

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

**COMMUNIQUÉ
APRIL 21, 2006**

I. GLOBAL ECONOMIC PROSPECTS

1. Ministers welcome the continued favorable global economic prospects. They note that the United States and China remain the main engines of global growth, and that growth prospects in Japan and in some members of the euro area have steadily improved. They are encouraged that performance and prospects in many emerging market and other developing countries continue to be strong. Core inflation and inflationary expectations remain subdued, and financial market conditions remain favorable. Nevertheless, Ministers caution that there is no room for complacency, as high levels of poverty persist in many countries, and important risks to the global economic outlook remain, particularly in connection with the continued widening of global imbalances. These imbalances could unwind in a disorderly manner and lead to sharp movements in interest and exchange rates, a further increase in protectionist pressures, and perhaps a global recession. In the short run, the risks relate to a further increase in the level and volatility of oil prices, a sharp decline in housing prices in the United States, and the possibility of an avian flu pandemic.

2. Against this background, and with risks associated with inaction increasing over time, Ministers reiterate their call for early and meaningful efforts to address the continued widening of global current account imbalances. They strongly urge a timely, coordinated response on the part of systemically important industrial and developing countries, involving fiscal adjustment and efforts to increase household savings in the United States, structural reforms in Europe and Japan, financial sector reform and increased exchange rate flexibility where warranted by countries' economic fundamentals, and an improvement in the business climate in developing countries. In particular, Ministers call on the IMF to take a more proactive role in coordinating a cooperative solution, including through more focused policy advice in the context of multilateral surveillance and greater efforts to assess the potential risks. In this context, they note that an orderly correction of global imbalances will require a smooth rebalancing of world demand.

II. TRADE

3. Ministers express disappointment over the modest outcome of the Hong Kong ministerial meeting in December 2005, and their concern that a successful conclusion to the Doha Round is now at risk. Many critical issues have yet to be agreed upon, which underscores the need to increase the political commitment on the part of both developed and developing countries to a successful and ambitious outcome. Ministers point to the fact that the Doha Round is a developmental round, which must deliver on its potential to support growth and reduce poverty. It will be important for the final package to take into account countries' level of development and support the implementation of home-grown development

strategies, so as to allow countries to reap the full potential benefits of liberalization. Ministers note that World Bank estimates suggest that as much as two-thirds of the net gains from the Round for developing countries are likely to be derived from a meaningful liberalization of agricultural trade, an area where industrial countries must take action.

4. Ministers urge the IMF and the World Bank to support the negotiations, including through continued coordination with the WTO and other multilateral institutions. They welcome recent proposals related to the “aid for trade” agenda, and caution that this should not be viewed as a substitute for an ambitious Doha Round. Ministers encourage the IMF and World Bank to continue to evaluate and publicize the harmful effects of trade restrictions, subsidies, and rising protectionism on global economic performance and the development prospects of low- and middle-income countries. In this context, they call for future trade-related programs undertaken by the World Bank to focus greater attention to the political economy dynamics of trade reform, address poverty and distributional outcomes, and cushion against shocks associated with trade policies, as recommended by the World Bank’s Internal Evaluation Group.

III. THE MILLENNIUM DEVELOPMENT GOALS

5. Ministers reiterate their concern that many developing countries remain off-track for meeting the Millennium Development Goals (MDGs) by 2015, particularly in sub-Saharan Africa and South Asia. They agree that greater effort is needed to implement the vision of global action and mutual accountability forged in the 2002 Monterrey Consensus, which will require a significant increase in the level of aid and financing. While welcoming the scaling up of aid commitments and the deepening of debt relief in 2005, Ministers note that mechanisms are needed to ensure that these commitments are adhered to. In particular, they emphasize that careful benchmarking and monitoring of eligible countries under the Multilateral Debt Relief Initiative (MDRI) is needed to ensure that this relief is truly additional. Ministers also call on the multilateral institutions and donor countries to provide the necessary resources to extend the MDRI to all low-income countries and speed up its implementation. They also urge donor countries to increase the share of aid that can be used to meet the recurrent costs of MDG-related expenditures.

