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To: Members of the Executive Board

From: The Secretary

Subject: **Statement by Group of Seven Finance Ministers and Central Bank Governors—April 16, 2005**

Attached for the **information** of the Executive Directors is the statement by the Group of Seven Finance Ministers and Central Bank Governors delivered on April 16, 2005.

Att: (1)

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Department Heads

Statement by G-7 Finance Ministers and Central Bank Governors
April 16, 2005

Since our meeting in February, the global expansion has remained robust and the outlook continues to point to solid growth for 2005. Subdued inflationary pressures, appropriate monetary policies and favorable financing conditions are supporting the outlook.
But challenges remain.

Higher oil prices are a headwind and the expansion is less balanced than before.
We welcome efforts to improve oil market data, increase medium-term energy supply and efficiency. We will review the progress made at our next meeting. Vigorous action is needed to address global imbalances and foster growth: fiscal consolidation in the United States; further structural reforms in Europe; and further structural reforms, including fiscal consolidation, in Japan.

We reaffirm that exchange rates should reflect economic fundamentals. Excess volatility and disorderly movements in exchange rates are undesirable for economic growth. We continue to monitor exchange markets closely and cooperate as appropriate. In this context, we emphasize that more flexibility in exchange rates is desirable for major countries or economic areas that lack such flexibility to promote smooth and widespread adjustments in the international financial system, based on market mechanisms.

Building on the way forward on development we agreed in London, we made progress in preparation for the Gleneagles Summit, including on a case-by-case analysis of HIPC countries, based on our willingness to provide as much as 100% reduction of HIPC countries' IDA and African Fund debt without reducing the resources available to the poorest countries through these institutions. We thank the Managing Director for his papers exploring the role of the IMF related to debt relief and we look forward to discussing this with the full membership. We discussed the work program initiated in London on the IFF and its pilot, the IFF for immunization; some of the revenue proposals from the Landau Report brought forward by France and Germany which could also refinance the IFF; the Millennium Challenge Account; and other financing measures. We agree that the IMF and the World Bank have a role to play in helping developing countries address the impact of higher energy prices.

We reviewed progress of the Strategic Review of the Bretton Woods Institutions.
We support the creation of a policy monitoring arrangement in the IMF to allow low income countries to engage the Fund when they do not need Fund finance, alongside the PRGF which is the IMF's principal instrument for providing resources to low-income countries. The PRGF should be adequately equipped to meet future demand as assessed by the IMF and be responsive to short-term adjustment needs. We believe rapid progress can be made to improve IMF surveillance, including through independence of debt sustainability analysis from lending decisions. Prioritization of work and strict budget discipline are critical for the effectiveness of all IFIs.

We thank Jim Wolfensohn for his extraordinary service as President of the World Bank. We welcome Paul Wolfowitz as the new President. We look forward to working with him to: reinforce the Bank's implementation of country-led poverty reduction programs, including building public financial management and anti-corruption capacity; mobilize increased resources for development; increase the focus on growth strategies; and enhance accountability and incentives through results management, reform of the budget process to control costs, and greater transparency.

We commend the Brazilian authorities for their able economic stewardship and successful cooperation with the IMF, and we welcome their recent decision to continue these strong policies without an additional IMF program.

Following the debt exchange, Argentina needs to address the remaining defaulted debt, in line with the lending into arrears policy of the IMF, and undertake structural reforms to ensure sustainable growth. We welcome the efforts of donor countries to help the reconstruction of tsunami-ravaged countries and urge all donors to move quickly from pledges to action. We look forward to meeting our counterparts from the Broader Middle East and North Africa later today.

An ambitious result of the Doha Development Round is key for global growth. Countries with open and well-supervised financial services sectors, especially emerging markets and developing countries, have achieved significantly higher growth rates. A strong WTO agreement on financial services at the Hong Kong ministerial is in the best interests of the global community.

In our fight against terrorist financing, we agreed on the importance of improving the process of freezing terrorist assets in line with UN resolutions; improving information sharing between jurisdictions and with the private sector; and exploring the possibility of extending financial tools to disrupt criminality and terrorism.