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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 seventh meeting in Washington, D.C. on April 12, 2003, under the Chairmanship of Mr. Gordon Brown, Chancellor of the Exchequer of the United Kingdom.

**Global Economic Outlook**

2. Meeting at a time of economic uncertainty, the Committee reaffirms its commitment to close international cooperation to strengthen confidence and support the global recovery. It underscores the importance of continued vigilance. But with readiness to adjust policies as necessary and determined further action on the structural front, the world economy has the prospect of strengthening growth and renewed prosperity. Substantial and concrete progress with multilateral trade liberalization is a key priority for the coming months and has the full political commitment of Ministers.

3. In the advanced economies, sound fundamentals and policies should deliver stronger growth in the second half of the year. With inflationary pressures well contained, monetary policies should remain accommodative, and in many countries there is room to ease monetary policy further if needed. On the fiscal side, the automatic stabilizers should be generally allowed to operate, though in many countries action is needed to address medium-term fiscal pressures, including those arising from ageing populations. The advanced economies have a shared responsibility to go further in implementing structural reforms—to enhance prospects for a sustained broad-based world recovery that helps correct global imbalances. In the United States, policies consistent with a sound medium-term fiscal position remain important. In Europe, labor and product market reforms need to be accelerated. In Japan, further steps are needed to strengthen the banking and corporate sectors and end deflation, accompanied by a start toward strengthening the medium-term fiscal position.

4. Emerging market countries will need to continue to strengthen their policies for macroeconomic stability and structural reforms and therefore their resilience to adverse global developments. In countries facing external financing constraints, efforts to sustain macroeconomic stability will continue to be key to restoring confidence. For all countries, the

continued implementation of reforms to strengthen banking and corporate sectors and underpin growth remains a priority. The IMF has a key role to play in supporting these efforts.

5. Prospects for stronger growth in low-income countries should be supported by improved economic policies, stronger institutions, progress in resolving regional conflicts, and increased donor resources, including through debt relief under the HIPC Initiative. Sustained implementation of sound policies, supported by strong ownership and the Monterrey Consensus, will remain key to reducing poverty and meeting the Millennium Development Goals (MDGs). African countries need to continue to press ahead with the wide-ranging reforms embedded in the New Partnership for Africa's Development (NEPAD)—in particular to improve the quality of their institutions and ensure peace and security. The Committee reiterates the importance of technical assistance, including the contribution of AFRITACs and other regional technical assistance centers. It calls on the international community to urgently mobilize additional assistance to address the serious food shortage in Africa.

6. The Committee notes that the present situation in Iraq poses significant challenges, with an urgent need to restore security, relieve human suffering and promote economic growth and poverty reduction. We support a further UN Security Council resolution. We further note that engagement by the international community including the Bretton Woods institutions would be essential for sustained economic, social, and political development in Iraq, recognizing that the Iraqi people have the responsibility to implement the right policies and build their own future. The IMF and the World Bank stand ready to play their normal role in Iraq's re-development at the appropriate time. They will also monitor closely the impact of the conflict on all their members and stand ready to help and support those adversely affected. It is important to address the debt issue, and we look forward to early engagement of the Paris Club.

7. The Committee—having greatly benefited from the views of Dr. Supachai Panitchpakdi, Director-General of the World Trade Organization—underscores the urgency of concrete progress toward multilateral trade liberalization under the Doha Round through the continued commitment of the international community. This will be critical in supporting higher economic growth and poverty reduction, and enabling developing countries to participate more fully in the benefits of globalization. The Committee accordingly calls on industrial, emerging, and developing countries to play their part in renewed efforts to address obstacles to further progress in advance of the ministerial meeting of the World Trade Organization in Cancún next September. Urgent progress is needed in a number of areas, including agriculture, where better market access and lower trade distorting subsidies are particularly important for developing countries. The IMF, in collaboration with other international institutions, stands ready to support members' closer regional cooperation in the context of deeper integration into world markets.

### **Strengthening Crisis Prevention**

8. The Committee reiterates the importance it attaches to strengthening the IMF's crisis prevention capacity and welcomes the steps in many countries to improve economic resilience and financial stability. However, there is still room for further improvement. Going forward, sustained implementation of a strengthened framework of bilateral, regional, and multilateral

surveillance will be essential to provide more robust assessments of crisis vulnerabilities, debt sustainability, currency mismatches and other balance sheet and capital account developments, as well as further progress in strengthening data provision to the IMF and data dissemination to the public.

9. The Committee welcomes progress with the standards and codes process and the Financial Sector Assessment Program (FSAP) and the role these play in enhancing IMF surveillance. It calls on the IMF to continue to move forward with these initiatives to strengthen members' institutions, policy frameworks, and financial sectors, including through technical assistance. It stresses the importance of further enhancing the quality and effectiveness of standards and codes assessments, and calls on the IMF to implement quickly agreed measures to strengthen prioritization, technical assistance, and follow up of FSAP and ROSC assessments. In this context, the Committee looks forward to the further work of the Financial Stability Forum and standard-setting bodies on strengthening the content and coverage of standards in accounting, auditing, and corporate governance, and on improving transparency and financial disclosure.

