

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

April 19, 2002

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their sixty-seventh meeting in Washington, D.C., on April 19, 2002. Mr. Mallam Adamu Ciroma, Minister of Finance, Ministry of Finance, Nigeria was in the chair, with Mr. Alain Bifani, Director General, Ministry of Finance, Lebanon as First Vice-Chairman, and Senator Conrad Enill, Minister in the Ministry of Finance, Trinidad and Tobago as Second Vice-Chairman.

The meeting of the Ministers was preceded on April 18, 2002 by the seventy-ninth meeting of the Deputies of the Group of Twenty-Four, with Mrs. Iremiren of Nigeria as Chairman.

I. Global Economic Prospects

1. Ministers note that, although the slowdown in the global economy appears to have been shallower and of shorter duration than previously forecast, it remains unclear whether the balance of risks has moved decisively in the direction of a sustained recovery, given *inter alia* the political uncertainties in the international security area—especially the deteriorating situation in the Middle East—the persistent weakness in demand in Japan, and the lower growth performance in Europe relative to the United States. The uncertain, though improving, environment that is still facing emerging markets and other developing countries and the weak prospects for primary commodity prices further complicate the global outlook, particularly developing countries' prospects. In order to minimize the risks associated with the ongoing recovery, supportive macroeconomic policies should be maintained in the advanced economies, and, in particular, monetary policy should not be prematurely tightened. Furthermore, structural reforms to inject greater flexibility in product and labor markets are required, especially in Europe, as are far-reaching financial sector reforms in Japan.

2. Ministers note the trend decline in private saving in a number of advanced economies, especially in the United States, associated with the rapid rise in asset valuations. They are concerned about the continuation of this trend, and call on the IMF to look closely at this issue, including in particular its implication on the availability of international financial resources and the cost of borrowing for developing countries, as well as the risks associated with persistent external imbalances among advanced economies, particularly a possible abrupt correction of major exchange rate misalignments.

3. Ministers express their serious concern about the continuation of depressed commodity prices, which has weakened growth and export performance and undermined the fight against poverty as well as financial sustainability in many developing countries. With

regard to the oil market, they call for international cooperation to avoid undue oil price volatility, which is costly for both producing and consuming countries.

4. In light of the increased interdependence in the global economy, Ministers underscore the role of multilateral surveillance and the need to increase its focus on the global impact of the policies of advanced economies and developments in major capital markets. This is particularly important because of the asymmetry with which the IMF influences policymaking in member countries.

5. Despite recent improvement in access to capital markets, net capital flows to developing countries remain well below their 1995-97 levels. This constrains these countries' growth performance and their ability to integrate into the global economy. It is therefore important to explore ways of improving access to financing in line with improvement in fundamentals, including through technical assistance from the IMF.

6. Ministers express their grave concern at the loss of innocent lives and the catastrophic situation in the Palestinian territories. They are greatly alarmed by the recent destruction of valuable capital infrastructure provided to the Palestinian people and Authority since 1993 by the international development community, including the World Bank. In this regard, Ministers strongly welcome the World Bank's announcement regarding the Bank's intention to provide urgent assistance and to work closely with other donors and stakeholders to ensure that the wide-ranging needs of the Palestinian population, including infrastructure and institutional rebuilding, are met expeditiously.

7. Ministers express particular concern about the current risk of famines in several African countries, and call on the international community to provide rapid and substantial support in order to avert a humanitarian crisis. Furthermore, there is a critical need to address within a global context the continued prevalence of HIV/AIDS in African countries.

II. Crisis Prevention and Resolution

8. Ministers note that globalization has led to greater vulnerability to external shocks and increased volatility of financial markets, thus underscoring the importance of effective crisis prevention mechanisms and the orderly resolution of crises, when they occur. They stress the need to consider voluntary, country-specific, and market-based approaches to crisis resolution, noting the ongoing work in the IMF and other fora. Consideration should be given to addressing the debt sustainability of middle-income heavily indebted countries and non-HIPC low-income countries.

9. Ministers note the unprecedented severity of the crisis in Argentina and the importance of helping the country to rebuild confidence rapidly for the return of growth and to promote regional stability. A prompt and satisfactory solution to the Argentinean crisis is important for all emerging countries, particularly those of Latin America, and Ministers urge

the IMF for a timely endorsement of the corrective policies being pursued and to expeditiously work with the authorities to complete a comprehensive program that could help unlock the support of the international community needed to resolve the current crisis.

