

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

COMMUNIQUÉ

September 23, 2005

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their seventy-fourth meeting in Washington, D.C., on September 23, 2005, under the chairmanship of Mr. Paul Toungui, Minister of State and Minister of Economy, Finance, Budget and Privatization of Gabon. The meeting of the Ministers was preceded on September 22, 2005, by the eighty-sixth meeting of the Deputies of the Group of Twenty-Four, with Mr. Philibert Andzembe, National Director for Gabon, Bank of Central African States, as Chairman.

I. GLOBAL ECONOMIC PROSPECTS

1. Ministers welcome the continued expansion of the global economy and low levels of inflation, which in part reflect supportive macroeconomic policies and benign financial market conditions. They note that the increase in asset prices poses risks to growth and financial stability, and that growth divergences remain wide, with the United States, China, and most emerging market and developing countries continuing to lead the rest of the world. Correspondingly, global imbalances have widened further, which increases the risk of sharp movements in the exchange rates of the major currencies and in interest rates. Ministers believe that continued volatility in oil prices and a tightening of financial market conditions remain a possibility, and emphasize that if global imbalances are not promptly addressed, protectionist sentiment in industrial countries could intensify. While Ministers expect global economic conditions to remain favorable, they consider that downside risks have intensified, and urge a concerted and coordinated international effort to eliminate the major sources of risk.
2. In this context, Ministers call for strengthened fiscal adjustment in the United States, stepped-up structural reform in Europe and Japan, increased exchange rate flexibility and financial sector reform in Asia, and an improvement in the business climate in emerging market and other developing countries to increase investment. Moreover, they urge the International Monetary Fund (IMF) and World Bank to ensure that policy advice and conditionality are consistent with the need to unleash pent-up demand in emerging market and other developing countries. Ministers welcome the efforts of oil-producing countries to stabilize the oil market. They call for improved oil market data and transparency, continued cooperation between oil-importing and oil-exporting countries, increased investment in refinery capacity, and efforts to promote alternative energy sources.
3. Ministers welcome the recent developments in Gaza. They urge the World Bank and the IMF, along with the international community, to support the badly needed reconstruction and development in Gaza and the West Bank through financial and technical assistance, in order to promote progress towards a just and lasting peace, sustainable growth, and poverty reduction. Ministers also call on the international community to support the reconstruction

efforts in Afghanistan and Iraq in order to help these countries achieve their development objectives.

II. THE MILLENNIUM DEVELOPMENT GOALS

4. Ministers note the lack of progress towards achieving the Millennium Development Goals (MDGs), and reiterate the urgent need to take concrete action to ensure that these goals will be met. Achieving the MDGs by 2015 will require a significant increase in the level of aid and financing available to low income countries, as well as a scaling up of investment in these countries to increase growth. Ministers stress, in particular, that a rapid and frontloaded increase in official development assistance is critically important. Ministers commend donors that have already achieved the UN target of 0.7 percent of gross national income, and welcome the commitment by many donors at the recent High-Level Plenary Meeting of the UN General Assembly to establish timetables for achieving this target by 2015. They strongly urge other donors to establish similar timetables at an early date.

5. Ministers note that the proposed innovative financing mechanisms are a promising potential source of funds for the MDGs. They welcome proposals for an international finance facility, starting with its implementation for immunization projects, and work on global taxes, particularly the proposed solidarity contribution to be levied on airline tickets, which has now been implemented by some countries on a voluntary basis and is supported by others. Ministers call on the international community to work toward reaching a consensus in support of these and related mechanisms. They also call for the consideration of suitable debt conversion mechanisms to finance social and economic projects in low- and middle-income countries to achieve the MDGs.

III. DEBT RELIEF

6. Ministers note that many heavily indebted poor countries (HIPC) continue to face substantial debt burdens after reaching the completion point under the Enhanced HIPC Initiative, due, inter alia, to exogenous shocks. They call on the IMF and World Bank to ensure that debt sustainability analyses are based on realistic assumptions. They also urge the IMF and the World Bank to facilitate the HIPC process by placing more weight on country-specific circumstances and further streamlining conditionality for HIPCs in order to promote faster progress toward debt relief.

7. Ministers express strong support for additional debt relief for low-income countries. They welcome the debt cancellation proposal put forward by the G-8 Finance Ministers, which will promote progress toward debt sustainability and the MDGs, and urge that it be extended to include all low-income countries. They underscore that debt relief under the proposal should be a net addition to other resource flows to low-income countries, and that it should avoid additional conditionality apart from IDA-14 eligibility criteria that have already been approved. Ministers urge simplified procedures to make the proposal more effective. They also stress that the extension of further debt relief should not erode the IMF's and IDA's overall financial integrity, nor create an additional burden on other countries

borrowing from the IMF. Ministers look forward to an early consensus on the proposal that addresses outstanding concerns, in order to ensure its timely implementation

