooperation to identify and respond preemptively to national and international systemic risks. Furthermore, we recognized the need to improve the supervision and governance of financial institutions, at both national and international levels. In this regard, we should consider ways of enhancing the identification of systemically important institutions and ensure proper oversight of these institutions, including credit rating agencies. We should ensure that all sectors of the financial industry, as appropriate, are regulated or subjected to oversight. We agreed that it is important to address the issue of pro-cyclicality in financial market regulations and supervisory systems. We also agreed that financial institutions should have common accounting standards and clear internal incentives to promote stability and that action needs to be taken, through voluntary effort or regulatory action, to avoid compensation schemes which reward excessive short-term returns or risk taking. Regulators and supervisors should enhance their vigilance and cooperation with respect to cross-border flows.

7. We expressed concern over the impact of the spreading international financial crisis on the real economy through trade, credit and currency transmission channels. We considered in particular the severe challenges it poses to short-term growth. Advanced economies, where the crisis came into being, are slowing markedly and some are already close to or in recession. We are also seeing evidence of slower growth in emerging markets, and while overall these countries should continue to play an important role in supporting world growth, emerging economies are facing external financing pressures. We recognized that a pronounced lack of confidence has led to severe credit constraints, which affects consumption,
investment and employment. We affirmed our determination to take all necessary steps to foster non-inflationary growth in a stable and sustainable manner according to the needs and available instruments in our respective countries, including through monetary and fiscal policy. We recognized the need to support the efforts of the emerging economies and, especially, to help them find additional resources for their development. We urged all countries to resist protectionist pressures, whether in respect of trade or investment, and reiterate our strong support for a prompt and ambitious conclusion of the Doha Development Round of trade negotiations.

8. One of the most deleterious aspects of the current crisis is the freeze in the private credit and equity markets and the tendency of capital to flow back to where the current crisis originated. We should explore ways to restore emerging and developing countries’ access to credit and resume private capital flows which are critical for sustainable growth and development, including ongoing infrastructure investment.

9. We noted that fiscal policies have served as an important instrument to address the current financial crisis, including through government support to the financial sector and have performed an important stabilization role and in mitigating further negative effects on markets and on economic activity. Some countries are also considering additional fiscal measures to stimulate the economy and we agreed that countries must use all their policy flexibility consistent with their circumstances, to support sustainable growth, while we recognize the importance of fiscal sustainability for macroeconomic stability and growth. It is essential that the recent gains in reduction of poverty and social inequality are not set back by the financial crisis and global economic slowdown. Less developed countries would probably need more flexible frameworks. Furthermore, in cases where severe market disruptions have limited access to the necessary financing for counter-cyclical fiscal policies, multilateral development banks must ensure arrangements are in place to support, as needed, those countries with a good track record and sound policies.

10. We recognized that many low income countries are particularly vulnerable to commodity price volatility and changes in investor sentiment due to the financial crisis. We agreed on the importance of maintaining official flows, including aid flows, to these countries in line with existing commitments and urge all multilateral development banks to work to sustain the
momentum of infra-structure investment for development in low income countries.

11. We recognized the relevance of adopting sound monetary policies. The recent slowdown in world growth and consequent reduction of commodity prices have decreased inflationary pressures especially in advanced economies and permitted central banks to decide on monetary easing. In those economies facing currency depreciation and still suffering from second round effects, inflationary pressures may be more persistent. In this context, monetary authorities will need to continue to carefully monitor economic developments, including the consequences of financial deleveraging, in order to take appropriate action if needed.

12. We underscored that the Bretton Woods Institutions must be comprehensively reformed so that they can more adequately reflect changing economic weights in the world economy and be more responsive to future challenges. Emerging and developing economies should have greater voice and representation in these institutions. We welcome the progress made this year in reforming the IMF. We also noted the first step in the ongoing process of reform of the World Bank Group, which is to be followed by a wider share realignment. We emphasized our commitment to further reform the Bretton Woods Institutions in order to increase their legitimacy and effectiveness. Such reforms should also take into account the interests of the poorest countries and reflect their distinct mandates.

