

**DOCUMENTS AND RESOLUTIONS
OF THE
BOARD OF GOVERNORS**

SCHEDULE OF MEETINGS

Sunday

October 3

9:30 a.m. Opening Ceremonies
Address from the Chair
Annual Address by Managing Director,
International Monetary Fund
Annual Address by President,
World Bank Group
Annual Discussion

Annual Discussion
Procedures Committees Reports
Adjournment

NOTES:

1. The Meetings was held in Constitution Hall (a.m. session) and Preston Auditorium (p.m. session), and all sessions are joint.
2. The International Monetary and Financial Committee and the Development Committee met on Saturday, October 2.
3. The World Bank Group consists of the following:
 - International Bank for Reconstruction and Development (IBRD)
 - International Finance Corporation (IFC)
 - International Development Association (IDA)
 - International Centre for Settlement of Investment Disputes (ICSID)
 - Multilateral Investment Guarantee Agency (MIGA)

PROVISIONS RELATING TO THE CONDUCT OF THE MEETINGS

Admission

1. Sessions of the Boards of Governors of the World Bank Group and the International Monetary Fund will be joint and shall be open to accredited press, guests, and staff.
2. Meetings of the Joint Procedures Committee shall be open only to Governors who are members of the Committee and their advisers, Executive Directors, and such staff as may be necessary.

Procedures and Records

3. The Chairman of the Boards of Governors will establish the order of speaking at each session. Governors signifying a desire to speak will generally be recognized in the order in which they ask to speak.
4. With the consent of the Chairman, a Governor may extend his statement in the record following advance submission of the text to the Secretaries.
5. The Secretaries will have verbatim transcripts prepared of the proceedings of the Boards of Governors and the Joint Procedures Committee. The transcripts of proceedings of the Joint Procedures Committee will be confidential and available only to the Chairman, the President of the World Bank Group, the Managing Director of the International Monetary Fund, and the Secretaries.
6. Reports of the Joint Procedures Committee shall be signed by the Committee Chairman and the Reporting Member.

Public Information

7. The Chairman of the Boards of Governors, the President of the World Bank Group, and the Managing Director of the International Monetary Fund, will communicate to the press such information concerning the proceedings of the Annual Meetings as they may deem suitable.

AGENDA

1. 2004 Annual Report
2. Report of the Chairman of the International Monetary and Financial Committee (Fund Document No. 4)
3. Report of the Chairman of the Joint Development Committee (Fund Document No. 5)
4. 2004 Regular Election of Executive Directors (Fund Document No. 6)
4. Financial Statements and Audit Report (Appendix IX of the *2004 Annual Report* and Fund Document No. 7)
5. Administrative and Capital Budgets for Financial Year ending April 30, 2004 (Chapter 8 of the *2004 Annual Report* and Fund Document No. 8)
6. Selection of Officers and Joint Procedures Committee for 2004/2005

REPORTS OF THE JOINT PROCEDURES COMMITTEE

Chairman—Democratic Republic of the Congo
Vice Chairmen—Peru, Saudi Arabia
Reporting Member—Nigeria

Other Members

Australia, Bangladesh, Dominican Republic, France, Germany, Ghana, Hungary, Italy, Jamaica, Japan, Libya, Malaysia, Nicaragua, Poland, Russian Federation, Rwanda, South Africa, United Kingdom, United States

Report I¹

October 3, 2004

Mr. Chairman:

At the meeting of the Joint Procedures Committee held on October 1, 2004, items of business on the agenda of the regular meeting of the Board of Governors of the International Monetary Fund were considered.

The Committee submits the following report and recommendations:

1. *2004 Annual Report*

The Committee noted that provision had been made for the annual discussion of the business of the Fund.

¹Report III and the Resolutions contained therein were adopted by the Board of Governors of the Fund in Joint Session with the Board of Governors of the Bank, IFC, and IDA on October 3, 2004.

2. *Report of the Chairman of the International Monetary and Financial Committee*

The Committee noted that a presentation would be made by the Chairman of the International Monetary and Financial Committee on October 3, 2004.

The Committee recommends that the Board of Governors of the Fund thank the International Monetary and Financial Committee for its work.

3. *2004 Regular Election of Executive Directors*

The Committee noted that the 2004 Regular Election of Executive Directors of the Fund would be completed on October 3, 2004 and that the next Regular Election of Executive Directors would take place in 2006.

