INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

THIRTEENTH MEETING OF MINISTERS

COMMUNIQUÉ

Manila, Philippines
October 1-2, 1976

1. The Ministers of the Group of Twenty-Four on international monetary affairs held their thirteenth meeting in Manila, Philippines on October 1 and 2, 1976. Mr. Luis Barua Castañeda, Minister of Economy and Finance of Perú, was in the Chair, with Mr. R. K. A. Gardiner, Commissioner for Economic Planning of Ghana, and Mr. Oaman Ali, Governor of the State Bank of Pakistan, as Vice Chairmen. The meeting was attended by Mr. G. D. Areenis, UNCTAD, Mr. Konan Bedie, Chairman of the Joint Ministerial Committee of the Board of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources, Mr. Robert McNamara, President of the World Bank, and Mr. R. J. Witteveen, Managing Director of the International Monetary Fund.

2. The meeting was preceded by the twenty-first meeting of the Deputies of the Group of Twenty-Four with Mr. Winston Temple-Seminario, Perú, in the Chair, and Mr. S. K. Botchway, Ghana, as First Vice-Chairman, and Mr. Z. Ahmad, Pakistan, as Second Vice-Chairman.

3. Ministers reviewed international economic developments and expressed concern at the huge current account balance-of-payments deficits of the non-oil developing countries which rose from $10 billion in 1973 to $37 billion in 1975 and are projected to be around $32 billion in 1976. The financing of this huge deficit has increased the external debt of developing countries and aggravated the debt problems of some of them. Ministers expressed strong disappointment that official development assistance continues to lag behind the need for concessionary assistance and urged those industrialized countries which have so far not done so, to intensify their efforts to reach the 0.7 percent target set for the Second UN Development Decade.

4. Ministers noted the significance of full employment as the most urgent objective of economic policy in the industrialized countries necessary for their full recovery, and urged a continued flow of funds to the developing countries from the international private-banking community.

5. Ministers noted that the ratio of international reserves to world imports has gone down since 1970, and that the increase in international liquidity in this period was highly unevenly distributed with non-oil developing countries being the worst off. The role of the SDR as a reserve asset has continued declining since 1972, while that of reserve currencies has continued to strengthen. This tendency has been aggravated by the lack of new allocations of SDRs and the weak international surveillance over the process of liquidity creation. They favored a new allocation of SDRs which they thought was warranted, inter alia, by the need to enhance the role of the SDR in the international monetary system, which is in the interest of the entire international financial community.

6. The Ministers also took note of the fact that very few of the developing countries had made use of Fund resources beyond the first credit tranche, that only two countries had availed themselves of the extended Fund facility, and that this had been because of the limited size of these facilities and the severity of their conditionality. They also called for a review of the Fund policies to enable the developing countries to secure more adequate balance-of-payments support from the Fund on reasonable terms. In view of the inadequacy of Fund liquidity consideration also needs to be given to devising appropriate recycling mechanisms to tap additional resources.

7. To augment the resources of the Fund the Ministers stressed the need for a further substantial increase in the Fund quotas through the Seventh General Review.

8. Ministers welcomed the establishment of the Trust Fund on May 6, 1976. However, they expressed concern that the amount realized so far from the three gold auctions indicated that its target of SDR 3.7 billion would not be realized. Ministers therefore urged member countries in a position to do so to supplement the resources of the Trust Fund through voluntary donations. Ministers felt that gold sales should proceed in a manner that meets the interests of developing countries.

9. Ministers expressed regret that some countries which were expected to contribute to the Fund's Interest Subsidy Account, associated with the oil facilility, have not yet done so, and urged them to donate their shares as soon an possible.

10. Ministers believed that the reform of the international monetary system will be resumed and that special consideration should be given to the interest of the developing countries particularly as regards the need to introduce a link between the allocation of SDRs and the flow of financial resources to developing countries.

11. Ministers urged donor countries to complete their promised contributions to the Fourth Replenishment of IDA, as soon as possible. They also discussed the Fifth Replenishment of IDA and emphasized the need to replenish at a much higher level. In this connection they agreed that a replenishment level of $9 billion would be appropriate, although even this would allow for only a small increase in real terms. Ministers noted that negotiations for replenishment had already started and urged that every effort be made to complete the negotiations by March 1977. Since the necessary legislative approval may not be forthcoming before June 1977 they were of the view that at least advances of contributions should be pledged by April 1977 to prevent a hiatus in the operations of IDA.

12. Ministers reaffirmed their full support for the recommendation of the Executive Directors for a selective increase in the authorized capital of the World Bank from the present level of $27 billion to $34 billion (1944 dollars). They urged the expeditious implementation of this recommendation, and they called upon member countries to subscribe fully to the additional shares allocated to them. At the same time they called for an early agreement on a general capital increase for the Bank at the latest by the end of fiscal year 1977 in order to prevent both a reduction in the lending program of the Bank in real terms in fiscal year 1978 and after, and a further hardening in its terms of lending. Ministers expressed grave concern about the

modifications in the nature and level of operations of the Bank as regards lending terms and the new method of amortization of loans. They were of the view that these features of Bank assistance to developing countries should be reviewed promptly.

13. Ministers stated that Third-Window lending had been of benefit to countries which qualified for loans under the scheme. Ministers wished the Third-Window operations to continue in order to provide additional resources over and above those normally available under the lending program of the World Bank. Ministers also emphasized the need to reach the original target of $1,000 million in additional loans under the Third Window. They urged that the Interest Subsidy Account for the Third Window be kept open to receive contributions.

14. Ministers discussed the problem of external debt and stressed the importance of accepting the general principle, namely, that net transfers of Official Development Assistance from Industrialized countries should be maintained to those countries not presently having access to capital markets at a level compatible with a reasonable rate of growth in such countries.

15. Ministers called on industrialized countries to adopt measures that would result in reduced fluctuations in commodity prices and substantial improvement in the export earnings of developing countries, especially their increased access to markets in industrial countries. They also urged the implementation of the Common Fund under the Integrated Program for Commodity Exports.

16. Ministers called on developed countries to give the necessary political support to the Development Committee so that it would be effective in the transfer of real resources to developing countries. Ministers also took note of the report of the Working Group on Access to Capital Markets and fully supported the recommendations that capital-market countries should declare that they would move progressively toward greater liberalization of capital exports and that authorities in capital-market countries should give favorable treatment to developing countries and exercise flexibility by permitting developing countries to sell bonds denominated in currencies which are in strong demand both on local markets and on the Eurobond market.

17. Ministers reconvened the establishment of working groups of the Development Committee in the year ahead to study and contribute to a coordinated view of the following problems:

(i) concessional flows as they relate to IDA operations, debt problems and balance-of-payments support through the rapid disbursement of aid;

(ii) capital flows through multilateral institutions relating to the volume and terms of lending programs, increases in capital, etc.;

(iii) promotion and expansion of private capital flows as a follow-up to the work of the Working Group on Access to Capital Markets.