

INTERNATIONAL MONETARY FUND

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Press Release No. 4

September 29, 2002

Report to the Board of Governors of the
International Monetary Fund by the Chairman
of the International Monetary and Financial Committee
of the Board of Governors, the Hon. **GORDON BROWN**,
at the Joint Annual Discussion

**Statement to the Annual Meetings of the IMF and World Bank
by Gordon Brown, Chairman of the IMFC
Sunday, 29 September 2002**

Representing 183 economies across the world the International Monetary and Financial Committee met here in Washington this weekend – knowing that we are being tested by the risks in world economy, but resolved to build on our shared sense of common purpose.

The committee recognised that, in part reflecting the determined international policy response, there are continuing indications that the recovery is proceeding, although at a slower pace than expected earlier this year. And that there must neither be undue pessimism, nor unacceptable complacency.

There was not only a strong sense of common purpose but a strong sense that this purpose is crucial to maintain the conditions for stability and growth in the world economy. And while remaining vigilant about the economic risks and challenges ahead, we are agreed on a common course of action and on the need to stand ready to act if risks materialise.

First, we are agreed on the contributions each of our continents should make:

- In the United States actions are underway to strength corporate governance, accounting and auditing;
- In Europe we agreed that further reforms in labour and product markets are needed; and
- In Japan we are agreed that banking and corporate restructuring should be vigorously pursued.

Aware ever more of our interdependence we are more than ever aware that it is only by each country taking necessary action that we will secure economic growth.

So, in promoting sustained domestic demand and global growth, all countries and regions must play their part.

And so too must the international institutions. We agreed on the need to strengthen the mechanisms for crisis prevention and resolution:

- On crisis prevention, as part of a wider move towards greater transparency, we welcomed the considerable progress on the adoption of codes and standards, and agreed on the need to increase their intergration into Fund surveillance. In particular, we highlighted the importance of enhanced standards and principles on corporate governance, accounting and auditing, and of stronger national practice;

- On crisis resolution we are agreed on the need to continue to work together on a two track approach:
 - for the official community the private sector and sovereign debt issuers to continue to work together to develop collective action clauses; and
 - we called on the Fund to develop a concrete proposal for a statutory sovereign debt restructuring mechanism.

The committee was united in its firm belief that, at this time of economic recovery, the imperative to shape a new deal for the global economy – ensuring that all countries share in the benefits of globalisation – is now more not less necessary, more not less urgent.

This shared vision is enshrined in the Millennium Development Goals – including that by 2015 world poverty will be halved and all children will have the chance of primary education.

And we have reiterated our common cause throughout 2002 – in Monterrey in March; at the G7 meetings in Canada; and at Johannesburg last month.

But we also recognise that the era of promises must be replaced by and era of implementation.

There must be no conspiracy of passive consensus – now is the time for active implementation of an agreed programme.

The true test of globalisation will be that it works to the benefit all countries – the richest and the poorest.

This will require a new development compact between developed and developing countries:

- developing countries committing to sound economic policies, strong institutions and good governance; and
- developed countries opening up their trade, increasing debt relief and radically improving aid for anti-poverty programmes – particularly on health and education.

Specifically we have reaffirmed our commitment to full financing of the HIPC initiative, to help countries to ensure a lasting exit from sustainable debt and to do more to support HIPC and other low-income countries who face legal challenges from creditors who are unwilling to deliver debt relief.

Noting that the financing shortfall in the HIPC Trust Fund could be up to \$1 billion, we called on donor governments to make firm pledges and contributions as a matter of urgency. And I can report that in the meetings over the past few days 15 countries have come forward

with their pledges and I expect further announcements in the next period of time.

We welcome the huge progress made in raising aid levels. Pledges from the US and the EU made at Monterrey will raise an extra \$12 billion each year – an historic reversal of years of decline in aid levels.

But we recognise the need to look urgently at innovative ways of maximizing these resources – improving aid effectiveness and leveraging in additional funds.

And the top priorities for new aid and resources released through debt relief must be education and health.

Developing countries must commit to their side of the development compact – showing genuine commitment to education, health and poverty reduction and demonstrating that both public and donor funds are properly and effectively used.

Our key challenge now is to achieve concrete progress, and to move from identifying options to working out the details of implementation.

While we meet at a time of global economic uncertainty, nevertheless before us is an unprecedented possibility of progress.

A shared vision has emerged – that in an increasingly interdependent world, all can benefit if each meets agreed obligations for change.

Through our shared commitment to economic reform, and our determination to put in place a new development compact, we remain resolute in our pursuit of justice on a global scale, recognising that prosperity is indivisible and that to be sustained it must be shared.