

**REPORT TO THE BOARDS OF GOVERNORS OF THE
INTERNATIONAL MONETARY FUND BY THE CHAIRMAN OF THE
INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE**

Youssef Boutros-Ghali

I am pleased to report to the Board of Governors the outcome of Saturday's discussion of the IMFC, which I have had the honor to chair for the first time.

At its meeting on Saturday, the IMFC demonstrated its unique ability to unite the global community in a strong commitment to work together and take cohesive actions to address the deep financial crisis which we are facing. The Committee's deliberations have produced an exceptional awareness among its members that only strong cooperation at the global level will succeed in meeting the challenges before us. Allow me to highlight the key outcomes of our deliberations.

First, the Committee made a robust commitment to multilateral collaboration and coordination by strongly endorsing the G-7's five-point action plan. Forceful implementation of this plan will be crucial to restore confidence in the financial sector and stabilize the system.

Second, the Committee underscored that the Fund has a critical mandate to foster the multilateral cooperation needed to restore and safeguard international monetary and financial stability. The Committee welcomed and endorsed the Managing Director's assurance that the Fund, using its emergency procedures, stands ready to quickly make available substantial resources to help member countries cover financing needs. The Committee also called for further intensive Fund engagement across the membership to discuss and develop robust policy responses to the crisis.

Third, the Committee noted that many emerging market economies may experience spillover effects from the financial crisis. The Committee therefore underlined that it is critically important that collaborative action be coordinated between advanced and emerging economies.

Fourth, we called on the Fund to take the lead, in line with its mandate, in drawing the necessary policy lessons from the current crisis and recommending effective actions to restore confidence and stability. We asked the Fund to focus discussion, and enhance cooperation, with the financial stability forum, the G-20, and others on this issue in an

inclusive setting. This initiative should begin immediately, and the Fund is asked to report to the IMFC by its next meeting.

While putting in place these vital building blocks of an action plan on the global financial crisis, the Committee was mindful of the problems facing many low-income countries, particularly in sub-Saharan Africa, which have been hard hit by higher food and fuel prices. We stressed that these countries' strengthened adjustment efforts will need to be backed by increased donor assistance, in particular grants, to limit the effects on real income and poverty. The Committee welcomed the reforms of the Fund's Exogenous Shocks Facility, which allow it to be used more quickly to help countries deal with exogenous shocks.

We also deliberated on the IMF's surveillance agenda and lending role with a view to ensuring that the Fund continues to provide effective assistance to its membership in dealing with the challenges of globalization and financial turmoil. The Committee underscored the central role of Fund surveillance in providing clear, advance warning of risks helping members understand the interdependence of their economies, and promoting globally consistent policy responses. The Committee endorsed the Fund's first Statement of Surveillance Priorities, which will guide the Fund's surveillance through 2011.

We also noted that additional efforts are needed to review the Fund's lending instruments, which might need to be adapted to the evolving needs of the membership. Hence, we welcome the ongoing review of the Fund's lending role, and urge the Executive Board to take this agenda forward expeditiously. The Committee strongly recommended that decisions be taken on an accelerated basis in those areas where there is strong consensus and particular urgency—such as the establishment of a new liquidity instrument—and on the full range of issues by the time of the 2009 Annual Meetings.

We also welcome the development of the Santiago Principles by the International Working Group of Sovereign Wealth Funds (SWFs), as an important collaborative effort to set out a comprehensive framework, providing a clearer understanding of the operations of SWFs. In this regard, the Committee also stressed the importance of clear and nondiscriminatory policies by recipient countries toward SWF investments.

Finally, the Committee welcomes the Board of Governors' approval of the resolution and the amendment of the Fund's Articles of Agreement on the IMF Quota and Voice Reforms, and of the amendment on the Fund's New Income Model. The Committee calls on all members to work toward the early completion of the domestic legislative steps required for making these two milestone reforms effective.

In closing, the Committee paid tribute to Mr. Tommaso Padoa-Schioppa for his invaluable role as the Committee's Chairman, and especially for his role in securing the membership's support for these critical IMF reforms.