Dichiarazione dei Ministri Finanziari e dei Governatori delle Banche Centrali del G7

Washington, 28 aprile 2001

1.We met today to discuss recent developments in the world economy, strengthening the international financial system, the reform of the multilateral development banks and measures to meet the challenges of international development. We also met with the Finance Minister and the Deputy Central Bank Governor of Russia and with representatives of the European Commission to discuss recent developments in the Russian economy.

Developments in the G-7 Economies

2. Although global growth has slowed over the past year, the foundations for economic expansion are sound. In fact, the prospects for improving the world standard of living are compelling. We are all dedicated to the proposition that it is in the interest of the world economy for each of our economies to grow closer to their potential. We agreed that we should be vigilant and forward-looking in maintaining and implementing polices that promote strong productivity growth, including sound macroeconomic policy, structural reform and international economic cooperation. We will work together to achieve the goal of free trade. We recognize that lower energy prices and stable oil markets are important.

- In the United States, growth has slowed sharply. However, long-term economic fundamentals - productivity gains and factor market flexibility - remain strong. Monetary policy should continue to be aimed at contributing to sustained growth and maintaining price stability. Fiscal policy should also be targeted at bolstering long-term fundamentals.
- Growth in Canada has also slowed; in the United Kingdom the slowdown appears to be only moderate. In both countries, unemployment and inflation remain low. Policies should continue to support the foundations for sustained growth and employment over the medium term, while meeting inflation targets.
- In the euro area, growth prospects have moderated, though remaining favorable. Policies should continue to emphasize strengthening potential growth and lowering unemployment through further structural reforms that increase the efficient operation of labor and product markets. Fiscal policy should aim to improve economic efficiency, notably through tax reform, while preserving the pace of the consolidation of public finances.
- In Japan, economic activity has weakened, and prices continue to decline. Against this background, monetary policy should continue to provide ample liquidity until consumer price inflation stays at or above zero. Vigorous implementation of financial and corporate sector reforms is needed in order to support medium-term recovery.

Exchange Rates

3.We discussed developments in our exchange and financial markets. We reiterated our view that exchange rates among major currencies should reflect economic fundamentals. We will continue to monitor developments closely and to cooperate in exchange markets as appropriate.

Broader Global Economic Developments

4.The slowing in the pace of global economic activity has also affected the prospects for growth in the emerging market and developing economies. In Asia, on the whole, after two years of strong growth, there are clear signs of a slowdown. Throughout the region, the implementation of structural reforms will be crucial to fostering strong, sustained growth. In Latin America, where growth also has slowed, structural measures are needed to raise productivity growth, and further fiscal consolidation is required to reduce financing requirements. In central and eastern Europe, reforms undertaken during the past few years have contributed to recent strong growth; fiscal consolidation and further structural reforms are needed to maintain performance. In Africa, although growth continues to rise, per capita incomes remain very low. Implementation of credible macroeconomic and structural adjustment remains a prerequisite for strong growth and broad-based poverty reduction.

5. We agree that free trade is an important driver of economic growth. Open markets can increase efficiency and productivity, thereby promoting development and poverty reduction in all countries. We strongly support efforts to launch a new WTO round this year, to reduce trade barriers in both industrialized and developing countries. We also welcome industrialized country initiatives which, by providing improved market access for exports from the poorest countries, will facilitate their integration into the world economy. It would be appropriate for the IMF and World Bank to reflect on ways and means to facilitate trade liberalization.

Turkey

6.We welcome Turkey's strong economic reform program as a basis for Turkey to reach agreement with the IMF on a package that merits the continued support of the international community's public and private sectors. We look forward to Turkey's rigorous implementation of all these necessary measures. In this context, we welcome the decision of the IMF and the World Bank to provide additional assistance for the program.

