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 meets 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.