4. *Financial Statements, Report on Audit, and Administrative and Capital Budgets*

The Committee considered the Report on Audit for the Financial Year ended April 30, 2004, the Financial Statements contained therein (Fund Document No. 7 and Appendix IX of the 2004 Annual Report), and the Administrative Budget for the Financial Year ending April 30, 2005 and the Capital Budget for capital projects beginning in Financial Year 2005 (Chapter 8 of the 2004 Annual Report and Fund Document No. 8).

The Committee recommends that the Board of Governors of the Fund adopt the draft Resolution set forth in Fund Document No. 8.¹

Approved:

Lim Hng Kiang
Singapore
Chairman

Haruna Usman Sanusi
Nigeria
Reporting Member

¹ See Resolutions.

RESOLUTIONS**Resolution No. 60-1****Forthcoming Annual Meetings—Change of the
2005 Annual Meetings Date**

On August 15, 2002, the Board of Governors adopted Resolution No. 57-3 concerning the timing and locations of the 2004, 2005, and 2006 Annual Meetings. The wording of the Resolution is as follows:

RESOLVED:

THAT the 2004 and 2005 Annual Meetings shall be convened in Washington, D.C. beginning on Monday, September 27, 2004 and Monday, September 26, 2005;

THAT the invitation of the Government of Singapore to hold the Annual Meetings in Singapore in 2006 be accepted; and

THAT the 2006 Annual Meetings be convened on Tuesday, September 19, 2006.

The Fund and Bank Executive Boards established a Joint Working Group to review arrangements for the 2005 and future Annual Meetings. The Joint Working Group made a recommendation that, given the uncertain impact of security on the logistical arrangements for the Annual Meetings, the 2005 Annual Meetings should take place on Sunday, September 25, rather than on Monday, September 26.

In accordance with Section 13 of the By-Laws, the following Resolution was submitted to the Governors on April 19, 2005 for a vote without meeting:

RESOLVED:

THAT the 2005 Annual Meetings shall be convened in Washington, D.C. on Sunday, September 25, 2005, and that Resolution No. 57-3 shall be amended accordingly.

The Board of Governors adopted the foregoing Resolution, effective May 24, 2005.

Resolution No. 60-2

Direct Remuneration of Executive Directors and Their Alternates

Pursuant to Section 14(e) of the By-Laws, the 2005 Joint Committee on the Remuneration of Executive Directors and their Alternates on July 5, 2005 directed the Secretary of the Fund to transmit its report and recommendations to the Board of Governors of the Fund. The Committee's report contained the following proposed Resolution for adoption by the Board of Governors.

In accordance with Section 13 of the By-Laws, the following Resolution was submitted to the Governors on July 19, 2005 for a vote without meeting:

RESOLVED:

THAT, effective July 1, 2005, the remuneration of the Executive Directors of the Fund and their Alternates pursuant to Section 14(e) of the By-Laws shall be paid in the form of salary without a separate supplemental allowance, and such salary shall be paid at the annual rate of \$204, 400 per year for Executive Directors and \$176, 810 per year for their Alternates.

The Board of Governors adopted the foregoing Resolution, effective August 24, 2005.

Resolution No. 60-3

Financial Statements, Report on Audit, and Administrative and Capital Budgets

RESOLVED:

That the Board of Governors of the International Monetary Fund considers the Report on Audit for the Financial Year ended April 30, 2005, the Financial Statements contained therein, and the Administrative Budget for the Financial Year ending April 30, 2006 and the Capital Budget for capital projects beginning in Financial Year 2006 as fulfilling the requirements of Article XII, Section 7 of the Articles of Agreement and Section 20 of the By-Laws.

The Board of Governors adopted the foregoing Resolution, effective September 24, 2005.

**INTERNATIONAL MONETARY AND FINANCIAL
COMMITTEE OF THE BOARD OF GOVERNORS OF THE
INTERNATIONAL MONETARY FUND**

PRESS COMMUNIQUÉ

October 2, 2004

1. The International Monetary and Financial Committee held its tenth meeting in Washington, D.C. on October 2, 2004, under the Chairmanship of Mr. Gordon Brown, Chancellor of the Exchequer of the United Kingdom. The Committee welcomes Mr. Rodrigo de Rato as the new Managing Director, and looks forward to working closely with him on furthering the goals of global stability and prosperity.

