INTER-GOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS AND DEVELOPMENT

COMMUNIQUÉ
April 15, 2005

I. GLOBAL ECONOMIC PROSPECTS

1. Ministers welcome the continued global expansion, which is underpinned by generally supportive macroeconomic policies and benign financial conditions. They note that the expansion is driven mainly by strong growth in the United States, China, and most emerging market and developing countries. Ministers expect continued positive global growth in the near term, although they observe that its pace has moderated and that the balance of risks appears to be tilted to the downside. Key risks include the increasingly unbalanced nature of the global expansion, a tightening of financial market conditions, and a sharp increase and volatility in oil prices. Ministers also express concern about the widening global current account imbalances, which increases the risk of disruptive movements in the exchange rates of the major currencies and in interest rates. They value the stabilizing role that oil-exporting countries play in the oil market and underscore the importance of closer cooperation between importers and exporters to promote market stability.

2. Ministers note that the strategy to address the global imbalances has been broadly agreed, in particular fiscal consolidation in the United States and further structural reforms to boost growth and domestic demand in Europe and Japan. Steps toward greater exchange rate flexibility in emerging market Asia would also be helpful. Ministers observe that these policy challenges have not yet been addressed. Ministers reiterate the need for a coordinated and cooperative approach, and underline the key role of the IMF, through its bilateral and multilateral surveillance, in implementing and monitoring this strategy.

3. Ministers note that growth in emerging market and developing countries has been robust, reflecting improved policy performance and favorable international conditions. In the context of abundant international liquidity, this has led to a resumption of capital flows to these countries. Ministers welcome the progress with fiscal consolidation and structural reform in many emerging market and developing countries, which have reduced their vulnerabilities. However, they note that growth prospects in many countries, particularly the low-income countries, are clouded by high and unsustainable public debt levels. This calls for continued attention to prudent macroeconomic and debt management policies in these countries, as well as a concerted effort by the international community to increase debt relief and concessional financing, including grants. This must also be accompanied by efforts to open industrial country markets to developing country exports and to remove agricultural subsidies.

4. Ministers express their condolences for the devastating loss of life and property from the recent tsunami in the Indian Ocean. They note that the disaster will have a substantial

impact on the fiscal and external imbalances of the affected countries, reflecting the very substantial rehabilitation and reconstruction costs, and urge the international community to ensure that pledges of support are translated into actual disbursements.

5. Ministers welcome the recent election in the West Bank and Gaza, and call on the international community, especially the Bretton Woods Institutions (BWIs), to support progress toward a lasting peace in the region by providing the new Palestinian government with the technical and financial assistance required to help them reach their social and economic development objectives. Ministers also welcome the recent elections in Iraq and Afghanistan, and urge the international community to support the reconstruction efforts in these countries in order to promote sustainable growth.

II. Crisis Prevention

6. Ministers stress that, given the volatility of capital flows and the risk of contagion, the IMF's toolkit for crisis prevention should include a precautionary facility with ample access to help prevent capital account crises. The absence of such a facility at present compels emerging market and developing member countries to accumulate excessive international reserves, which is a costly and inefficient form of self-insurance against financial crises. Ministers are encouraged by the efforts of the private sector and emerging market countries to strengthen the global financial architecture. In this regard, they note that the recent publication of the principles of stable capital flows and fair debt restructuring in emerging markets is a useful contribution.

7. Noting the dependence of many low-income countries on the exports of a few commodities, Ministers reiterate the importance of putting in place mechanisms to reduce the vulnerability of these countries to commodity price shocks. In addition, they repeat their call for an early reform of the IMF's Compensatory Financing Facility to make it more accessible.

III. Support for Attaining the Millennium Development Goals

8. Ministers agree that 2005 is a critical year for assessing progress toward the Millennium Development Goals (MDGs). Despite the improved growth performance of developing countries in recent years, achieving the MDGs remains an enormous challenge, particularly in sub-Saharan Africa, where little progress has been achieved so far. Ministers call on the World Bank, as well as other multilateral institutions and bilateral donors, to further increase their assistance to African countries to support their efforts to meet the MDGs and to implement the NEPAD action plan, especially with regard to investment in infrastructure.

9. Ministers call for stepped-up efforts to implement the Monterrey Consensus. Developing countries are pressing ahead with policy and governance reforms in order to improve domestic revenue mobilization and public expenditure management, as well as to strengthen the environment for private sector-led investment and growth. These should be

undertaken in the context of nationally-owned, medium-term development strategies, with a focus on poverty reduction and the attainment of the MDGs. Ministers underscored the need to do more to improve governance and fight corruption. Success in designing and implementing development strategies will depend crucially on adequate financing and on enhancing the institutional and absorptive capacity of low-income countries, as needed. It is critical that the industrial countries supplement these efforts with substantially higher levels of official development assistance and further debt relief, as well as improved market access. Ministers call on the donor community to deliver on their commitments in this area. They believe that the UN Summit Conference on Implementing the Millennium Declaration in September 2005 provides a unique opportunity to give new impetus to these efforts. Ministers call on the IMF and the World Bank to step up efforts to help mobilize additional resources to attain the MDGs, including through the various innovative financing proposals that have been put forward recently, such as the International Finance Facility (IFF).

