

**INTERGOVERNMENTAL GROUP OF TWENTY-FOUR
ON INTERNATIONAL MONETARY AFFAIRS**

TWENTY-SEVENTH MEETING OF MINISTERS

COMMUNIQUÉ

Washington, D.C.
April 27, 1983

1. Ministers of the Group of Twenty-Four on International Monetary Affairs held their Twenty-Seventh meeting in Washington, D.C., on April 27, 1983. Mr. Aly M. Negm, Deputy Governor, Central Bank of Egypt, was in the chair, with Mr. M. Narasimham, Secretary, Department of Economic Affairs, Ministry of Finance, India, and Mr. P. C. Lopez, General Manager, Central Bank of Argentina, as Vice-Chairmen. The meeting was attended by Mr. Farooq Sobhan, New York Chairman, Group of 77. Mr. J. de Larosière, Managing Director, International Monetary Fund, Mr. A. W. Clausen, President, The World Bank, Mr. P. N. Dhar, Assistant Secretary-General, United Nations, Mr. Roger Lawrence, Director, Division of Money, Finance and Development, UNCTAD, Mr. Sidney Dell, Project Director, UNDP/UNCTAD, Mr. H. E. Kastoft, Executive Secretary, Development Committee, and Mr. Osama I. Faquih, Deputy Minister of Finance, Saudi Arabia. Mr. Li Peng, Senior Vice-Minister of Finance, People's Republic of China, attended as invitee.

2. The meeting of Ministers was preceded by the Thirty-Eighth meeting of Deputies of the Group of Twenty-Four, with Mr. Said El-Naggar, Egypt, as Chairman, and Mr. H. N. Ray, India and Mr. Alberto Sola, Argentina, as Vice-Chairmen.

3. Ministers expressed deep concern over the continuing global recession and the profoundly adverse impact it has had on the world economy in general and developing countries in particular. The terms of trade of these countries have deteriorated massively and their import capacity has declined seriously. The crisis has had a deleterious impact on the growth rate of the economies of the developing countries as a whole and the low-income countries in particular. Their past achievements are being undermined and their future growth jeopardized. The per capita income of many developing countries, especially those of the least developed countries, had suffered a decline. The external debt of developing countries stood at \$648 billion at the end of 1981 and the annual debt-service burden escalated to \$106 billion. In 1982 the current-account deficit of non-oil developing countries amounted to \$90 billion. At the same time, as a result of the recent decline in oil prices, the oil exporting developing countries are likely to run a current-account deficit of about \$25 billion in 1983.

4. Ministers pointed out the urgent need for a world recovery program requiring, inter alia, a greater measure of coordination among national monetary, fiscal, and trade policies, particularly of the major industrial countries. They stressed that unless special efforts were made to enable developing countries to participate in the expansion of world output and trade, the momentum of recovery cannot be sustained. Ministers were also of the view that international financial institutions can and should play an important role in fostering economic recovery and greater

economic cooperation. In view of the inadequacy of the quota increase in the Eighth General Review, Ministers urged an advance in the date of the Ninth General Review. Meanwhile, the present multiples of access to Fund resources should be maintained. They stressed the urgency of a sizable allocation of SDRs in the Fourth Basic Period in the light of the deterioration in international liquidity and contraction of reserves, especially those of developing countries.

5. Ministers reiterated their call for a more equitable burden sharing in the adjustment process. Many developing countries have already adopted severe austerity measures. They have been forced to cut investment. Consumption has been reduced, and even the most essential imports have been squeezed. The requirements of adjustment, while important, would seriously threaten the social fabric of these societies. They urged that adjustment should give due consideration to the underlying causes of the problems, which more often than not are exogenous in origin and are not amenable to solutions by conventional demand management measures. In this connection, they expressed concern about the recent tendency to shift from extended arrangements to shorter term stand-bys, whereas the present situation calls for a further improvement of present arrangements so as to develop them into a medium-term financing mechanism with low conditionality. They were also of the view that consideration should be given to the replenishment of the Trust Fund through the sale of a part of the Fund's gold.

