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MULTILATERAL INVESTMENT GUARANTEE AGENCY

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INTERNATIONAL MONETARY FUND

Press Release No. 4

September 24–25, 2005

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**

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Mr. Jon Cunliffe, Chairman of the IMFC Deputies, presented the following report on the activities of the IMFC on behalf of Governor Gordon Brown, Chairman of the IMFC:

As you say, Gordon Brown unfortunately cannot be here today and has asked me as Chairman of the Deputies to report on a successful meeting of the International Monetary and Financial Committee held yesterday. The agenda included the global economy and financial markets, the IMF's objectives and medium-term strategy, and strengthening the IMF's support for low-income countries, including through instruments, financing, and debt relief.

The Committee met at a time of greater risk for the world economy. The Committee was able to welcome the continued global expansion which it expects to continue. However, it acknowledged that downside risks have increased, in particular from oil prices, growing global imbalances, the emerging risk of protectionist pressure, and the possibility of tighter financial market conditions.

The Committee recognized that oil producers, oil consumers, and oil companies all have their part to play in working together to stabilize the oil market. The Committee agreed on a number of actions to deliver that enhanced stability.

- First, it welcomed the actions by members of the International Energy Agency and by oil producers to increase and to continue to increase supplies of oil to the market.
- Second, it called for further investment in the near and the long-term, particularly in refining capacity, and for action to create a favorable investment climate.
- Third, it stressed the importance of policies to promote energy conservation, efficiency and sustainability, including through new technologies, alternative sources of energy and addressing subsidies for oil and oil products.
- Fourth, it encouraged a closer dialogue between oil producers and oil consumers and emphasized the importance of improving oil market data transparency.
- And fifth, it agreed that the IMF should stand ready to provide assistance to help members, especially poor countries, deal with oil price shocks.

The Committee discussed the Managing Director's report on the IMF's Medium-Term Strategy. It welcomed the report and supported the priorities therein. The Committee looked forward to specific proposals on the main tasks identified in the report and agreed that the IMF should continue to develop its strategy for responding to the

long-term challenges of globalization. The Committee recognized the importance of the issues of voice and quota, which will be addressed in the 13th Quota Review.

In the Committee's discussion of low-income countries, members renewed commitment to provide additional resources in return for developing countries putting in place policies for sustainable growth and poverty reduction in their countries. The Committee welcomed the progress had been made on new instruments, endorsing the Policy Support Instrument, which will allow the IMF to provide policy advice and support to members that do not need or want IMF financial assistance.

The Committee also strongly endorsed the creation of a new window in the PRGF to support low-income countries facing exogenous shocks and called on countries to contribute. The Committee gave its full support to the cancellation of up to \$55 billion of multilateral debt for Heavily Indebted Poor Countries and welcomed the firm commitments that have been made by many countries on providing the additional finance to make this possible. This decision will provide significant additional resources necessary for countries' efforts to meet the Millennium Development Goals and to reinforce longer term debt sustainability.

The Committee reached agreement on all the elements, including on the approach to ensure that the IMF's resources are used consistently with the principle of uniformity of treatment and on ensuring the IMF's capacity to provide financing to low-income countries is maintained. The Managing Director informed the Committee that he will call the Executive Board together to complete its approval of the arrangements to deliver debt relief by the end of 2005.

The Committee held productive discussions with Pascal Lamy, the Director-General of the World Trade Organization. It agreed that a successful outcome of the Doha Development Round remains of critical importance, both for global growth and for poverty reduction. Serious challenges remain in reaching agreement at the WTO meeting in Hong Kong in December and the Committee called on all countries to ensure progress on an ambitious trade liberalization with the urgency that the timetable now demands.

The Committee emphasized this must include increasing market access, especially for developing countries, significantly reducing trade-distorting domestic support, eliminating all forms of export subsidies in agriculture, and making significant progress on services, including financial services and on intellectual property.

The Committee called for continued actions by all countries on anti-money laundering and on combating the financing of terrorism and noted the critical importance of the IMF's work in this area. And finally, the Committee paid tribute to Alan Greenspan at his last meeting of the IMFC, both for his unprecedented contribution to the Committee's work and for his outstanding leadership of the Federal Reserve.

Thank you very much, Mr. Chairman.