10. The Committee supports the IMF's continued efforts to make surveillance more comprehensive and accountable, including through strengthening the IMF's policy advice on reducing vulnerabilities; greater attention to the spillovers from policies in countries of systemic or regional importance; more effective use of the IMF's cross-country experience; enhanced awareness of political economy factors; and bringing to bear a fresh perspective in surveillance of program countries. The Committee looks forward to the IMF's further work on surveillance and other crisis prevention issues and a report on progress for this year's Annual Meetings.

11. The Committee welcomes the increase in voluntary publication of country staff reports, but notes that the rate of publication across countries and regions remains uneven. It looks forward to further progress through the forthcoming review of the IMF's transparency policy, and stresses that the candor of the IMF's analysis and advice should be preserved.

12. The Committee emphasizes support for ways to achieve the objectives of the Contingent Credit Lines (CCL) in encouraging policies to reduce vulnerabilities and providing a means of support for members with strong policies in dealing with global financial developments. It looks forward to a report on how best to promote these objectives following the conclusion of the review of the facility.

### **Improving the Capacity to Resolve Financial Crises**

13. Effective crisis resolution mechanisms, by promoting sound policies and better functioning capital markets, contribute to crisis prevention. The Committee welcomes the strengthened framework on access to IMF resources. This includes: the substantive criteria for exceptional access in capital account crises; and strengthened procedures, such as early involvement of the Executive Board in the process and a separate report evaluating the case for exceptional access. Consistent implementation of the framework will provide members and markets with clarity and predictability about IMF decisions in crises.

14. The Committee welcomes the inclusion of collective action clauses (CACs) by several countries, most recently Mexico, in international sovereign bond issues. It also welcomes the announcement that, by June of this year, those EU countries issuing bonds under foreign jurisdictions will include CACs. The Committee welcomes the work of the G-10, emerging markets, and the private sector in contributing to the development of CACs. It looks forward to the inclusion of CACs in international bond issues becoming standard market practice, and calls on the IMF to promote the voluntary inclusion of CACs in the context of its surveillance. The Committee welcomes recent initiatives to formulate a voluntary code of conduct for debtors and their creditors, which will improve the restructuring process, and encourages the IMF to contribute to this work.

15. The Committee welcomes the work of the IMF in developing a concrete proposal for a statutory sovereign debt restructuring mechanism (SDRM) and expresses its appreciation for the IMF management and staff's efforts. The extensive analysis and consultation undertaken in developing the proposal have served to promote better understanding of the issues to be addressed in bringing about orderly resolution of crises. The Managing Director's report sets out the current position. The Committee, while recognizing that it is not feasible now to move forward to establish the SDRM, agrees that work should continue on issues raised in its development that are of general relevance to the orderly resolution of financial crises. These issues include inter-creditor equity considerations, enhancing transparency and disclosure, and aggregation issues. The IMF will report on progress at the Committee's next meeting.

### **Implementing Initiatives to Support Low-Income Countries**

16. The Committee recognizes the urgent need to address the challenge of meeting the Millennium Development Goals, and reiterates that the IMF continues to have an important role to play in assisting low-income countries progress toward them. This will require enhanced efforts by developing and developed countries working in partnership. The Committee stresses the importance of sound macroeconomic policies and strong public expenditure and financial management systems. The Committee recognizes the urgent need to enhance market access and to increase the level and effectiveness of donor resources for developing countries. Proposals to achieve this, including facilities, are being considered, and the Committee looks forward to progress in the coming months. Building on countries' poverty reduction strategy papers (PRSPs), the Committee encourages the IMF to work with low-income countries to strengthen further the alignment of the PRGF, domestic budgets, and the PRSP approach. This will be facilitated through more realistic economic projections, systematic analysis of the sources of growth, effective Bank-Fund collaboration, and flexibility in program design, including to accommodate higher aid inflows. The Committee encourages donors to coordinate and harmonize their assistance in line with PRSP priorities, and to provide technical assistance to help members build the needed capacity to design and operationalize PRSP strategies and to improve public expenditure management. It endorses further work on the linkages between growth and poverty reduction, including the role of the private sector. The Committee also looks forward to the review of the role of the IMF in low-income countries over the medium term, and its paper on helping low-income countries to deal with shocks.