IV. MEDIUM-TERM STRATEGIC ROLES OF THE BRETTON WOODS INSTITUTIONS

THE IMF

8. Ministers welcome the review of the IMF's medium-term strategy. They urge the IMF to increase its focus on international policy coordination in order address risks to the international monetary system and global growth and reduce global imbalances. While agreeing that the challenge of globalization must be fully incorporated into the IMF's work, Ministers consider that the main objectives of the IMF remain valid, namely ensuring a stable international monetary system and an open trade system, as well as promoting sound policies aimed at achieving macroeconomic stability and high levels of growth and employment. Ministers underscore the importance of surveillance, financial support, and technical assistance in the IMF's work. They urge more candid and effective surveillance over systemically important economies, with particular attention to the impact of their policies on other countries and the international economy. They underscore the importance of crisis prevention and resolution and of adequate financing instruments, including through precautionary or insurance-type arrangements. For the IMF to play an important role in this respect, its resources should be commensurate with members' potential needs.

9. Ministers underscore the importance of promoting country ownership through IMF policy advice and financial assistance by providing alternative scenarios and policies. They see a need for the IMF to support the pursuit of countercyclical policies and the unleashing of pent-up demand, which could contribute to the correction of divergences in growth. Ministers welcome efforts to promote greater understanding of capital account liberalization, but consider that a cautious approach would be most appropriate.

10. Ministers underscore the importance of capacity-building and technical assistance. The IMF should work closely with country authorities to develop technical assistance strategies. Ministers continue to express strong reservations with regard to charging for such assistance.

11. Ministers emphasize that, while ensuring that transparency and good governance are enhanced, the IMF needs to maintain its role as confidential advisor. In this respect, the external communications strategy of the IMF should give due regard to members' sovereignty to avoid the perception of intrusiveness. The IMF's role in broadening the policy dialogue and consultation in member countries should be discussed and agreed with country authorities.

12. Ministers note the decline in the size of the IMF relative to trade, capital flows, current payments, and other dimensions of the world economy. In this regard, they stress the importance of the upcoming 13th General Review of IMF Quotas to bring resources into line with members' potential needs.

THE WORLD BANK

13. Ministers call on the World Bank to review its medium-term strategy in light of the findings of the 2004 Annual Review of Development Effectiveness. They urge the reassessment of World Bank country business models and global programs that are not yet fully aligned with poverty reduction goals and progress toward the MDGs. They call on the World Bank to discuss with client countries the full range of policy options for poverty reduction and the trade-offs involved, with due consideration to a realistic assessment of the political economy and implementation capacity for reform.

14. Ministers urge the World Bank Group to redouble its efforts to support the achievement of the MDGs through enhanced delivery of aid commitments, increased focus on results, effective utilization and scaling up of aid, and improved harmonization among development partners. They welcome the early implementation of a comprehensive Africa Action Plan geared towards meeting the challenges of African development. Ministers highlight, in particular, the crucial role of infrastructure, and urge the World Bank Group to consider synergies embedded in regional integration efforts in the development of World Bank programs. Urgent attention is also needed to develop alternative sources of energy for oil-importing developing countries, with financing from the World Bank and other multilateral development banks.

15. Ministers urge the World Bank group to augment its assistance to developing countries in order to support private sector development and stimulate foreign direct investment, including investment from other developing countries. They encourage technical assistance for improving the business environment, including for micro-, small-, and medium-sized enterprises. They call on the World Bank also to expand its analytical and advisory role in a manner that is more responsive to individual country needs for capacity building and institutional strengthening. Ministers reiterate the need to address the issue of net negative flows to borrowing countries, and encouraged the World Bank to continue developing a more flexible lending framework.

V. POLICY SUPPORT FOR LOW-INCOME COUNTRIES

16. Ministers welcome the IMF's efforts to respond better to the evolving demands of its low-income members. They observe that low-income countries are particularly prone to exogenous shocks. They welcome the new PRGF shocks window, which, in their view, could be complemented by a liberalized Compensatory Financing Facility that would also help finance oil price shocks. Ministers underscore the importance of streamlining the conditionality of such facilities if they are to achieve their intended purpose.

17. Ministers emphasize that the IMF will need to have sufficient concessional resources to meet both normal PRGF demands and the financing needs associated with shocks. They welcome the commitment of the G-8 to provide additional resources for PRGF financing, including for poor countries facing exogenous shocks.

18. Ministers note that the policy support and signaling instrument (PSI) is intended to catalyze reforms in low-income countries having achieved macroeconomic stability, and to enhance investor confidence. They consider that the PSI should be tailored to the needs and circumstances of individual low-income countries, and that it should be a voluntary, demand-driven instrument. Ministers reiterate that country ownership and strong policies are equally important when the use of IMF resources is not involved.