Russia

7.We welcome the continued growth of the Russian economy and encourage the Russian authorities to step up the pace of economic reforms that are necessary for sound and sustainable economic development. Russia needs to take steps to create an economic environment conducive to investment, both foreign and domestic, such as enforcing the rule of law, promoting the free flow of information, attacking nonpayments and barter, strengthening the banking system, and improving corporate governance. We urge the Russian authorities to draw on the expertise of the IMF and World Bank in addressing these issues. We welcome the ratification by the Duma of the Strasbourg anti-money laundering convention and urge the Russian authorities to move quickly to remedy the deficiencies identified by the Financial Action Task Force (FATF) in June 2000, in particular by passing a comprehensive anti-money laundering law. These steps would help facilitate Russia's integration with the global economic system.

Crisis Prevention, Crisis Resolution, and the IMF

8.We stress that strong and effective crisis prevention is a top priority. Both the IMF and individual countries should play key roles in this effort. Learning from previous experience, and with a view to forestalling crises, we resolve to monitor economic and financial developments more closely and to encourage early action to correct policies. In this context, we underscore the following:

- Enhanced IMF surveillance is at the heart of crisis prevention. As part of this effort, the Fund should accelerate its work in developing and publishing indicators of national balance sheet and liquidity risk. The Fund should also further its work in building up and publishing macro-prudential indictors for the financial sector.
- We believe that implementation of internationally agreed standards and codes offers countries the opportunity to strengthen their basic infrastructure for growth and stability and to provide information to markets in a way that reinforces these goals. In this context, we encourage all countries to intensify their efforts, recognizing their different stages of development and institutional capacities, to meet international codes and standards and to publish their Reports on the Observance of Standards and Codes (ROSCs). We stress the importance of the joint IMF and World Bank effort to assess the strength of financial sectors through the Financial Sector Assessment Program (FSAP). We welcome the increased use of FSAPs and ROSCs as essential instruments to detect countries' vulnerabilities and the future, mutually agreed integration of such assessments in the IMF's surveillance. We welcome the agreement that countries should have the option of releasing a summary of Fund/Bank assessments. We call on the IFIs to support countries in their efforts to strengthen their domestic financial sectors and to pursue capital account liberalization, in order to mobilize capital both from domestic and international markets.
- The IMF needs to sharpen its focus on financial markets and their implications for the sustainability of capital flows. In this context, we welcome the creation of the IMF's International Capital Markets Department and the Capital Markets Consultative Group.

9.More broadly, we urge the IMF itself, as well as member countries, to continue in the drive toward greater transparency and accountability.

10.We also welcome the ongoing work to review conditions attached to IMF lending. This review should be aimed at: reinforcing the public integrity of the IMF; ensuring that all IMF programs meet high-quality standards; helping countries take ownership of programs that achieve meaningful results; and addressing the macroeconomically relevant structural challenges confronting economies. As part of this review, it is also critical that progress be made in strengthening Fund-Bank collaboration so that countries' needs are effectively addressed.

11.Work is underway in several other areas in the IMF. We note the progress made to establish an operational framework for private sector involvement in crisis resolution. We call on the IMF to expedite its program of work on private sector involvement and agree on the importance of taking future decisions in a way that is consistent with such a framework. We note the need for further discussion on quotas at the IMF Executive Board.

Reform of the Multilateral Development Banks

12.Since we met in Palermo, we have intensified our dialogue with the MDBs and held informal consultations with other shareholders. A report on MDB reform will be released at the G-7 Finance Ministers' meeting in Rome on July 7, for submission to the Genoa Summit.