6. Ministers recognize that accelerated progress in poverty reduction requires the strengthening of infrastructure and national investment climates, and urge the World Bank to increase related financing. They also call on the IMF and the World Bank to help countries to increase fiscal space for infrastructure and social expenditures. Given the multi-sectoral nature of many MDGs, they also urge the World Bank to pursue work in the areas identified as research gaps regarding the linkages among infrastructure investment, growth, and poverty alleviation; the composition, sequencing, and efficiency of alternative infrastructure investments; and the impact on household welfare.

7. Ministers affirm their commitment to the principle of mutual accountability, and recognize that increased aid flows must coincide with sound policy formulation and measures to ensure that aid is used effectively. They agree that further efforts are required to improve

governance and fight corruption, while emphasizing that related issues must be addressed within a broader developmental context. This approach should take into account the agreed mutual responsibilities and country ownership. Ministers take note of the World Bank's efforts to internalize governance issues in its work, and emphasize that the World Bank should develop a specific framework for addressing these issues in its operations. Ministers welcome the emerging consensus that international financial institutions must shift from managing inputs and processes, toward achieving results. They consider that the World Bank's system of internal incentives must aim at achieving results. Ministers call for assistance to develop statistical capacity in developing countries in order to support the use of results-management systems.

IV. THE IMF'S MEDIUM-TERM STRATEGY

8. Ministers welcome the Medium-Term Strategy (MTS) proposed by the Managing Director for the IMF. They note that globalization requires the IMF to adapt its policies and tools to help member countries reap the benefits of increased economic and financial integration, while easing its strains and avoiding its pitfalls. Ministers consider that the IMF's four broad lines of activity—surveillance and crisis prevention, technical assistance, lending, and its work on low-income members—constitute the right vehicles for the IMF to fulfill its mandate.

9. Ministers stress that the IMF must exercise much firmer surveillance over systemically important economies, with particular attention to financial sector vulnerabilities and the impact of these countries' policies on other countries. They urge the IMF to do more to identify and promote effective responses to risks to global economic stability, including from global imbalances, currency misalignments, and financial market disturbances. Ministers stress that the IMF can do more to help prevent crises, including through the automatic provision of adequate financing on a precautionary basis to countries pursuing sound macroeconomic policies. In this regard, Ministers welcome the Managing Director's proposal for high-access contingent financing to be provided through a new type of arrangement, which the G-24 has been advocating for some time. Ministers also stress that the IMF's resources must be commensurate with members' potential needs.

10. Ministers consider that the IMF's role in low-income member countries should focus on promoting a stable macroeconomic framework conducive to private investment, growth, and poverty alleviation. They note that the Fund has made significant strides in strengthening its toolkit to assist in instituting growth-enhancing reforms in low-income member countries. Ministers welcome the MTS's message that the IMF's efforts will be further directed toward debt relief, policy signaling, poverty reduction strategies, institution building, and technical assistance. In order to achieve higher growth and the MDGs, the IMF should also assist its low-income members in managing the expected rise in aid flows, including from debt relief, while ensuring that policies for effective absorption of such flows are consistent with macroeconomic stability and debt sustainability.

11. Ministers stress the need to place the IMF in a sustainable financial position, as it is no longer viable for the IMF to rely mostly on income from lending charges. Decisive action is needed on both the income and expenditure sides, including by ensuring that the IMF is focused on its core mandate and activities. They look forward to further discussions of the Executive Board and the work of the proposed external committee on reforming the IMF's income mechanism. Ministers reiterate their reservations about charging for technical assistance.

V. VOICE AND REPRESENTATION OF DEVELOPING COUNTRIES

12. Ministers reiterate the need to make rapid progress on increasing the representation of developing countries in the Bretton Woods Institutions, which would improve the credibility and legitimacy of these institutions. Concrete progress by the 2006 Annual Meetings is imperative. They take note of the proposal by the Managing Director of the IMF for a two-stage process, and have reservations about the lack of timelines. Nonetheless, they continue to express a strong preference for a comprehensive package that would deal with all the major issues simultaneously within a firm deadline. The comprehensive package should include, inter alia: (i) a new quota formula that reflects more accurately the relative economic size of developing countries in the world economy, taking into account purchasing power parity and developing countries' greater vulnerability to commodity price fluctuations, volatile capital flows, and other exogenous shocks; and, (ii) a substantial increase in basic votes.

