INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

Thirty-Sixth Meeting of Ministers

COMMUNIQUÉ

April 08, 1987

1. Ministers of the Group of Twenty-Four on International Monetary Affairs held their Thirty-Sixth Meeting in Washington, D.C. on April 8, 1987. Mr. Svetozar Rikanovic, Federal Secretary for Finance, Yugoslavia, was in the Chair, with Mr. Dilson Funaro, Minister of Finance, Brazil, and Mr. Jean-Pierre Lemboumba-Lepandou, Minister of Finance, Gabon, as Vice-Chairmen. The meeting was attended by Mr. M. Camdessus, Managing Director, International Monetary Fund, Mr. B. B. Conable, President, the World Bank, Mr. Bernard T. G. Chidzero, Chairman, Development Committee, Mr. Fernando Andrade, Chairman, Group of Seventy-Seven, Mr. Rafeeuddin Ahmed, Under Secretary General, United Nations, Mr. K. K. S. Dadzie, Secretary General, UNCTAD, Mr. Sidney Dell, Project Director, UNDP/UNCTAD, Mr. Olivier Castro, Executive Secretary, Central American Monetary Council, Mr. Massood V. Samii, Head, Finance Section, OPEC, Mr. Y. S. Abdulai, Director General, OPEC Fund, Mr. Isaac Cohen, Director, Economic Commission for Latin America and the Caribbean, Mr. Tariq Alhaimus, Iraq, Mr. Mohamed Berrada, Minister of Finance, Morocco, Mr. Osama Faquih, Deputy Minister of Finance and National Economy, Saudi Arabia. Mrs. Qiu Qing, Deputy Governor, People's Bank of China, attended as invitee.

2. The meeting of Ministers was preceded on April 6 and 7, 1987 by the Forty-Eighth Meeting of Deputies of the Group of Twenty-Four with Ambassador Gavra Popovic, Yugoslavia, as Chairman and Mrs. Maria Elena Arraes Vinhosa, Brazil, and Mr. Bekele Tamirat, Ethiopia, as Vice-Chairmen.

World Economic Outlook

3. Ministers reiterated their deep concern over the deteriorating world economic situation; noted slower economic activity in the industrial countries accompanied by large fiscal deficits in some major ones, external imbalances and high rates of unemployment in most of them; and expressed serious concern about the adverse consequences of these developments for the developing countries which have already been suffering on account of the persistent sharp drop in commodity prices, including oil, the continued deterioration in their terms of trade, the growing negative net transfer of financial resources -- which aggravate debt-service problems -- and the accentuation of protectionist actions in the major industrial countries.

4. Ministers emphasized that for many developing countries it is not possible under the prevailing external environment to improve their growth performance and to lay a basis for more rapid and sustained growth. The large and persistent imbalances in the world economy, including

the widening gap in the living standards between industrial and developing countries, cannot be resolved by national policies alone. Thus, while there is a need for strengthening domestic policies and savings, the key to unleashing the development potential of developing countries lies in improving the global monetary, financial and trading environment, in reversing net resource transfer and in tackling the issue of the stock of existing debt in order to make its size and profile as well as the current debt service compatible with economic recovery and sustained growth.

5. Ministers underscored that prospects for improving the existing environment depend critically on the policy actions of the major industrial countries which should be conducive to growth particularly in developing countries. The massive transfer of resources from the developing to industrial countries, caused by declines in developing countries' terms of trade (in the order of $118 billion in 1986 alone plus interest and repayments on existing debt) means that creditor countries are in an improved financial position to support the growth efforts of the developing world; noted that the new appreciation of the need for addressing the debt problem of developing countries in a longer-term framework and of emphasizing the structural character of current difficulties has not produced better solutions; reiterated the call for increased international economic cooperation because the new approach so far has focused almost exclusively on policy reform in developing countries. There is an obvious contradiction between the recognition of the need to place growth and development at the center of the debt strategy and continued calls on developing countries to make further restrictive adjustment and at the same time transfer more resources -- on a net basis -- to industrial countries.