VI. TRADE

19. Ministers stress the need to make progress in the multilateral trade negotiations, and for a strong political commitment by developed countries to this end ahead of the December WTO Ministerial meeting in Hong Kong, in order to ensure that remaining stumbling blocks—particularly regarding negotiations on market access and subsidies on agricultural products—can be overcome without having to temper ambitions for the outcome of the Round. They call on the IMF and the World Bank to support the negotiations, including through on-going coordination with the WTO and other multilateral institutions, as well as initiatives recently proposed in the context of the emerging “aid for trade” agenda.

20. Ministers emphasize that IMF surveillance should focus on the implementation of trade policies of both industrial and developing countries. They urge the IMF and the World Bank to continue to evaluate and widely publicize the impact of trade restrictions and sanctions, and of subsidies to agricultural products, on debt sustainability and on global development in general. Improved access to industrial country markets—particularly through a reduction of tariff and non-tariff barriers and the phasing out of agricultural and other subsidies—will benefit all countries, and will help to promote trade liberalization among developing countries.

VII. VOICE AND REPRESENTATION OF DEVELOPING COUNTRIES

21. Ministers stress that the under-representation of developing countries continues to undermine the credibility and legitimacy of the Bretton Woods Institutions, which hinders the effectiveness and relevance of these institutions. They note that the emerging market countries, other developing countries, and economies in transition account for half of global GDP measured in terms of purchasing power parity, hold most of the world’s international reserves, and represent a majority of the world’s population. Ministers therefore reiterate that a new quota formula is needed to reflect more accurately the relative economic size of developing countries in the world economy, taking into account purchasing power parity and developing countries’ greater vulnerability to commodity price fluctuations, volatile capital flows, and other exogenous shocks. Ministers also urge a substantial increase in developing countries’ basic votes to at least restore their relative importance to what it was at the inception of the IMF; and call on the IMF and the World Bank to ensure that developing countries are adequately represented on the staff of the two institutions, both in number and in key positions.

VIII. FINANCING FOR DEVELOPMENT

22. Ministers welcome the offer by Qatar to host a follow-up conference on Financing for Development, as provided for in the Monterrey consensus, some time in 2007.

IX. DATE AND PLACE OF NEXT MEETING

23. The next meeting of the G24 Ministers is expected to take place on April 21, 2006, in Washington, D.C.

LIST OF PARTICIPANTS

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their seventy-fourth meeting on September 23, 2005, in Washington, D.C. Mr. Paul Toungui, Minister of State and Minister of Economy, Finance, Budget and Privatization, Gabon, was the Chairman, with Mr. Roberto Tan, Undersecretary of Finance, Philippines, as First Vice-Chairman, and Mr. Gerardo Hita, National Director of Projects with International Credit Organizations, Argentina, as Second Vice-Chairman.

The meeting of the Ministers was preceded on September 22, 2005, by the eighty-sixth meeting of the Deputies of the Group of Twenty-Four, with Mr. Philibert Andzembe, National Director for Gabon, Bank of Central African States, as Chairman.

African Group: Mourad Medelci, Algeria; Kablan Yao Sahi, Côte d'Ivoire; François Muamba, Democratic Republic of Congo, Mohamed Amr, Egypt; Sufian Ahmed, Ethiopia; Hyacinthe MOUNGUENGUI-MOUCKAGA, Gabon; Kwadwo Baah-Wiredu, Ghana; Ngozi N. Okonjo-Iweala, Nigeria; T.T. Mboweni, South Africa.

Asian Group: Yaga V. Reddy, India; Danesh Ja'Fari, Islamic Republic of Iran; Jihad Azour, Lebanon; Salman Shah, Pakistan; Margarito V. Teves, Philippines; Sarath Amunugama, Sri Lanka; Adib Mayaleh, Syrian Arab Republic.

Latin American Group: Hector R. Torres, Argentina; Marcio Barreira de Ayrosa Moreira, Brazil; Maria Agudelo, Colombia; Luis F. Granados-Ambrosy, Guatemala; Roberto Marino, Mexico; Renzo G. Rossini, Peru; Ewart S. Williams, Trinidad and Tobago; Rubín J. Villavicencio, Venezuela.

Observers: Oscar de Rojas, UN; Heiner Flassbeck, UNCTAD; Inés Bustillo, ECLAC; Hamad Albazai, Saudi Arabia; Kuilin Ju, China; Adnan Shihab-Eldin, OPEC; Gordon Shirley, G-77; Jabu Moleketi, Development Committee; Jagri Mohammed, Ghana; Dradjad Wibowo, Indonesia; Sultan N. Al Suwaidi, United Arab Emirates.

Special Guests: Rodrigo de Rato, Managing Director, International Monetary Fund; Paul Wolfowitz, President, World Bank.

International Monetary Fund: Sulaiman Al-Turki; Ukpong Godwill; Bhabani P. Misra; Mark Plant.

World Bank: Nada Mufarrij, Haruna Mohammed.

G-24 Secretariat: Ariel Buira

IMF Secretariat for the G-24: Parmeshwar Ramlogan, Henry Mooney, Hilda L. Scioville, Beryl Keary, Lina Zenni.