



Press Release No. 03/159  
FOR IMMEDIATE RELEASE  
September 21, 2003

International Monetary Fund  
Washington, D.C. 20431 USA

**Communiqué of the International Monetary and Financial Committee of the Board of  
Governors of the International Monetary Fund**

1. The International Monetary and Financial Committee held its eighth meeting in Dubai on September 21, 2003, under the Chairmanship of Mr. Gordon Brown, Chancellor of the Exchequer of the United Kingdom. The Committee expresses its gratitude to the Dubai authorities and the government of the United Arab Emirates for the excellent arrangements.

**The Global Economy and Financial Markets**

2. The Committee welcomes the increasing signs that economic activity is strengthening in many economies, and the improved prospects for a steady and strengthening global recovery going forward. The major uncertainties have lessened since we met last April. Nevertheless, risks remain in many countries and it is important that policymakers stand ready to take the necessary policy actions. The Committee underscores the importance of close international cooperation and determined action across the membership to foster a strong, sustainable, and broad-based economic recovery.

3. The Committee emphasizes that, as the recovery proceeds, all countries have an interest in seeing more balanced growth with orderly adjustment. Sustained and vigorous structural reforms in many areas, and domestic sources of growth, are important in this respect. The Committee agrees on the need for continued focus by the IMF on exchange rate issues across the membership.

4. The international community must urgently make progress on trade and development. Ministers reaffirm their full political commitment to a multilateral rules-based approach to trade liberalization, and to making substantial and concrete progress. Ministers were disappointed at the breakdown of trade negotiations in Cancún. Ministers urge a speedy resumption of the Doha Round, which is vital for strong global growth and our development objectives. This should focus on the issues of importance to all countries of open markets and fair access and the reduction of trade-distorting subsidies in all areas, notably in agriculture. The Committee reiterates the crucial importance of removing the obstacles and moving forward without delay, and calls on all countries to play their part. It stresses the importance of the IMF's initiative to provide assistance to countries to help them address the transitional impact of trade reforms, which will contribute to the Doha Round.

5. In the advanced economies, monetary policy should continue to support demand in the context of low inflation, and the automatic fiscal stabilizers should be allowed to operate within credible medium-term frameworks to deliver fiscal consolidation. The vigorous pursuit of structural reforms, and enhanced corporate governance and transparency are key to stronger, globally balanced growth. In the United States, where the fiscal stance has substantially supported activity, fiscal policy will need to focus on strengthening sustainability over the medium term. In Europe, progress in structural reforms should be accelerated and deepened both to strengthen work incentives, investment, and competition and to address the fiscal pressures of population aging. In Japan, continued efforts will be necessary to strengthen the banking and corporate sectors and end deflation, and to make a beginning toward fiscal consolidation over the medium term.

6. The improved financial market environment provides a valuable window of opportunity for emerging market economies to continue to pursue ambitious institutional and structural reforms which, together with sound macroeconomic policies, will enhance growth prospects and reduce vulnerabilities. While many countries have strengthened policies, key priorities remain to improve fiscal positions, strengthen banking and corporate sectors, reduce balance sheet vulnerabilities, and foster more broadly-based growth. Growth in the Middle East and North Africa has picked up. However, the challenge facing the region will be to accelerate medium-term growth and absorb the rapidly growing labor force.

7. The Committee reaffirms its support for a multilateral effort to reconstruct and redevelop Iraq, and welcomes the constructive role being played by the IMF. It looks forward to the donors conference in Madrid next month based on a comprehensive needs assessment involving the World Bank and the IMF. The Committee supports the IMF providing, subject to its policies, financial and other assistance to Iraq.

8. Growth prospects in many low-income countries have strengthened, underpinned by improved macroeconomic policies and domestic reforms. However, significantly faster growth will be needed to reduce poverty and meet the Millennium Development Goals (MDGs) set out in the UN Millennium Declaration. This requires stronger policy frameworks and institutions, better governance, higher and more effective aid flows, and improved market access. African countries should continue to press forward with the region-wide implementation of the New Partnership for Africa's Development (NEPAD), particularly to strengthen the foundations for investment and private sector-led growth.

### **Strengthening IMF Surveillance and Promoting International Financial Stability**

9. Strengthened and effective IMF surveillance is essential to enhancing crisis prevention and promoting stability and sustainable global growth. The Committee welcomes the ongoing reforms to strengthen the framework for IMF surveillance, and underlines the importance of enhancing and implementing surveillance consistently and evenhandedly across the membership. The Committee also welcomes the increased focus of surveillance on capital markets, and encourages the IMF and the Financial Stability Forum working together to identify gaps and further strengthen assessments of systemic weaknesses in financial markets.