6. Ministers called upon the industrial countries to urgently pursue international cooperation and concerted, mutually agreed policy actions to ensure a substantial improvement in the availability of financing for developing countries, and in trade conditions by eliminating protectionist measures, including subsidies, as well as to resolve, on a lasting basis, the debt problem of developing countries.

7. Ministers reaffirmed in that context the importance of the forthcoming Seventh United Nations Conference on Trade and Development (UNCTAD VII) as an opportunity for promoting international economic cooperation in the field of trade and development.

8. Ministers urged the Interim Committee to examine and advance the role of the Fund in promotion of growth-oriented adjustment programs at its September 1987 meeting.

Implementation of the Debt Strategy

9. Ministers noted that the debt problem is far from being solved. On the contrary, notwithstanding improvement in some respects, there are signs of further overall deterioration. Many debtor countries are again facing severe debt-service difficulties exacerbated by inadequate inflows of resources. Private banks are reducing their exposure to debtor coun-tries, while multilateral institutions are not providing sufficient financial support consistent with the cooperative role they should have. Debt indicators have deteriorated, while debt service remains an unbearable burden. Debtor countries have not regained access to the capital market. They continue to face periodic and ever more difficult debt reschedulings. The solution through the

expansion of trade flows and growth remains elusive and fragile. Despite the adoption of growth-oriented programs, most debtor nations have been unable to resume growth or improve their capacity to service their debt on a sustainable basis; they have rather been alternating years of growth and years of recession.

10. Ministers pointed out that for many developing countries debt is too heavy a burden. In some countries, the external debt is larger than GDP and under the present circumstances of modest growth in industrial countries, unprecedented deterioration in terms of trade, appreciation of currencies against the U.S. dollar, and still high real interest rates, full debt service is unbearable. This is especially the case of the low-income, developing countries which will need cancellation of official debts to industrial countries, conversion of part of their debt into grants and rescheduling on concessional terms. For some other countries, although their stock of debt may be judged as compatible with the size of the economy, its service cannot be reconciled with sustained growth. The debt overhang affects the capacity to grow as it reduces the ability to import; it hampers fiscal correction; it induces capital flight and it inhibits domestic and threatens foreign investment. Some kind of debt relief and a new attitude on the part of the banks is necessary. Debt can no longer be simply addressed as an accounting formula that shifts to debtor countries not only the risks associated with intermediation and business cycles, but also increases the exchange risk, by forcing debtor countries to redenominate debt in currencies other than originally contracted. Debtor countries and banks have to explore and develop realistic instruments for debt restructuring: new market mechanisms, debt into equity swaps, capitalization of interest, write offs, even if gradual, of residual parts of the debt, as well as mechanisms for converting part of the debt at its market value into fixed period investments. The mere cash-flow approach is no longer enough, the stock of debt has also to be tackled in order to assess whether the size and the profile of the debt as well as debt service are compatible with sustained economic recovery. "Debt reconstruction" should replace mere debt rescheduling.

11. Ministers urged creditor governments to adjust their bank regulatory and supervisory procedures in an innovative way in order to permit flexibility in debt restructuring and in new bank lending to developing countries, and to adopt measures aimed at streamlining procedures for debt restructuring with official creditors and at securing faster response to re-establish and increase commercial credit flows and insurance cover at appropriate terms.

12. Ministers emphasized that it is imperative to find an effective, realistic and sustainable solution to the debt problem, taking into account the capacity of the developing countries to service their debts and finance economic growth. Therefore, the solution to the debt problem has to be built on appropriate debt relief and renewed flow of resources to debtor countries to ensure reasonable rates of economic growth in accordance with their national priorities.

13. Ministers considered that a new approach on the part of the multi-lateral financial institutions is also required. They should not become mere debt collectors; instead they have to play a major role in supporting, with adequate finance, growth-oriented programs designed by debtor nations and adjusted to the realities of each country. They should play a key role in "debt reconstruction" in different ways, including a new and more flexible approach in dealing with accumulated overdue financial obligations of developing countries to these institutions by accepting rescheduling of those obligations, thereby taking into account their realistically assessed ability

to pay. Past debt, current flows, and future credit have to be regarded as an organic, indivisible and crucial link of the development
challenge.

