

**INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON  
INTERNATIONAL MONETARY AFFAIRS AND DEVELOPMENT  
COMMUNIQUÉ**

**September 27, 2002**

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their sixty-eighth meeting in Washington, D.C., on September 27, 2002. Mr. Mallam Adamu Ciroma, Minister of Finance, Nigeria was in the chair, with Mr. Fuad Siniora, Minister of Finance, Lebanon as First Vice-Chairman, and Mr. Ewart Williams, Governor of the Central Bank of Trinidad and Tobago as Second Vice-Chairman.

The meeting of the Ministers was preceded on September 26, 2002 by the eightieth meeting of the Deputies of the Group of Twenty-Four, with Mrs. Thelma A. Iremiren of Nigeria as Chairman.

**I. Global Economic Prospects**

1. Ministers note that the current outlook for the world economy has deteriorated since they last met in April 2002 and the risks to the strength and sustainability of the global recovery have shifted predominantly to the downside. They are concerned at the sluggishness of domestic demand in major industrial countries, the persistence of deflationary pressures in Japan, and the potential for their spreading to other countries. The continued decline in global equity markets and fragility of investor confidence in international capital markets have tightened financing conditions in emerging markets and intensified the risks of a worldwide credit crunch. Developing countries have made significant progress in reforming their economies and in adopting sound and growth-oriented policies. However, Ministers are concerned about the slow pace of resolution of conflicts in several countries, the effects of the decline in commodity prices, and the depredations of drought and disease in a number of sub-Saharan African countries. Moreover, contrary to earlier expectations, the persistent difficulties in Argentina have spilled over into neighboring and other countries. The oil market is being subjected to increasing volatility by concerns about a further deterioration in the security situation in the Middle East, despite OPEC efforts to maintain stability in oil prices.

2. Ministers draw attention to the severe effects on confidence of the general decline in equity prices, amid concerns about corporate governance problems, which could have far-reaching implications on the prospects for global growth. Ministers call for prompt and decisive actions in the United States, including through the effective implementation and enforcement of corporate governance legislation, to restore investor confidence. They also call for further easing of monetary conditions if the fragile recovery does not gain momentum. Ministers call for growth-oriented structural reforms in the euro area and encourage a more flexible interpretation of the fiscal constraints of the Stability and

Growth Pact. Undue concern with inflation should not be allowed to derail the nascent recovery in the euro area. In Japan, monetary policy should be supportive of recovery, and structural reforms should be accelerated, especially in the banking sector.

3. Ministers are particularly concerned about the sharp tightening of financing conditions for emerging markets that have contributed to the deterioration of the economic situation, especially in several Latin American economies. While current difficulties in some countries are partly the result of underlying economic vulnerabilities, Ministers draw attention to the risks posed by the volatility of capital flows and the exchange rates of the major international currencies. They call for improved international cooperation to address these volatilities and to mitigate their negative repercussions.

4. Ministers reiterate their grave concern at the loss of lives and the catastrophic situation in the Palestinian territories. They greatly regret the recent deterioration in the situation and the continued destruction of capital and infrastructure provided to the Palestinian people and Authority by the international community, including the World Bank. They note the great human and economic ramifications of this grave situation for the Palestinian people, and the whole region in general. They call on the World Bank and the international community to redouble their efforts to provide badly needed humanitarian aid and to help the Palestinian people rebuild their infrastructure and institutions.

## **II. Trade**

5. Ministers note the continued depressed level of commodity prices and the persistence of protectionist practices in industrial countries in such areas as textiles and clothing, agriculture (including farm subsidies), and steel, and the excessive recourse to anti-dumping measures against more efficient competitors, which have intensified the difficulties that many developing countries are facing in a sluggish world economy. The high cost of trade restrictions for the world economy—especially for developing countries—and the benefits of their removal brings a sense of urgency for action in these areas. Ministers welcome the work of the IMF, the World Bank, and the WTO on the potential benefits to developing countries of greater market access for their exports. Market protection in advanced economies has high costs for their own consumers and plays a significant role in perpetuating poverty in the developing world. In this context, they urge industrial countries to liberalize trade in areas of particular importance to developing countries, which would also make a significant contribution to meeting the MDGs. Also, there is a pressing need to tighten the rules governing the use of trade remedy procedures, such as antidumping and countervailing measures, as well as the many standards and regulations that impede exports from developing countries. Ministers agree that developing countries themselves stand to benefit from liberalizing their own trade regimes if such liberalization is carried out in a well-sequenced manner within a comprehensive development program. Ministers look forward to fruitful and early results

