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REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

G20 FINANCE MINISTERS' AND CENTRAL BANK GOVERNORS' MEETING HELD IN LONDON ON 4 - 5 SEPTEMBER 2009

The Minister of Finance Pravin Gordhan and the Deputy Governor of the South African Reserve Bank, Dr Renosi Mokate, attended the G20 Finance Ministers and Central Bank Governors Meeting at HM Treasury in London, on 4 and 5 September 2009. The meeting focused on preparations for the Heads of States Summit scheduled for 24 – 25 September in Pittsburgh, Pennsylvania, USA.

Primarily, the meeting focused on the state of the world economy and appropriate macro-financial policies. Reforms of the World Bank and the International Monetary Fund, and the reshaping of the global financial system – particularly the strengthening of financial regulation, supervision and cooperation – also received considerable attention.

The meeting noted that there are tentative signs of recovery in the global economy, albeit uneven across countries and regions. However, the outlook remains cautious and it is too early to conclude that the recovery has gained traction. In light of this, the G20 countries committed to maintaining their current fiscal and monetary policy stimulus policies.

The G20 countries agreed that the approach on exit strategies, and the shape that these will take, depends on the sustainability of the economic recovery. The precise nature and timing of the exit strategies will be governed by national conditions. The meeting reviewed the latest data on the state of the world economy, and concluded that stimulus packages should remain in place until recovery is secured. The G20 countries remain committed to the formulation of a credible exit strategy, which will be underpinned by effective coordination between fiscal and monetary authorities, international cooperation, and communication among countries regarding policy actions. The IMF has been called on to play a surveillance role, ensuring that effective international coordination and cooperation takes place.

Concern was raised about the need to ensure that countries work toward programmes that contribute to achieving balanced and sustainable growth, given that many countries have had to increase their deficit and debt levels to unprecedented levels, and implement unconventional and conventional monetary policies. Such programmes would include a rebalancing of global demand. Countries agreed to achieve balanced and sustainable growth. In effect this means that high deficit countries would increase their savings, and high surplus countries would increase domestic demand. Efforts to increase international trade, effect structural reforms, deepen financial markets and avoid protectionism would also be implemented.

The meetings of the G20 in November last year, and April this year, radically reshaped the architecture and rules governing the global financial system. This meeting of the G20 reiterated the need for swift and full implementation of the commitments made at the Washington and London Summits. Countries have agreed on further necessary steps to strengthen the financial system, coordinated by the Financial Stability Board, including:

- Clear and identifiable progress in 2009 on delivering a framework on corporate governance and compensation practices;
- Stronger regulation and oversight for systemically important firms;
- Rapid progress in developing stronger prudential regulation;
- Delivering an effective programme of peer review, capacity building and counter-measures to tackle non-cooperative jurisdictions that fail to meet regulatory standards;
- Consistent and coordinated implementation of international standards; and
- Convergence towards a single set of high-quality, global, independent accounting standards.

In support of the commitments made at the G20 to address the impact of the financial crisis, South Africa’s fiscal and monetary authorities have, like many other countries, implemented counter-cyclical policies. The South African Reserve Bank has adopted an accommodative policy stance, having reduced interest rates by 500 basis points since December 2008.

South Africa supports the decision to promptly implement the April 2008 quota reform package. We also support further reforms to improve the quota share of emerging countries in both the IMF and the World Bank, reform their Executive Boards, and to increase the size of World Bank by one member to allow an additional African Chair. We support the move to a more open, transparent and merit-based approach to choose the heads of the World Bank and IMF.

South Africa expressed its concern about the impact of the financial crisis on low income countries, particularly those in Africa. The majority of African countries lack resources for substantial short or long term fiscal responses to the crisis, and this will impact on their ability to attain the Millennium Development Goals and alleviate poverty.

South Africa also supports the expansion of credit facilities, including the introduction of the Flexible Credit Line and a more flexible range of instruments for low-income countries. The challenge remains turning broad commitments for governance reform into action.

On reforms to the financial regulatory system, South Africa supports the initiatives of the Financial Stability Board to improve the architecture of the financial regulatory system, and mechanisms to improve collaboration and co-ordination between countries. In particular South Africa supports initiatives to regulate bankers pay and bonuses in order to reduce and minimise the excessive and reckless risk-taking culture that has infected many banks. South African regulators have been effective in regulating such risk in our banking system, and this remains an example to the rest of the world.

It is clear that the world economy still has a way to go toward complete recovery. The G20 has reaffirmed that collective and coordinated efforts will be needed globally to ensure sustainable growth, and to build a stronger and more effective international financial system.

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