14. Ministers expressed concern over recent indications of a possible trend towards increase of interest rates. This worrisome prospect suggests the need to include a contingency clause in adjustment programs as well as in rescheduling agreements in order to protect the adjustment efforts of debtor countries from the impact of such an external development.

15. Ministers reiterated that the attainment of a stable, durable and equitable solution to the debt problem transcends market mechanisms as mainly caused by inappropriate economic policy actions of the industrial countries; considered that a resolution of the problem requires the joint political will of creditor and debtor countries to improve the present system and expressed the hope that, through such urgently needed and symmetric cooperation, a durable solution to the debt problem within a global framework will be found, including new and imaginative solutions that may ensure a quick recovery of the development process.

16. Ministers reiterated the need for a political dialogue between the governments of debtor and creditor countries on the main aspects of the debt problem, particularly the role of both the multilateral financial institutions and the commercial banks, aimed at a collective, sustainable, and comprehensive solution to the debt problem.

17. Ministers reiterated earlier Group of 24 initiatives aimed at a global and durable solution to the debt problem which stated the urgent need for:

- a comprehensive re-examination by the Development and Interim Committees of the debt problem;
- establishment of a Task Force by the Development Committee to examine all aspects of the debt problem;

and being deeply concerned that no response has been obtained to these initiatives, as well as in view of the deteriorating debt situation, they requested urgent creation by the Development and Interim Committees of an "ad hoc" Committee of Deputies from industrial and developing countries to re-examine the main aspects of the debt problem in light of new developments, and to recommend the necessary measures for considera-tion by a Committee of Ministers, thus opening a new phase of a construc-tive dialogue between the developing and industrial nations. This would lead to cooperative actions by all the parties involved in accordance with their shared responsibility for bringing about a durable solution to the debt crisis in the interest of growth and stability of the world economy.

18. Ministers welcomed the recent United Nations Resolution, adopted by consensus during its Forty-First session, on strengthening international economic cooperation aimed at resolving external debt problems of develop-ing countries and emphasized the need to translate the

elements contained therein into a broader set of more concrete guidelines and measures.

19. Ministers took note of the first consultative meeting of experts of non-aligned and other developing countries held in Lima, Peru, from November 12 to 14, 1986, organized for the purpose of exchanging informa-tion on relative national experiences in dealing with the external debt problem. In that context, they also noted the invitation of Morocco to host the second meeting of experts on the external debt problem on a date to be agreed upon.

Allocation of SDRs

20. Ministers reiterate the urgent need for a positive change in the political will of a few remaining members currently blocking a new alloca-tion. The resumption of the creation of internationally controlled liquidity will prove a truly cooperative international action in line with the requirements of the world economy.

21. Ministers requested that regular annual allocations throughout the Fifth Basic Period be made to satisfy the established long-term global need for reserves and reverse the declining trend in the proportion of SDRs in non-gold reserves.

22. Ministers reiterate the interest in achieving the objective of making the SDR the principal reserve asset in the international monetary system, as required by the Articles of Agreement, with a view to reducing asymmetries and instabilities of arrangements in which one or a few countries supply reserve currencies.

23. Ministers emphasized that given the fairly stable ratio of reserves to imports, a new SDR allocation, if its magnitude were consistent with keeping the growth of international reserves in line with the projected growth of imports over the Fifth Basic Period, will not pose an inflationary threat nor undermine current adjustment efforts.

24. Ministers stressed the beneficial effects of reducing the cost of carrying reserves by increasing the amount of owned reserves through new SDR allocations, in particular for countries having difficulties in gaining access to financial markets.

25. Ministers underlined that the last few years have proved the financial markets to be an insecure and unreliable source of funds for the developing countries and to be unresponsive to the implementation of structural, growth-oriented adjustment programs. They noted that the only option left to developing countries without access to the financial markets to finance reserves is the pursuit of current account surpluses, through unavoidable compression of imports, and increase of exports which is hampered by the low rate of growth of the world economy and protectionist measures in industrial countries.