10. Ministers welcome the efforts of the Fund and the Bank to develop a debt sustainability framework for low-income countries. They express concern that adoption of a standardized debt framework with excessive conservatism in setting debt sustainability thresholds, in the context of insufficient grant financing, will limit developing countries' access to borrowing and force larger upfront fiscal adjustments. This will retard progress toward the achievement of the MDGs. Ministers stress that the new debt sustainability framework should build on the lessons learnt from the HIPC Initiative to make debt sustainability assessments more transparent. Ministers also encourage consideration of further debt relief for low income countries.

IV. TRADE

11. Ministers reaffirm the importance of successfully concluding the Doha Round of multilateral trade negotiations, which will help to promote global economic growth and thus contribute to poverty reduction and the achievement of the MDGs. They stress that translating the mid-2004 framework agreements into a viable policy package, which will be taken up at the December 2005 WTO Ministerial Conference, should be a key priority for the coming months. Ministers call on the BWIs and the WTO to improve coordination in trade policy formulation. They urge the World Bank and other multilateral development banks to intensify their financial and technical support for trade facilitation in developing countries.

12. Ministers emphasize that IMF surveillance should focus on the implementation of trade policies of both industrial and developing countries, and that IMF and World Bank research should evaluate the impact of trade restrictions and sanctions, and domestic subsidies to agriculture on global development and welfare. Improved access to industrial country markets—particularly through a reduction of tariff and non-tariff barriers and the phasing out of agricultural and other subsidies, which hamper growth in developing countries—would help to promote trade liberalization among developing countries. Ministers also commend recent advances in regional trade agreements, which could facilitate multilateral trade liberalization.

V. Strategic Direction of the Fund

13. Ministers agree that the IMF should continue to focus on its core mandate of promoting macroeconomic and financial stability, which is necessary to foster growth and poverty reduction. They stress that the Fund must continue to adapt to global economic developments, respond to the changing needs of its diverse membership, and learn from its experience. Ministers note that surveillance, lending, and technical assistance remain the principal vehicles for carrying out the Fund's purposes. They consider that conditionality is not appropriate when the use of Fund resources is not involved.

14. Ministers urge the IMF, in keeping with its mandate, to:

- play a more effective role in macroeconomic policy coordination and the correction of global imbalances;
- provide sufficient access to resources by members experiencing financing difficulties, while further streamlining conditionality and promoting country ownership;
- support the pursuit of counter-cyclical policies in emerging market and other developing economies;
- promote a more balanced approach to economic policy-making to ensure that employment remains a central objective;
- provide support for critical infrastructure investments;
- help achieve orderly debt restructuring when needed; and,
- explore ways to adapt the Fund's surveillance activities, financing instruments and their potential sources of funding, the design of PRGF-supported programs, and technical assistance to the special circumstances of low income countries.

15. Ministers note that ownership and broad-based support are critical for the success of economic reform programs in emerging markets and other developing countries. They therefore urge the IMF to support home-grown country programs that reflect countries' own priorities and include clear monitoring procedures, and which could provide a positive signal for donor support. Ministers urge the IMF to develop an instrument that would support such home-grown programs.

16. Ministers consider that the burden of financing the Fund's budget has fallen excessively and increasingly on borrowers—although two-thirds of the Fund's expenditures are unrelated to lending—and urge early consideration of options to achieve a more equitable burden sharing.

VI. ROLE OF THE WORLD BANK

17. Ministers reiterate the crucial need for the World Bank to focus on poverty reduction and other MDGs. Ministers note with concern the sharp increase in recent years in net negative transfers to developing countries from the multilateral development banks, particularly the World Bank They welcome the World Bank's Middle-Income Country Action Plan to reverse this trend and the successful conclusion of the IDA 14 Replenishment negotiations. They also stress the critical role of infrastructure investments in poverty alleviation and the need for increased funding in this area.

18. Ministers call for a strengthening of the Bank's core business of providing financial support for development. Ministers urge the Bank to take effective action to reduce the financial and non-financial costs of doing business with the Bank, including by clarifying policies, simplifying procedures, streamlining internal processes, and reducing conditionality in lending operations. While acknowledging the need for the Bank to focus on compliance with operational policies, Ministers believe that such focus should be complemented by capacity-building efforts and greater use of own-country systems. Ministers call on the World Bank to develop instruments that are more responsive to country needs, such as structuring financial products to address capital market and commodity-related risks.