The Global Economy and Financial Markets—Outlook, Risks, and Policy Responses

2. The Committee welcomes the strengthening and broadening of global economic growth in 2004, supported by a strong upturn in global trade, supportive policies, and favorable financial market conditions. The global expansion is expected to continue at a solid pace provided all countries implement policies and reforms that will promote robust, balanced, and sustainable growth. The Committee notes that downside risks to the recovery have recently increased, stemming in part from the increase and volatility in oil prices. These reflect geopolitical tensions, strong global demand, and market dynamics. The IMF stands ready to assist members that may be adversely affected.

3. The Committee reiterates the desirability of stability in oil markets and prices which are consistent with lasting global prosperity. To this end, it welcomes the decisions by oil-producing countries to continue to expand production and urges further measures to increase capacity, and calls on oil-consuming countries to take measures to promote energy sustainability and efficiency. The Committee also stresses the importance of dialogue between consumers and producers, and of further progress to improve oil market information and transparency.

4. The strength of the global recovery has set the stage for a gradual return to more neutral monetary policies, with the desirable pace and timing of tightening varying across countries, depending on cyclical positions. Continued good communication of policy intentions will be essential to facilitate orderly adjustment in financial markets to higher interest rates, where needed. Inflation remains low and risks to price stability remain moderate. However, policymakers should be ready to contain any inflationary pressures, including from higher commodity prices, thereby ensuring noninflationary growth.

5. All countries should take advantage of the recovery to address medium-term vulnerabilities and challenges with renewed commitment. The Committee considers that bold reforms on a wide front are needed to strengthen fiscal positions, remove structural impediments to growth, support the correction of global imbalances, reduce financial and corporate vulnerabilities, and accelerate poverty reduction.

6. Fiscal consolidation remains a key priority in many countries. In the advanced economies, credible medium-term fiscal frameworks should be based on well-defined policies, and ensure progress on consolidation particularly in good times. Reforms of pension and health care systems will also be critical to address the fiscal pressures from population aging. Although many emerging market countries are making good progress in improving the structure of public debt and strengthening fiscal positions, further efforts are needed to bring public debt down to levels that will build adequate resilience to shocks. Broad tax bases, effective and transparent public expenditure management, and structural measures to boost growth will be important to improve debt sustainability and meet social and infrastructure spending priorities.

7. Structural reforms remain crucial to strengthen the foundations for sustained growth. Most advanced economies should step up their efforts to increase economic efficiency and flexibility to take full advantage of the opportunities from rapid technological change and global integration. Boosting sustainable growth and increasing economic resilience across emerging market countries, depending on country circumstances, will involve: completing financial and corporate sector reforms; strengthening banking supervision and developing domestic capital markets; improving the investment climate; and promoting economic diversification. The Committee notes the importance of addressing the economic implications of demographic changes. Depending on country circumstances, policies

will need to focus on boosting labor supply, increasing public and private savings, and lifting productivity.

8. Policies to support an orderly resolution of global imbalances are a shared responsibility, and key to reinforcing the basis for more balanced and sustainable growth. The Committee underscores the importance of progress on medium-term fiscal consolidation in the United States, continued structural reforms to boost growth in Europe and Japan, and, in emerging Asia, steps toward greater exchange rate flexibility, supported by continued financial sector reform, as appropriate. Also, improving information and transparency in markets, including the role of hedge funds, would help strengthen market surveillance. The Committee welcomes the recent improvement in Argentina's fiscal position since 2002. The Committee supports that Argentina decisively addresses all the outstanding structural issues in their program, completes a comprehensive and sustainable debt restructuring, and ensures a sustainable medium-term fiscal framework. We welcome the efforts by Argentina toward completing a comprehensive and sustainable debt restructuring and hope for an expeditious conclusion to the process.

9. The Committee emphasizes that in the coming months IMF surveillance should focus on a number of key issues, including: the impact of higher oil prices, especially on the most vulnerable; the sustainability of medium-term fiscal positions and debt in many members; and managing the policy response to potential inflationary pressures.

10. The Committee calls on all partners to strengthen their commitment to the global effort to reduce poverty. The recent strong growth in most low-income countries is welcome, but the Committee is concerned that in many cases, particularly in sub-Saharan Africa, growth remains inadequate for achieving the Millennium Development Goals (MDGs).¹ The key challenge for these countries—as recognized in the New Partnership for Africa's Development—is to press ahead with efforts to further strengthen institutions and governance, to build on the macroeconomic stabilization that has been achieved. The international community needs to support these efforts with more open markets for these countries' exports, increased and better-coordinated aid and technical assistance, further debt relief, and sound policy advice.

