

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

## **FORTY-FIRST MEETING OF MINISTERS**

### **COMMUNIQUÉ**

**September 23, 1989**

1. Ministers of the Group of Twenty-Four on International Monetary Affairs held their Forty-First Meeting in Washington, D.C. on September 23, 1989. Mr. Jean-Pierre Lémoumba-Lépandou, Minister of Finance, Gabon, was in the Chair, with Mr. Mohsen Nourbaksh, Minister of Finance, the Islamic Republic of Iran, and Mr. Luis Fernando Alarcón, Minister of Finance, Colombia, as Vice-Chairmen. The meeting was attended by Mr. Michel Camdessus, Managing Director, International Monetary Fund, Mr. Barber. B. Conable, President, World Bank, Mr. Bernard T. G. Chidzero, Chairman, Development Committee, Mr. K. K. S. Dadzie, Secretary-General, UNCTAD, Mr. Rafeuddin Ahmed, Under Secretary General, United Nations, Mr. Y. Seyyid Abdulai, Director-General, OPEC Fund, Mr. A. N. Hersi, Advisor, Islamic Development Bank, Mr. Carlos Pérez del Castillo, Permanent Secretary, SELA, Mr. Hikmat Al-Hadithi, Minister of Finance, Iraq, Mr. Mohamed Berrada, Minister of Finance, Morocco, and Mr. Osama Faquih, Deputy Minister of Finance, Saudi Arabia; Ms. Qiu Qing, Deputy Governor, People's Bank of China, People's Republic of China, attended as invitee.

2. The Meeting of the Ministers was preceded on September 21-22, 1989 by the Fifty-Fourth Meeting of Deputies of the Group of Twenty-Four with Mr. Fabian Ovono-Ngoua, of Gabon, as Chairman, and with Mr. Masoud Mozayani, of the Islamic Republic of Iran, and Mr. Luis Bernardo Flores, of Colombia, as Vice-Chairmen.

### **ISSUES BEFORE THE INTERIM COMMITTEE**

#### **World Economic Outlook Including Debt Situation and International Policy Coordination**

3. Ministers expressed concern at the overall slowdown in world economic activity in 1989 and the rise in inflation as well as the persistent domestic and external account and government finance imbalances and protectionist practices in some major industrial countries, all of which have a negative impact on the growth prospects of developing countries.

4. Ministers noted with apprehension that the domestic and external imbalances in the major industrial countries at their present levels have an adverse impact on interest and exchange rates on the capital markets and on debt service by the developing countries and continue to jeopardize the harmonious expansion of the international economy.

5. Ministers reiterated the need for more sustained adjustment and coordination of the industrial countries' economic, fiscal, financial, exchange rate, and monetary policies, and the important role to be played by the Fund in this process in order to achieve more symmetrical international surveillance among surplus and deficit industrial countries with due regard to the needs of

developing countries and their further integration into the world economy.

6. Ministers underscored the fact that the growth-oriented adjustment efforts of the developing countries should be supported by sustained and substantially increased financial flows on concessional terms from the industrial countries and international financial institutions, as well as by a conducive and supportive international economic environment. In this context, Ministers recognized the urgent need to reverse the net transfers of resources out of the developing countries observed in recent years.

7. Ministers repeated that it is essential that monetary policies not be overburdened, and that they be accompanied by more appropriate fiscal as well as structural adjustment policies in the industrial countries.

### **Debt Strategy**

8. Ministers recalled with deep concern that the overall external-debt situation of the developing countries remains critical, and that the continued negative net transfers of resources, stemming in part from persistently high international interest rates, have a considerable adverse impact on the growth prospects of these countries. They reiterated that a solution to the debt problem is crucial to the success of the growth-oriented structural adjustment programs.

9. Ministers noted with interest that the international financial community is now taking account of the fact that reduction of the debt and debt-service burden is an integral part of the treatment of indebtedness. They took note of the debt reduction initiatives recently announced by some countries; and urged effective and timely implementation of the debt reduction schemes in order to remove uncertainties and facilitate economic policy management.

10. Ministers expressed their serious concern regarding implementation of the suggestions of the Cooke Committee, which regards the developing countries, with only one exception, as high-risk countries, which would lead to a further reduction in the credit available to them. They invited the banking supervision authorities in the creditor countries to review the conditions in question with a view to making them more flexible so as to preserve and increase bank financing in favor of the developing countries.

11. Ministers reiterated that the Fund and the Bank must provide appropriate and increased support for all initiatives aimed at reducing the debt and debt service, stressing in this context the importance of fungibility of treatment of funds set aside for such purposes and interest support with more timely and flexible access, including front-loading when required to implement successful negotiating efforts. They noted with interest the decisions taken recently by these institutions to encourage debt and debt-service reduction by providing financial support to this end. They invited them to rapidly implement appropriate policies, including guarantees by the Bank, to ensure that adequate financial resources are mobilized for the adjustment programs and debt restructuring or reduction operations. These policies should not lead to reinforced conditionality.