13. At this juncture, the IMF, the World Bank Group and other international financial institutions have an important role to play, consistent with their mandates, in helping to stabilize and strengthen the international financial system, advancing international cooperation for development and assisting countries affected by the crisis. To meet this task, we should review the adequacy of the resources of the IMF, the World Bank Group and other multilateral development banks and stand ready to increase them where necessary. In this context, we welcome the use of the IMF’s emergency procedures to provide substantial assistance quickly to countries in need, and also the creation of a new short-term liquidity facility, which allows quick disbursements without traditional conditionality for countries with strong economic policy track records. We urge the IMF to continue to review and adapt its lending instruments to adequately meet its member needs and revise its lending role in the light of ongoing financial crisis.
14. We agreed that we must draw policy lessons from the current crisis and take all necessary steps to restore market confidence and stability and to minimize the risk of a future crisis. Given its near universal membership and core macro-financial expertise, the Fund should take a leading role in this task consistent with its mandate. We believe that the IMF must enhance its early warning capabilities with due regard to systemically important economies, in order to anticipate stresses and identify at an early stage vulnerabilities, systemic weaknesses and spillover risks across financial markets that can endanger both the international financial system and the global economy. We also underline the importance of strengthening the IMF surveillance and policy advice leading to appropriate and timely macroeconomic policy responses from all countries.

15. In response to the challenges presented by the global financial situation, and recognizing the global nature of financial markets, we believe that the FSF must expand to a broader membership of emerging economies.

16. We agreed that the G-20 plays a vital role in responding to challenges facing the world economy and must maximize its effectiveness. G-20 deliberations should focus primarily on concrete policy outcomes. Consideration should be given to holding G-20 Ministers and Central Bank Governors’ meetings in the run-up to the meetings of the Bretton Woods institutions with the flexibility to hold ad hoc Ministerial meetings when necessary.

17. We thanked our Brazilian hosts for chairing the G-20 this year, and looked forward to further effective collaboration in the G-20 next year under the United Kingdom’s chair. We welcome the Republic of Korea as a member of the Troika in 2009 and chair of the G-20 in 2010.
In Focus: Summit on Financial Markets and the World Economy

1. We, the Leaders of the Group of Twenty, held an initial meeting in Washington on November 15, 2008, amid serious challenges to the world economy and financial markets. We are determined to enhance our cooperation and work together to restore global growth and achieve needed reforms in the world’s financial systems.

2. Over the past months our countries have taken urgent and exceptional measures to support the global economy and stabilize financial markets. These efforts must continue. At the same time, we must lay the foundation for reform to help to ensure that a global crisis, such as this one, does not happen again. Our work will be guided by a shared belief that market principles, open trade and investment regimes, and effectively regulated financial markets foster the dynamism, innovation, and entrepreneurship that are essential for economic growth, employment, and poverty reduction.

Root Causes of the Current Crisis

3. During a period of strong global growth, growing capital flows, and prolonged stability earlier this decade, market participants sought higher yields without an adequate appreciation of the risks and failed to exercise proper due diligence. At the same time, weak underwriting standards, unsound risk management practices, increasingly complex and opaque financial products, and consequent excessive leverage combined to create vulnerabilities in the system. Policy-makers, regulators and supervisors, in some advanced countries, did not adequately appreciate and address the risks building up in financial markets, keep pace with financial innovation, or take into account the systemic ramifications of domestic regulatory actions.

4. Major underlying factors to the current situation were, among others, inconsistent and insufficiently coordinated macroeconomic policies, inadequate structural reforms, which led to unsustainable global macroeconomic outcomes. These developments, together, contributed to excesses and ultimately resulted in severe market disruption.

Actions Taken and to Be Taken

5. We have taken strong and significant actions to date to stimulate our economies, provide liquidity,
strengthen the capital of financial institutions, protect savings and deposits, address regulatory deficiencies, unfreeze credit markets, and are working to ensure that international financial institutions (IFIs) can provide critical support for the global economy.

