INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

ELEVENTH MEETING OF MINISTERS

COMMUNIQUÉ

Washington, D.C.
August 30, 1975

1. The Ministers of the Group of Twenty-Four held their Eleventh Meeting at the Sheraton-Park Hotel, Washington, D.C. on August 30, 1975, Mr. H. E. Tennekoon, Governor of the Central Bank of Sri Lanka, was in the chair, with General Amilcar Vargas Gavilano, Minister of Economy and Finances of Perú, and Mr. K. Gyasi-Twum, representing the Commissioner for Finance of Ghana, as Vice-Chairmen. The meeting was attended by Mr. H. J. Witteveen, Managing Director of the International Monetary Fund, Mr. Gamani Corea, Secretary-General of the United Nations Conference on Trade and Development, Mr. E. Stern, Director, Development Policy, World Bank, and Mr. Konan Bedie, Chairman of the Joint Development Committee.

2. Ministers discussed the international economic situation and current problems. They expressed concern at the slow and uncertain nature of the recovery in the industrial countries, continued inflation, and the worsening terms of trade of the developing countries. They expressed particular concern that the developing countries were faced with increasing payments deficits and, on present indications, gloomy prospects for the future; by contrast, the developed countries had largely overcome their payments problems. Ministers agreed that the causes of the difficulties faced by developing countries lay in world economic conditions, and in trade restrictions, including discriminatory restrictions on products of export interest to developing countries, imposed by developed countries. Ministers pointed out that the developing countries were bearing the brunt of maladjustments in developed countries through reduction in the demand for their exports.

3. Ministers felt that a vicious circle had set in, whereby the fall in export income of the developing countries and the general balance-of-pay-ments difficulties faced by them were restricting their demand for imports from developed countries, thereby aggravating the recession in those countries. They were therefore of the view that the time was particularly appropriate for the industrial countries, in their own interest, to expand the flow of real resources to developing countries and thereby also fulfill their international commitments regarding official development assistance. Such an approach would provide added support to ensure the needed recovery of the world economy, through the expansion of the export sector of the industrial countries.

4. Ministers agreed that developing countries would need substantial balance-of-payments assistance in the coming months. In this connection, they pointed to the heavy responsibilities that would fall upon the IMF. They stressed the need to fashion the policies and procedures of the Fund to meet the exigencies of the situation. In particular, the Ministers felt strongly that conditions traditionally attached to drawings from the Fund were no longer appropriate because they placed the burden of adjustment on the developing countries and did not facilitate the

correction of the maladjustments which are to be found in the developed countries. They urged the IMF to review its policies and procedures with a view to ensuring their suitability to meet the exceptional and new needs of developing countries. In this connection, they called for increasing the amounts available under the tranche policy.

5. Ministers agreed that the oil facility had proved to be very useful. They were also of the opinion that in view of the uncertainty of other forms of financing available to developing countries, there would be a continuing need for this or a similar facility for the next year, but with less conditionality, in addition to, and not as a substitute for, a widening of the tranches. They felt that access to the 1975 oil facility should be allowed to the full extent of maximum eligibility, and urged all countries in a position to contribute to its financing to do so. Ministers urged that developed countries that had recourse to other sources of finance should voluntarily refrain from using the oil facility. Ministers urged that developing countries, many of whom were contributors to the facility, should have a greater say in determining the conditions of drawings.

6. Ministers welcomed the establishment of the Oil Facility Subsidy Account. However, they noted with disappointment that less than half the required amount of contributions had been pledged and that some contributions were subject to conditions. Ministers urged that all countries with the capacity to contribute should do so, without conditions.

7. Ministers, while welcoming the agreement reached by the Executive Directors of the IMF to allow drawings under the buffer stock financing facility to "float" alongside the gold tranche, urged that the Fund should be empowered to lead directly to buffer stock agencies. They also reiterated their support for a substantial improvement in the compensatory financing facility.

8. Ministers reaffirmed their support for establishing a Trust Fund, and agreed that the Executive Directors should work out the details of a Trust Fund in order to permit its establishment as expeditiously as possible.

9. Ministers noted with regret that the Sixth General Review of Quotas is being held up by the absence of agreement among industrial countries and expressed the hope that agreement would be reached on the occasion of the forthcoming Joint Annual Meetings of the World Bank and the Fund to double the aggregate share of the major oil exporting countries, while maintaining the aggregate share of the other developing countries, which is presently 22.73 percent.

10. Ministers stressed that in future quota reviews the share of developing countries should progressively increase, and that countries not satisfied with the quota increase should have an opportunity to make representations before quotas are approved. Ministers reaffirmed that the present representation of developing countries in the decision-making bodies of the Bank and Fund should be substantially improved and the broad geographical representation of developing countries should not be adversely affected.

11. On gold, Ministers reaffirmed that the amended Articles of the Fund should oblige each member of the International Monetary Fund to undertake to collaborate with the Fund and with other members regarding the policy of the member with respect to gold, and that any action by

any member or arrangements among members with respect to gold should be consistent with the Articles of Agreement and with policies designed to ensure the gradual reduction of the role of gold in the international monetary system and the strengthening of the role of the SDR.

12. Ministers also affirmed that no arrangements with regard to gold would be acceptable to the developing countries unless they met the above principles and also unless:

(a) they were designed to raise substantially the flow of financial resources to the developing countries, without imposing a loss on any individual developing country;

(b) they did not accentuate the already inequitable distribution of international liquidity.

In this context, Ministers agreed that there was a need to expedite the study of a gold substitution account.

13. Ministers considered the various proposals currently under discussion regarding the disposal of the gold held by the Fund, and found that none of them in their present formulation was entirely acceptable to the developing countries.

14. Ministers reaffirmed their support for the early establishment of a link between allocations of SDRs and development finance.

15. Ministers reviewed the work of the Development Committee and they stressed the need to pay attention to the longer-term problems of the transfer of real resources in addition to dealing with immediate issues.

16. Ministers welcomed the establishment of the Third Window. They expressed disappointment that total contributions thus far were not enough to permit a total lending program of $1 billion, which was, in the view of the Ministers, a modest sum in the light of the capital requirements of developing countries. Ministers urged all countries with a capacity to contribute to do so and ensure that their contributions to the Third Window and Third-Window lending were additional to the normal levels of development assistance.

17. Ministers noted with satisfaction that the Development Committee is working on the question of access to capital markets, and expressed the hope that this work will result in concrete action to widen and strengthen the access of developing countries to capital markets.

18. Ministers emphasized the importance of giving due consideration to the long-term problems of all developing countries, and in this connection they stressed the need for the Bank to update its estimates and for the Development Committee to review the capital requirements of developing countries, and for the international financial institutions to gear their lending programs in the light of such estimates. Ministers attached high priority to a selective followed by a general expansion of the capital base of the Bank, in order to allow the Bank to expand its lending program and thereby cater to the needs of all developing countries. With regard to fiscal year 1976 Ministers stressed that the $4.7 billion agreed by the Board should not be taken as a limit, but rather as a minimum figure for lending by the Bank. Ministers also stressed the

importance of the continuation of the transfer of the net income of the Bank to IDA in the next year.