

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

**COMMUNIQUÉ**

September 20, 2003

**I. GLOBAL ECONOMIC PROSPECTS**

1. Ministers observe that, notwithstanding the abatement of some of the uncertainties to the global economy, the outlook continues to be subject to important risks, owing to the persistent global imbalances, the slow pace of economic recovery, and the limited progress in addressing structural problems in major advanced economies. They consider that the continued heavy dependence on the United States for global growth and the large current account imbalances among the major regions create the risk of disorderly currency movements and a resurgence of protectionist pressures.

2. Ministers encourage the U.S. authorities to develop a medium-term framework to reverse the deterioration in the U.S. fiscal accounts. They consider that stronger fiscal and monetary stimulus measures in Europe would contribute to world recovery, while structural adjustments remain the key to better medium-term performance. While recognizing the tentative signs of recovery in Japan, Ministers consider that stronger efforts are needed to overcome the weaknesses of the financial sector and to restore public finance sustainability. They note that progress toward macroeconomic stability and growth-oriented policies have enabled developing countries, particularly those in Asia, to contribute to sustaining world economic activity.

3. Ministers reiterate their call to strengthen international cooperative efforts to effectively address macroeconomic imbalances and strengthen the short- and medium-term global growth prospects. This could be achieved through: (i) ensuring a stable international economic and financial environment; (ii) scaling-up assistance toward the achievement of the Millennium Development Goals (MDGs); and (iii) making substantial progress in the WTO Doha round. All countries and groups of countries meeting in Dubai this week must reaffirm their commitment to the shared economic and development goals, and to the actions necessary to achieve them.

4. Ministers welcome the opportunity to meet for the first time in the Arab region. They note the achievements and resilience of the Arab countries, in the face of regional uncertainties, while recognizing the need for further reforms. Ministers note the unstable security and economic situation in Iraq. They call on the United Nations to assume its leading role in restoring peace and addressing the rebuilding needs of the country. Ministers are encouraged by the constructive role the international financial institutions are prepared to play in the reconstruction process. They look forward to the achievement of tangible progress that is essential for the well-being of the Iraqi people and the region as a whole. Ministers

call on the donor community to provide the necessary financing for the reconstruction and rebuilding efforts in Afghanistan. Ministers reiterate their deep concern about the deteriorating security situation in the Palestinian Territories and the loss of life and systemic destruction of infrastructure and private property. They call on donors to release urgently needed funds to ease the hardship of the Palestinian people.

## **II. TRADE**

5. Ministers express grave concern about the failure of the WTO Cancun ministerial meeting, which represents a major setback to the objectives of global growth and poverty reduction. This is the result of the unwillingness of major advanced economies to remove barriers to agricultural imports and subsidies to their farm producers. Ministers stress the need for the adoption of a rules-based process for decision-making in the WTO that would involve all countries. They believe that multilateral trade negotiations should be concluded within the agreed timeframe. Advanced economies should respect their long-standing commitments to open their markets to developing countries, phase out subsidies in agriculture, and remove quotas and high tariffs in such areas as textiles and clothing. Ministers urge that multilateral trade negotiations resume shortly, and be conducted in a manner consistent with the principle of comparative advantage and the development needs of countries.

## **III. CRISIS PREVENTION AND RESOLUTION**

6. Ministers note that successive financial crises over the past decade have underlined the risks associated with the operation of the current international financial regime. They point out that the high costs of crises fall disproportionately on developing countries, whose difficulties are made worse by negative net capital flows. Ministers call on the international financial institutions to play an effective catalytic role to promote positive capital flows to developing countries and to help mitigate these costs and risks.

Among the measures that the IMF and the World Bank should adopt are:

- Making IMF surveillance over major countries' policies effective to ensure uniformity of treatment among the membership.
- Supporting measures to ensure greater stability in short-term capital flows.
- Redesigning and strengthening the IMF's precautionary financing facilities, including the Contingent Credit Lines.
- Encouraging counter-cyclical macroeconomic policies in developing countries, consistent with medium-term debt sustainability.
- Enhancing the IBRD/IFC's ability to respond to its membership, especially low-income countries, and to restore positive net transfers to middle-income countries.

