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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. Recognizing the need for a determined and cooperative policy response to the challenges facing the world economy, the International Monetary and Financial Committee held its fourth meeting in Ottawa on November 17, 2001, under the Chairmanship of Mr. Gordon Brown, Chancellor of the Exchequer of the United Kingdom. The Committee expresses its gratitude to Finance Minister Paul Martin and the Canadian government for hosting this meeting and for the excellent arrangements.
2. The Committee notes that the September 11 terrorist attacks have prolonged the slowdown in the world economy. Bold policy action has already been taken to support a robust recovery during 2002, but the outlook remains subject to considerable uncertainty. Continuing vigilance is needed, and it is essential that the international community stands ready to take timely action to maintain stability and invigorate growth. The Committee welcomes the Managing Director's October 5 statement on the situation of the world economy and the IMF response, which outlines a collaborative approach to give a new momentum to the world economy. The IMF has a central role to play, including through a strengthened focus on surveillance, in ensuring global macroeconomic and financial stability and in ensuring that globalization works for the benefit of all.
3. The advanced economies have a key responsibility to promote early recovery in global growth. The recent easing of monetary policy in the United States, the euro area, and other advanced economies is welcome, and the authorities stand ready to take further action if appropriate. While the scope for discretionary fiscal policy action varies across countries, the advanced economies should allow automatic stabilizers to operate. The Committee stresses that determined implementation of structural reforms to take advantage of the promise of technology for increased productivity is important to restore confidence and growth. Japan, in particular, needs to move ahead with vigorous reforms of its banking and corporate sectors, and Europe should give priority to accelerating labor and product market reforms. The United States stands ready to take further action to support growth, consistent with maintaining sound public finances in the medium term.
4. Increased trade opportunities will play a vital role in the recovery, and the Committee strongly welcomes the outcome of the Doha meeting of the World Trade Organization and the Doha Development Agenda. All countries should stand firm against protectionist

pressures, and the advanced economies, in particular, should improve access to their markets and reduce trade-distorting subsidies both for the benefit of their own citizens and to provide critical support for developing countries. The IMF should strengthen its surveillance of these issues and help promote international efforts to open markets. The Committee is vigilant on stability in the oil market at prices reasonable for consumers and producers.

5. Emerging markets and developing countries are facing a weakening of global demand, reduced capital flows, higher risk aversion in financial markets, reduced income from tourism, and lower and more volatile commodity prices. Sound and proactive policies in these countries will be critical. The IMF stands ready to provide additional financial assistance, where needed, to those countries pursuing sound policies. The IMF has a range of instruments available and its current financial position is strong. The IMF should be ready to adjust its policies if necessary. The Contingent Credit Line (CCL) is an important signal of the strength of countries' policies and a safeguard against contagion in financial markets, and the Committee encourages eligible countries to consider applying for it. The Committee also underscores the critical importance of involving the private sector in the prevention and resolution of financial crises. The Committee recommends an early implementation of the Fourth Amendment.

6. The Committee expresses particular concern at the adverse impact of the global slowdown on low-income countries and heavily indebted poor countries (HIPCs). It calls on the IMF, in close collaboration with the World Bank, to respond flexibly and proactively to the needs of these countries, including through additional concessional financing and debt relief where appropriate. The Committee welcomes the additional contributions to the Poverty Reduction and Growth Facility (PRGF), and encourages further contributions. The IMF, working closely with the World Bank, should intensify its efforts within the Poverty Reduction Strategy Paper (PRSP) framework to assess the poverty and social impacts of reforms on the poor. The Committee looks forward to discussing the findings of the PRGF and the PRSP Reviews at the Spring Meetings next year. The enhanced HIPC Initiative framework provides for the consideration of additional assistance at the completion point if there has been a fundamental change in a country's economic circumstances due to exceptional exogenous shocks. The Committee recognizes the need to take into account worsening global growth prospects and declines in terms of trade when updating HIPC Initiative debt sustainability analyses at completion point. It encourages the heavily indebted poor countries to continue to work expeditiously toward meeting the conditions that will secure access to debt relief and ensure its effective use, including through the maintenance of sound economic policies. Advanced economies must also be prepared to meet their special responsibility in providing increased development assistance and debt relief to tackle the increased challenges of poverty reduction, and to achieve the Millennium Development Goals. The Committee reiterates the importance of fully financing the enhanced HIPC Initiative, and it urges bilateral donors to fulfill this commitment.

7. Recognizing the importance of close collaboration and effective partnership among the community of international institutions in this endeavor, Committee members look forward, with their colleagues in the Development Committee, to their joint discussion with

the U.N. Secretary-General, Mr. Kofi Annan, on how best to work together to meet the challenges ahead, including in the context of the upcoming Conference on Financing for Development.

