



BRICS Finance Communiqué

Horsham, United Kingdom, March 14, 2009

1. We, the Finance Ministers and their representatives of Brazil, Russia, India and China held our meeting in Horsham, the United Kingdom, on the eve of the G-20 Finance Ministers and Central Bank Governors Meeting. We reverted once again to the current situation in the global economy and its latest trends, as well as fiscal and monetary policy responses in BRIC countries. We also discussed the forthcoming G20 Leaders' Summit agenda and the expected outcomes. We consider that the G20's position as the focal point to coordinate with global economic and financial challenges and to lead international efforts responding to the current crisis should be consolidated. We exchanged views on the reform of international financial institutions. As a result of our deliberation we deem it necessary to focus the further international efforts in the following areas.
2. We agreed that the stabilization of international financial system through recapitalization, liquidity support and cleaning of bank balance sheets with such governmental action as may be necessary is a priority. These measures are vital to rebuild confidence, maintain and support credit flow to help restore growth.
3. Presently, as many other countries, BRICs are taking measures to promote domestic demand in their national economies and will continue to do so, as necessary. While recognizing the need of such anti-crisis measures we consider it necessary to ensure that they are implemented in such a way that they would not hamper efforts needed to ensure mid-term and long-term macroeconomic sustainability according to the particular conditions of each country.
4. We realize that protectionism is an increasingly real threat to the global economy. We should avoid protectionism of all kinds and not allow it to act as a disruptive force to the global economy. Failure to do so creates risks repeating the mistakes of the past which lead to the Great Depression. World leaders must commit to work towards a prompt and successful conclusion of the Doha round, with an ambitious, comprehensive and balanced result.
5. We stress that major reserve currency issuing economies should step up information sharing and policy coordination and work to ensure that the macroeconomic policy is more balanced, proactive, coordinated and countercyclical with a view to promoting global economic recovery. We also urge developed

economies and development institutions to strengthen their support for the hardest hit developing countries to ensure the achievement of the MDGs.

6. As regards the current G20 policy agenda we realize the need to reduce the gap between the global nature of financial markets and the national character of regulation. In this context we call for achieving greater consistency in the regulatory principles that would apply to similar markets and institutions performing similar activities and strengthening cooperation between national regulators. It seems expedient that activities of such regulators should aim to reduce information asymmetries which have grown due to increasing complexity of financial markets. On the whole we share plans to reduce the procyclical character of existing regulatory practices which may induce the behavior of the financial institutions that amplify the magnitude of economic cycles.

7. We consider that all financial activities - especially those of systemic importance - must be subject to adequate regulation and supervision, including institutions which are in the "shadow banking system". Internationally important financial institutions that are systemically relevant should be effectively supervised. We therefore firmly support the suggestion broadly discussed within the G20 working groups to intensify supervision of hedge funds, and private pools of capital which have made a significant impact on global markets but for a long time had been in a shadow of international regulatory system. Rating agencies should be also subject to adequate regulation and supervision.

8. We note that the crisis has led to a massive withdrawal of private capital in 2009 and this is likely to continue in 2010. It is imperative that multilateral financial institutions should expand their lending to offset the massive decline.

9. We draw our special attention to the reform of international financial institutions. We stand for reviewing the IMF role and mandate so as to adapt it to a new global monetary and financial architecture. We emphasize the importance of a strong commitment to governance reform with a clear timetable and roadmap.

-- We consider that IMF resources are clearly inadequate and should be very significantly increased through various channels. Borrowing should be a temporary bridge to a permanent quota increase as the Fund is a quota-based institution. Hence we call for the completion of the next general review of quotas by January 2011.

-- We also call for a substantial SDR allocation.

-- We deem it necessary to develop new credit facilities that could assist countries facing financial problems. Those new facilities would bear new and more flexible approaches to the issue of conditionality and have a precautionary dimension.

-- The crisis has demonstrated that the Fund must strengthen its surveillance capability. To achieve this goal, we emphasize the importance of better-focused

even-handed surveillance across all IMF members, especially in respect to advanced economies with major international financial centers and large cross-border capital flows.

-- We call for urgent action with regard to voice and representation in the IMF, in order that they better reflect their real economic weights. In the Fund, a significant realignment of quota should be completed not later than January 2011. This is necessary to enable members more equitable and fuller participation in the Fund's efforts to play its mandate role. A rebalancing of representation on the Executive Board and DVIFC would lead to a more equitable representation of the membership.

-- We call for the study of developments in the international monetary system, including the role of reserve currencies. This would help clarify the role of the Fund in the international economy in light of lessons drawn from the crisis.

-- We also call for the swift activation of the IMF's new income model, including the speeding up of the process required for the sale of a portion of the Fund's gold.

10. We also ask for the speeding up of the second phase of voice and representation reform in the World Bank Group, which should be completed by April 2010. This process should ensure they fully reflect changes in the world economy and in this respect developing countries and emerging economies should have greater voice and representation. This process should be also aimed at equitable representation between advanced and emerging/developing countries without dilution of any individual developing members. Moreover, to fulfil a countercyclical role in the present circumstances, the World Bank should raise substantive resources from the global capital markets in order to enhance its lending capacity, including in support to trade finance. It will also need to relax the present single borrower limit and provide new funding for infrastructure projects in low and middle income countries.

It also imperative that the next heads of the IMF and the World Bank be selected through open merit-based processes, irrespective of nationality or regional considerations.

11. We welcome the decision to broaden the membership of the Financial Stability Forum (FSF) and invite as new members the G20 countries that are not currently in the FSF.

We also welcome the expansion of the Basle Committee on Banking Supervision announced today. The International Accounting Standards Board and other standard setting bodies also need to become more representative, reinforcing the presence of emerging market economies.

12. We had a fruitful discussion on other actual international financial issues and decided to enhance our collaboration, including through greater exchange of

information, in light of deepening of the global crisis. We also agreed to hold our next meeting in Istanbul prior to the 2009 Annual IMF and World Bank Meetings.