from the recently launched Doha round of trade negotiations, and reiterate their call on the BWIs to help strengthen developing countries' capabilities in negotiation, implementation, and monitoring of trade agreements.

### **III. Crisis Prevention and Resolution**

6. Ministers note the initiatives being pursued by the IMF to strengthen the focus and quality of its bilateral and multilateral surveillance. They note that the effectiveness of IMF surveillance in preventing crises depends on its ability to affect the policies of its members, in particular the largest economies.

7. Ministers are generally supportive of the range of measures underway to enhance the IMF's capacity to respond to crises, including clarifying the conditions for large access to its financial resources, in particular in dealing with capital account disturbances, and the policy on lending into arrears to private creditors. Ministers note the ongoing discussions on sovereign debt restructuring. They reiterate their preference for voluntary, country-specific, and market-friendly approaches to such restructuring. They remain open-minded about recent proposals for incorporating collective action clauses into bond contracts, while being skeptical of those proposals entailing amendments to the IMF's Articles of Agreement. They note that any proposal should be framed in a way that does not impair the volume and conditions of developing country access to financial markets.

8. Ministers express serious concern that Argentina is entering an unprecedented fifth year of recession and that unemployment is approaching 22 percent. They welcome the Argentine government's sound macroeconomic management in recent months. Ministers reiterate the importance of promptly helping Argentina to regain market confidence and consolidate the recent signs of reduced market volatility and the bottoming out of economic activity. They urge an expeditious conclusion of the negotiations on a sustainable economic program to be supported by the IMF's financial resources, noting that such a program should permit a prompt recovery of economic activity.

### **IV. Implementing the Monterrey Consensus**

9. Ministers welcome the emphasis being placed on the accountability of donors and multilateral institutions, and the reciprocal responsibility of recipient countries as agreed in Monterrey and Johannesburg, and as exemplified in New Economic Partnership for Africa's Development (NEPAD). Ministers urge the integration of the Monterrey and Johannesburg agreements into the work programs of the Bretton Woods Institutions (BWIs), and encourage collaboration with the UN to monitor progress toward the Millennium Development Goals (MDGs). They also note the proposals presented in

Johannesburg that call for consideration of the debt sustainability of heavily-indebted middle-income countries.

10. Ministers are disappointed about the slow pace of implementation of commitments announced by industrial countries to increase their official development assistance (ODA), noting that agricultural subsidies of OECD countries are over six times greater than total ODA. They urge industrial countries to increase their level of ODA from the current average of 0.22 percent of GNP to 0.7 percent of GNP, in order to achieve the MDGs, particularly that of halving poverty worldwide by 2015.

## **V. Low Income Countries Support**

### **a. HIPC Initiative**

11. While welcoming the steady progress being made in the implementation of the HIPC Initiative, Ministers reiterate their disappointment that only 6 out of 38 eligible countries have reached their completion point and that some creditors have not fully joined the process. Additional funding will be required to address HIPC-to-HIPC debt relief. Ministers are concerned that, owing to factors largely beyond their control, namely overly ambitious export and growth assumptions, falling commodity prices and the global slowdown, many HIPCs are likely to have debt ratios in excess of the HIPC Initiative threshold at the completion point. In this context, Ministers stress the need to secure additional resources for topping-up debt relief and to streamline conditions and retain more realistic projections associated with debt relief. They welcome the extension of the sunset clause and urge prompt engagement with the authorities of countries that have not yet benefited from debt relief, including countries in protracted arrears, to bring them to the decision points. Ministers underscore the importance of monitoring long-term debt sustainability after the completion point. In addition, consideration should be given to recent proposals to extend debt relief beyond the HIPC Initiative—including linking debt relief to the MDGs and refocusing it on debt service rather than debt stocks. Ministers are concerned about the large financing gap in the financing of the HIPC Trust Fund and call for early donor contributions to secure regional and subregional creditors' contribution to the Initiative.