6. Ministers noted the Declaration of the New Delhi Non-Aligned Summit and the final report of the Buenos Aires Ministerial Meeting of the Group of Seventy-Seven on the urgent need for reforming the international monetary and financial system. In this context they underscored the fact that the current monetary and financial system suffers from many shortcomings and inequities, notably, the inadequate share of developing countries in decision making, wide and erratic fluctuations in exchange rates, lack of symmetry in surveillance, excessive dependence on a few key reserve currencies, failure to increase international liquidity in line with the growth of world trade, and increasing inadequacies in the resources of the international financial institutions. In the light of these considerations, they were of the view that an international conference on money and finance should be convened to find appropriate solutions to these problems.

7. Ministers stressed the need for a significant increase in the level of World Bank lending so as to maintain, at a minimum, a real rate of growth of 5 percent per annum in view of the enlarged requirements of borrowing countries. They emphasized the urgent need to remove the existing constraints on the lending capacity of the World Bank so that it can play a more effective role in the development process. This would require both a substantial selective increase in capital pursuant to the Eighth General Review of Quotas in the Fund as well as a General Capital Increase. Ministers urged the Executive Board to make recommendations accordingly as soon as possible.

8. Ministers also expressed concern over the proposals for graduation from the IBRD and other similar banks and urged that these proposals should be replaced by alternative approaches, such as the one based on maturation, so as to allow these institutions to play their proper role while recognizing the particular circumstances of countries at different stages of development.

9. Ministers welcomed the Special Assistance Programs approved by the Executive Boards of the World Bank and the Asian Development Bank and strongly supported their objectives for the purpose of accelerating disbursements. They urged other regional development institutions to implement similar programs. They were of the view that special assistance programs can play a more meaningful role if they involve significant additionality over currently planned levels of lending. They further stressed the need for harmonization of the policies of the Fund and the Bank to ensure speedy absorption of funds available from special assistance programs.

10. Ministers noted IDA's solid achievements since its establishment and the crucial role it has played in the development of low-income countries. They expressed their appreciation of the positive response of several donor countries for the funding of IDA, but remained gravely concerned that the agreement on the Sixth Replenishment has not yet been fully implemented. In this regard, they urged the United States to meet its commitment of \$945 million for the current fiscal year and to complete its contribution to IDA VI by FY 1984, so as to avoid a further decline in the commitment authority of IDA. Ministers further emphasized the need for assured, continuous and predictable IDA funds.

11. Ministers also noted that the negotiations for the Seventh Replenishment are currently in progress and urged that these negotiations be concluded early so that IDA-VII can become effective no later than July 1, 1984. They stressed the importance of maintaining the integrity of IDA operations and of avoiding a repetition of the regrettable experience of IDA-VI.

12. Ministers emphasized that the Seventh Replenishment should represent a substantial increase in real terms over IDA-VI, taking into account the requirements of the low-income countries arising from wider coverage, and the exceptional strains to which they have been subjected in the present international environment. They thus urged that special attention be given to the needs of Sub-Saharan Africa and the least developed countries in other regions. In this connection it is disconcerting that the regional banks are facing serious resource constraints on their concessional loans.

13. Ministers stressed the importance of Official Development Assistance to low income countries, particularly to the least developed countries, and urged developed countries that had not yet reached the target of 0.7 percent of GNP to do so by 1985 and to provide 0.15 percent of their GNP to the least developed countries within the framework of the United Nations target.

14. Ministers expressed grave concern over the mounting burden of debt service arising from high interest rates, both in nominal and real terms, short maturities, and the adverse impact of the current recession. They pointed to the disruptive effect that this problem is having and could have on the development efforts of most developing countries, including low income and least developed countries. Accordingly, they emphasized the crucial importance of increasing their export earnings so as to enhance their debt service capacity. However, they stressed the necessity, in the current difficult situation, of maintaining and increasing net financial flows to developing countries from official sources, both bilateral and multilateral. They also urged developed countries to create the right climate for capital flows and to refrain from imposing restrictions which would impede the flow of financial resources to developing countries. Ministers called for an increase in the volume of export credits to developing countries and urged

developed countries to refrain from imposing minimum rates of interest on such credits.

