

BUILDING AN INTEGRATED GLOBAL ECONOMY**The International Financial Institutions in a Changing World**

15. The rapid growth of global trade and private capital flows requires continuing adaptation and reform of the international financial institutions (IFIs). We therefore reaffirm our support for the ambitious program of IFI reforms underway following Halifax, and our conviction that their comprehensive implementation will substantially strengthen the effectiveness of the international monetary system. We pledge to work collaboratively with the institutions as they pursue these efforts, and to cooperate among ourselves and with others having a stake in the international monetary system to provide them the resources and multilateral support needed for success.

16. We value the IMF's surveillance of the international monetary system. We place particular importance on the IMF helping countries build long-term potential through trade and investment liberalization. By the time of the World Bank/IMF annual meetings in Hong Kong, we seek substantial agreement on key elements of an amendment to the IMF Articles to give the IMF the specific mandate to promote capital account liberalization to meet the new challenges in global capital markets. We welcome the IMF's progress in strengthening surveillance and promoting improved transparency. Increased attention to financial sector problems that could have significant macroeconomic implications, and to promoting good governance and transparency, will help prevent financial crises. Equally important is appropriate transparency in the Fund's activities with member countries. We welcome the IMF's progress in these areas. We seek substantial agreement toward a proposed amendment of the IMF Articles to provide for an "equity" allocation of Special Drawing Rights, and ask the IMF to work toward completing agreement by the time of the World Bank/IMF meetings in September.

17. The World Bank's Strategic Compact represents a welcome commitment to a new direction, emphasizing greater Bank impact on poverty reduction, strong new partnerships with the private sector, and a concentration of operations on countries genuinely committed to sound policies and the welfare of all their citizens. We fully endorse the Bank's commitment to a stronger focus on building institutional capacity, especially in the poorest countries, and its recognition of the central importance of transparency, accountability, and good governance in this effort. We look forward to full and timely implementation of these commitments. We urge the regional development banks to participate fully in meeting these same challenges. We welcome the World Bank Group's initiative to present at the Hong Kong meetings innovative ways to support private sector infrastructure investment in developing countries.

18. Transparent, accountable, and responsive public institutions are essential to achieving sustained economic development and healthy democracies. In this regard, we welcome the long-standing efforts of the World Bank to promote good governance and adoption by the Asian Development Bank of a good governance policy. We urge the IMF and the World Bank to finalize governance policies, consisting of principles and guidelines on best governance practices.