



The G-20 Statement on Reforming the Bretton Woods Institutions

1. We, the Finance Ministers and Central Bank Governors of the G-20, highlight the vital role the Bretton Woods Institutions (BWIs) should play in promoting macroeconomic and financial stability, economic growth, and poverty reduction. We recognize the need for the BWIs to be effective in delivering these objectives and believe that high standards of governance and internal management are critical. We welcome the IMF Managing Director's Strategic Review. More work is needed to develop a 'roadmap' for the future strategic reform of the BWIs, and we look forward to the work underway at the IMF to develop further details of the Strategic Review.

2. It is our shared view that more innovative approaches and renewed commitments are needed to cope with dynamic issues, such as growing international interdependence and interactions through trade and financial integration, uneven progress toward alleviating poverty and achieving the development goals of UN Millennium Declaration, prevention and resolution of international financial crises, and external shocks. Within this context, we agree upon the strategic importance for the BWIs to reinvigorate their fundamental missions and roles in meeting new challenges in a globalized world economy.

Mission of BWIs

3. We reaffirm the complementary roles that the BWIs are called to play, and recognize that promoting macroeconomic and financial stability and development continue to be of critical importance. Likewise, we believe there is a need to ensure effective pursuit of, and tangible progress towards, these objectives to further strengthen efficient cooperation between the two institutions. The IMF should primarily focus on national and international macroeconomic and financial stability, exercising enhanced surveillance of the global economy, international capital markets and strengthening crisis prevention and resolution. The World Bank should keep its focus on development, sharpening its financial and technical assistance roles for both least-developed countries and emerging markets. We welcome the review of the division of responsibilities launched by the two managements, taking into account external expertise, as part of the strategic review and look forward to their report to the International Monetary and Financial Committee (IMFC) and the Development Committee (DC) at the Spring Meetings in 2006.

Governance of the BWIs

4. The world economy has evolved considerably since the founding of the BWIs, with fast growth in many emerging markets and deepened integration in industrialized countries. We

reaffirm the principle that the governance structure of the BWIs - both quotas and representation - should reflect such changes in economic weight. The G-20 underscores the critical importance of achieving concrete progress on quota reform by the next International Monetary Fund (IMF) and World Bank Annual Meetings in Singapore. The G-20 will seek to identify principles for quota reform which could be an important input into the IMF's Thirteenth General Review of Quotas, scheduled to be completed by January 2008.

Management and Operational Strategies of the BWIs

5. We believe the IMF and the World Bank should work to enhance their institutional effectiveness, and that the strategic review needs to consider how to improve internal governance. The selection of senior management should be based on merit and ensure broad representation of all member countries.

6. We believe the BWIs should adjust their operations in a timely manner so as to meet the changing needs of their members, while maintaining their high quality standards and results-orientation. The BWIs should continue improving their lending frameworks, and consider ways to best meet their members' needs for financial assistance, while ensuring continued financial strength and minimizing moral hazard.

7. All G-20 members are committed to ensuring the continued role of the BWIs and will focus their efforts on strategic reform measures in the coming years. We will revisit these issues at our next meeting in Australia in 2006.