15. Ministers noted the measures that have recently been taken to ease the strain on the international financial and monetary system. While welcoming packages recently designed to assist some large borrowers, Ministers also stressed the need to evolve appropriate mechanisms for dealing with the urgent debt problems of smaller borrowers. In this context they stressed the need for improving the maturity structure of outstanding debt and for developing a comprehensive, equitable and multilateral framework so as to provide an orderly and prompt inter-national response to the debt-servicing problems of developing countries. Ministers recognized that the use of such a framework would be optional for the countries concerned. They expressed the view that the exchange of information among developing countries in the area of debt management would be useful.

16. Ministers urged the expeditious and full implementation of Trade and Development Board Resolution 165 (S-IX) and supported the conversion of all outstanding bilateral official development assistance loans into grants for the poorer developing countries.

17. Ministers urged developed countries to resist the temptation to introduce protectionist measures and called on them to take positive steps, both at the national level and in the relevant international fora, to reduce present restrictions. While Ministers supported an expanding and open world trading system, they called for increased recognition of the need for special and favorable treatment of developing countries in this area. They urged industrial countries to take measures to improve access for exports of developing countries to their markets, and to refrain from introducing new restrictions such as import levies, bilaterally negotiated export restraints and export subsidies.

18. Ministers regretted that the outcome of the last meeting of GATT in November 1982 had fallen far short of expectations. They noted the agreement, in that meeting, on a future work program which included, inter alia, examination of the possibilities of reverting to normal GATT rules in the textiles and clothing sector and of reviewing the measures affecting agricultural trade as well as the effective implementation of GATT rules and provisions, especially those of particular concern to developing countries.

19. Ministers urged the IMP to look into ways and means of expanding the scope and improving the effectiveness of the Compensatory Financing Facility, and other trade-related financing facilities. They also urged member countries to ratify the Common Fund Agreement so that it may come into effect by January 1, 1984.

20. Ministers urged that, with due regard to the respective jurisdictions of the Bank, the IMF, UNCTAD and the GATT, recognition be given to the linkages between trade and development with special reference to the implications of these linkages for the flow of financial resources to developing countries. In this context, they urged that the special needs of developing countries be taken into account, notably for the purpose of diversification and industrialization of their economies. They cautioned against the Bank and Fund imposing conditionality in the area of trade policy and emphasized that such conditionality would apply selectively, resulting in asymmetry, and would be detrimental to the interests of the borrowing countries.

21. Ministers stressed the importance of promoting trade among developing countries and in that connection called upon the international organizations concerned to explore the feasibility of financial and payments mechanisms in support of such trade promotion.

22. Ministers pointed out that UNCTAD VI should provide the opportunity to tackle the problems in the areas of trade and finance in an integrated manner and to agree on a broad and effective set of measures, including a world economic recovery program to bring about a reactivation of the world economy and promote the growth and development of developing countries.

23. Ministers noted the progress that had been made in co-financing and expressed the hope that this form of financing will prove effective in mobilizing additional resources for developing countries.

24. Ministers reiterated their call upon The World Bank to continue discussions on the optimal means of financing an expanded energy program including both the possibility of an energy affiliate and the idea of a pool or Trust Fund for energy lending. In this context, they noted with concern the lack of progress in these areas.

25. Ministers stressed the importance and urgency of the reform of the international monetary and financial system. For that purpose, they recommended that a Task Force be set up comprising the Bureau of the Group of Twenty-Four plus Mexico, Nigeria, Pakistan, and Trinidad and Tobago. The Task Force will have the responsibility of updating and revising the "Outline for a Program of Action on International Monetary Reform," and may to that end co-opt any other member of the Group, or seek assistance in the preparation of technical studies. The Task Force should endeavor to finish its work in time for the September meeting of the Group of Twenty-Four.

26. Ministers agreed to hold their next meeting in Washington, D.C. on the occasion of the Annual Meetings of the World Bank and International Monetary Fund in September, 1983.