VII. GOVERNANCE OF THE BRETTON WOODS INSTITUTIONS

19. Ministers note that the BWIs' governance structures have not evolved in line with the increased size and role of emerging market, developing, and transition countries in the world economy. Moreover, the role of small and low-income countries in the decision-making process is extremely limited. Ministers stress the need for concrete actions to reduce the democratic deficit and enhance the voice and participation of developing countries in decision-making at the IMF and World Bank, as called for in the Monterrey Consensus. They express disappointment that no progress has been made on this issue. The current under-representation of developing countries in the IMF and the World Bank Executive Boards undermines the legitimacy and effectiveness of these institutions.

20. Ministers urge the development of a new quota formula that would give greater weight to measures of gross domestic product in terms of purchasing power parity, and take into account the vulnerability of developing countries to commodity price movements, the volatility of capital movements, and other exogenous shocks. In order to strengthen the voice of small and low-income countries, basic votes should be increased to restore their original share of total voting power. Ministers consider that the upcoming 13th General Review of IMF Quotas provides an important opportunity to make concrete progress on issues of quotas, voice, and participation, and urge the Fund to begin work on this Review at an early date.

VIII. APPRECIATION FOR THE OUTGOING PRESIDENT OF THE WORLD BANK

21. Ministers express their appreciation for the valuable service provided by Mr. James Wolfensohn during his tenure as President of the World Bank, particularly his effort to make poverty reduction the focus of the Bank's operations and his support for the G24. Ministers wish him every success in his future endeavors. Ministers extend a warm welcome to the new President of the World Bank, and look forward to a productive working relationship.

IX. DATE AND PLACE OF NEXT MEETING

22. The next meeting of the G24 Ministers is expected to take place on September 22, 2005, in Washington, D.C.

LIST OF PARTICIPANTS[1]

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their seventy-third meeting on April 15, 2005, in Washington, D.C. Mr. Paul Toungui, Minister of State, Finance, Economy, Budget and Privatization, Gabon, was in the chair, with Mr. Roberto Tan, Undersecretary of Finance, Department of Finance, Philippines, First Vice-Chairman, and Ms. Cecilia Todesca-Bocco, Office of the IMF Executive Director for Argentina.

The meeting of the Ministers was preceded on April 14, 2005, by the eighty-fifth meeting of the Deputies of the Group of Twenty-Four, with Mr. Philibert Andzembe, National Director for Gabon, Banque des Etats de l'Afrique Centrale, as Chairman.

African Group: Mohammed Laksaci, Algeria; Boniface Britto Nama, Côte d'Ivoire; Mohamed Amr, Egypt; Sufian, Ethiopia; Nicolas Mensah-Zepka, Gabon; Kwado Bahh-Wiredu, Ghana; Ngozi Okoujo-Iweala, Nigeria; Lesetja Kganyago, South Africa.

Asian Group: Yagga Reddy, India; Safdar Hosseini, Islamic Republic of Iran; Elias Saba, Lebanon; Salman Shah, Pakistan; Jeremias Paul, Jr., Philippines; Sunil Mendis, Sri Lanka; Gazi Shbikat, Syrian Arab Republic.

Latin American Group: Oscar Tangelson, Argentina; Marcio Barreira de Ayrosa Moreira, Brazil; Alberto Carrasquilla, Colombia; Mario García-Lara, Guatemala; Javier Guzmán-Calafell, Mexico; Javier Silva-Ruete, Peru; Conrad Enill, Trinidad and Tobago; Rubín Villavicencio, Venezuela.

Observers: Jose Antonio Ocampo, UN; Juan Somavia, ILO; Heiner Flassbeck, UNCTAD; Inés Bustillo, ECLAC; Afi Abdelhamid, Morocco; Hamad Albazai, Saudi Arabia; Li Yong, China; S. Aissi, OPEC; Suleiman J. Al-Herbish, OPEC Fund; Stafford O. Neil, G-77; Jorge Barboza, Central American Monetary Council; Trevor Manuel, Development Committee.

Special Guests: Rodrigo de Rato, Managing Director, International Monetary Fund; James Wolfensohn, President, World Bank.

International Monetary Fund: Abdallah S. Alazzaz; Ukpong Godwill
World Bank: Nada Mufarrij, Haruna Mohammed.

G-24 Secretariat: Ariel Buira

IMF Secretariat for the G-24: Parmeshwar Ramlogan, Henry Mooney, Jones Morco, Beryl Keary, Lina Zenni, Hilda L. Scioville.

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[1] Persons who sat at the discussion table.