



February 12, 2009

## **Statement by Heads of Multilateral Development Banks and the IMF**

We the Heads of the Multilateral Development Banks and the International Monetary Fund met in Tunis on 12 February at the invitation of the African Development Bank. Discussions focused on recent developments in the global financial and economic crisis; the response of each institution; on the further action and resources required.

The financial crisis has spiraled into a global economic crisis with growth projected to fall to ½ a percent in 2009, its lowest rate since World War II. Financial markets remain under stress; currency markets are highly volatile; global industrial production and merchandise trade have plummeted since November 2008; and asset values are falling sharply. Our review of the situation in each region underlined the high levels of uncertainty and downside risks.

In emerging and developing economies the consequences go well beyond economic contraction or reductions in growth. Unlike the advanced economies, these countries simply do not have resources to bailout their financial or other sectors, to provide a package of stimulus measures, or of social protection. Access to credit has been sharply reduced as banks deleverage and meet first demands in home markets. Emerging and developing countries face the prospect therefore of a reversal of hard won economic progress and stabilization; and indeed for some, a risk of a full blown development and humanitarian crisis. The social and political strains are increasingly evident.

We underlined our commitment to play a counter-cyclical role in support of the client countries to mitigate the impact of the crisis. Our institutions are already making unprecedented efforts, in line with their respective mandates using all available instruments. These include: providing immediate balance of payment and budget support; establishing new emergency liquidity and trade finance facilities; mobilizing funding to maintain investments in critical public and private infrastructure; implementing measures to bolster the solvency and liquidity of banking systems; addressing acute financing needs in the private sector; frontloading allocations of concessional resources; speeding up implementation.

We welcomed the determination of the G20 to develop a concrete plan of action to address comprehensively the issues raised by the crisis, in time for the forthcoming G20 Leaders meeting in London in April. We noted the importance of avoiding a protectionist response; experience shows that would inflict damage on developed and developing countries alike. We emphasised that a multilateral solution that takes into account the interests of all countries, including the poorest, is vital. The MDBs and IMF can play key roles to secure such an outcome.

Our institutions will make full use of existing capital resources, but we emphasized this alone will not be sufficient given that the scale of the challenges. We urge shareholders to support those of us who will need to raise additional resources, including through early general capital increases. Other institutions may have to review constraints on the utilisation of their existing capital. We urged shareholders to take a consistent approach across the institutions. We pledged to work together based on the strategic priorities and comparative advantage of each. We agreed to do more to share information and analysis, and where possible use common procedures.

We welcome the commitments made by donors to deliver on their commitments to increase development assistance, and put into practice the actions agreed to improve development effectiveness. Consistent with the need to take immediate measures to assist now the poorer countries, we support the proposal for a vulnerability fund to which developed countries could devote a modest amount (e.g. 0.7 percent) of their stimulus packages to support the most needy in developing countries. MDBs, together with UN organizations, could channel the funds to the targeted groups. Using existing mechanisms, coupled with a robust monitoring system and safeguards for the utilization of such funds, would ensure timely and flexible delivery.

We thanked the President of the African Development Bank for bringing us together at this time. It was particularly opportune in the run up to forthcoming G7/8 and G20 meetings. The next few months will be critical in developing an effective response to the crisis and our institutions have a vital role to play. We agreed to remain closely in touch and by working together to maximize the contribution we can make.