11. An open and inclusive multilateral trading system is central to global growth and economic development, especially for developing countries. The Doha Round offers a unique opportunity for substantial progress

toward this objective, and the Committee is encouraged by the recent decisions on negotiating frameworks. We endorse the "July Package" and urge all parties to work toward concrete advances in liberalizing trade, strengthening multilateral trade rules, and reducing trade-distorting subsidies, notably in agriculture. To achieve ambitious trade liberalization will require the full commitment of all parties, in particular strong leadership from the major trading nations and readiness of all countries to embrace the opportunities provided by more open trade. The Committee supports the IMF's continued role in advocating trade liberalization and assisting members, including through the Trade Integration Mechanism.

Making Surveillance More Effective and Strengthening Crisis Prevention

12. Effective and evenhanded IMF surveillance across the whole membership is central to promoting high and sustainable growth in member countries and to crisis prevention. The increasing interdependence of the membership reinforces the importance of effective surveillance of systemically-important countries and capital markets. The Committee welcomes the progress made in strengthening surveillance, and the steps identified during the recent biennial surveillance review to enhance its overall effectiveness. A focus on implementation is now needed. The Committee calls upon the IMF to continue its efforts to strengthen its economic analysis and policy advice; systematically evaluate the appropriateness of that advice; complement multilateral and bilateral surveillance with a focus on regional issues; improve the quality of the policy dialogue with members (including through increased cross-country analysis where relevant); strengthen communications to markets and the public of the IMF's policy messages while preserving its role as a candid and confidential advisor; and develop a methodology for better assessing the effectiveness of surveillance.

13. Toward meeting these objectives, the achievement of which should be assessed in the next surveillance review, the Committee agrees that priority should be given to sharpening the focus of Article IV consultations, including a deepening of the discussion of exchange rate issues; enhancing financial sector surveillance; and better integrating debt sustainability analysis and regional and global spillovers into country surveillance. Further progress in reducing balance sheet vulnerabilities, and further work on surveillance in low-income countries will also be monitored in the next review of surveillance.

14. Progress in bringing a fresh perspective to the surveillance of program countries should be kept under review, and lessons learned from ex-post assessments of program performance should be carefully implemented. It is important to assess the extent to which earlier IMF advice was acted on by countries, taking account of the countries' views. The Committee looks forward to the forthcoming reviews of the standards and codes initiative and the Financial Sector Assessment Program, reflecting the increasing importance of financial system stability. The Committee calls for a strengthening of efforts to ensure the objectivity of surveillance, including through enhanced debt sustainability analysis covering all member countries.

15. The Committee welcomes consideration of whether there are gaps in the IMF's range of instruments and policies. It notes the preliminary discussions of possible new modalities for high-frequency policy monitoring and delivering signals on the strength of a member's economic policies outside the context of an IMF financial arrangement. The Committee notes the role that existing precautionary IMF instruments are playing in signaling the strength of members' policies; and the possible role for a precautionary PRGF, and precautionary and other financing instruments designed to prevent the emergence or spread of capital account crises. It calls for further work on these proposals, including the usefulness and potential demand, in close consultation with potential users, donors, and creditors, and calls for a report at its next meeting.

16. The Committee welcomes the increased adoption of collective action clauses (CACs) in international sovereign bonds, and calls on the IMF to continue to promote progress in this area. It notes recent initiatives aimed at achieving a broad consensus between sovereign issuers and their creditors on voluntary principles for emerging markets' crisis management and debt restructuring. The Committee looks forward to reviewing further work on general issues of relevance to the orderly resolution of financial crises, including implementation of the IMF's lending into arrears policy.

Enhancing International Support for Low-Income Members

17. The Committee supports the ongoing work to clarify and strengthen the IMF's role in low-income countries, which should be based on country ownership and close cooperation with other multilateral institutions and bilateral donors. The IMF has an important role in supporting—through policy advice, capacity building, and financial

assistance, including debt relief—low-income countries' efforts to achieve the macroeconomic stability and high growth needed to make progress toward the MDGs. The Committee looks forward to further work on the financing and modalities of the IMF's engagement with low-income members, including the financing of the PRGF after 2006 to maintain adequate capacity to meet future needs, instruments to help members face shocks, and ways to improve monitoring and signaling. The Committee notes the joint report of the IMF and the World Bank on aid effectiveness and financing modalities. It encourages further analysis by the World Bank and IMF of aid effectiveness, absorptive capacity, results-based measurement mechanisms, and financing modalities and mechanisms to augment aid flows, such as the International Finance Facility, global taxes, and other innovative mechanisms, and looks forward to a further report.