6. But more needs to be done to stabilize financial markets and support economic growth. Economic momentum is slowing substantially in major economies and the global outlook has weakened. Many emerging market economies, which helped sustain the world economy this decade, are still experiencing good growth but increasingly are being adversely impacted by the worldwide slowdown.

7. Against this background of deteriorating economic conditions worldwide, we agreed that a broader policy response is needed, based on closer macroeconomic cooperation, to restore growth, avoid negative spillovers and support emerging market economies and developing countries. As immediate steps to achieve these objectives, as well as to address longer-term challenges, we will:

- Continue our vigorous efforts and take whatever further actions are necessary to stabilize the financial system.
- Recognize the importance of monetary policy support, as deemed appropriate to domestic conditions.
- Use fiscal measures to stimulate domestic demand to rapid effect, as appropriate, while maintaining a policy framework conducive to fiscal sustainability.
- Help emerging and developing economies gain access to finance in current difficult financial conditions, including through liquidity facilities and program support. We stress the International Monetary Fund’s (IMF) important role in crisis response, welcome its new short-term liquidity facility, and urge the ongoing review of its instruments and facilities to ensure flexibility.
- Encourage the World Bank and other multilateral development banks (MDBs) to use their full capacity in support of their development agenda, and we welcome the recent introduction of new facilities by the World Bank in the areas of infrastructure and trade finance.
- Ensure that the IMF, World Bank and other MDBs have sufficient resources to continue playing their role in overcoming the crisis.

Common Principles for Reform of Financial Markets

8. In addition to the actions taken above, we will implement reforms that will strengthen financial markets and regulatory regimes so as to avoid future crises. Regulation is first and foremost the responsibility of national regulators who constitute the first line of defense against market instability. However, our financial markets are global in scope, therefore, intensified international cooperation among regulators and strengthening of international standards, where necessary, and their consistent implementation is necessary to protect against adverse cross-border, regional and global developments affecting international financial stability. Regulators must ensure that their actions support market discipline, avoid potentially adverse impacts on other countries, including regulatory arbitrage, and support competition, dynamism and innovation in the marketplace. Financial institutions must also bear their responsibility for the turmoil and should do their part to overcome it including by recognizing losses, improving disclosure and strengthening their governance and risk management practices.
9. We commit to implementing policies consistent with the following common principles for reform.

- **Strengthening Transparency and Accountability:** We will strengthen financial market transparency, including by enhancing required disclosure on complex financial products and ensuring complete and accurate disclosure by firms of their financial conditions. Incentives should be aligned to avoid excessive risk-taking.

- **Enhancing Sound Regulation:** We pledge to strengthen our regulatory regimes, prudential oversight, and risk management, and ensure that all financial markets, products and participants are regulated or subject to oversight, as appropriate to their circumstances. We will exercise strong oversight over credit rating agencies, consistent with the agreed and strengthened international code of conduct. We will also make regulatory regimes more effective over the economic cycle, while ensuring that regulation is efficient, does not stifle innovation, and encourages expanded trade in financial products and services. We commit to transparent assessments of our national regulatory systems.

- **Promoting Integrity in Financial Markets:** We commit to protect the integrity of the world’s financial markets by bolstering investor and consumer protection, avoiding conflicts of interest, preventing illegal market manipulation, fraudulent activities and abuse, and protecting against illicit finance risks arising from non-cooperative jurisdictions. We will also promote information sharing, including with respect to jurisdictions that have yet to commit to international standards with respect to bank secrecy and transparency.

- **Reinforcing International Cooperation:** We call upon our national and regional regulators to formulate their regulations and other measures in a consistent manner. Regulators should enhance their coordination and cooperation across all segments of financial markets, including with respect to cross-border capital flows. Regulators and other relevant authorities as a matter of priority should strengthen cooperation on crisis prevention, management, and resolution.

- **Reforming International Financial Institutions:** We are committed to advancing the reform of the Bretton Woods Institutions so that they can more adequately reflect changing economic weights in the world economy in order to increase their legitimacy and effectiveness. In this respect, emerging and developing economies, including the poorest countries, should have greater voice and representation. The Financial Stability Forum (FSF) must expand urgently to a broader membership of emerging economies, and other major standard setting bodies should promptly review their membership. The IMF, in collaboration with the expanded FSF and other bodies, should work to better identify vulnerabilities, anticipate potential stresses, and act swiftly to play a key role in crisis response.