VI. CLEAN ENERGY, CLIMATE CHANGE, AND DEVELOPMENT

13. Ministers welcome the World Bank's efforts to develop an investment framework for clean energy and development. They agree that climate change is a serious issue that will have a disproportionately large impact on the economic growth and human development of the poorest countries. Ministers stress that the costs of related measures should not fall disproportionately on the developing world. In this context, they underscore that any international regulatory framework regarding clean energy must rest on the principle of common but differentiated responsibilities. This requires developed countries to take responsibility for their historic and current contributions to environmental degradation, and to make it possible for developing countries to contribute to global efforts without undermining their economic development. Ministers highlight the need to develop innovative mechanisms that would make cost-effective low-emission technologies more readily available to developing countries. Ministers also call for improved oil market data and transparency, continued cooperation between oil-consuming and oil-producing countries, increased investment in refinery capacity, and efforts to promote alternative energy sources.

VII. DATE AND PLACE OF NEXT MEETING

14. The next meeting of the G-24 Ministers is expected to take place on September 16, 2006, in Singapore.

LIST OF PARTICIPANTS¹

Ministers of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development held their seventy-fifth meeting on April 21, 2006, in Washington, D.C.

Mr. Margarito B. Teves, Secretary of Finance, Philippines, was in the chair, with Mr. Martin Abeles, Undersecretary of Economic Policy, Minister of Economy and Production, Argentina, as First Vice-Chair, and Mr. J.C. Masangu Mulongo, Governor of the Central Bank, Democratic Republic of the Congo as Second Vice-Chair.

The meeting of the Ministers was preceded on April 20, 2006, by the eighty-seventh meeting of the Deputies of the Group of Twenty-Four, with Mr. Roberto Tan, Undersecretary of Finance for Philippines, as Chairman.

African Group: Mourad Medelci, Algeria; Charles Koffi Diby, Côte d'Ivoire; Mawakani Samba, Democratic Republic of Congo; Mohamed Amr, Egypt; Sufian Ahmed, Ethiopia; Philibert Andzembe, Gabon; Kwadwo Baah-Wiredu, Ghana; Olusegun Ogunkua, Nigeria; Lesetja Kganyago, South Africa.

Asian Group: Y.V. Reddy, India; Ebrahim Sheibani, Islamic Republic of Iran; Jihad Azour, Lebanon; Salman Shah, Pakistan; Cyd Amador, Philippines; Sunil Mendis, Sri Lanka; Maya Choueiri, Syrian Arab Republic.

Latin American Group: Martin Abeles, Argentina; Marcio Ayrosa Moreira, Brazil; Santiago Montenegro, Colombia; Lizardo Sosa, Guatemala; Roberto Marino, Mexico; Renzo Rossini, Peru; Conrad Enill, Trinidad and Tobago; Armando Leon, Venezuela.

Observers: Jose Antonio Ocampo, UN; Dirk Jan Bruinsma, UNCTAD; Inés Bustillo, ECLAC; Mohammed Dairi, Morocco; Huayong Ge, China; Mohammad Alipour-Jeddi, OPEC; Dumisani Kumalo, G-77; Abdallah Alazzaz, Saudi Arabia; Ahmed Ibrahimi Ali, Iraq; Damo Justin Baro, BCEAO; Faiz Mohammad, IsDB; Noorullah Delawari, Afganistan; José Alfredo Blanco, Central American Monetary Council; Irfan Ul Haque, South Center.

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

Executive Directors and Alternates:

International Monetary Fund: Laurean Rutayisire

World Bank: Mulu Ketsela, Mathias Sinamenye.

G-24 Secretariat: Ariel Buirra

IMF Secretariat for the G-24: Patrick Cirillo, Jones Morco, Henry Mooney, Beryl Keary, Denise Infante, Christine Hissen-Lee.

¹ Persons who sat at the discussion table.