18. The Committee supports continued efforts to strengthen the Poverty Reduction Strategy Papers (PRSP) approach and IMF support to low-income countries under the PRGF. It welcomes the report of the Independent Evaluation Office on the PRSP/PRGF, and the work underway to follow up on its recommendations. To support implementation of the Monterrey Consensus, the Poverty Reduction Strategy (PRS) process should be improved and become better integrated into each country's domestic policy-making processes, and international assistance, including from the IMF, should become more fully coordinated with domestic economic priorities. The Committee looks forward to the work on improving the role of the IMF in the PRS process, and on the design of policy programs supported by the PRGF. It calls for increased incorporation of poverty and social impact analysis into PRGF-supported programs, and for more extensive analyses of the sources of and obstacles to growth, and the linkages between poverty reduction and economic growth.

19. The Committee welcomes the progress in providing debt relief under the HIPC Initiative, which has been extended for two more years, encourages eligible countries to take the necessary actions to benefit from the Initiative, and urges full creditor participation. The Committee supports the IMF's and the World Bank's work on a single framework to assist low-income countries' efforts to achieve and maintain robust debt sustainability while pursuing their development objectives. It looks forward to further consideration of outstanding issues in the proposed framework for debt sustainability, before it is made fully operational, and of further debt relief, including its financing.

Other issues

20. The IMF's effectiveness and credibility as a cooperative institution depend on all members having appropriate voice and full participation in its processes. The Committee takes note of the IMF Executive Board's status report regarding work on quotas, voice, and representation. It encourages the Board to consider further issues of voice, quotas, and participation, noting as the Board agreed, that progress will require broad consensus among the shareholders. The Committee recommends completion of the ratification of the Fourth Amendment.

21. The IMF's liquidity is adequate to meet the near-term projected needs of its members, although continued monitoring will be important.

22. The Committee expresses its appreciation of the work of Mr. Montek Singh Ahluwalia as first Director of the Independent Evaluation Office (IEO). It looks forward to continued high-quality reports by the IEO.

23. The 60th anniversary of the IMF is a timely opportunity to reflect on the forces that will help shape the institution's priorities going forward. The Committee welcomes the preliminary consideration by the Executive Board of the work on the IMF's strategic direction initiated by the Managing Director, and looks forward to a discussion at its next meeting. It also welcomes the continuing progress in reforming the IMF's budgetary framework.

24. The next meeting of the IMFC will be held in Washington, D.C. on April 16, 2005.

¹As endorsed by Heads of State and Government in the UN General Assembly on September 8, 2000.

INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE
COMPOSITION*As of September 24, 2005**Gordon Brown, Chairman*

Ibrahim A. Al-Assaf	Saudi Arabia
Gordon Brown ¹	United Kingdom
Palaniappan Chidambaram	India
Peter Costello ²	Australia
Francisco Gil-Díaz	Mexico
Hans Eichel	Germany
Nicolás Eyzaguirre	Chile
Per-Kristian Foss	Norway
Ralph Goodale	Canada
Duck-Soo Han	Korea
Mohamed K. Khirbash ³	United Arab Emirates
Aleksei Kudrin	Russian Federation
Mohammed Laksaci	Algeria
Roberto Lavagna	Argentina
Tito Titus Mboweni	South Africa
Hans-Rudolf Merz	Switzerland
Antonio Palocci	Brazil
Gastón Parra Luzardo ⁴	República Bolivariana de Venezuela
Didier Reynders ⁵	Belgium
Nicolas Sarkozy	France
Domenico Siniscalco	Italy
John W. Snow	United States
Sadakazu Tanigaki	Japan
M.R. Pridiyathorn Devakula	Thailand
Paul Toungui	Gabon

Alternate standing for the member:

¹ Mervyn King² Martin Parkinson³ Sultan Al-Suwaidi⁴ Armando León⁵ Karl-Heinz Grasser

JOINT MINISTERIAL COMMITTEE
OF THE BOARDS OF GOVERNORS OF THE BANK AND THE FUND ON
THE TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES
(DEVELOPMENT COMMITTEE)

PRESS COMMUNIQUÉ

Development Committee Communiqué

October 2, 2004

1. As we celebrate the 60th anniversary of the Bretton Woods Institutions and approach the fifth anniversary of the U.N. Millennium Declaration, we recommit ourselves to supporting efforts by developing countries to pursue sustainable growth, sound macroeconomic policies, debt sustainability, open trade, job creation, poverty reduction and good governance. These actions need to be reinforced by stronger international action and partnerships, including reforming trade, more and more effective aid and stronger private flows in order to make progress on the Millennium Development Goals.¹ We remain concerned that most MDGs will not be met by most developing countries.