7. The shrinking size of the IMF's financial resources in relation to the world economy and financial markets, the relative decline of the quota shares of developing countries, and the shortcomings of the IMF's precautionary facilities create uncertainty regarding the provision of an appropriate IMF response to financial crises. As a result, numerous

developing countries have built up their reserves to protect themselves at a high opportunity cost. Ministers call for enhancing the IMF's capacity and readiness to provide prompt and sufficient financial support, on reasonable terms, for countries that face potential financial crises.

8. Ministers reiterate their call for a general and substantial allocation of Special Drawing Rights (SDRs), which would help offset the current deflationary pressures in the world economy and reduce the cost of holding reserves. They reiterate the need for the early ratification by all members of the special, one-time allocation under the proposed Fourth Amendment.

9. Ministers welcome the increasing voluntary use of collective action clauses in sovereign bond contracts by both developing and advanced economies. They stress that proposals for a voluntary code of conduct to deal with debt restructuring need to be agreed by private creditors and sovereign issuers. Ministers believe that debt sustainability analyses should be based on country specific circumstances, and they strongly caution against a mechanical reliance on benchmarks.

#### **IV. SUPPORT FOR POVERTY REDUCTION IN LOW- AND MIDDLE-INCOME COUNTRIES**

10. Ministers note that a substantial, timely, and predictable amount of additional official development assistance (ODA) is needed over the short and medium term for developing countries—particularly in sub-Saharan Africa—to meet the MDGs. They urge the donor community to raise the level of ODA to the internationally-agreed target of 0.7 percent of GNP to help developing countries meet the MDGs. The delivery of assistance must be made more flexible, and donor support must be aligned with home-grown strategies. Ministers consider that a higher proportion of ODA to the poorest and most vulnerable countries in particular should be in the form of grants. They agree with the World Bank's assessment that substantial additional resources can be effectively used to give momentum to the attainment of the MDGs. Ministers support the formulation of new proposals to mobilize the needed additional financing.

11. Ministers welcome the roles of the IMF and the World Bank in improving development outcomes and in helping to support the efforts of the international community to meet the MDGs through their facilities for debt relief, growth promotion, and poverty reduction. While recognizing that the macroeconomic situation in many low- and middle-income countries has improved, Ministers urge the international community to ensure that the IMF and the World Bank have sufficient financial resources to continue their support to these countries. In particular, the medium-term lending capacity of the IMF's Poverty Reduction and Growth Facility needs to be strengthened. They stress the need to provide additional technical assistance to enable low-income countries to effectively lead the formulation of their Poverty Reduction Strategy Papers. Ministers note that, although the HIPC Initiative has contributed to reducing the debt stock of a number of low-income countries, their overall debt burden remains high. They urge that efforts be enhanced to bring

more countries to decision and completion points, and that debt burdens be further reduced, including by limiting debt service of the poorest countries to 5-10 percent of their exports, as proposed by some donors.

## **V. PARTICIPATION OF DEVELOPING COUNTRIES IN THE DECISION-MAKING PROCESSES OF THE IMF AND THE WORLD BANK**

12. Ministers reiterate that, in order to enhance the legitimacy of the IMF and the World Bank, the under-representation of developing countries in the decision-making processes of these institutions should be seriously and promptly addressed, as agreed in the Monterrey Consensus. They call for a timetable leading to an early completion of work toward enhancing the voting power, voice, and participation of developing countries in these institutions and for the regular reporting of progress. Ministers consider that strengthening the representation of developing countries should include a new quota formula and a quota distribution that reflect correctly the relative economic position of countries in the world economy. They consider that the position of sub-Saharan Africa should not be weakened. Also, basic votes should be substantially increased to restore their original role in relation to total voting power. While welcoming the recent administrative measures to strengthen the capacity of sub-Saharan African chairs in the Boards of the IMF and World Bank, Ministers consider that these measures cannot substitute for an increase in developing countries' voting power.