III. Implementing the Monterrey Consensus

10. Ministers welcome the results of the recent International Conference on Financing for Development and the adoption of the Monterrey Consensus, in which the international community commits itself to cooperative action for economic and social development, in order to raise living standards and combat poverty in developing countries. They emphasize that financial policies and instruments and the role of the international financial institutions are a central part of the consensus. In this regard, they stress the importance of following up on the understandings reached at Monterrey, with an increased emphasis on the responsibility and accountability of donors, institutions, and recipient countries. Looking forward to the upcoming World Summit on Sustainable Development to be hosted in Johannesburg later this year, and the development of a program of action for sustainable development, including economic, social, and environmental development, Ministers encourage continuation of a close dialogue among the IMF, World Bank, the WTO, regional development banks, and the UN on financial and development matters. They welcome the Development Committee's intensified focus on these issues, with particular reference to the plight of Africa.

11. In order to create a favorable environment for development, Ministers emphasize the need to enhance market access, especially in product and service areas where developing countries have a comparative advantage. Access to advanced economy markets is being constrained by protracted application by advanced economies of trade-distorting measures, including especially the provision of about \$1 billion a day in subsidies to agricultural products, which is equivalent to five times total ODA. Ministers call for an early elimination of agricultural subsidies and a substantial reduction in advanced economy tariffs and other barriers to all developing countries' exports—including duty-free and quota-free access for the least developed countries.

12. Ministers stress that effective participation by developing countries in the new round of multilateral trade negotiations is essential to ensure that the benefits of globalization reach all countries. In that regard, they call on the IMF and the World Bank to play an active role in coordinating trade-related technical assistance and capacity-building.

13. Ministers welcome announcements by the European Union, the United States, and Canada to increase their ODA. They stress that the timetable for the delivery of this assistance should be accelerated, especially for the poorest countries. Ministers urge the developed countries that have not done so to make concrete efforts toward the ODA target of 0.7 percent of GNP as this will be essential to cut poverty in half by 2015 and meet other Millennium Development Goals. To improve aid effectiveness, the "transaction costs" of aid delivery need to be reduced. Ministers consider essential the harmonization of bilateral and

multilateral donor policies and procedures, the coordination of disbursement and delivery mechanisms, and the application of “common pooling” arrangements, whereby donors provide untied, direct budgetary support on the basis of programs developed under the leadership of the recipient country. Ministers welcome ongoing efforts by the World Bank to improve coordination in this direction with other multilateral and bilateral stakeholders.

14. Ministers underscore the need to study innovative sources of development finance. In this context, they reiterate their call for a swift implementation of the Fourth Amendment of the IMF’s Articles of Agreement on the special, one-time allocation of SDRs, and urge those countries that have not done so to ratify promptly the Fourth Amendment. Ministers also expressed support for the proposal that advanced economies donate their SDR allocation to an international development fund.

15. Ministers call for strengthened collaboration among the IMF/World Bank, the United Nations agencies, and bilateral donors in order to develop mechanisms that meet the demand for technical assistance. They underscore the critical need for increased and better coordinated bilateral and multilateral technical assistance for capacity building. Ministers welcome the World Bank’s announcement to contribute regularly to support the G-24 research activities, and call on the IMF to support these activities in an equivalent manner.

IV. Support for Low-Income Countries

16. Ministers welcome the efforts made to better coordinate the assistance of bilateral donors and international financial institutions in the context of the Poverty Reduction Strategy Paper/Comprehensive Development Framework (PRSP/CDF) process, thus enhancing the coherence and effectiveness of aid policies. They also express their support for regional efforts aimed at strengthening development frameworks and fostering greater country ownership of poverty reduction strategies and policies. In that regard, Ministers strongly support the New Partnership for Africa’s Development (NEPAD), an initiative aimed at strengthening the continent’s growth prospects, combating poverty, and enhancing governance, notably through a strong partnership between governments, the private sector, and Africa’s development partners.