2. Global economic growth is strong, supported by exceptionally robust growth in developing countries, as the world benefits from the significant reforms undertaken by many countries over recent years. Private sector driven growth resulting in new jobs and higher tax revenues, which can be used to finance poverty-reducing public expenditures, is critical to the success of country-led efforts to reduce global poverty. Success in the Doha Development Agenda can only complement these developments and we stress the importance of translating the recently agreed WTO frameworks into tangible results. We urge all countries, developing and developed, to participate fully in the negotiations and urge the IMF and World Bank to continue to support work to this end, and to help developing countries assess the impact and to provide additional support to address potential adjustment costs.

¹ As endorsed by Heads of State and Government in the U.N. General Assembly on September 8, 2000.

3. To help developing countries take advantage of the new opportunities that can arise from a better economic setting and to strengthen the foundations for economic growth, we welcome the renewed focus being given by the World Bank Group to private sector development, improving the investment climate and strengthening financial sectors, and urge the Bank to continue to translate this into country operations. Complementing macroeconomic stability, capacity building and a greater results focus in public services and institutions and improving the quality of governance, successful private sector investment, social development as well as gender equality are key to accelerating pro-poor growth. We note the important role played by remittances in this context. We urge the Bank to intensify its analytical work on the potential sources of growth and ways to mobilize them and to help countries build the relevant analytical capacity.

4. Strengthening the foundations for growth will also critically depend on addressing large infrastructure needs in many countries. We welcome the Bank Group's plans to scale-up activities in implementing the Infrastructure Action Plan and urge accelerated support of country efforts in accordance with the Bank's safeguards. We emphasized the importance of addressing maintenance and other costs to ensure the sustainability of infrastructure investments. We also stressed the need to pursue-together with the IMF-efforts to increase fiscal space for public infrastructure investments within limits of fiscal prudence and debt sustainability. We also endorse further Bank engagement to meet infrastructure needs at the regional and sub-sovereign levels, enhancing application of risk mitigation instruments, and continuing efforts to offer a more complete and seamless client product line across the World Bank Group; accordingly, we urge the Bank to present options to its Board to move this agenda forward concretely. These actions will be particularly important in enhancing the Bank's support for development in middle-income countries, as well as in low-income countries.

5. These and other actions required to lay the basis for sustained stronger growth are critical to our ability to achieve the MDGs, as is progress in providing effective health systems (in particular tackling HIV/AIDS, malaria and other communicable diseases), education for all and other basic social services. We noted the special needs of low-income countries under stress (LICUS) , where technical assistance is especially necessary to strengthen weak policies and institutions. We look forward to reviewing progress in all these areas in the second Global Monitoring Report at our next meeting.

6. We agree that reform efforts in developing countries must be supported by improved aid effectiveness, increased aid and other financial flows, and coherent policies to achieve development results. The international community has agreed to harmonize and align their support behind country-owned development strategies, streamline the use of conditionality, increase the focus on results, and use country systems where appropriate. We are committed to using the Second High-Level Forum on Harmonization in Paris next spring to translate these agreements into clear and specific commitments and timetables and call for the development of indicators and benchmarks to monitor the participation of all partners in this effort at the country level.

7. We must also enhance our efforts to help developing countries build capacity and address absorptive capacity constraints. We welcome the progress achieved to date in implementing the Poverty Reduction Strategy (PRS) process as indicated in recent independent evaluations. We note the important challenges that remain in implementing the approach fully and effectively both at the country level and in the Bank and Fund and among other development partners, and welcome the revisions to the PRS architecture to help achieve this. One area which deserves closer attention in next year's PRS report is the continued efforts by the Bank and Fund to streamline their aggregate conditionality. We also call on the Bank to review its own policy and practice on conditionality and report at our meeting in Fall 2005.

