

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

Communiqué

November 14, 2001

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their sixty-sixth meeting in Paris, France, on November 14, 2001. Sen. Jubril Martins-Kuye, Minister of State for Finance, Nigeria was the Chairman, with Mr. Alain Bifani of Lebanon as First Vice-Chairman, and Ms. Sheelagh de Osuna of Trinidad and Tobago as Second Vice-Chairman.

The meeting of the Ministers was preceded on November 13-14, 2001 by the seventy-eighth meeting of the Deputies, with Dr. Ernest C. Ebi of Nigeria as Chairman.

I. Confronting Growth and Development Challenges through International Cooperation and Solidarity

1. Ministers condemn the terrorist attacks of September 11 and express their deep regret for the tragic loss of innocent lives. These unfortunate events have taken a significant toll on the already weakening global economy, with particularly devastating effects on developing countries. Ministers stress that, in the exceptional circumstances facing the international community, achieving peace, strengthened cooperation and solidarity are all the more required to overcome the major challenges facing all countries.

2. Recent developments have highlighted the speed and intensity of negative shocks impacting on all countries with far-reaching consequences on the stability of the international financial and trading systems. In an increasingly interdependent world, there is an urgent need for the international community to reduce uncertainty and volatility and to cushion affected countries from such negative shocks by helping them to resume economic growth and development.

3. Ministers reaffirm their commitment to work toward the goal of improving the lives of people in all countries, particularly in the poorest, through the pursuit of policies that promote macroeconomic and financial stability, support faster growth, reduce poverty, and respect all countries' sovereignty. In this regard, Ministers welcome the pledges made by the Managing Director of the IMF in his October 5 statement and the reassurances given by the President of the World Bank, indicating the concrete steps the Bretton Woods institutions are prepared to take in support of developing countries.

II. Global Growth Prospects

4. Ministers express deep concern about the worsening prospects for global growth and the synchronized nature of the slowdown among the United States, Japan, and the European area. Growth has slowed sharply in the United States and Europe, while Japan has slipped back into

recession. World trade is expected to grow by only 1.5 percent in 2001, compared to 12.4 percent in 2000. Growth of exports from developing countries is projected to plummet from 19 percent in 2000 to only 3 percent in 2001. Commodity prices have continued to fall, with non-oil commodity prices projected to fall by at least 5 percent in 2001 and oil prices also dropping steeply.

5. Ministers stress that developing countries are the most severely affected by the serious slowdown of the world economy through a number of channels. Declining external demand for their products, falling commodity prices, lower tourist receipts, restrictions on market access, increasing risk aversion in financial markets and lower levels of foreign direct investment will substantially reduce growth. For most developing countries, the September 11 terrorist attacks have led to large increases in transaction costs, principally of insurance and transportation, while income from tourism has dropped sharply along with a decline in export earnings. Net private capital flows to emerging markets are set to turn negative for the first time in a decade. Capital market financing has declined sharply in the first half of 2001 and spreads have widened significantly. Moreover, the prospect of large segments of the capital markets remaining closed to emerging country issues and the slowing of foreign direct investment could lead to lower investment spending and to an erosion of debt sustainability and macroeconomic stability, thereby further weakening growth prospects.

6. Ministers express concern that the convergence of these negative forces could have a severe impact on living standards, financial stability, and the success of the reform efforts in the developing world. Poverty reduction programs will be hurt, unemployment could increase, and per capita income growth could stall or decline. In turn, the already weak social safety nets in developing countries could be further strained by the human costs of the slowdown.

7. Ministers express particular concern about the effects of these developments on low-income countries. Strong reform efforts were bearing fruit particularly in Africa, and HIPC Initiative countries were beginning to benefit from some debt relief. However, recent developments could derail this progress. In particular, the gains in standards of living in Africa are expected to be reversed, making it more difficult to contain the already high human cost of the HIV/AIDS pandemic, for which special international support is required. In this context, Ministers stress the need to provide further resources—especially official development assistance, case-by-case Paris Club interest payment postponements on rescheduled debt, and the fulfilling of commitments to the HIPC Trust Fund—as well as more technical assistance to help countries face the new challenges and continue their adjustment and reform efforts. Consideration should be given to addressing the debt sustainability of middle-income heavily indebted countries and non-HIPC low-income countries.