17. Ministers note the recent review of the Poverty Reduction Strategy Paper/Poverty Reduction and Growth Facility (PRSP/PRGF) initiatives. They welcome the endorsement of the PRSP approach based on strong national ownership, broad-based participation, and strengthened national and international partnerships. Ministers call on all stakeholders to tackle the main challenges, including: (i) the continuous participation of domestic stakeholders in the development and monitoring of PRSPs; (ii) strengthening the content and implementation of PRSPs; (iii) aligning donor strategies and assistance fully with recipient countries’ priorities and budgetary implementation cycles; and (iv) improving the monitoring and evaluation of the effectiveness of poverty reduction strategies. Greater efforts need to be made by the IMF and World Bank to explore the sources of growth in low-income countries

and deepen the systematic analysis of the poverty and social impact of major policy choices. Ministers support the greater, more open exchange of views between national authorities and IMF/World Bank staff on policy options and greater focus in IMF/World Bank research activities on issues of particular relevance to low-income countries, including policy responses to exogenous shocks. They also call on the IMF and the World Bank to continue to harmonize their efforts in order to avoid overlap in their activities and to minimize delays in the delivery of assistance.

18. While welcoming the progress under the HIPC Initiative, Ministers express disappointment that, after six years of operation, only five out of thirty-eight eligible countries requiring debt relief have reached the completion point and a number of creditors are not providing their share of debt relief. The cost of these delays is reflected in foregone real GDP growth, investment, employment, and poverty reduction in eligible countries. Moreover, owing to factors beyond their control, in particular, the recent global slowdown and the significant decline in commodity prices, many HIPC countries may not be able to achieve debt sustainability at the completion point under the current HIPC Initiative guidelines. Ministers stress that there should be a shared responsibility to expedite the process: HIPC countries should continue to do their utmost to implement sound policies and reforms that benefit their own economies, while the IMF and the World Bank and the rest of the international community should streamline and focus the conditions associated with debt relief, demonstrate greater flexibility, and provide additional resources and topping-up of assistance where necessary, as well as additional technical assistance to help countries build capacity for policy implementation.

19. Ministers commend those countries that have pledged loan resources to allow adequate financing of PRGF operations during the interim period, and encourage the IMF and the World Bank to keep under review all the financing issues related to the PRGF and HIPC initiatives.

20. Post-conflict HIPC-eligible countries face particularly difficult challenges in achieving peace and pursuing sound policies, especially owing to major institutional and infrastructure disruptions, a lack of technical and administrative capacity, and a large displacement of their populations. Therefore, Ministers emphasize that, in order to expedite the delivery of debt relief, utmost flexibility should be exercised in bringing these countries to their decision point, and the reconstruction and rehabilitation efforts carried out with UN agencies' assistance should count toward the determination of their decision point track record. They welcome the contributions made by several countries to subsidize the IMF's post-conflict emergency assistance, and encourage additional pledges by other members.

V. Education for All (EFA)

21. Recognizing that effective universal primary education is fundamental for sustained human and economic development, Ministers welcome the constructive partnership of the

World Bank with UNESCO and other appropriate agencies aimed at meeting the goals of universal primary education and elimination of gender disparities. They consider that necessary efforts in developing countries with educational deficits should be supported by the World Bank through technical assistance for capacity building, public spending reviews for effective use of resources, data enhancements to appropriately monitor educational progress, and by catalyzing efficient and timely budgetary support for EFA where needed.

VI. Combating Money Laundering and the Financing of Terrorism

22. Ministers reaffirm their support for international and national efforts to combat money laundering and the financing of terrorism. However, they stress that the role of the IMF and the World Bank should be consistent with their mandate and core areas of expertise, and that they should not become involved in law enforcement matters. Assessing the implementation of any internationally-agreed standards should take into account each country's capabilities and stage of financial development. Any involvement of the Financial Action Task Force (FATF) in assessments conducted by the IMF and the World Bank should remain conditional on the FATF's convergence to the Reports on the Observance of Standards and Codes' (ROSCs) principles, which call for a voluntary, cooperative, and uniform approach. Additional technical assistance is critical in helping developing countries strengthen their financial systems and regulatory frameworks. It is important that more developing countries are appropriately represented in the FATF and other relevant bodies.