**Tasking of Ministers and Experts**

10. We are committed to taking rapid action to implement these principles. We instruct our Finance Ministers, as coordinated by their 2009 G-20 leadership (Brazil, UK, Republic of Korea), to initiate processes and a timeline to do so. An initial list of specific measures is set forth in the attached Action Plan, including high priority actions to be completed prior to March 31, 2009.
In consultation with other economies and existing bodies, drawing upon the recommendations of such eminent independent experts as they may appoint, we request our Finance Ministers to formulate additional recommendations, including in the following specific areas:

- Mitigating against pro-cyclicality in regulatory policy;
- Reviewing and aligning global accounting standards, particularly for complex securities in times of stress;
- Strengthening the resilience and transparency of credit derivatives markets and reducing their systemic risks, including by improving the infrastructure of over-the-counter markets;
- Reviewing compensation practices as they relate to incentives for risk taking and innovation;
- Reviewing the mandates, governance, and resource requirements of the IFIs; and
- Defining the scope of systemically important institutions and determining their appropriate regulation or oversight.

11. In view of the role of the G-20 in financial systems reform, we will meet again by April 30, 2009, to review the implementation of the principles and decisions agreed today.

Commitment to an Open Global Economy

12. We recognize that these reforms will only be successful if grounded in a commitment to free market principles, including the rule of law, respect for private property, open trade and investment, competitive markets, and efficient, effectively regulated financial systems. These principles are essential to economic growth and prosperity and have lifted millions out of poverty, and have significantly raised the global standard of living. Recognizing the necessity to improve financial sector regulation, we must avoid over-regulation that would hamper economic growth and exacerbate the contraction of capital flows, including to developing countries.

13. We underscore the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty. In this regard, within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports. Further, we shall strive to reach agreement this year on modalities that leads to a successful conclusion to the WTO’s Doha Development Agenda with an ambitious and balanced outcome. We instruct our Trade Ministers to achieve this objective and stand ready to assist directly, as necessary. We also agree that our countries have the largest stake in the global trading system and therefore each must make the positive contributions necessary to achieve such an outcome.

14. We are mindful of the impact of the current crisis on developing countries, particularly the most vulnerable. We reaffirm the importance of the Millennium Development Goals, the development assistance commitments we have made, and urge both developed and emerging economies to undertake commitments consistent with their capacities and roles in the global economy. In this regard, we reaffirm the development principles agreed at the 2002 United Nations Conference on Financing for Development in Monterrey, Mexico, which emphasized country ownership and mobilizing all sources of financing for development.
15. We remain committed to addressing other critical challenges such as energy security and climate change, food security, the rule of law, and the fight against terrorism, poverty and disease.

16. As we move forward, we are confident that through continued partnership, cooperation, and multilateralism, we will overcome the challenges before us and restore stability and prosperity to the world economy.

Action Plan to Implement Principles for Reform

This Action Plan sets forth a comprehensive work plan to implement the five agreed principles for reform. Our finance ministers will work to ensure that the taskings set forth in this Action Plan are fully and vigorously implemented. They are responsible for the development and implementation of these recommendations drawing on the ongoing work of relevant bodies, including the International Monetary Fund (IMF), an expanded Financial Stability Forum (FSF), and standard setting bodies.

Strengthening Transparency and Accountability

Immediate Actions by March 31, 2009

- The key global accounting standards bodies should work to enhance guidance for valuation of securities, also taking into account the valuation of complex, illiquid products, especially during times of stress.
- Accounting standard setters should significantly advance their work to address weaknesses in accounting and disclosure standards for off-balance sheet vehicles.
- Regulators and accounting standard setters should enhance the required disclosure of complex financial instruments by firms to market participants.
- With a view toward promoting financial stability, the governance of the international accounting standard setting body should be further enhanced, including by undertaking a review of its membership, in particular in order to ensure transparency, accountability, and an appropriate relationship between this independent body and the relevant authorities.
- Private sector bodies that have already developed best practices for private pools of capital and/or hedge funds should bring forward proposals for a set of unified best practices. Finance Ministers should assess the adequacy of these proposals, drawing upon the analysis of regulators, the expanded FSF, and other relevant bodies.