8. In these circumstances, Ministers reaffirm their commitment to continue pursuing sound macroeconomic policies in their own countries consistent with sustained growth. However, owing to weaker global demand and the closing of access to financial markets, the conventional policy response of contracting domestic demand or depreciating their currencies may not help developing countries overcome the challenges of worsening external conditions. Moreover, the global economic downturn would significantly worsen if such policies were followed by all developing countries. In this regard, it is essential that the advanced economies take urgent

additional steps to boost global growth. The steps already taken to ease monetary policy are welcome and should be supported by further easing, while well-designed fiscal stimulus should be implemented quickly. In order to boost sagging confidence and the prospects for global growth, broad-based trade liberalization should ensure better market access to products from developing countries. Other structural reforms—especially in the labor and product markets—should also be pursued with added urgency.

9. Ministers stress the urgency of substantially improving the trading opportunities and capacities of developing countries in current trade negotiations. In this regard, it is imperative that advanced economies eliminate subsidies, severely limit their import restrictions—especially for agriculture and textiles—and curtail other non-trade barriers that seriously impede trading opportunities for developing countries. Substantially greater flexibility on trade-related intellectual property rights is needed—especially with respect to urgent public health matters.

III. Combating Money Laundering and the Financing of Terrorism

10. Ministers reaffirm their support for international efforts to combat money laundering and the abuse of the international financial system. They also stress that the IMF's role in combating money laundering and the financing of terrorism should be consistent with its mandate and core areas of expertise. Ministers underline that the IMF is not a law enforcement agency. The abuse of the international financial system through the conduct of illegal activities hurts development prospects and undermines the integrity of financial sectors. In this context, it is important to develop an internationally cooperative strategy, which should encompass not only offshore financial centers, but also large capital-market centers of developed countries where most of the financial flows originate or through which they pass. Ministers welcome the recent UN resolutions in combating terrorism and the ongoing efforts to strengthen the FATF recommendations, and they stress that greater international cooperation among international bodies is needed. It is important that more developing countries are appropriately represented in the FATF and other relevant bodies. Of equal importance, the monitoring of the implementation of internationally-agreed standards must be done in a uniform, cooperative, and voluntary basis, which should take into account the members' capabilities and stage of financial sector development. Ministers stress the importance of additional technical assistance to developing countries to strengthen their financial systems and to help correct deficiencies in members' regulatory frameworks to combat money laundering and financial abuse.

IV. Financing for Development

11. Ministers consider that the process leading to the UN Conference on Financing for Development (ICFD) offers a unique opportunity to focus international political will on mobilizing substantial means and intensifying concerted action to reduce poverty, fulfill the Millennium Development Goals, and advance the development of all countries. They point out that, although the ICFD should not be seen as a venue for redesigning the international financial architecture, it should be a forum for discussing and reaching agreement on selected national, international, and systemic issues of principle and as the starting point of better international cooperation for development through the engagement of all countries and multilateral institutions in coming decades. Ministers underline that national efforts to create an enabling domestic

environment for investment can bear fruit in a globalized world economy only if the international environment is supportive of and conducive to a significant and stable flow of international resources to developing countries. In light of the current environment, Ministers urge that agreement be reached rapidly on increasing official development assistance from the current 0.22 percent of GNP toward the UN goal of 0.7 percent of GNP.