13.We reaffirm our strong commitment to strengthen the MDB system. MDBs must continue to play a crucial role in supporting economic development and should ensure that their operations to reduce poverty in developing countries concentrate on enhancing productivity growth and raising income per capita. Towards these ends, they should adopt a more selective approach that sharpens the focus and improves the effectiveness of their operations. We agree that the MDBs' attention should focus on the following areas for immediate action:

- Strengthening consistency and coordination among MDBs, in particular with respect to the substance and timing of MDB Country Strategies and their linkage to country-owned development strategies such as Poverty Reduction Strategy Papers. It is critical that MDBs harmonize at the highest appropriate standard operational procedures, policies and safeguards.
- Improving internal governance, in particular by ensuring wide public consultation and debate through the publication of draft and final key institutional policy and strategy documents, including Country Strategies, and strengthening accountability and transparency in the budgetary process.
- Promoting effective public sector management in borrowing countries, in particular by strengthening analytical and diagnostic work and improving country capacity on fiduciary and safeguard policies.

14.We agree that the MDBs have an important role to play in combating poverty in Middle Income Countries (MICs), and welcome the ongoing debate in the World Bank to further refine this role. In this context, we also agree that the MDBs should expeditiously conduct a review of their lending instruments and pricing policies with a view to enhancing the development impact of scarce MDB resources. We commend the Bank for its efforts to redesign its role in its ordinary lending programs but note that the proposed approach needs further study, particularly with regard to the policy environment, institutional capacity, and accountability of both borrowers and the Bank. We agree that the Bank and its shareholders should consider in the period ahead the scope and modalities of the Bank's proposed shift to programmatic lending. We urge the World Bank and, where appropriate, the other MDBs to continue their work to refine this approach in the next few months.

15. We note the ongoing discussions on the increased use of grants within IDA-13 and encourage the World Bank to carefully explore the related financial implications and practical implementation issues. We welcome consideration of measures to improve IDA's effectiveness, including strengthening the PRSP-led approach.

HIPC and Development Beyond Debt Relief

16.We reviewed the implementation of the Enhanced HIPC Initiative. Twenty-two countries are already receiving interim debt relief under the initiative, which is designed to provide long-term debt sustainability. We urge the other eligible countries, including those in, or emerging from, conflict, to take the necessary steps to focus on poverty reduction and growth and benefit from this important international program. We again urge other bilateral creditors to join with the G-7 and other governments in providing 100% cancellation of all eligible debt.

17.We underscore that debt reduction is only one aspect of development and must be complemented by strong reform programs in order to secure its true benefits. In this context, we urge countries receiving HIPC debt relief, working in cooperation with the IFIs, to strengthen the quality of poverty reduction strategies, to enhance their ability to track and monitor the savings from debt relief and to focus these savings on priority investments, such as education and health, and to adopt and implement high quality reforms.

18.We look forward to further discussions on moving beyond debt relief in preparation for the Genoa Summit. In this context, we underscore the importance of focusing on steps to increase opportunities for trade, foster more favorable environments for attracting private investment and promote efficient and coordinated investment in the social sector, as we work toward the International Development Goals. In particular, we will work constructively with others on a health initiative to tackle the infectious diseases of tuberculosis, malaria and HIV/AIDS.

Action Against the Abuses of the Global Financial System

19.We reaffirm our support for all the objectives of the multilateral effort to fight against abuse of the global financial system. We express our support for the ongoing work of FATF, and we welcome the significant progress made by most of the 15 jurisdictions listed by FATF as non-cooperative countries and territories (NCCTs) in June 2000 towards addressing the deficiencies in their anti-money laundering systems. We encourage those jurisdictions to implement needed reforms. We note our continued commitment to maintain a dialogue with these countries, to provide training and technical assistance, to delist those making adequate progress, and to implement coordinated measures as may be recommended by FATF against those NCCTs where dialogue has failed to generate sufficient progress. In addition, we welcome the FATF decision to undertake a review of its 40 recommendations to strengthen the international money laundering standard. We also welcome the IMF and World Bank Boards' recent decisions to recognize the FATF 40 Recommendations as the appropriate international standard for combating money laundering and encourage the Fund and the Bank, working in collaboration with FATF, to incorporate the relevant FATF 40 Recommendations into a ROSC module as soon as possible.