

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

COMMUNIQUÉ

April 23, 2004

I. GLOBAL ECONOMIC PROSPECTS

1. Ministers welcome the strengthening in global growth prospects, but note that the recovery faces some significant downside risks, such as massive payments imbalances, an impending transition to a higher interest rate environment, and persistent geopolitical concerns. They note that while economic activity has strengthened in several regions, the gains have been unevenly spread, with growth in sub-Saharan Africa in particular falling well short of the requirement for achieving sustained poverty reduction and reaching the Millennium Development Goals (MDGs).

2. Ministers consider that while the U.S. fiscal expansion, combined with a stimulative monetary stance, has helped defuse deflationary tendencies and support the global recovery, more resolute and credible action than currently envisaged will be required to put the fiscal balance on a sustainable footing and address the large current account deficit. This would help to minimize the risk of disorderly exchange rate movements and a sharp increase in interest rates that would undermine the global recovery. Ministers believe that higher growth in the European Union is essential to the continuation of the global recovery process, and see a need for a more accommodative monetary policy stance and for a deepening of structural reforms. They welcome the incipient recovery in the Japanese economy, and urge the authorities to address the lingering imbalances in the financial and corporate sectors to help boost domestic sources of growth. Ministers recognize the strong contribution that the Asian emerging market economies are making to the global recovery, and encourage a greater role for these countries in international economic policy coordination.

3. Ministers consider that to effectively address global imbalances, a cooperative multilateral approach is essential, and call upon the IMF to undertake a more proactive role in the surveillance of major economies and to establish mechanisms to ensure the effectiveness of this surveillance.

4. Ministers consider that in order to support growth and competitiveness in emerging and developing countries, IMF policy advice should allow for higher levels of investment in infrastructure. In particular, the IMF should ensure that financing from multilateral development banks for infrastructure investment, as well as the investment of commercially-run public enterprises, be accommodated in the assessment of the fiscal stance of developing countries. Ministers welcome the Bank's Infrastructure Action Plan to step up support to developing countries through increased infrastructure lending.

5. Ministers are concerned about the worsening security and economic situation in Iraq, and urge the United Nations to play an active role in addressing the political,

economic, and social problems of the country. They also express deep concern about the deteriorating situation in the occupied Palestinian Territories, the construction of a wall in the West Bank, and the adverse social and economic ramifications on the Palestinian people. Ministers call on the IMF and the World Bank to intensify their commendable assistance to the Palestinian people. Ministers welcome donors' commitment to provide Afghanistan with the necessary assistance for the country's rebuilding plans.

II. TRADE

6. Ministers underscore the importance of trade to support the balanced growth of the international economy, the further reduction of external vulnerabilities of developing countries, and the achievement of the MDGs. They call for the early and vigorous resumption of the Doha Round of multilateral trade negotiations, which should result in improved market access for developing country exports, the dismantling of tariff escalation schemes, the phasing out of subsidies in agriculture, and the removal of quotas and tariffs in such areas as textiles, clothing, and agricultural products. Ministers consider that the advancement of the Doha Round should not be delayed by lack of progress on the Singapore issues. They welcome the IMF's establishment of the Trade Integration Mechanism to help members facing adjustment costs from trade liberalization. Ministers emphasize that, to be effective, this policy should permit higher access to Fund resources, be implemented with flexibility, and be supported by technical assistance. They also welcome the advocacy role being played by the Bank, as well as its capacity-building analytical work aimed at assisting developing countries in advancing their trade agenda.

III. CRISIS PREVENTION AND RESOLUTION

7. Ministers welcome the return of financial flows to emerging markets, which in 2003 reached the highest level since 1999. This resumption of flows reflects the improved policy performance in those countries, as well as the increased liquidity of global financial markets. Ministers welcome the steps taken by emerging market economies and other developing countries to reduce their vulnerabilities to financial crises, including the build-up of large international reserves, improvements in their policy frameworks, a gradual shift toward flexible exchange rate regimes where warranted, and the continuation of structural reforms. They consider that an important additional component of crisis prevention is the provision of timely and sufficient financial support by the IMF to prevent contagion and to maintain market confidence. In this regard, Ministers regret the decision to terminate the contingent credit line (CCL) instead of improving its design to make it useable. Recognizing the volatility of financial flows, they urge the IMF to establish a new facility designed for the prevention of capital account crises.

