INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

COMMUNIQUÉ

April 15, 1998

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs held their fifty-ninth meeting in Washington, D.C., on April 15, 1998. Mr. Abdelkrim Harchaoui, Minister of Finance of Algeria was in the chair, with Mr. G.L. Peiris of Sri Lanka as First Vice-Chairman, and Mr. Germán Suárez of Peru as Second Vice-Chairman. The meeting was attended by Mr. Michel Camdessus, Managing Director, International Monetary Fund; Mr. James Wolfensohn, President, World Bank; Mr. Alexander Shakow, Executive Secretary, Development Committee; Mr. Makarim Wibisono, Chairman of the Group of 77; Mr. Nitin Desai, Under-Secretary-General, United Nations; Mr. Rubens Ricupero, Secretary-General, UNCTAD; Mr. G.K. Helleiner, G-24 Research Coordinator; Mr. Y. Seyyid Abdulai, Director-General, OPEC Fund for International Development; Mr. Isaac Cohen, Director, Economic Commission for Latin America and the Caribbean; Mr. Ousmane Seck, Vice President, Islamic Development Bank; Mr. Liu Ming Kang, People's Republic of China; Mr. Fathallah Oualalou, Morocco; Mr. Abdulrahman Al-Tuwaijri, Saudi Arabia; Mr. Trevor Manuel, South Africa; and Mr. Nicolas Eyzaguirre, Chile.

The meeting of the Ministers was preceded on April 14, 1998 by the seventy-first meeting of the Deputies of the Group of Twenty-Four, with Mr. Mohamed Terbèche of Algeria as Chairman, Mr. Dickson Nilaweera of Sri Lanka as First Vice-Chairman, and Mr. Oscar Hendrick of Peru Second Vice-Chairman.

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I. The World Economy

1. Ministers note with concern that the growth performance of the world economy has been weaker than expected, due predominantly to the Asian crisis. While the financial crisis may have been contained to a large extent as a result of the courageous efforts by affected countries with unprecedented support from the international community, the full repercussions of the Asian crisis have yet to run their course, particularly where the economies of the developing countries are concerned. In particular, the decline in oil and other primary commodity prices and the reevaluation of country risks—resulting in decreased investment and financial flows to the developing countries—are likely to delay the affected countries' adjustment and increase social costs. This in turn adversely affects these countries' growth prospects and limits their strong contribution to the world economy. Developments in some major industrial countries also add to uncertainties regarding prospects for global growth.

II. The International Monetary System

2. The Asian crisis, which has triggered deflationary pressures throughout the world, demonstrates the importance of intensifying cooperation among developed and developing countries on the one hand and the international financial institutions on the other hand in the process of integrating the developing countries into the global economy. At the same time, the imminent introduction of a new currency—the euro—into the global economy creates more challenges for macroeconomic policy formulation associated with the functioning of the international financial system so far based on national currencies. These developments call for strengthened international cooperation to improve the functioning of the global economy in order to reduce the potential costs and risks of globalization for its participants and to ensure that the potential benefits accrue to all countries.

3. The Group of Twenty-Four calls for a wide-ranging review by a Task Force comprising industrial and developing countries—with representation based on the principle of inclusion, not exclusion—of the following issues:

-the capacities and modalities of the international monetary and development finance institutions to prevent, and to respond in a timely and effective manner to, crises induced by large-scale capital movements;

-the appropriateness of the conditions prescribed by these institutions to deal with such crises;

-the equitable sharing of the costs of post-crisis financial stabilization among private creditors, borrowers, and governments;

-the more effective surveillance of the policies of major industrialized countries affecting key international monetary and financial variables, including capital flows;

-the strengthening of social safety nets as integral elements of stabilization and adjustment programs to protect the most vulnerable segments of the population;

-the increased representation and participation of developing countries at the decision-making level of international financial institutions to properly reflect developing countries' growing role in the world economy, including through the revision of the bases determining the voting power in these institutions; and,

-the need to enhance the role of SDRs in the international monetary system to achieve greater stability, particularly in view of the prospect of an emerging polarization around three major currencies.

4. The central role of the IMF in the international monetary system and the deterioration of its liquidity position emphasize the need to increase the IMF's ordinary resources. Ministers therefore urge members to accelerate the implementation of the quota increase under the Eleventh Review.