17. The Committee welcomes the further progress made in implementing the HIPC Initiative, but notes that some countries have experienced delays in reaching the completion point, and that other eligible countries are facing obstacles to participation in the Initiative. It looks forward to a review of these issues at its next meeting. The Committee reaffirms its commitment to the full financing of the Initiative. It urges all creditors to participate fully, and encourages further Bank-Fund efforts to help creditor and debtor countries address HIPC-to-HIPC debt relief and creditor litigation issues. It emphasizes the need to ensure lasting debt sustainability, which will require both the full implementation and financing of the Initiative, and continued sound economic policies, good governance, and prudent debt management. In this context, the Committee welcomes the efforts by some countries to provide additional debt relief beyond HIPC terms. The Committee supports joint Bank-Fund work to improve its assessments of longer-term debt sustainability for heavily indebted poor countries, and looks forward to a progress report at the next meeting.

### **Other Issues**

18. The Committee welcomes the further actions by members to combat money laundering and the financing of terrorism, and notes with satisfaction the progress with the 12-month pilot program of AML/CFT assessments. It underscores the importance of continued close cooperation between the IMF, the World Bank, the FATF, and regional bodies to complete the pilot successfully, and of further enhancing the 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.

19. The Committee considers it important that, as pointed out in the Monterrey Consensus, all members should have an adequate voice and representation in the institution. It welcomes recent administrative steps to strengthen the capacity of the African constituencies. The Committee notes that the Twelfth General Review of Quotas has been concluded and that the IMF is well positioned to meet the projected needs of its members. The Committee looks forward to receiving a status report by the 2003 Annual Meetings on the adequacy of IMF resources, the distribution of quotas, and measures to strengthen IMF governance, consistent with the resolution of the Board of Governors, in the context of the Thirteenth General Review of Quotas. The Committee recommends completion of the ratification of the Fourth Amendment.

20. The Committee welcomes the thorough follow up being given to the first report of the Independent Evaluation Office on prolonged use of IMF resources. It looks forward to future IEO reports as a way of enhancing the listening and learning culture within the IMF.

21. The Committee expresses its appreciation of the work of Eduardo Aninat as Deputy Managing Director.

22. The next meeting of the IMFC will be held in Dubai, on September 21, 2003.

**INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE**

**ATTENDANCE**

April 12, 2003

**Chairman**

Gordon Brown

**Managing Director**

Horst Köhler

**Members or Alternates**

Hamad Al-Sayari, Governor, Saudi Arabian Monetary Agency  
(Alternate for Ibrahim A. Al-Assaf, Minister of Finance and National Economy,  
Saudi Arabia)

Edward George, Governor, Bank of England, United Kingdom  
(Alternate for Gordon Brown, Chancellor of the Exchequer, United Kingdom)

Felipe Pérez Martí, Minister of Planning and Development,  
República Bolivariana de Venezuela  
(Alternate for Diego L. Castellanos, Governor, Banco Central de Venezuela)

Ian Campbell, Parliamentary Secretary to the Treasurer, Australia  
(Alternate for 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)

Hans Eichel, Minister of Finance, Germany

Geir Hilmar Haarde, Minister of Finance, Iceland

A.H.E.M. Wellink, President, De Nederlandsche Bank N.V.  
(Alternate for Hans Hoogervorst, Minister of Finance, The Netherlands)

Jamaludin Mohd Jarjis, Finance Minister II, Malaysia

Mohammed K. Khirbash, Minister of State for Finance  
and Industry, United Arab Emirates

Aleksei Kudrin, Deputy Chairman of the Government and  
Minister of Finance, Russian Federation

Mohammed Laksaci, Governor, Banque d'Algérie

Roberto Lavagna, Minister of Economy, Argentina

John Manley, Minister of Finance, Canada

Francis Mer, Minister of Economy, Finance and Industry, France

Antonio Palocci, Minister of Finance, Brazil

Guy Quaden, Governor, Banque Nationale de Belgique  
(Alternate for Didier Reynders, Minister of Finance, Belgium)

Masajuro Shiokawa, Minister of Finance, Japan

Bimal Jalan, 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  
Li Ruogu, Assistant Governor, People's Bank of China  
(Alternate for Zhou Xiaochuan, Governor, People's Bank of China)

### **Observers**

Oscar de Rojas, Acting Head, Financing for Development Office, Department of  
Economic and Social Affairs, United Nations (UN)  
Willem F. Duisenberg, President, European Central Bank (ECB)  
Heiner Flassbeck, Chief, Macroeconomic and Development Policies Branch,  
United Nations Conference on Trade and Development (UNCTAD)  
Donald J. Johnston, Secretary-General, Organisation for Economic Cooperation  
and Development (OECD)  
Malcolm D. Knight, General Manager, Bank for International Settlements (BIS)  
Caio Koch-Weser, Interim Chairman, Financial Stability Forum (FSF)  
Eddy Lee, Economic Adviser and 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  
Supachai Panitchpakdi, Director-General, World Trade Organization (WTO)  
James D. Wolfensohn, President, World Bank