STATEMENT BY THE HONORABLE JOHN W. SNOW
SECRETARY OF THE TREASURY OF THE UNITED STATES OF AMERICA
INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE MEETING
WASHINGTON, D.C., APRIL 24, 2004

I join others in thanking Horst Kohler for his leadership of the IMF over the past years as we have dealt with the critical challenges facing the Fund and the global economy.

Global Outlook

Since we last met in Dubai, the global recovery has strengthened further, with the United States leading the way and with good growth in many emerging markets. But global growth still relies too heavily on the United States as the engine for the world economy.

With cyclical recovery more firmly underway, the major industrial economies in particular must now increase attention to raising economic potential. The G-7 countries, for example, are pursuing an Agenda for Growth -- a critical initiative aimed at encouraging major countries to focus on structural policy reforms to increase flexibility, raise productivity and employment, and achieve higher, sustained growth. The U.S. calls for progress on WTO negotiations and an ambitious outcome, focusing on agriculture, industrial and consumer goods, and services, and welcomes the IMF's support for these efforts, including its recent approval of the Trade Integration Mechanism.

Emerging markets continue to benefit from benign external financing conditions, and I urge countries to consolidate reform and improve debt dynamics while conditions are favorable.

Promoting Growth and Stability

In the last few years, we have seen real progress in enhancing the IMF's effectiveness. The Fund has refocused on its core areas of expertise. But this process is not complete. IMF work on subjects not directly related to fiscal, monetary, exchange rate, and financial sector reforms should be clearly justified, in surveillance and program design. Explicit justification will enable the Board to monitor more effectively the streamlining of the IMF's focus.

More work is also needed to sharpen surveillance further and ensure it is sufficiently independent and objective. We need a better system for surveillance that places responsibility directly on members to assure the consistency of their policies with the objectives of promoting growth and stability. The IMF's various country, regional, global, financial markets, and regulatory analyses need to be better integrated to provide a unified assessment of a country's policies and their impact on the international system. I am open to innovative institutional reform approaches to ensure that country surveillance gets a second look, for example by ensuring that debt sustainability analysis for a country is developed by separate staff teams. I also welcome the IMF's work in the financial sector, including on Financial Soundness Indicators and the Financial Sector Assessment Program, and encourage further institutionalization of the balance sheet approach and attention to currency mismatch issues.

I applaud the recent decision to make assessments of the entire anti-money laundering and terrorist financing standard a permanent and comprehensive part of IMF work. Protecting the integrity of the international financial system is an essential IMF duty. We look forward to rapid implementation of this program. Further, the Fund's work on regulatory frameworks for informal funds transfer systems is important to reduce impediments to cost-effective cross-border financial services, including remittances.

I welcome the increase in publication rates of IMF surveillance and lending papers and reiterate my hope that all countries will agree to publish their IMF documents. The benefits of transparency, for the IMF and for each member country, are compelling.

Turning to lending, the IMF's success should not be measured by how many programs it carries out. The goal for countries and the IMF alike should be to put in place strong, pro-growth policies and to avoid imbalances that require substantial financing from the IMF. When countries do turn to the IMF for financial support, we favor a targeted set of program conditions, focused on the core macroeconomic challenges, and more rigorous implementation of program commitments. It goes without saying that all programs must meet high standards and deliver sound results. We need to raise the bar.

My view on programs is informed by the belief that the IMF's particular strength is in effectively promoting sound policies in all our member countries. The IMF does this through its provision of technical assistance, surveillance, and lending programs when financing is needed. To strengthen its policy role, we favor the development of a new form of engagement for countries that do not have a financing need. Under this proposal, the IMF could assess an economic program prepared by the country itself and, signal its view to donors, MDBs, and markets. Such a non-borrowing vehicle for close engagement should benefit both poor countries and emerging market countries, as it will show that a country has clear ownership of its policies and is strong enough to stand on its own feet.

Strengthening the framework for addressing crises remains a priority. It is vital to maintain clear limits on official sector finance, with the IMF as the primary source of official resources for countries facing acute financial crises. I was pleased to see the Board recently uphold the standards for access to large scale IMF lending. Further, I commend the IMF's active role in encouraging countries to include collective action clauses in external sovereign bonds. Our efforts to make CACs the market standard under New York law are succeeding.

Making the IMF More Effective in Low Income Countries
The IMF's macroeconomic advice and technical assistance is a unique and much-needed asset for low income countries. IMF oversight has helped many developing countries achieve macroeconomic stability – benefiting all people, improving effectiveness of donor inflows, and helping lay the foundation for a growing private sector.

The time has come for a positive, new vision for the IMF's role in low-income countries. For too long, IMF engagement with low-income countries has meant a series of programs, with no strategy for an exit from IMF borrowing. Now that HIPC debt reduction provides lasting relief aimed at helping countries achieve debt sustainability, we no longer need to recycle PRGF exposure. The IMF needs to stand ready to provide financial assistance to its poor country members with balance of payment needs. But where assistance is required for ongoing development needs, that assistance should come from the development banks and bilateral donors, not the IMF. The IMF should marshal grants to support strong performers and to assist those facing macroeconomic setbacks. On the other hand, low-income countries with strong fundamentals in place should move beyond PRGF borrowing and look instead to non-borrowing engagement.

More broadly, the IMF needs to play a greater role in ensuring that lending to poor countries – including concessional lending – does not exceed the country's capacity to repay. The IMF should be clear when additional grants or an increased concessionality of lending is required.

Before closing, let me touch on the issue of voice in the IMF. The United States supports a strong role for developing countries and emerging market countries in the international financial system. We also believe that the IMF is a shareholder institution and that quotas should reflect economic weight and the ability to contribute to the financing of the IMF.

The United States is committed to making the IMF effective in our modern world. We look forward to continuing our work with other members and the institution going forward.