V. Actions Proposed for the IMF and the World Bank

12. Ministers call for the following actions:

- The IMF should continue to keep the current global economic situation under close review. The IMF and the World Bank should ensure that they are ready and able to provide appropriate financing in a timely manner, including Bank guarantees, to member countries affected by recent external shocks and which are committed to sound macroeconomic and structural policies;
- The IMF should ensure that global liquidity is sufficient and adequately distributed, including by undertaking an early consideration of a general SDR allocation. The Fourth Amendment of the Fund's Articles of Agreement to implement the pending special, one-time allocation of SDRs should be ratified immediately by those countries that have not yet done so;
- In light of the challenges posed by globalization, the universal membership and the unique cooperative character of the Fund, the quota formulas should reflect members' relative economic size, their potential need for Fund resources, their vulnerability to changes in market sentiment and access to private capital flows, and their capacity to contribute. In this regard, the quota formula governing future general increases should allow for the strengthening of the representation of developing countries, and in particular sub-Saharan African countries, in the voting and quota structure of the Fund;
- A General Capital Increase for the World Bank should be negotiated in order to strengthen its capacity to meet the expected call on its resources by developing countries;
- The IMF and the World Bank should expedite the provision of more generous debt relief under the HIPC Initiative. They should keep under constant review countries' debt sustainability analyses. Utmost flexibility under the framework should be exercised and the international community should ensure that adequate aid resources are made available in addition to debt relief;
- The full financing of the interim PRGF should be secured immediately, and the possibility of mobilizing additional resources should be considered in the context of the interim PRGF to permit increased support of low-income members in the immediate circumstances;
- The replenishment of IDA-13 should be completed urgently, and country allocations should be made up-front in view of the extraordinary development challenges facing IDA-eligible countries;
- Multilateral development assistance should be increased and better coordinated with bilateral and other donor assistance to reduce transaction costs and bring about greater coherence in development efforts;
- The IMF and the World Bank should provide additional technical assistance to developing countries to strengthen their institutional capacities; and

- The World Bank, along with the regional development banks and bilateral export credit agencies, should consider ways of facilitating the trade financing for developing country exports. In that regard, there should be a speedy implementation of the initiative established by the World Bank on the International Task Force on Commodity Risk Management in Developing Countries, which could address the adverse impact of price volatility on developing countries.

VI. Date and Place of Next Meeting

13. The Ministers agree to meet again on April 20, 2002 in Washington, D.C.

Attachment

LIST OF PARTICIPANTS

INTERGOVERNMENTAL GROUP OF TWENTY-FOUR

ON INTERNATIONAL MONETARY AFFAIRS

SIXTY-SIXTH MEETING OF MINISTERS

Paris, France, November 14, 2001

African Group: Lansina Bakary, Côte d'Ivoire; M. Abul-Eyoun, Egypt; Emile Doumba, Gabon; Suleiman D. Kassim, Nigeria; Jason Milton, South Africa.

Asian Group: Adarsh Kishore, India; Mohsen Nourbakhsh, Islamic Republic of Iran; Mohamed Chatah, Lebanon; Ishrat Husain, Pakistan; Diwa C. Guinigundo, Philippines; A.S. Jayawardena, Sri Lanka; Mohammed Imady and M. Khaled Mahayni, Syrian Arab Republic.

Latin American Group: Alberto J. Kaminker, Argentina; Murilo Portugal, Brazil; Juan Camilo Restrepo, Colombia; Mario Garcia-Lara, Guatemala; Moises Schwartz, Mexico; Carlos Saito, Peru; Alison Lewis, Trinidad and Tobago; Angel S. Ruocco, Venezuela.

Observers: Marcelo Garcia, Chile ; Zhu Guangyao, China; Abdullah Alazzaz, Saudi Arabia.

Special Guests: Horst Köhler, Managing Director, IMF (by videoconference); James Wolfensohn, President, World Bank (by videoconference); Jack Boorman, International Monetary Fund; Faiz Mohammed, Islamic Development Bank; Y. Seyyid Abdulai, Organization of Petroleum Exporting Countries, Fund for International Development; Oscar de Rojas, United Nations; Yilmaz Akyuz, United Nations Conference on Trade and Development; Jean-Daniel

Leroy, International Labour Organization; Eduardo Mayobre, Latin American Economic System (SELA); Amar Bhattacharya, World Bank

Executive Directors and Alternates:

International Monetary Fund: A. Barro Chambrier; Abbas Mirakhor

World Bank: Mohamed Amr; Richard H. Kaijuka

G-24 Liaison Office: William Larralde, Director

G-24 Secretariat: Patrick Cirillo, Patric Martin, Kate Jonah.