8. Ministers note with concern the devastating effect that commodity price shocks often have on developing countries, and low-income countries in particular. They call for an early reform of the IMF's Compensatory Financing Facility to make it useable, and on the World Bank to develop instruments to assist countries to deal with commodity price

risks. Ministers call for more technical assistance from multilateral institutions to assist low-income countries to diversify their economies.

9. Ministers welcome the increasing use of collective action clauses (CACs) in sovereign bond contracts. They note that the voluntary approach has worked well in disseminating the use of CACs, and has successfully enhanced the toolkit for crisis resolution.

IV. PARTICIPATION OF DEVELOPING COUNTRIES IN THE DECISION-MAKING PROCESSES OF THE IMF AND WORLD BANK

10. Ministers express strong disappointment about the lack of progress on the issues of voice, participation, and voting power of developing countries in the IMF and the World Bank. Noting the conclusions of the March 2004 Johannesburg meeting of the African Governors on Voice and Participation of Developing and Transition Countries in the Bretton Woods Institutions, they reiterate that, in order to enhance the legitimacy of the IMF and the World Bank, the under-representation of developing countries in the decision-making processes of these institutions should be seriously and promptly addressed, as agreed in the Monterrey Consensus. Ministers consider that strengthening the representation of developing countries requires a new quota formula. Such a formula should take into account the vulnerabilities of developing countries, in particular sub-Saharan countries, and reflect correctly the relative economic position of countries in the world economy by computing gross national income on a purchasing power parity basis. In addition, basic votes should be substantially increased to restore their original role in relation to total voting power. Ministers call for the completion of work on these issues by June 2006. To this end, they call on the Executive Boards of the IMF and the World Bank to appoint an expert group to work on these issues and to produce a report within six months. Ministers invite any additional ideas on these issues to be forwarded to the Executive Boards.

11. Ministers are particularly concerned that the selection process for the Managing Director of the IMF continues to fall far short of the standards of good governance, transparency, and inclusiveness widely advocated by the IMF and the World Bank in their relations with member countries. This is inimical to the legitimacy, accountability, and credibility of the institutions. Ministers join the call by two-thirds of the member countries and large sections of the international community for an open and transparent selection process to attract the best candidates regardless of nationality, as called for in the April 2001 joint report of the working groups of the Executive Boards of the IMF and World Bank. Ministers recall that the report had been endorsed in 2001 by the IMF and World Bank Executive Boards as guidance for the future selection of the heads of the two institutions and noted by the International Monetary and Financial Committee.

V. ACHIEVING THE MDGs AND BOLSTERING SUPPORT FOR LOW- AND MIDDLE-INCOME COUNTRIES

12. Ministers express serious concern that on current trends, most MDGs will not be met by most countries, as outlined in the Global Monitoring Report. They therefore call for a scaling up of action toward implementation of the Monterrey partnership by all parties. Ministers note that while developing countries are doing their part in terms of macroeconomic stabilization and structural reforms, developed countries are lagging behind in fulfilling their commitments made at Monterrey. In particular, despite the recent nominal increase official development assistance (ODA), there has not been a significant increase in real resources to the poorest countries and aid flows are still far short of the UN target of 0.7 percent of GNP. Ministers note with concern that financial flows from the World Bank and regional development banks have declined in recent years, giving rise to a continuing net negative transfer of resources to developing countries from the multilateral development banks.

13. Ministers emphasize that the achievement of the MDGs requires a stepping up of the allocation of financial resources consistent with the commitments made at Monterrey. Accordingly, they welcome the conclusions of the recent Paris meeting on Financing for Development, which called for additional, better-harmonized, and more predictable development assistance. Ministers strongly support the proposed International Financing Facility to scale up and frontload resources to meet the MDGs, and urge donors to implement the proposal. In addition, Ministers urge further work on the creation and voluntary redistribution of additional SDRs and on global taxation options. Moreover, donor countries should improve the harmonization and coordination of their aid practices to align aid with recipient country priorities so that these countries do not have to meet multiple qualifications set by donors.