Medium-term actions

- The key global accounting standards bodies should work intensively toward the objective of creating a single high-quality global standard.
- Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.
- Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate. Regulators should work to ensure that a financial institution’s financial statements include a
complete, accurate, and timely picture of the firm’s activities (including off-balance sheet activities) and are reported on a consistent and regular basis.

Enhancing Sound Regulation

Regulatory Regimes

*Immediate Actions by March 31, 2009*

- The IMF, expanded FSF, and other regulators and bodies should develop recommendations to mitigate pro-cyclicality, including the review of how valuation and leverage, bank capital, executive compensation, and provisioning practices may exacerbate cyclical trends.

*Medium-term actions*

- To the extent countries or regions have not already done so, each country or region pledges to review and report on the structure and principles of its regulatory system to ensure it is compatible with a modern and increasingly globalized financial system. To this end, all G-20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessments of countries’ national regulatory systems.
- The appropriate bodies should review the differentiated nature of regulation in the banking, securities, and insurance sectors and provide a report outlining the issue and making recommendations on needed improvements. A review of the scope of financial regulation, with a special emphasis on institutions, instruments, and markets that are currently unregulated, along with ensuring that all systemically-important institutions are appropriately regulated, should also be undertaken.
- National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions.
- Definitions of capital should be harmonized in order to achieve consistent measures of capital and capital adequacy.

Prudential Oversight

*Immediate Actions by March 31, 2009*

- Regulators should take steps to ensure that credit rating agencies meet the highest standards of the international organization of securities regulators and that they avoid conflicts of interest, provide greater disclosure to investors and to issuers, and differentiate ratings for complex products. This will help ensure that credit rating agencies have the right incentives and appropriate oversight to enable them to perform their important role in providing unbiased information and assessments to markets.
- The international organization of securities regulators should review credit rating agencies’ adoption of the standards and mechanisms for monitoring compliance.
- Authorities should ensure that financial institutions maintain adequate capital in amounts
necessary to sustain confidence. International standard setters should set out strengthened capital requirements for banks’ structured credit and securitization activities.

- Supervisors and regulators, building on the imminent launch of central counterparty services for credit default swaps (CDS) in some countries, should: speed efforts to reduce the systemic risks of CDS and over-the-counter (OTC) derivatives transactions; insist that market participants support exchange traded or electronic trading platforms for CDS contracts; expand OTC derivatives market transparency; and ensure that the infrastructure for OTC derivatives can support growing volumes.

**Medium-term actions**

- Credit Ratings Agencies that provide public ratings should be registered.
- Supervisors and central banks should develop robust and internationally consistent approaches for liquidity supervision of, and central bank liquidity operations for, cross-border banks.

**Risk Management**

*Immediate Actions by March 31, 2009*

- Regulators should develop enhanced guidance to strengthen banks’ risk management practices, in line with international best practices, and should encourage financial firms to reexamine their internal controls and implement strengthened policies for sound risk management.
- Regulators should develop and implement procedures to ensure that financial firms implement policies to better manage liquidity risk, including by creating strong liquidity cushions.
- Supervisors should ensure that financial firms develop processes that provide for timely and comprehensive measurement of risk concentrations and large counterparty risk positions across products and geographies.
- Firms should reassess their risk management models to guard against stress and report to supervisors on their efforts.
- The Basel Committee should study the need for and help develop firms’ new stress testing models, as appropriate.
- Financial institutions should have clear internal incentives to promote stability, and action needs to be taken, through voluntary effort or regulatory action, to avoid compensation schemes which reward excessive short-term returns or risk taking.
- Banks should exercise effective risk management and due diligence over structured products and securitization.