III. Capital Account Liberalization

5. Ministers recognize that the benefits of further liberalization of capital movements depend on the prevailing circumstances of each country. Given the universal nature of the Fund's membership, Ministers believe that the IMF can play a leading role in promoting an orderly and gradual liberalization of capital movements, while being sensitive to the particular situation of each country, and in the context of well-specified policies and, where needed, adequate technical assistance. To this end, any amendment of the Articles of Agreement should be designed to promote cautious and well-sequenced capital account liberalization. This would also entail amending the Articles of Agreement to eliminate current limitations on the use of Fund resources in the event of capital outflows.

IV. Governance

6. Ministers reaffirm their commitment to the principles of good governance—which include transparency, accountability, and the rule of law—and support the fight against corruption, money laundering, and all other forms of economic crime. They welcome the principles expressed in the OECD Convention on Combating Bribery of Foreign Public Officials, asserting that the fight against corruption must be carried out on the basis of symmetry with regard to the responsibility of both developed and developing country governments.

7. Ministers are following with interest the ongoing process toward reaching agreement on key principles of fiscal transparency and emphasize the need for their symmetrical application, with due regard to countries' institutional arrangements and capabilities and resource constraints. They stress the need for the international community, in particular the IMF, to provide the necessary technical assistance to help countries meet the requirements of these principles.

V. Replenishment, Resource Mobilization, and the Treatment of Debt

8. To enable heavily indebted countries to achieve sustainable growth, Ministers reiterate their call for provision of substantial concessional financial flows to these countries and for a flexible treatment of their external debt.

9. Ministers express their deep concern that official development assistance (ODA) from the OECD countries fell to 0.25 percent of GNP in 1996—the lowest level in the last three decades—and that ODA has continued in 1997 its declining trend that began in the early 1990s. In particular, they note that this decline comes at a time when the poorest countries are in need of ODA to fight poverty. In this context, they reiterate their call on the international donor community to reverse this trend, with a view to achieving the 0.7 percent of GNP goal. They stress again the need to replenish IDA-12 resources to a level at least equivalent to IDA-10 in real terms.

10. Ministers welcome the recent internal and external evaluation of experience with the Enhanced Structural Adjustment Facility (ESAF), which remains an important vehicle for fostering adjustment and growth in low-income countries. They attach great importance to an

early implementation of the findings of these reviews in order to strengthen this facility, in particular with regard to the social implications of adjustment and program ownership.

11. Ministers note with concern the delays and difficulties in securing the financing of the continuation of ESAF operations and of the Heavily Indebted Poor Countries (HIPC) Initiative. They reiterate their view that, in order to achieve this objective, there is an urgent need that: (i) the question of bilateral contributions be satisfactorily resolved by all creditors on an equitable burden-sharing basis, particularly by finalizing bilateral commitments; and (ii) decision be taken with regard to the optimization of the management of the Fund's reserves, including through the sale of a portion of its gold holdings.

12. Ministers welcome the progress report on the implementation of the HIPC Initiative. However, they note that implementation is still slower than expected. They believe that enhancing the effectiveness and credibility of the Initiative will require that: (i) flexibility be introduced in the implementation of the Initiative, so as to extend the benefits to a larger number of developing countries; and (ii) efforts also be made to reduce substantially the time needed for effective debt relief for eligible countries, including through the shortening of the period between decision and completion points.

13. Ministers endorse the debt initiative expressed in the Mauritius Mandate, and reiterate the need for further efforts to seek permanent, creative, and timely solutions to the debt problem, within the context of an equitable burden-sharing arrangement.

14. Ministers acknowledge the continued efforts by African Governors and governments to enhance human resources and to strengthen institutional capacity in sub-Saharan Africa. They reiterate their call on the donor community to provide the necessary support to the Partnership for Capacity Building in Sub-Saharan Africa.

15. Ministers welcome the agreement to increase the capital of MIGA, which they view as a positive indication of the will to mobilize other resources in support of sustainable growth, especially in the developing countries. Ministers believe that increasing the capital of MIGA will enable it to expand the scope of its involvement to ensure better coverage of development-related fields.

16. Ministers considered issues raised by a decline in IBRD net income at the same time that potential demands on this income were increasing. They urge the Bank's Executive Board to review, on an urgent basis, all available options and to make appropriate recommendations based on the principle of equitable burden sharing, while permitting it to meet its members' highest priorities for the use of net income.

17. Ministers wish to express their satisfaction with the ongoing efforts of the multilateral development banks (MDBs) in the areas of coordination, consultation, and information exchanges. They believe that the coordination of MDB activities should be widened to involve the appropriate targeting of areas of intervention, in light of these institutions' mandates and actual financing capacities.