26. Ministers urged that mechanisms to improve the distribution of the allocated SDRs be evolved to take account of the reserve needs of developing countries and to improve the use of the SDR as a monetary asset, and in this context underlined that the SDRs originally allocated to countries with strong reserve position could be reallocated to developing countries to satisfy their reserve needs.

27. Ministers stressed that in the context of adjustment with growth, a link between allocation of SDRs and development would not only meet the unfulfilled absorptive capacity of developing countries but also reduce the pressures on the industrial countries to accommodate an improvement in the current balances of developing countries.

Use of Indicators in Fund Surveillance

28. Ministers reiterated that the considerable impact of major industrial countries' national policies on the world economy calls for coordination of their policies, with an active participation of developing countries in discussions that affect them and noted that this needs to be done with a view to not only removing inconsistencies but also to moving the world economy towards the desired path of more sustainable and equitable global growth performance with increased stability in the interest of the entire Fund membership (higher growth of world trade, less protectionism, strengthened resource flows, etc.).

29. Ministers welcomed the initial progress made in using indicators in helping the international economic interactions and coordination of economic and financial policies among industrial countries to the extent that this will especially prevent adverse impact on developing countries. They noted, however, that further progress can only be achieved if, simultan-eously with indicators, other segments of the process are put in place, i.e., (a) multilateral understanding by the entire Fund membership of the optimal objectives for the world economy and (b) pressure for needed remedial actions to reduce "tensions" or to correct departures from established objectives.

30. Ministers underscored that exchange rates, which are among the most important indicators, have experienced for some years now increased vola-tility and pronounced misalignments. These phenomena have been accentuated in recent months. As primary products are generally priced in U.S. dollars, these factors have contributed to a deterioration in the terms of trade faced by developing countries. Under these circumstances, adjustment currently pursued in these countries has become more costly. Surveillance exercises need to focus particularly on exchange rate policies with a view to promoting a more balanced pattern of international trade.

31. Ministers stressed that firmer remedial action rules and practices aimed at strengthening the Fund's central role in surveillance of the major industrial countries will ensure that the necessary adjustment in global economy would be symmetrical and truly shared.

Implementation of Growth-Oriented Programs

32. Ministers expressed deep concern over the extremely slow progress in providing financial assistance to developing countries, many of which are implementing courageous growth-oriented adjustment programs always at significant social cost and in the face of mounting difficulties.

33. Ministers recalled that it is universally recognized that the economic growth of developing countries is a necessary condition for the viable solution for the debt crisis, and stressed that responsibility to achieve this objective is to be borne by developing countries and industrial countries alike with an active participation of multilateral financial institutions; in this context,

noted that the Ministers of Finance and Central Bank Governors of six major industrial countries, recently acknowl-edged that the major industrial countries have a special responsibility to follow policies which foster an open, growing world economy in order to support the efforts of developing countries, especially debtor countries, to restore steady growth and viable balance-of-payments positions. Ministers hoped to see this recognition reflected in their economic policies.

34. Ministers highlighted the urgency for creating an external environment conducive to growth of developing countries and urged the industrial coun-tries to: (a) adopt policies aimed at achieving sustained growth through structural adjustment, further interest rate declines and stability in foreign exchange markets; (b) take measures to reduce protectionism and improve the terms of trade for developing countries; and (c) increase capital flows through concessional aid to low-income countries, augmentation of resources of multilateral agencies and improved conditions and environment for increased private flows.

35. Ministers called on multilateral institutions to consider a more pragmatic and innovative approach with regard to debt owed to them by low-income countries, to ensure positive resource flows to these countries in support of their efforts to achieve adjustment with growth.