13. Ministers consider that the early involvement of the full IDA Board of Directors in policy discussions affecting IDA-eligible countries would enhance developing countries' participation in the decision-making process and contribute to country ownership of programs.

## **VI. COMMODITIES**

14. Noting the devastating effect of commodity price shocks on developing countries, Ministers call for the reform of the IMF's Compensatory Financing Facility to make it useable, and ask the World Bank to develop instruments to assist countries to deal with commodity price risks.

## **VII. NOTE OF APPRECIATION AND DATE AND PLACE OF NEXT MEETING**

15. Ministers express their appreciation to the United Arab Emirates authorities for the excellent arrangements for the meetings and to the people of Dubai for their warm hospitality.

16. The next meeting of the G-24 Ministers is scheduled to take place on Friday, April 23, 2004, in Washington, D.C.

**LIST OF PARTICIPANTS <sup>1</sup>**

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their seventieth meeting in Dubai, United Arab Emirates, on September 20, 2003. Mr. Fuad Siniora, Minister of Finance, Lebanon was in the chair, with Senator Conrad Enill, Minister in the Ministry of Finance, Trinidad and Tobago, as First Vice-Chairman, and Mr. Paul Toungui, Minister of State, Finance, Economy, Budget and Privatization, Gabon, as Second Vice-Chairman.

The meeting of the Ministers was preceded on September 19, 2003, by the eighty-second meeting of the Deputies of the Group of Twenty-Four, with Mr. Alain Bifani, Director-General, Ministry of Finance, Lebanon, as Chairman.

**African Group:** Abdellatif Benachenhou, Algeria; wa Bilenga Tshishimbi, Congo, Democratic Republic of; Alexandre Assemien, Côte d'Ivoire; Mahmoud Abul-Eyoun, Egypt; Ahmed Sufian, Ethiopia; Paul A. Acquah, Ghana; Joseph O. Sanusi, Nigeria; Shirley Robinson, South Africa.

**Asian Group:** Y.V. Reddy, India; Ebrahim Sheibani, Islamic Republic of Iran; Jihad Azour, Lebanon; Shaukat Aziz, Pakistan; Jose Isidro N. Camacho, Philippines; A.S. Jayawardena, Sri Lanka; Said Bakhache, Syrian Arab Republic.

**Latin American Group:** Oscar Tangelson, Argentina; Otaviano Canuto, Brazil; Maria Agudelo, Colombia; Lizardo A. Sosa Lopez, Guatemala; Javier Guzman, Mexico; Javier Silva-Ruete, Peru; Ewart S. Williams, Trinidad and Tobago; Diego Luis Castellanos, Venezuela.

**Observers:** Yong Li, China; Hamad Al-bazai, Saudi Arabia; Y. Seyyid Abdulai, OPEC Fund for International Development; Miguel Chorro, Executive Secretary, Central American Monetary Council; Bingu wa Mutharika, Minister of Economic Planning and Development, Malawi; Fathallah Oualalou, Minister of Finance and Privatization, Morocco.

**Special Guests:** Horst Köhler, Managing Director, IMF; James Wolfensohn, President, World Bank; H. Trevor A. Manuel, Development Committee; Heiner Flassbeck, UNCTAD; Cristian Ossa, United Nations.

**International Monetary Fund:** Siradiou Bah, A. Shakour Shaalan.

**World Bank:** Tariq Alhaimus, Mohamed Amr, Tanwir A. Agha, Haruna Mohammed.

**G-24 Secretariat:** Ariel Buirra

**IMF Secretariat for the G-24:** Patrick Cirillo, Jones Morco, Kate Jonah, Lorna Sibblies, Mayssaa Khalil.

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<sup>1</sup>Persons who sat at the discussion table.