The Group of Seven Finance ministers and central bank governors conferred in Washington. Joining them were (bottom row, left) Rodrigo de Rota, Spain's Minister of the Economy, who represented the European Union, and (top row, from left) Wim Duisenberg, President of the European Central Bank, and Horst Köhler, Managing Director of the IMF.

Economic recovery from the slowdown is under way, supported by appropriate and proactive macroeconomic policies that were in part a response to the tragic events of September 11, but downside risks remain, including those arising from oil markets.

Each of us has an ongoing responsibility to implement sound macroeconomic policies and structural reforms to sustain recovery and support strengthened productivity growth in our economies. We welcome the work programs of the Financial Stability Forum and International Accounting Standards Board responding to financial and related vulnerabilities. We look forward to the Financial Stability Forum report by September. We will continue to monitor exchange markets closely and cooperate as appropriate. We welcomed Russia's continued strong economic growth, progress in implementing key reforms, and work toward World Trade Organization accession.

Many emerging markets and developing economies are also now showing clear signs of recovery, building on improved economic policies. Better availability and clarity of information furnished to markets have enabled market participants to better assess and differentiate across economies the fundamental causes of market developments. The situation in Argentina is of serious concern. Reforms of the fis-

Group of Seven Action Plan

We, the Group of Seven finance ministers and central bank governors, have today adopted an integrated Action Plan to increase predictability and reduce uncertainty about official policy actions in the emerging markets. The Action Plan is part of an overall endeavor whereby the sovereign debt of all countries would ultimately be investment grade, a rating that every country could eventually achieve with the right policies. The Action Plan would help prevent financial crises and better resolve them when they occur, thereby creating the conditions for sustained growth of private investment in emerging markets and helping raise living standards of the people in emerging market countries. We pledge to work together to carry out this Action Plan. The plan comprises the following elements that are complementary and reinforce each other.

We will work with emerging market countries and their creditors to implement a market-oriented approach to the sovereign debt restructuring process, in which new contingency clauses would be incorporated into debt contracts. These new clauses should describe as precisely as possible what would happen in the event of a sovereign debt restructuring. The clauses should include supermajority decision-making by creditors; a process by which a sovereign would initiate a restructuring or rescheduling—including a cooling-off, or standstill, period—and a description of how creditors would engage with borrowers. Within these parameters, we will work with borrowers and creditors to make the clauses as effective as possible, examining such issues as aggregation, new private lending, and treatment of existing debt. We will also work with the IMF on incentives for countries with IMF programs to adopt such clauses.

With this market-oriented approach to the sovereign debt restructuring process, we are prepared to limit official sector lending to normal access levels except when circumstances justify an exception. It is becoming clearer that official sector support is being limited. Limiting official sector lending and developing private sector lending are essential parts of our Action Plan.

We will work with the IMF to improve the quality, transparency, and predictability of official decision making as a key means of crisis prevention. Specific actions include a more preemptive analysis of debt sustainability using market-based measures of creditworthiness, a consideration of a greater degree of independence between the surveillance or analysis role and the lending role at the IMF, and a clarification of the IMF's lending into arrears policy.

We support further work by the IMF on proposed approaches to sovereign debt restructuring that may require new international treaties, changes in national legislation, or amendments of the Articles of Agreement of the IMF. Since these changes would take time, this work should not delay the expeditious implementation of the approach described above; indeed, this work is complementary.

We emphasize that this Action Plan should increase the incentives for governments to pay their debts in full and on time. These incentives, which include the benefit of continued market access at reasonable interest rates, should remain.