36. Ministers noted with concern that present efforts to improve the design of adjustment programs to make them truly growth-oriented appear to be limited to supplementing the traditional demand management approach with structural reforms aimed at increasing savings and economic efficiency of resource allocation. There should be greater emphasis on strengthening investment in productive and export-oriented capacity of developing coun-tries. They strongly requested that the debt service pattern be adjusted so that the portion of savings as well as export receipts needed for new investment is preserved. In this context they expressed concern over the increasing preoccupation of multilateral institutions like the World Bank and the Fund to impose an unacceptably high degree of conditionality on the use of their resources and of cross-conditionality and urged that these institutions should be mindful of the socio-political priorities and distinctive character of the needs of each developing country.

Trends in the Transfer of Resources

37. Ministers deplored the fact that resource flows to developing countries have been declining and that a growing number of developing countries are making net repayments to creditors at the very time when they have a great need for additional resources to finance their adjustment efforts and development programs.

38. Ministers expressed grave concern over the net transfer of resources from a number of developing countries to industrial creditor countries and the World Bank, and urged that creditor countries and the Bank under-take measures to reverse this trend.

39. Ministers noted that implementation of growth-oriented programs will continue to be strongly jeopardized by insufficient supporting finance and that the debt problem of developing countries cannot be solved on the basis of the present state of negative net financial flows.

40. Ministers stressed that official flows and multilateral lending must play an expanded role in a situation of increased needs of developing countries and of declining credit flows from the commercial banks, export credit agencies and other sources.

41. Ministers expressed concern at the reverse financial flows to the Fund from developing countries, the declining flows from the World Bank, the small size of the Structural Adjustment Facility and the inadequacy of ODA. In this context, they urge that the resources available to these institutions and channels be augmented and their lending policies reviewed so that they are able to make an adequate contribution to adjustment and development.

42. Ministers expressed concern at the highly unsatisfactory trend and prospects for concessional flows to low-income countries at a time when their resource needs for investment, adjustment and poverty alleviation have increased. In this context they urged that effective steps be taken for implementing the recommendations of the Task Force on Concessional Flows which has called upon donor governments to exert redoubled efforts to increase the supply of ODA as a matter of urgency.

43. Ministers reiterated that additional capital flows to the low-income countries of Sub-Saharan Africa need to be much larger in volume and must continue to be on concessional terms and conditions, given the level of their per capita GNP, their domestic savings, the existing debt burden, and substantial future investment necessary to implement their recovery programs. This is also needed to implement the conclusions of the United Nations General Assembly Special Session of May 1986.

44. Ministers noted with concern that the substantial declines in oil and non-oil commodity prices have not been associated with commensurate measures by importing industrial countries to simulate global growth particularly in developing countries. They urged industrial countries, particularly the major surplus countries which benefited most from the steep decline in oil and non-oil commodity prices, to take on more respon-sibility to stimulate worldwide growth and to significantly increase resource flows to developing countries coupled with improved lending terms and conditions, as well as a substantial increase in concessionary flows.

World Bank General Capital Increase (GCI) and IDA

45. Ministers reiterate that the primary role of the World Bank should continue to be development, growth and poverty alleviation, as determine in its Articles of Agreement.

46. Ministers expressed concern at the negative net-capital flow from some developing countries to the Bank and urged the Bank to take measures to reverse this trend.

47. Ministers expressed concern that at a time when the external environment has worsened and the needs of developing countries have increased, the Bank lending projections have been lowered. In this context, they urged the Bank to take steps to reverse the trend by reviewing its approach to conditionality and loan pricing and emphasized that to enable the Bank to meet the increased needs for external resources of developing countries for adjustment and investment and for maintaining net transfers at a reasonable level the World Bank lending program should be

substantially increased.

48. Ministers expressed disappointment at the lack of progress in reaching a consensus for a General Capital Increase of the Bank and urged early commencement of negotiations for a GCI that would at least double the current authorized capital of the Bank so as to enable it to realize its objectives and fulfill its mandate.

49. Ministers noted the recent agreement reached by donors to provide $12.4 billion in contributions for IDA VIII but expressed concern that, in view of the acute economic situation in low-income countries, particu-larly those in Sub-Saharan Africa, the size of IDA VIII does not show any increase in real terms compared to IDA VII, and in nominal terms is still far below their actual needs, which are higher than indicated in the IDA Report. They urged that the Resolution and contributions be approved expeditiously, so that there be no delay in committing IDA resources.