8. The Committee expresses grave concern at the use of the international financial system to finance terrorist acts and to launder the proceeds of illegal activities. It therefore calls on all member countries to ratify and implement fully the UN instruments to counter terrorism, particularly United Nations Security Council Resolution 1373, and welcomes and supports the Special Recommendations of the Financial Action Task Force (FATF) to combat terrorist financing. Each member should freeze, within its jurisdiction, the assets of terrorists and their associates, close their access to the international financial system, and, consistent with its laws, make public the list of terrorists whose assets are subject to freezing and the amount of assets frozen, if any, with monthly reports. The fight against money laundering and the financing of terrorism requires the active participation of both financial intermediaries and the public sector. The Committee endorses the IMF's action plan to intensify, where consistent with its mandate and expertise, its contribution to this global effort, namely by:

- extending the IMF's involvement beyond anti-money laundering to efforts aimed at countering terrorism financing;
- expanding its anti-money laundering work, including through FSAPs, to cover legal and institutional frameworks;
- accelerating its program of Offshore Financial Center assessments, and undertaking onshore assessments in the context of the FSAP;
- helping countries identify gaps in their anti-money laundering and anti-terrorist financing regimes in the context of Article IV voluntary questionnaires;
- enhancing its collaboration with the FATF on developing a global standard covering the FATF recommendations, and working to apply the standard on a uniform, cooperative, and voluntary basis; and
- increasing technical assistance to enable members to implement effectively the agreed international standards.

In addition, the Committee urges further international action to combat the financing of terrorism, and calls for:

- all countries to establish financial intelligence units to receive and process reports of suspicious transactions from the country's financial sector, and to monitor and analyze suspected terrorist funds;

- provisions to ensure the sharing of information and cooperation between national financial intelligence units, building on the work of the Egmont Group; and
- the deployment of technical assistance to ensure that every country can play its part, based on support either bilaterally or through an international trust fund.

Countries are urged to take these measures as soon as possible, preferably by February 1, 2002.

The IMF should report on progress at its spring 2002 meeting, with a full report at its Annual Meeting.

9. The Committee encourages the IMF to continue to strengthen its surveillance and crisis prevention, including through the implementation of standards and codes (and related technical assistance), and emphasizes that these remain key priorities. It calls on the IMF to implement the agreed framework for private sector involvement, and to intensify the ongoing analysis of outstanding issues. It welcomes the progress on improving the effectiveness of conditionality through streamlining and enhancing the country ownership of IMF-supported programs, and looks forward to reviewing progress in this area at its next meeting. Quotas should reflect developments in the international economy. The Committee looks forward to further work on this issue. The Committee looks forward to the Independent Evaluation Office (IEO) finalizing its work program and to receiving a progress report on its activities at the next meeting.

10. The Committee expresses its heartfelt appreciation to Stanley Fischer and Jack Boorman for their eminent records of service to the IMF and deep commitment to the well-being of all its member countries. Both have been pivotal in shaping the role of the IMF in the globalized economy and the evolving international financial architecture.

11. The next meeting of the IMFC will be held in Washington, D.C. on April 21, 2002.

**INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE
ATTENDANCE**

November 17, 2001

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)

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

Domingo Cavallo, Minister of Economy, Argentina

Peter Costello, Treasurer, Australia

Dai Xianglong, Governor, People's Bank of China

M.R. Pridiyathorn Devakula, Governor, Bank of Thailand

Emile Doumba, Minister of Finance, Economy, Budget and Privatization, Gabon

Ernst Welteke, President, Deutsche Bundesbank

(Alternate for Hans Eichel, Federal Minister of Finance, Germany)

Laurent Fabius, Minister of Economy, Finance and Industry, France

Francisco Gil Diaz, Secretary of Finance and Public Credit, Mexico

Sultan Bin Nasser Al-Suwaidi, Governor, Central Bank of the United Arab Emirates

(Alternate for 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

Pedro Sampaio Malan, Minister of Finance, Brazil

Paul Martin, Minister of Finance, Canada

Mrs. Linah K. Mohohlo, Governor, Bank of Botswana

Sauli Niinistö, Minister of Finance, Finland

Paul H. O'Neill, Secretary of the Treasury, United States

Didier Reynders, Minister of Finance, Belgium

Masaru Hayami, Governor, Bank of Japan

(Alternate for Masajuro Shiokawa, Minister of Finance, Japan)

Yashwant Sinha, Minister of Finance, India

Giulio Tremonti, Minister of Economy and Finance, Italy

Jean-Pierre Roth, Chairman of the Governing Board, Swiss National Bank
(Alternate for Kaspar Villiger, Minister of Finance, Switzerland)
Gerrit Zalm, Minister of Finance, Netherlands

Observers

Mary W. Covington, Associate Director of the Washington Branch, International
Labor Organisation (ILO)

Andrew D. Crockett, Chairman, Financial Stability Forum (FSF)

Nitin Desai, Under-Secretary-General for Economic and Social Affairs, United
Nations (UN)

Willem F. Duisenberg, President, European Central Bank (ECB)

John William Hancock, Counsellor, Trade and Finance Division,
World Trade Organization (WTO)

André Icard, Assistant General Manager, Bank for International Settlements (BIS)

Jan Allen Kregel, High Level Expert in International Finance, United Nations
Conference on Trade and Development (UNCTAD)

Klaus Regling, Director-General, European Commission

Yashwant Sinha, Chairman, Joint Development Committee

Ignazio Visco, Head, Economics Department, Organisation for Economic
Cooperation and Development (OECD)

James D. Wolfensohn, President, World Bank