### **b. Poverty Reduction Strategies**

12. Ministers welcome the progress made in implementing poverty reduction strategies (PRS), and stress that these strategies should become the vehicle for achieving the MDGs. However, the PRS process faces several challenges—both in preparation and implementation. Ministers reiterate their call for all stakeholders to develop an appropriate framework to tackle the main challenges, including: (i) ensuring that all

domestic stakeholders are involved in the development and monitoring of national poverty reduction strategies; (ii) aligning donor strategies and assistance fully with recipient countries' priorities and budgetary implementation cycles; (iii) discussing alternative macroeconomic scenarios and policy choices, as well as contingency plans to respond to exogenous shocks; (iv) addressing the poor quality of data and weak poverty diagnostics in many Poverty Reduction Strategy Papers (PRSPs); and (v) improving monitoring and evaluation of the effectiveness of poverty reduction strategies. In order to strengthen ownership, alleviate capacity constraints, and improve the quality of PRSPs, Ministers stress the need to better harmonize and increase technical assistance efforts and strengthen coordination among donors and international agencies. The process should give room for flexibility on the timeframe for completion of PRSPs, taking into full consideration the unique conditions facing each country.

c. Post-conflict Countries

13. Ministers note the exceptional challenges faced by post-conflict countries. They reiterate their call for utmost flexibility in bringing these countries to their decision points and continued constructive engagement with countries in conflict. Ministers appreciate the contributions made by a number of countries to subsidize the IMF's post-conflict emergency assistance, and encourage additional pledges by other members.

d. IDA

14. Ministers welcome the completion of negotiations for IDA resource replenishment (IDA-13) to provide concessional multilateral external financing to low-income countries, and the compromise reached on a grant component for certain purposes. They note that only 55 percent of the \$23 billion replenishment will be sourced from fresh bilateral donor contributions.

e. Famine in Africa

15. Ministers note with concern the prevalence of famine in eastern and southern Africa as a result of the current drought. They welcome the international assistance provided so far, and urge the international community to stand ready to provide further assistance if needed. Ministers also urge the World Bank and the IMF to rapidly provide grant or highly concessional resources to ensure that, where humanitarian support is not

forthcoming, the affected populations of the countries do not face starvation as a result of a lack of financial resources.

f. Education for All

16. Ministers welcome the Education for All Fast Track Initiative and call on the donor community to provide adequate and flexible support needed to underpin this initiative.

**VII. Quotas, Governance of the BWIs, and SDRs**

17. Ministers note the decline in the size of the IMF relative to world output, trade and capital movements, and reiterate their view that the current discussions on the Twelfth General Review of Quotas should result in a substantial increase in the IMF's financial resources to strengthen its role in crisis prevention and resolution. Ministers believe that the review of the formulas used to calculate members' quotas should eliminate the existing bias that results in an underestimation of the size of developing country economies. Ministers believe that the quota distribution should reflect the relative economic positions of member countries and recent developments in the world economy. In addition, Ministers stress that, as quotas have increased by some 36-fold while basic votes per member remain unaltered since 1944, the number of basic votes should be substantially increased. The participation of developing countries in the decision-making structures of the BWIs should be strengthened—particularly for sub-Saharan Africa. Ministers reiterate their call for a general allocation of SDRs, which would help alleviate pressures from the tightening of developing countries' access to private capital markets and assist the recovery of the world economy. They also urge those countries that have not done so to ratify promptly the equity SDR allocation under the Fourth Amendment of the IMF's Articles of Agreement.

18. Ministers welcome the issuance of the first report of the Independent Evaluation Office at the IMF on the subject of the prolonged use of IMF resources, and will give its recommendations careful consideration.

