

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

COMMUNIQUÉ

April 15, 2000

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs held their sixty-third meeting in Washington, D.C., on April 15, 2000. Mr. Germán Suárez, President of the Central Bank of Reserve of Perú was in the chair, with Mr. Ernest C. Ebi as First Vice-Chairman, and Dr. Habib Abu Sakr of Lebanon as Second Vice-Chairman.

The meeting of the Ministers was preceded on April 14, 2000 by the seventy-fifth meeting of the Deputies of the Group of Twenty-Four, with Mr. Carlos Saito of Perú as Chairman.

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I) World Economic Outlook and Policy Challenges

1. World economic and financial conditions improved during 1999, providing a favorable outlook for the continuation of the global recovery. While several emerging market countries have returned to a growth trajectory much faster than expected, significant risks, vulnerabilities, and constraints as well as high levels of poverty and debt persist in many parts of the developing world. In this context, excessive increases in short-term interest rates in major industrial countries may negatively affect global growth prospects and the cost of credit for the developing countries. Large fluctuations among the exchange rates of the major international currencies are a major source of vulnerability for developing countries. The current trade policy stance of industrial countries constitute a major barrier to the growth prospects of developing countries.

II) Trade and Poverty Reduction

2. In order to help sustain global growth prospects and enhance poverty reduction efforts, progress must be accelerated on lowering barriers to developing country exports?especially granting full access for all exports from the least developed countries. Developing countries must become more active partners in the next round of multilateral negotiations that confront real issues in “sensitive products,” where they have a comparative advantage, in order to obtain substantial benefits from full market access and the reduction of trade barriers. Ministers emphasize the need for a well-sequenced and balanced approach toward the further integration of developing countries?particularly the poorest?into the global trading system. They are of the view that the World Bank and the regional development banks have an important role to play in

capacity building and infrastructure development to further and accelerate that integration. The BWIs must continue to provide effective support in the research on trade barriers and to assist developing countries to increase their capacity to identify and defend their interests. Training officials to negotiate will ensure more adequate representation and increase ownership. Ministers also support the ongoing efforts by the International Task Force on Commodity Risk Management in Developing Countries, led by the World Bank, to develop ways to hedge against severe fluctuations in commodity prices.

III) Financing of the Enhanced HIPC Initiative

3. Ministers strongly support the enhanced HIPC Initiative. They stress the importance of rapid implementation and of the timely and adequate funding to ensure that the principles endorsed by the International Monetary and Financial and Development Committees in September 1999 are fully implemented. These principles require that: (1) Debt relief should be additional to the resources that otherwise would have been available for development finance; (2) Financial integrity of the multilateral financial institutions is protected; and, (3) Burden sharing must be fair and equitable.

4. Ministers emphasize that the preparation of Poverty Reduction Strategy Papers (PRSPs) in a participatory process is a demanding and time-consuming undertaking for HIPCs, which should not delay the provision of debt relief. In this context, they consider that the use of Interim-PRSPs should be sufficient to reach the decision point under the Initiative. They expect the Bank, the Fund, and the donor community to provide technical assistance and funding for the design and implementation of both the Interim and full-fledged PRSPs.

5. Ministers express deep concern regarding the insufficiency of bilateral contributions from donor countries for the HIPC Trust Fund to finance the share of debt relief from the World Bank and other multilaterals. They caution that debt-service forgiveness granted by IDA to cover its own share of debt relief may compromise the future availability of IDA lending for HIPC and non-HIPC Initiative poor countries. More generally, slow legislative action on the part of industrial countries for the funding of the components of the Initiative is delaying their bilateral contributions, including for the transfer of the remainder of the investment income from gold transactions to finance the IMF's share.

6. Ministers note that the HIPC Initiative's funding arrangements shift a disproportionate burden of the cost of the Initiative to other developing countries, including other HIPCs and other poor countries. These arrangements also demand a substantial contribution from other multilateral organizations, which are encountering difficulties in financing their share of HIPC debt relief. In this context, Ministers consider that, in order to secure the success of the Initiative, a strategy be developed to address these problems; including through the provision of additional bilateral and multilateral grants to support contributions from such developing countries and regional institutions. Particular attention should be given to providing financial support that would allow the participation of those developing countries whose claims on HIPCs represent a high proportion of their GDP and exports.