VII. Conditionality

23. Ministers welcome the progress being made at the initiative of the Managing Director of the IMF in strengthening national ownership of reform programs and in streamlining conditionality associated with the use of Fund resources, basing it to a greater degree on practical outcomes rather than on the implementation of intermediate target variables or specific prior actions. Developing countries recognize the importance of continuing to make progress in achieving macroeconomic stability and introducing effective regulation and supervision of their financial sectors. Ministers emphasize, however, that the Fund focus on critical macroeconomic and structural conditions should not result in shifting conditionalities to the World Bank and regional development banks, as that would leave unchanged the overall burden of conditionality, thereby undermining the sense of national ownership that is essential for the successful implementation of programs.

VIII. Quotas and General SDR Allocation

24. Ministers note that the IMF has commenced discussions on the Twelfth General Review of Quotas, which in their view should result in an increase in the total size of the IMF's financial resources, thereby strengthening its role in crisis prevention and resolution. The review should also lead to an increase in developing countries' aggregate quota share, thereby improving their voting power in the IMF. Also, the number of basic votes should be increased. Improved representation of developing countries in the decision making structures of the IMF and the World Bank should be an integral part of the new international financial architecture within a globalized world economy. It would reflect *inter alia* the increased share of developing countries in global trade and strengthen the accountability and representativeness of the institutions. Ministers reiterate their call for an enhancement of the capacity of African member countries to represent their interests more effectively in the IMF and the World Bank.

25. Ministers reiterate their call for a general allocation of SDRs to meet the increased demand for reserves—particularly in the context of higher volatility in international capital markets, which leads to substantially higher costs in acquiring and holding reserves. They recall that, despite large fluctuations in international liquidity, there has not been a decision in favor of a general allocation of SDRs in the past 25 years.

IX. Date and Place of Next Meeting

26. The next meeting of the G-24 Ministers is scheduled for Friday, September 27, 2002 in Washington, D.C.

LIST OF PARTICIPANTS¹
INTERGOVERNMENTAL GROUP OF TWENTY-FOUR
ON INTERNATIONAL MONETARY AFFAIRS AND DEVELOPMENT
SIXTY-SEVENTH MEETING OF MINISTERS

Washington, D.C., April 19, 2002

African Group: Medelci Mourad, Algeria; Bohoun Bouabre, Côte d'Ivoire; Mahmoud Abul-Eyoun, Egypt; Sufian Ahmed, Ethiopia; Paul Toungui, Gabon; Paul A. Acquah, Ghana; Joseph O. Sanusi, Nigeria; Jason Milton, South Africa.

Asian Group: Yashuant Sinha, India; Mohsen Nourbakhsh, Islamic Republic of Iran; Mohamed Chatah, Lebanon; Shaukat Aziz, Pakistan; Juanita D. Amatong, Philippines; Milinda Moragoda, Sri Lanka; A. Shakour Shaalan, Syrian Arab Republic.

Latin American Group: Rodolfo Maino, Argentina; Marcos Caramurudi de Paiva, Brazil; Gustavo Gaviria, Colombia; Mario Garcia-Lara, Guatemala; Javier Guzman Calafell, Mexico; Pedro-Pablo Kuczynski, Peru; Leroy Mayers, Trinidad and Tobago; Angel S. Ruocco, Venezuela.

Observers: Li Ruogu, China; Maricela Azcue Gonzalez, Cuba; Mohammed Daïri, Morocco; Hamad Alhasain, Saudi Arabia; Amadou Boubacar Cisse, Islamic Development Bank; Y. Seyyid Abdulai, Organization of Petroleum Exporting Countries, Fund for International Development; Dani Rodrik, G-24 Research Coordinator.

Special Guests: Horst Köhler, Managing Director, IMF; James Wolfensohn, President, World Bank; Trevor Manuel, Development Committee; Cristian Ossa, United Nations; Yilmaz Akyuz, United Nations Conference on Trade and Development; Milos Alcalay, G-77 Chairman; Samir Radwan, International Labor Organization; Inés Bustillo, ECLAC; Eduardo Mayobre, Latin American Economic System (SELA).

Executive Directors and Alternates:

International Monetary Fund: Daiman Ondo Mane; Vijay Kelkar; Ahmed Alosaimi

World Bank: Abdulahra Almofadhi; Mohamed Amr; B.P. Singh; Inaamul Haque

G-24 Liaison Office: William Larralde

G-24 Secretariat: Patrick Cirillo, Ragnar Gudmundsson, Kate Jonah

¹Persons who sat at the discussion table.