INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

FIFTEENTH MEETING OF MINISTERS

COMMUNIQUÉ

Washington, D.C.
September 23, 1977

1. The Ministers of the Group of Twenty-Four on international monetary affairs held their fifteenth meeting in Washington, D.C. on September, 23, 1977, Mr. R. K. A. Gardiner, Commissioner for Economic Planning, Ghana, was in the chair, with Mr. Osman Ali, Governor of the State Bank of Pakistan, and Mr. Julio Rodolfo Moctezuma, Secretary of Finance and Public Credit, México, as Vice-Chairmen. The meeting was attended by Mr. M. A. Hassanain, OPEC, Mr. G. Arsenis, UNCTAD, Mr. E. Stern, Vice-President, World Bank, Mr. Cesar Virata, Chairman of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries, and Mr. H. J. Witteveen, Managing Director of the International Monetary Fund.

2. The meeting was preceded by the twenty-fourth meeting of the Deputies of the Group of Twenty-Four with Mr. K. Gyasi-Twum, Ghana, in the chair, and Mr. Z. Ahmad, Pakistan, and Mr. A. Phillips O., México, as Vice-Chairmen.

3. The Ministers discussed the general economic situation and noted the improvement in the economic performance of the developing countries during 1976. This was accounted for mainly by comparatively better harvests, some improvement in the terms of trade, and adjustment measures taken by the developing countries. They were, however, concerned that due to the inadequate availability of external finance, the adjustment measures they were compelled to take were likely to jeopardize their growth prospects, particularly in the context of the intensification of restrictive trade measures in the developed countries. In addition, Ministers were concerned that a lack of sufficient recovery in the level of economic activity in the industrialized countries in the period ahead, and the possibility of the emergence of a surplus on their balance-of-payments current account would make the task of adjustment even more difficult for the developing countries. They therefore urged the developed countries that are in a position to do so to implement expansionary policies.

4. The Ministers noted with dismay the fact that movement toward the achievement of the 0.7 percent UN target for official development assistance has been painfully slow and that the real flow of official development assistance from the DAC countries may have declined by 1 to 3 percent in 1976 compared with the level of 1975. The Ministers stressed the importance of increasing net capital flows to the developing countries and in particular the need to secure longer terms and better conditions for such financing. This would enable them to improve their present unsatisfactory rates of economic growth.

5. On the basis of their discussions the Ministers arrived at the following conclusions:

(i) Developed donor countries should provide additional resources to enable the World Bank and the Regional Banks to implement the expanded program of investment in the minerals and energy sectors of developing countries as recommended by the Working Group on Development Finance and Policy. This should be done without impairing the regular lending programs of these institutions. At the same time, the general increase in the capital of the World Bank and the Regional Banks should be completed as soon as possible. In this increase, the capital requirements for accelerated growth of the developing countries should be taken into account, and in the case of the World Bank the need for the increase in their relative voting power or at least maintaining it should be fulfilled. Furthermore, developed countries should also provide these institutions, and more particularly the regional development banks, with additional concessionary resources to enable them to meet the specific needs of the developing countries in their efforts to achieve economic and social development.

(ii) The World Bank and Regional Development Banks should increase the ratio of their program lending and local cost financing to their total lending and simplify their lending procedures to expedite disbursements.

(iii) (a) As recommended by the Working Group on Access to Capital Markets, the IFC should assist in the promotion of bond issues by developing countries.

(b) Partial guarantees should be provided by the World Bank and the Regional Banks in appropriate cases when this is likely to improve the overall resource availability.

(iv) Support should be given to a program of future work for the Development Committee as discussed by the Deputies in Paris, including the study of the official debt situation of the low-income countries as part of its continuing work on official development assistance provided by the developed countries.

(v) The Supplementary Financing Facility of the Fund should be made operational as early as possible. In order to enable the developing countries to derive maximum benefit from it, the planned review of conditionality attached to use of Fund resources should be expedited. In this connection, the Fund should be held to the intention expressed in Paris that a fair and substantial portion of the new facility would be used to assist the developing countries to solve their adjustment problems. Means should also be found to relieve the least developed members of the Fund of part of the cost of borrowing from the Supplementary Financing Facility.

(vi) There should be an adequate increase in quotas under the Seventh Review of Quotas. Any such increase should result in an increase in the relative share of developing countries. Since sufficient agreement has not yet been reached in the IMF Executive Board on the question of selective quota adjustment, if any, the Board should give it further study.

(vii) Since the Sixth General Review of Quotas will become effective only after the ratification of the second amendment of the Articles of Agreement of the Fund and since the second amendment will improve the efficiency of the Fund in the light of the changing international monetary scene, those members of the Fund that have not done so should ratify the second amendment with the utmost dispatch.

(viii) There is need for a new allocation of SDRs.

(ix) The compilation of the maximum possible amount of statistical and institutional information on developing countries is favored. However, any role of the Fund in providing restricted information, analyses and projections to third parties is rejected. The intention is to shield the Fund from being involved in responsibilities which it is not equipped to assume.

(x) Firm surveillance of exchange rate policies under the amended articles, which are welcome, should concentrate on the main trading countries and take account of the special problems of the developing countries.

The Ministers reviewed the report prepared by their Deputies on the organization and work of the Group of Twenty-Four and endorsed the recommendations.