IV) Reform of the Bretton Woods Institutions

7. Ministers welcome the debate within and outside the BWIs on reform of the international financial system, which should focus on developing ways to increase further their effectiveness as key institutions for fostering sustainable economic growth and poverty reduction. They reaffirm the crucial importance of the cooperative nature of the BWIs, the universality of their memberships, and the principle of uniformity of treatment of their members. They stress that the principles contained in the Articles of Agreements of the BWIs and in the practices and policies that have evolved through experience should not be taken lightly.

8. Ministers express serious concern about proposals for the reform of the BWIs in ways that would deprive access to either IMF or World Bank Group resources for any group of members, and especially for the poorer members whose eligibility for other sources of assistance is dependent upon the catalytic role performed by the BWIs. They regard proposals for raising the cost of access to the BWI facilities as shifting the burden of resource provision from one set of developing countries to another. In this context, Ministers have strong reservations regarding any significant shortening of maturities for IMF facilities that are provided in support of members experiencing balance of payments disequilibria of a structural character and that could not be corrected in short order. They call for further work on how the Contingent Credit Lines could be modified to improve incentives for its use through moderating its cost, reducing the potential risk of sending negative signals to markets, and simplifying procedures on its activation. Ministers underscore the importance for the BWIs to maintain a range of instruments to address the needs of their diverse memberships.

9. The establishment of the Poverty Reduction and Growth Facility is an important step forward in continuing the Fund's proactive approach, together with the World Bank, in support of low-income countries. The renewed emphasis on country ownership of policies and a participatory approach to program design is welcome.

10. Ministers expect the IMF to continue to play a facilitating role in debt crisis management, and to help in developing a cooperative framework of principles and procedures for the equitable negotiation of debt restructuring agreements when this become unavoidable.

11. Ministers are concerned about the increasing role being taken in international monetary and financial affairs by international fora other than the BWIs in which the representation of developing countries is limited. The work of these fora has a direct bearing on developing countries. Therefore, Ministers urge that such issues should be considered within the BWIs, given their universal membership, and that agreements be reached in their decision making bodies.

12. Ministers urge the Executive Boards of the BWIs to design a process for the selection of the Managing Director of the IMF and the President of World Bank that is transparent, involves the entire membership through the Executive Boards, and allows the selection of the best candidate from any part of the world.

V) Surveillance, Standards, and Safeguards

13. Ministers regard surveillance as one of the most important functions of the IMF. Effective surveillance must be exercised over all members and include the regional and international implications of the domestic policies pursued by the largest economies. Ministers call for stronger efforts at surveillance of the largest countries, with a view to enhancing policy coordination to reduce volatile movements in foreign exchange and other financial asset markets.

14. While they welcome the development of international codes, standards, and best practices, Ministers consider that the scope of surveillance should not be extended to cover the observance of such standards and codes, which should remain a voluntary choice by each member. Ministers expect the BWIs and other organizations to be prepared to intensify technical assistance in their respective areas of competence to countries seeking to implement codes and standards.

15. Ministers recognize that transparency is crucial as a demonstration of ownership and for the promotion of accountability and good governance, for attracting private capital flows to developing countries, and for crisis prevention. They also stress that transparency should uniformly apply to all players in the international financial system developed and developing countries, private, public, and multilateral institutions alike. However, Ministers emphasize that it is essential to safeguard the Fund's role as confidential and trusted advisor.

16. While noting that cases of misreporting to the Fund have been rare, Ministers regard it as a serious matter especially when it has been determined to have been deliberate. They consider the recent decisions on safeguarding the use of Fund resources to be acceptable. However, Ministers propose that the Fund proceed with due caution in order not to jeopardize its relations with member countries. Parallel efforts should be made to provide technical assistance to improve the data collection and reporting capabilities of member countries.

17. Ministers reiterate that the Fund's financial support should not be based on the choice of any particular exchange rate regime, as long as the regime in place is based on consistent and sustainable macroeconomic policies.