10. The Committee stresses the need for the IMF to continue to improve the quality, effectiveness, and persuasiveness of its surveillance. This will involve: sharpening surveillance, especially in systemically and regionally important countries; working to enhance the impact of IMF policy advice; and continuing efforts to bring fresh perspectives to assessments. The Committee looks forward to discussing progress in these areas following the Executive Board's 2004 biennial review of surveillance.
11. The Committee emphasizes that it is particularly important that surveillance focus on identifying potential problems early and provide candid advice on policy reforms. In this respect, Committee members identified a number of key issues for the coming year, including: progress on structural reform and on medium-term sustainable fiscal frameworks; reducing balance sheet vulnerabilities, including currency mismatches, and improving debt sustainability; and encouraging policy measures to reduce global imbalances.
12. The Committee underscores the importance of increased transparency and candor of the IMF's advice to members. It notes the Executive Board's recent agreement on a policy of voluntary but presumed publication of IMF Article IV reports and program documents, and the enhanced provisions for exceptional access.
13. The Committee emphasizes its support for ways to achieve some of the objectives of the Contingent Credit Lines (CCL), intended to reduce vulnerabilities and provide precautionary support for members with strong policies in dealing with external financial developments. It looks forward to further work in this area.
14. The Committee welcomes the progress in strengthening the framework for crisis resolution, especially the inclusion by an increasing number of countries of collective action clauses (CACs) in their international sovereign bonds, and encourages their use on a voluntary basis by other countries. It also calls on the IMF to promote the voluntary inclusion of CACs. The Committee looks forward to the efforts led by sovereign debtors and private creditors to develop a voluntary Code of Conduct, and encourages the IMF to continue to contribute to this work. It looks forward to the ongoing work on issues of general relevance to the orderly resolution of financial crises, including transparency and disclosure, aggregation and inter-creditor equity. The Committee looks forward to a report on progress at its next meeting.

#### **Accelerating Poverty Reduction and Strengthening Sustainable Economic Growth in Low-Income Countries**

15. The Committee stresses that the IMF has an important role to play in helping low-income countries achieve high and sustained growth and poverty reduction, in close cooperation with the World Bank. It agrees that this support should be firmly aligned behind Poverty Reduction Strategy Papers and that the Fund should work in its core areas of competence alongside the Bank in support of the Millennium Development Goals. The IMF needs to remain engaged with low-income countries over the long term through well-targeted technical assistance, capacity-building, surveillance, and, when warranted, temporary financial assistance. The Committee looks forward to reviewing Bank-Fund collaboration in that area at its next meeting.

16. The Committee emphasizes the importance of initiatives to enhance the IMF's support for low-income countries, including ensuring that macroeconomic policy frameworks support higher and sustained growth and poverty reduction; improving governance and strengthening institutions to support growth and private sector development; reducing vulnerability to shocks; and helping countries move beyond sustained reliance on IMF financial arrangements when ready. The Committee underscores the importance of technical assistance, and looks forward to work on adapting IMF instruments and reviewing PRGF financing. The Committee looks forward to a comprehensive review of progress at its next meeting.

17. The Committee emphasizes the urgent need to enhance market access and to increase the level and effectiveness of donor resources for low-income countries. In order to help achieve the Millennium Development Goals, the Committee calls upon the IMF to cooperate with the World Bank in work on aid effectiveness, absorptive capacity, and results-based measurement mechanisms, and in examining the merits of various policy options and financing mechanisms, such as an international financing facility, to mobilize the substantial additional resources that are needed over the medium term. Developing and emerging market countries should also be closely involved. The Committee looks forward to a report by the next Annual Meetings.

18. The Committee notes the progress in providing debt relief to the world's poorest countries under the enhanced HIPC Initiative. It calls on the IMF, in collaboration with the World Bank, to develop strategies to help countries implement the necessary policies and reforms to reach decision and completion points as quickly as possible, and achieve a lasting exit from unsustainable debt. The Committee urges all creditors that have not yet done so to deliver debt relief in full and invites the IMF to report on the compliance of countries. It recognizes the importance of providing topping up as appropriate, and of the on-going discussions on the topping-up methodology and the financial implications.

#### **Other issues**

19. The Committee stresses that the IMF's effectiveness as a cooperative institution depends on all members having an appropriate voice and representation. The Committee welcomes the measures being taken to improve the capacity of developing and transition countries to participate more effectively in IMF policy formulation and decision-making. It welcomes the IMF Executive Board's progress report on quotas, representation and voice and asks the IMF to examine these issues further, and will review progress at its next meeting. The Committee recommends completion of the ratification of the Fourth Amendment.