8. The provision of additional, predictable and timely financial assistance to countries committed to sound policies, remains a critical issue, particularly for sub-Saharan Africa. We urge those donors, who have not yet done so, to make concrete efforts towards the target of 0.7 percent of GNP as ODA. We welcome the progress announced by some countries, including, in some cases, the setting of clear timetables to achieve this objective. We also reaffirm our commitment to a substantial and timely replenishment of IDA, recognizing the critical timetable to reach the MDGs.

9. To address the needs for additional stable and predictable financing to help developing countries undertake ambitious investment plans to meet the MDGs and to finance associated recurrent costs where appropriate, we reviewed proposals to complement increased aid flows and commitments with innovative mechanisms. We welcomed the World Bank and IMF analysis of these options, notably the International Finance Facility, global taxes and voluntary contributions, including the analysis of their technical feasibility. We also took note of the

international meeting on Action Against Hunger and Poverty convened by President Lula on September 20th 2004 in New York. We ask the Bank and the Fund to continue their work and report at the next meeting on how to take such options forward. We also encourage the Bank to explore the potential for increasing leverage through blending aid with other flows, including MDB lending.

10. Debt sustainability is an essential underpinning for growth. We reviewed progress under the enhanced HIPC Initiative, welcomed the recent decision to extend the sunset clause and urged full creditor participation. We welcome the development of a forward-looking debt sustainability framework that aims to help low-income countries manage their borrowings and avoid a buildup of unsustainable debt, while pursuing the MDGs. We stressed the need to provide resources to low-income countries on appropriate terms, including the degree of concessionality and level of grant financing. We look forward to further work on the remaining issues by the Bank and the Fund to make the framework operational as soon as possible. We underscore the need for joint Bank/Fund Debt Sustainability Analyses (DSAs) (based on a clear division of labor) to provide countries, and their development partners, with clear and coherent analysis and guidance. We also urge the Bank and the Fund to accelerate their work on means to help mitigate the impact of exogenous shocks on low-income countries and to report to their Boards at an early date.

11. We also reviewed reports from our Boards with respect to their work on enhancing the voice and participation of developing and transition countries in our institutions. This work takes place within a broader context of reflections on how best to address governance issues within the international community. We welcomed the progress to date in making Bank and Fund operations more responsive to borrowers' needs. We urge the Boards to cooperate closely together in exploring all relevant options and to strive to achieve consensus amongst all members. We look forward to receiving a report regarding the feasibility of these options, to allow us to address the necessary political decisions at our next meeting.

12. The next meeting of the Committee will be held in Washington, D.C., on April 17, 2005.

DEVELOPMENT COMMITTEE COMPOSITION

*As of October 2, 2004*Trevor Manuel, *Chairman*

Ibrahim Al-Assaf	Saudi Arabia
Ahmed bin Mohammed Al Khalifa	Bahrain
Hilary Benn	United Kingdom
Thanong Bidaya	Thailand
Boniface Britto	Côte d'Ivoire
Thierry Breton ¹	France
P. Chidambaram	India
Joseph Deiss ²	Switzerland
José Francisco Gil Diaz	México
Ralph Goodale ³	Canada
Duck-Soo Han	Republic of Korea
Eero Heinaluoma	Finland
Jin Renqing	People's Republic of China
Aleksei Kudrin	Russian Federation
Roberto Lavagna	Argentina
Ngozi N. Okonjo-Iweala	Nigeria
Fathallah Oualalou	Morocco
Antonio Palocci Filho	Brazil
Didier Reynders ⁴	Belgium
Giulio Tremonti ⁵	Italy
John W. Snow	United States
Sadakazu Tanigaki ⁶	Japan
Heidemarie Wieczorek-Zeul ⁷	Germany
Gerrit Zalm ⁸	The Netherlands

Alternate standing for the member:

¹ Mrs. Brigitte Girardin² Mr. Jean-Daniel Gerber³ Robert Greenhill, Paul Boothe⁴ Armand De Decker⁵ Ignazio Angeloni⁶ Hiroshi Watanabe⁷ Erich Stather⁸ Agnes van Ardenne

RESOLUTIONS**Resolution No. 59-1****Salary of the Managing Director**

The Executive Board resolved on May 18, 2004 to recommend an adjustment in the salary of the Managing Director

In accordance with Section 13 of the By-Laws, the following Resolution was submitted to the Governors on May 26, 2004 for a vote without meeting:

Resolved that:

1. Effective at the start of the Managing Director's term of appointment on or about June 7, 2004, the annual salary of the Managing Director of the Fund shall be three hundred and seventy-six thousand, three hundred and eighty dollars (\$376,380).
2. The annual salary of the Managing Director shall be adjusted effective July 1, 2005 and each July 1 thereafter by the percentage increase in the Washington metropolitan area consumer price index for the twelve months ending the preceding May. The applicable index for this purpose shall be the U.S. Bureau of Labor Statistics Regional (Washington, Baltimore, Maryland, Virginia, West Virginia) Consumer Price Index for All Urban Consumers, or the equivalent replacement index.