VI) Intensifying Action Against HIV/AIDS

18. Ministers express serious concern about the alarming pace at which the HIV/AIDS epidemic is spreading in different parts of the world, and they stress that it is not only a health hazard, but also a serious threat to development. They urge the donor community, including the World Bank, to give their highest priority to securing the required funding for HIV/AIDS programs.

VII) Small States

19. Ministers take note of the Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, and they await its further consideration.

VIII) Other Issues

20. Ministers welcome the work of the Preparatory Committee for the United Nations High Level International Intergovernmental Event on Financing for Development (Prepcom).

21. Ministers welcome the appointment of Horst Köhler as the Managing Director of the IMF and look forward to his leadership of the institution. They express their appreciation for the support that developing countries received from Michel Camdessus during his tenure.

IX) Date and Place of Next Meeting

22. The G-24 Ministers will meet again on September 23, 2000 in Prague, Czech Republic.

LIST OF PARTICIPANTS

SIXTY-THIRD MEETING OF MINISTERS

Washington, D.C., April 15, 2000

Chairman: Germán Suárez, President, Central Bank of Reserve, Peru
First Vice-Chairman: Ernest Ebi, Deputy Governor, Central Bank, Nigeria
Second Vice-Chairman: Habib Abu Sakr, Director General, Ministry of Finance, Lebanon

African Group: A. Benachenhou, Minister of Finance, Algeria; Dzon Mathias, Minister of Economy, Finance, and Budget, Congo; N’Golo Coulibaly, Minister of Finance, Côte d’Ivoire; Mohamed Amr, Alternate Executive Director, Egypt, World Bank; Sufian Ahmed, Minister of Finance, Ethiopia; Emile Doumba, Minister of Economy and Finance, Gabon; Emmanuel Martey, Special Adviser, Ministry of Finance, Ghana; Ernest Ebi, Deputy Governor, Central Bank, Nigeria.

Asian Group: Yashwant Sinha, Minister of Finance, India; Mohsen Noorbakhsh, Governor, Central Bank, Islamic Republic of Iran; Oussama Himani, Advisor to Executive Director, Lebanon, IMF; Shaukat Aziz, Minister of Finance, Pakistan; F.E.R. Alfiler, Advisor to Executive Director, Philippines, World Bank; G.L. Peiris, Deputy Minister of Finance, Sri Lanka; Khalid Al-Saad, Executive Director, Syrian Arab Republic, World Bank.

Latin American Group: G. Zoccali, Alternate Executive Director, Argentina, IMF; Marcos de Paiva, Secretary of International Affairs, Ministry of Finance, Brazil; Roberto Junguito, Alternate Executive Director, Colombia, IMF; Lizardo A. Sosal, President, Central Bank, Guatemala; Javier Guzman Calafell, Director, External Affairs, Central Bank, Mexico; Renzo G. Rossini, Chief Economist, Central Bank, Peru; Brian Kuei Tung, Minister of Finance, Trinidad and Tobago; Diego Luis Castellanos, Governor, Central Bank, Venezuela.

Observers: G. Le Font, International Director, Central Bank, Chile; Xiao Gang, Deputy Governor, People’s Bank of China; Mohammed Dairi, Alternate Executive Director, Morocco, IMF; Hamad S. Albarai, Deputy Minister, Finance and National Economy, Saudi Arabia; Timothy T. Thahane, Deputy Governor, Central Bank, South Africa.

Special Guests: Stanley Fischer, International Monetary Fund; James Wolfensohn, World Bank; Tarrin Nimmanahaeminda, Development Committee; Oscar de Rojas, United Nations; Yilmaz Akyuz, UNCTAD; Eddy Lee, International Labor Organization; William Larralde, G-24 Liaison Office; Dani Rodrik, G-24 Research Coordinator; Y. Seyyid Abdulai, Saleh A. Alomair, OPEC

Fund for International Development; Helvia Velloso, ECLAC; M. Ahmad, Islamic Development Bank; Mounir Zahran, Group of 15.

Executive Directors and Alternates

International Monetary Fund: Abdulrazak Faris Al-Faris, Alexandre Barro Chambrier, Wei Benhua, José Pedro de Morais, Jr., Ana Maria Jul, Vijay Kelkar, Hernan Oyarzabal.

World Bank: Inaamul Haque, Ivan Rivera, Haneen Sayed, Xian Zhu.