20. The Committee welcomes the further actions taken by the international community to combat money laundering and the financing of terrorism, and the progress with the 12-month pilot program of AML/CFT assessments. The Committee is encouraged by the continued close cooperation among the IMF, the World Bank, the FATF, and FATF-style regional bodies, and increased country involvement, and supports the enhanced delivery of critically needed technical assistance. The Committee encourages all members to adopt AML/CFT laws and practices consistent with the agreed international standards, and looks forward to a full report at the conclusion of the pilot program.

21. The Committee welcomes the work of the Independent Evaluation Office, and its role in enhancing the learning culture, effectiveness, and accountability of the IMF. It emphasizes the importance of the IMF taking forward the work on prolonged use, capital account crises, and fiscal adjustment, in the light of the IEO's recommendations.

22. The Committee expresses its appreciation of the work of Shigemitsu Sugisaki as Deputy Managing Director and Kenneth Rogoff as Economic Counsellor.

23. The next meeting of the IMFC will be held in Washington, D.C. on April 24, 2004.

## INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

### ATTENDANCE

September 21, 2003

#### Chairman

Gordon Brown

#### Managing Director

Horst Köhler

#### Members or Alternates

Ibrahim A. Al-Assaf, Minister of Finance, Saudi Arabia  
Mervyn King, Governor, Bank of England, United Kingdom  
(Alternate for Gordon Brown, Chancellor of the Exchequer, United Kingdom)  
Peter Costello, Treasurer of the Commonwealth of Australia  
Job Graca, Deputy Minister of Finance, Angola  
(Alternate for José Pedro de Morais, Jr., Minister of Finance, Angola)  
Rodrigo de Rato Figaredo, First Vice President and Minister of Economy, Spain  
Hans Eichel, Minister of Finance, Germany  
Geir Hilmar Haarde, Minister of Finance, Iceland  
Jamaludin Mohd Jarjis, Finance Minister II, Malaysia  
Mohammed K. Khirbash, Minister of State for Finance and Industry,  
United Arab Emirates  
Alekssei Kudrin, Deputy Chairman of the Government and Minister of Finance,  
Russian Federation  
Mohammed Laksaci, Governor, Banque d'Algérie  
Roberto Lavagna, Minister of Economy and Production, Argentina  
John Manley, Minister of Finance, Canada  
Jean-Claude Trichet, Governor, Banque de France  
(Alternate for Francis Mer, Minister of Economy, Finance and Industry, France)  
Antonio Palocci, Minister of Finance, Brazil  
Didier Reynders, Minister of Finance, Belgium  
Toshihiko Fukui, Governor, Bank of Japan  
(Alternate for Masajuro Shiokawa, Minister of Finance, Japan)  
Yaga V. Reddy, Governor, Reserve Bank of India  
(Alternate for Jaswant Singh, Minister of Finance and Company Affairs, India)  
John W. Snow, Secretary of the Treasury, United States  
Paul Toungui, Minister of State, Minister of Finance, Economy,  
Budget and Privatization, Gabon  
Giulio Tremonti, Minister of Economy and Finance, Italy

Kaspar Villiger, Minister of Finance, Switzerland  
Gerrit Zalm, Minister of Finance, The Netherlands  
Zhou Xiaochuan, Governor, People's Bank of China

**Observers**

Willem F. Duisenberg, President, European Central Bank (ECB)  
Roger W. Ferguson, Jr., Chairman, Financial Stability Forum (FSF)  
Heiner Flassbeck, Officer-in-Charge, Division on Globalization and Development  
Strategies, United Nations Conference on Trade and Development (UNCTAD)  
Donald J. Johnston, Secretary-General, Organisation for Economic Cooperation  
and Development (OECD)  
Ian Kinniburgh, Director, Development Policy and Planning Office,  
Department of Economic and Social Affairs, United Nations (UN)  
Malcolm D. Knight, General Manager, Bank for International Settlements (BIS)  
Eddy Lee, Director, International Policy Group Department, International Labour  
Organization (ILO)  
Trevor A. Manuel, Chairman, Joint Development Committee  
Pedro Solbes, Commissioner for Economic and Monetary Affairs,  
European Commission  
Francisco Thompson-Flóres, Deputy Director-General,  
World Trade Organization (WTO)  
James D. Wolfensohn, President, World Bank