14. Ministers welcome the progress in implementing the Education for All Fast Track Initiative launched in June 2002. They acknowledge that this gives hope for the achievement of the MDG of universal primary education. However, Ministers note that the remaining challenges, particularly the issue of financing, need to be urgently addressed.

15. Ministers look forward to further progress on the development of a framework for debt sustainability in low-income countries, and stress that such a framework should lead to an increase in aid flows and an improvement in the terms and conditions of those flows. In addition, Ministers support the extension of the enhanced HIPC Initiative beyond its expected expiration in December 2004. They welcome the amendment to the PRGF-HIPC Trust instrument to provide for full topping up in cases where the member country's debt parameters were affected by exogenous factors. Ministers also look forward to the mobilization of additional resources under the self-sustained PRGF.

16. Ministers welcome the World Bank's action plan for enhancing support to middle-income countries, which have a large proportion of the world's poor. They call for increased development financing to support large unmet social needs and

infrastructure investment to help these countries meet the MDGs. This assistance should be provided on a flexible basis and on concessional terms.

VI. EXPRESSION OF APPRECIATION FOR THE FORMER MANAGING DIRECTOR OF THE IMF

17. Ministers express their appreciation for the valuable service provided by Mr. Horst Köhler during his tenure as Managing Director of the IMF. In particular, they recognize his dedication to resolving the problems of developing countries. Ministers wish him every success in his future endeavors.

VII. DATE AND PLACE OF NEXT MEETING

18. The next meeting of the G-24 Ministers is expected to take place on Friday, October 1, 2004, in Washington, D.C.

LIST OF PARTICIPANTS¹

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their seventy-first meeting on April 23, 2004 in Washington, D.C. Senator Conrad Enill, Minister in the Ministry of Finance, Trinidad and Tobago, was in the chair, with Mr. Paul Toungui, Minister of State, Finance, Economy, Budget and Privatization, Gabon, as First Vice-Chairman and Mrs. Juanita Amatong, Secretary of Finance, Department of Finance, Philippines as Second Vice-Chairman.

The meeting of the Ministers was preceded on April 22 by the eighty-third meeting of the Deputies of the Group of Twenty-Four, with Mr. Ewart Williams, Governor of the Central Bank, Trinidad and Tobago, as Chairman.

African Group: Mohammed Laksaci, Algeria; Paul-Antoine Bohoun Bouabré, Côte d'Ivoire; Farouk A. El-Okdah, Egypt; Hyacinthe Mounguengui-Mouckaga, Gabon; Ngozi Okonjo-Iweala, Nigeria; Danel Janse Van Rensburg, South Africa.

Asian Group: Y.V. Reddy, India; Ebrahim Sheibani, Islamic Republic of Iran; Alain Bifani, Lebanon; S. Aziz, Pakistan; Gil S. Beltran, Philippines; A.S. Jayawardena, Sri Lanka; Ghassan El-Rifai, Syrian Arab Republic.

Latin American Group: Oscar Tangelson, Argentina; Luiz A. Pereira Da Silva, Brazil; Gustavo Gaviria, Colombia; Lizardo A. Sosa L., Guatemala; Javier Guzman, Mexico; Javier Silva-Ruete, Peru; Alison Lewis, Trinidad and Tobago; Mary Dager, Venezuela.

Observers: Inés Bustillo, ECLAC; Eddy Lee, ILO, Suleiman J. Al Herbish, OPEC Fund; Ruogu Li, China; Hamad Albazai, Saudi Arabia; Amadou Boubacar Cissé, Faiz Mohammed, Islamic Development Bank; Miguel Chorro, CAMC.

Special Guests: Anne O. Krueger, Acting Managing Director, IMF; James Wolfensohn, President, World Bank; Jose Antonio Ocampo, UN, Jan Kregel, UNCTAD.

International Monetary Fund: Abdallah Alazzaz, Alternate ED.

World Bank: Mohamed Amr, Alternate ED; Nada Mufarrij, Senior Advisor; Haruna Mohammed Senior Adviser.

G-24 Secretariat: Ariel Buira

IMF Secretariat for the G-24: Patrick Cirillo, Jones Morco, Lorna Sibblies, Gordana Damjan Rodic.

¹Persons who sat at the discussion table.