50. Ministers deplored the fact that, despite the overall deterioration in economic conditions of IDA recipients -- on insistence of the largest industrial donor countries -- the terms of IDA credits have become less favorable, as the repayment period has been shortened.

51. Ministers urged that in the allocation of IDA resources, for Sub-Saharan African countries, the agricultural sector should continue to be given priority.

52. Ministers urged the IBRD and IDA to ensure that financing investments continue to be the mainstay of their operations and reiterated that they are strongly opposed to excessive policy conditionality and cross-conditionality which impedes more ample and faster disbursement of resources of these development institutions.

53. Ministers reiterated that regional development banks have an important role to play and deplored some proposals to link capital replenishments to changes in their basic agreements under which these institutions have been created and to impose higher and new types of conditionality.

Outlook for Raw Materials
Impact of Industrial Countries' Agricultural Policies

54. Ministers expressed deep concern at the depressed state of, and the bleak prospects for, the primary commodity markets and the adverse effect on many developing countries and stressed the urgent need for creating an environment that will enable restoration of prices of primary commodities to a higher, stable level.

55. Ministers emphasized that the agricultural and trade policies in industrial countries which are characterized by anomalies such as import restrictions, export and other subsidies, are leading to creation of stock overhangs and depressed commodity prices with disturbing effects on the functioning of the world agricultural commodity markets and are also depriving a large number of developing countries from fully exploiting their comparative advantages. In this context they called on the indus-trial countries to take urgent steps for adjustment of their agricultural and

trade policies so that the harmful effects on the agricultural commodity markets and the prospects of developing countries can be removed.

56. Ministers welcomed the conclusion in the World Bank study that institu-tions like the Bank should not refrain from financing low cost projects in developing countries in the agricultural and commodities sector merely because they compete with higher cost production elsewhere and urged these institutions to reflect this factor in their lending policies and priorities.

57. Ministers called for an increase in access limits under the compensatory financing facility to assist the primary commodity producers to cope with export revenue shortfalls, and stressed the need to delink access from quotas and relate it to the size of the shortfalls and deplored condition-ality linking disbursements to the result of other debt negotiations.

Current Trade Issues

58. Ministers expressed deep concern about the acute deterioration in the terms of trade of developing countries; in real terms, commodity prices fell by 28 percent from 1980 to 1986 and were in this period, on the average, about 15 percent below their level in the 1970s. The weakness in commodity prices was accentuated in 1986 when the real price index fell by 16 percent, to its lowest level since the 1930s. The oil-exporting countries were the most adversely affected by external developments, suffering a 46 percent decline in their terms of trade.

59. Ministers strongly condemned the further intensification of protec-tionism in industrial countries, which hampers the economic stabilization efforts of the developing countries and prevents them from achieving improvement in their balance of payments, at a critical moment in their debt-settlement efforts.

60. Ministers noted that in international trade a great burden has so far been placed on developing countries and that if industrial countries keep erecting new trade barriers, developing countries will be squeezed even tighter between declining export earnings and a slowdown in inflows of capital.

61. Ministers emphasized the need for improved conditions for developing countries' exports and stressed that it is essential that industrial countries immediately apply the Standstill and Rollback commitments to which they subscribe in the Declaration of Punta del Este.

Poverty Impact of Structural Adjustment and Development Programs

62. Ministers emphasized that analysis and financial support for poverty alleviation is in the best tradition of Bank activities, and that studies and adjustment programs must take into account not only macroeconomic results in the long run but also their effects on low-income groups -- in particular the socio-distributional and humane consequences in the short run. They also stressed that economic efficiency and cost-effectiveness criteria are not sufficient to prepare short run transitional programs to meet urgent needs. They reiterated the need to create employment oppor-tunities and to satisfy other daily requirements of poor family groups, even offering subsidies if necessary.