**Medium-term actions**

- International standard setting bodies, working with a broad range of economies and other appropriate bodies, should ensure that regulatory policy makers are aware and able to respond rapidly to evolution and innovation in financial markets and products.
- Authorities should monitor substantial changes in asset prices and their implications for the macroeconomy and the financial system.
Promoting Integrity in Financial Markets

Immediate Actions by March 31, 2009

- Our national and regional authorities should work together to enhance regulatory cooperation between jurisdictions on a regional and international level.
- National and regional authorities should work to promote information sharing about domestic and cross-border threats to market stability and ensure that national (or regional, where applicable) legal provisions are adequate to address these threats.
- National and regional authorities should also review business conduct rules to protect markets and investors, especially against market manipulation and fraud and strengthen their cross-border cooperation to protect the international financial system from illicit actors. In case of misconduct, there should be an appropriate sanctions regime.

Medium-term actions

- National and regional authorities should implement national and international measures that protect the global financial system from uncooperative and non-transparent jurisdictions that pose risks of illicit financial activity.
- The Financial Action Task Force should continue its important work against money laundering and terrorist financing, and we support the efforts of the World Bank - UN Stolen Asset Recovery (StAR) Initiative.
- Tax authorities, drawing upon the work of relevant bodies such as the Organization for Economic Cooperation and Development (OECD), should continue efforts to promote tax information exchange. Lack of transparency and a failure to exchange tax information should be vigorously addressed.

Reinforcing International Cooperation

Immediate Actions by March 31, 2009

- Supervisors should collaborate to establish supervisory colleges for all major cross-border financial institutions, as part of efforts to strengthen the surveillance of cross-border firms. Major global banks should meet regularly with their supervisory college for comprehensive discussions of the firm’s activities and assessment of the risks it faces.
- Regulators should take all steps necessary to strengthen cross-border crisis management arrangements, including on cooperation and communication with each other and with appropriate authorities, and develop comprehensive contact lists and conduct simulation exercises, as appropriate.

Medium-term actions

- Authorities, drawing especially on the work of regulators, should collect information on areas where convergence in regulatory practices such as accounting standards, auditing, and deposit...
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insurance is making progress, is in need of accelerated progress, or where there may be potential for progress.

- Authorities should ensure that temporary measures to restore stability and confidence have minimal distortions and are unwound in a timely, well-sequenced and coordinated manner.

Reforming International Financial Institutions

Immediate Actions by March 31, 2009

- The FSF should expand to a broader membership of emerging economies.
- The IMF, with its focus on surveillance, and the expanded FSF, with its focus on standard setting, should strengthen their collaboration, enhancing efforts to better integrate regulatory and supervisory responses into the macro-prudential policy framework and conduct early warning exercises.
- The IMF, given its universal membership and core macro-financial expertise, should, in close coordination with the FSF and others, take a leading role in drawing lessons from the current crisis, consistent with its mandate.
- We should review the adequacy of the resources of the IMF, the World Bank Group and other multilateral development banks and stand ready to increase them where necessary. The IFIs should also continue to review and adapt their lending instruments to adequately meet their members’ needs and revise their lending role in the light of the ongoing financial crisis.
- We should explore ways to restore emerging and developing countries’ access to credit and resume private capital flows which are critical for sustainable growth and development, including ongoing infrastructure investment.
- In cases where severe market disruptions have limited access to the necessary financing for counter-cyclical fiscal policies, multilateral development banks must ensure arrangements are in place to support, as needed, those countries with a good track record and sound policies.

Medium-term actions

- We underscored that the Bretton Woods Institutions must be comprehensively reformed so that they can more adequately reflect changing economic weights in the world economy and be more responsive to future challenges. Emerging and developing economies should have greater voice and representation in these institutions.
- The IMF should conduct vigorous and even-handed surveillance reviews of all countries, as well as giving greater attention to their financial sectors and better integrating the reviews with the joint IMF/World Bank financial sector assessment programs. On this basis, the role of the IMF in providing macro-financial policy advice would be strengthened.
- Advanced economies, the IMF, and other international organizations should provide capacity-building programs for emerging market economies and developing countries on the formulation and the implementation of new major regulations, consistent with international standards.

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