**VIII. Conditionality**

19. Ministers welcome the recently revised guidelines on IMF conditionality and the ongoing work at the World Bank, which should help strengthen national ownership of reform programs and streamline conditionality. They note that further progress is needed in IMF-World Bank collaboration on country program design and conditionality in order to reduce the degree of overlap and avoid cross-conditionality, as well as to ensure a smooth application of the lead agency concept. Progress in collaboration and application of conditionality should be assessed on an ongoing basis, taking into account the feedback of the country authorities and other stakeholders.

### **IX. Anti-Money Laundering and Combating the Financing of Terrorism**

20. Ministers welcome the progress made by the IMF and the World Bank in advancing the AML/CFT effort worldwide to reduce the abuse of the international financial system. In performing their respective roles, the two institutions should ensure that the cooperative approach that characterizes their interactions with member countries is upheld. Ministers reiterate that the role of the BWIs should be consistent with their mandate and core areas of expertise, and that they should not become involved in law enforcement matters. They emphasize the importance of addressing the resource implications of this endeavor on international financial institutions and member countries' technical assistance needs in a manner that avoids weakening the institutions' effectiveness in other areas. While noting the limited progress achieved in the consultations with the Financial Action Task Force (FATF), Ministers regret that the FATF has not yet totally abolished its non-cooperative approach, as it continues to publish its Non-Cooperative Countries and Territories (NCCT) list, in which many countries believe that they have been unfairly included.

### **IX. Date and Place of Next Meeting**

21. The next meeting of the G-24 Ministers is scheduled for Friday, April 11, 2003 in Washington, D.C.

**LIST OF PARTICIPANTS <sup>1</sup>**  
**SIXTY-EIGHTH MEETING OF MINISTERS**

Washington, D.C., September 27, 2002

**African Group:** Mohamed Terbeche, Algeria; Mbuyamu I. Matungulu, Democratic Republic of Congo; Mohamed Amr, Egypt; Paul Toungui, Gabon; Yaw Osafo-Mafo, Ghana; Joseph O. Sanusi, Nigeria; M. Mpahlwa, South Africa.

**Asian Group:** Bimal Jalan, India; Tahmasb Mazaheri, Islamic Republic of Iran; Basil Fuleihan, Lebanon; Shaukat Aziz, Pakistan; Ma. Teresa S. Habitan, Philippines; Amarananda S. Jayawardena, Sri Lanka; Mouhmed El Atrash, Syrian Arab Republic.

**Latin American Group:** Leonardo Madour, Argentina; José Linaldo G. De Aguiar, Brazil; Juan Ricardo Ortega, Colombia; Lizardo A. Sosa L., Guatemala; Javier Guzman, Mexico; Julio Velarde, Peru; Jerry Hospedales, Trinidad and Tobago; Angel S. Ruocco, Venezuela.

**Observers:** Li Ruogu, China; Maricela Azcue Gonzalez, Cuba; Mohammed Daïri, Morocco; Hamad Albazein, Saudi Arabia; Faiz Mohammad Malik, Islamic Development Bank; Saleh A. Olomair, OPEC Fund for International Development; Wita Majangwoelan, Indonesia

**Special Guests:** Horst Köhler, Managing Director, IMF; James Wolfensohn, President, World Bank; Oscar de Rojas, UN; Yilmaz Akyuz, UNCTAD; Vicente E. Vallenilla, G-77; Eddy Lee, ILO; Inés Bustillo, ECLAC; Eduardo Mayobre, SELA

**Executive Directors and Alternates:**

**International Monetary Fund:** Sulaiman Al-Turki, Abdallah S. Al Azzaz, Mohamed Chatah, Abbas Mirakhor; Benhua Wei

**World Bank:** Abdulahra Almofadhi; B.P. Singh; Tariq Alhaimus; Guangyao Zhu;

**G-24 Secretariat:** Ariel Buiru, William Larralde

**IMF Secretariat:** Patrick Cirillo, Jones Morco, Kate Jonah, Alimata Kini

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<sup>1</sup>Persons who sat at the discussion table.