The Board of Governors adopted the foregoing Resolution, effective June 16, 2004.

Resolution No. 59-2**Direct Remuneration of Executive Directors and their Alternates**

Pursuant to Section 14(e) of the By-Laws, the 2004 Joint Committee on the Remuneration of Executive Directors and their Alternates on June 8, 2004 directed the Secretary of the Fund to transmit its report and recommendations to the Board of Governors of the Fund. The Committee's report contained the following proposed Resolution for adoption by the Board of Governors.

In accordance with Section 13 of the By-Laws, the following Resolution was submitted to the Governors on June 22, 2004 for a vote without meeting:

Resolved:

That, effective July 1, 2004, the remuneration of the Executive Directors of the Fund and their Alternates pursuant to Section 14(e) of the By-Laws shall be paid in the form of salary without a separate supplemental allowance, and such salary shall be paid at the annual rate of \$196,730 per year for Executive Directors and \$170,170 per year for their Alternates.

The Board of Governors adopted the foregoing Resolution, effective July 28, 2004.

Resolution No. 59-3

2004 Regular Election of Executive Directors

The Executive Board decided on July 7, 2004, to propose a draft Resolution of the Board of Governors, by which the Board of Governors would adopt: (a) the draft Regulations for the Conduct of the 2004 Regular Election of Executive Directors; and (b) the recommendations relating to the timing of the next regular election. The recommendation that there should continue to be nineteen elective Executive Directors requires that the draft Resolution be adopted by an eighty-five percent majority of the total voting power, as specified in Article XII, Section 3(b).

In accordance with Section 13 of the By-Laws, the following Resolution was submitted to the Governors on June 22, 2004 for a vote without meeting:

Resolved:

(a) In accordance with paragraph (b) of Resolution No. 57-4 adopted on August 19, 2002, which provides that “a Regular Election of Executive Directors shall take place in 2004”, the proposed Regulations for the Conduct of the 2004 Regular Election of Executive Directors are hereby adopted; and

(b) That the next Regular Election of Executive Directors shall take place in 2006.

The Board of Governors adopted the foregoing Resolution, effective August 18, 2004.

Resolution No. 59-4

New Period for Consent - Increases of Quotas of Members under the Eleventh General Review

WHEREAS paragraph 4 of the Board of Governors' Resolution No. 53-2 states that, to become effective, duly executed notices for consent to increases in quota under the Resolution must be received in the Fund before 6:00 p.m., Washington time January 31, 2000, provided that the Executive Board may extend this period as it may determine;

WHEREAS the last extension of the period established in accordance with paragraph 4 of the Resolution expired at 6:00 p.m., Washington time, July 31, 2004;

WHEREAS the Executive Board has recommended the adoption of a Resolution of the Board of Governors, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund, setting a new period for receipt of consents to increases in quota under Board of Governors Resolution No. 53-2, so as to give members that have been unable to consent to their proposed increases in quotas under such Resolution a further opportunity to do so;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

Fund members that have not consented to an increase in their quotas as proposed by Board of Governors Resolution No. 53-2 within the period established in accordance with paragraph 4 of that Resolution, shall have until 6:00 p.m., Washington time September 19, 2005, to submit notices in accordance with paragraph 2 of Resolution No. 53-2, by a duly authorized official of the member, provided that the Executive Board may extend this period as it may determine.

The Board of Governors adopted the foregoing Resolution, effective September 20, 2004.

Resolution No. 59-5**Financial Statements, Report on Audit, and Administrative and
Capital Budgets**

Resolved:

That the Board of Governors of the International Monetary Fund considers the Report on Audit for the Financial Year ended April 30, 2004, the Financial Statements contained therein, and the Administrative Budget for the Financial Year ending April 30, 2005 and the Capital Budget for capital projects beginning in Financial Year 2005 as fulfilling the requirements of Article XII, Section 7 of the Articles of Agreement and Section 20 of the By-Laws.

The Board of Governors adopted the foregoing Resolution, effective October 3, 2004.