63. Ministers underlined that it is the asymmetry in the global adjustment process that is forcing developing countries to adjust to an environment which is not of their own making, thereby incurring high social costs of adjustment; they further emphasized that in order to limit the social and political impact of such an adjustment, apart from well-designed adjust-ment programs in the developing countries, stronger adjustment of the policies in the industrial countries, together with an increased flow of resources, will be required.

64. Ministers noted with concern that the economic, social and political costs of adjustment are assuming a serious dimension due to inadequate financial inflows and stressed that such flows be urgently increased, with a greater contribution by the Bank for low-income countries and in particular for Sub-Saharan African countries.

65. Ministers urged that in assisting developing countries' efforts in adjustment and growth, both the Fund and the Bank should increasingly take into account the impact on low-income groups and poverty.

66. Ministers called upon the World Bank, in line with its mandate for alleviation of poverty, to augment the flow of resources, particularly concessional development finance, to low-income countries with a view to making a positive impact on the condition of the poor.

Environment, Growth and Development

67. Ministers welcomed the Bank analysis and its undertaking to enhance its support to environmental programs; they noted, however, that translating environmental concerns into strict conditionality instead of helping, may bring about additional difficulties in implementing environmental as well as other important economic and social programs.

68. Ministers noted that the developing countries' political will for environmental protection can only be implemented effectively with a simultaneous effort to resolve the problems of poverty, debt, development and adjustment of the unprecedented magnitude that they are facing in the present circumstances. Therefore, they noted that insufficient financing is the key hindrance to the developing countries' attaching greater priority to the restoration and protection of the environment.

69. Ministers emphasized that the major environmental problems are of a global character and cautioned against directing all prescriptions to the developing countries whose contribution to the causes and solutions can only be marginal.

70. Ministers emphasized the crucial importance of poverty alleviation for the preservation of the environment in developing countries and the need for enhancement of development finance activities of the World Bank and other multilateral development agencies.

Appointment of Executive Secretary

71. Ministers noted the pending appointment of the new Executive Secretary of the Development Committee upon the expiration of the term of the present Secretary and underlined the importance of this position in the functioning of the Development Committee. In that context, they believed that the Office of the Executive Secretary should be supported by well qualified, full-time staff if the office is to discharge its duties most efficiently.

"The Role of the IMF in Adjustment with Growth"

Report of the Working Group

72. Ministers expressed appreciation and thanks to the Working Group for the efforts invested in the preparation of the Report.

73. Ministers agreed to their Deputies' recommendation that the Deputies hold a special meeting to review, in the name of the Ministers, the Report of the Working Group of the Group of 24 on the subject of "The Role of the IMF in Adjustment with Growth" on June 4 and 5, 1987 in Washington, D.C. and to make their recommendations.

Reform of the International Monetary and Financial System

74. Ministers reiterated the call for the creation of a representative Committee of Ministers from developing and industrial countries to examine the proposals of the Group of 10 and the Group of 24 on the reform and improvement of the international monetary system, so that necessary follow-up actions are pursued; this Committee could perhaps take the form of a joint subcommittee of both the Interim and Development Committees and conduct its business on the basis of consensus.

75. Ministers reiterated that an effective reform of the international monetary and financial system requires the convening of an international conference, and expressed the view that the proposed representative Committee of Ministers mentioned in the preceding paragraph will be an effective step in preparing for such a conference.

Cooperation with UNCTAD/UNDP

76. Ministers expressed their appreciation for the support to the Group of 24 provided by UNCTAD/UNDP through a project of special studies and recommended that the Chairman of the Group of 24 take the matter up with the UNDP Administrator with a view to securing an extension of UNDP support.

Note of Welcome

77. Ministers extended their warm welcome to the new Managing Director of the International Monetary Fund, Mr. M. Camdessus, and wished him success in his endeavors to promote symmetry in adjustment in an environment of higher, sustained and stable growth of the world economy.

Relationship with the Interim Committee

78. Ministers noted that the request of the Group of 24 to be allowed to participate fully in the deliberations of the Interim Committee was not accepted and reiterated the desirability of acceding to the Group's request.