12. Ministers further reiterated that substantially increased financial support for debt and debt-

service reduction initiatives should be provided not only by the multilateral financial institutions, but also by a broad spectrum of creditor countries.

13. Ministers once again urged the governments of the major creditor countries to take effective measures conducive to adjustments in their banking, accounting and tax regulations in order to eliminate obstacles to the flow of new money and to debt and debt-service reduction. They invited the industrial countries, especially those recording sizable payment surpluses, to support the initiatives under way by providing significant parallel financing.

14. Ministers urged the commercial banks to adopt realistic and constructive approaches in their negotiations with the debtor countries and conclude rapidly, without exception, financial agreements appropriate to each country's circumstances involving a meaningful reduction in the debt and debt service and the provision of new money. Special mention is required with regard to the granting of waivers of contractual clauses that make it difficult to implement adequate solutions.

15. Ministers regretted that indebted countries that are otherwise similarly placed are treated differently in the matter of providing debt relief / rescheduling. Ministers further regretted that debt relief and debt-service reduction are granted only to those countries that have made substantial progress in the correction of their macroeconomic imbalances, since the impact of the debt overhang on both the fiscal and external accounts is such that equilibrium on these accounts is difficult to achieve without debt relief. In a real sense, the debt burden impairs the working of adjustment efforts and policy actions that would otherwise be inadequate without debt relief. Ministers consequently urged application of debt relief / rescheduling on an equitable and objective basis, so that similarly placed indebted countries benefit from financing options now available. Ministers noted in particular that the financing formulas proposed for the middle-income countries are not always made available to some of these countries because of the absence of secondary markets in respect of their debt. Consequently, Ministers once again urged the creditors to be impartial by introducing greater equity, based on objective criteria, into the treatment of the debt, so that all indebted countries may benefit from the financing options now available.

16. Ministers stressed the need for financing formulas in the framework of debt and debt-service reduction for indebted developing countries that are current in their external financial obligations.

17. Ministers called attention to the case of highly indebted countries implementing macroeconomic policies designed to promote growth, contain inflation while maintaining an adequate level of international reserves and servicing the foreign debt, especially those that have not restructured their external debt obligations. These countries have not been provided with an adequate solution for commercial bank debt, and have to confront excessive conditionality in obtaining access to, and use of, the resources of the multilateral financial organizations. A specific solution to their problem and a more flexible access and utilization of these resources are of the utmost importance not only to help reduce the debt burden, but also to support growth and the continuation of servicing of the debt.

18. Ministers drew attention to the serious situation of the heavily indebted developing countries, particularly the low-income and lower middle-income countries, whose debt consists mainly of official claims. Ministers called on the governments of the creditor countries and the multilateral financial institutions to urgently consider reducing this category of debt and giving it special treatment in the context of the Paris Club. In particular, it is important to make the rescheduling terms more concessional and flexible, especially by widening the coverage of consolidation to the totality of Paris Club debt, and by reducing interest rates. It is also important that some low and middle-income countries, especially those not benefiting from any existing initiatives but facing severe financial difficulties, benefit from the support of the Paris Club and of bilateral restructuring agreements related to specific projects of particular significance in terms of their related debt service under the "menu approach." Additionally, they emphasized the need for the timely re-establishment of new medium and long-term credit and insurance cover at appropriate terms.

19. Ministers reiterated that the possible use of ESAF resources for debt-reduction operations in low-income countries with access to these resources and the terms of such use should be reconsidered as quickly as possible.

20. Ministers welcomed the proposal made by Kuwait at the Ninth Summit of Non-Aligned Countries in Belgrade for the Secretary General of the United Nations to call, within six months, a meeting to be attended by, among others, creditor countries, the World Bank, and the Fund to discuss specific modalities and criteria for extending debt relief.

21. Ministers welcomed the initiatives taken by the Bank and the Fund in the evolving debt strategy to tackle the problems of heavily indebted developing countries. Support for debt reduction should not diminish these institutions' ability to meet the requests of other member countries for which market-based debt reduction is not feasible. Ministers recognized that the recent negotiations arrived at by some countries with their external creditors can provide an important source of experience for other countries in the continuation and deepening of the debt strategy now in place. However, to the extent that the emphasis is on debt reduction, the present strategy in itself may not be sufficient. In the ultimate analysis, an enduring solution to the debt problems would lie in augmenting the repayment capacity of the indebted countries through larger and more flexible cash flows, economic and trade policies facilitating market access, keeping interest rates at moderate levels, and accelerating investment and an improved external environment.

### **Ninth General Review of Quotas**

22. Ministers reiterated the need to complete the work on the Ninth General Review of Quotas by the end of 1989.

23. Ministers stressed that the quota increase should properly reflect the growth of the world economy and the real growth of different groups of countries since the last review, and member countries' relative positions in the world economy, as well as the need to maintain balance between different country groups.

24. Ministers emphasized that, taking into consideration the growth of the world economy, the trend in and present state of international liquidity, the crucial role of the Fund in the international monetary system, and particularly in the context of the continued uncertainties in the world economy, the persistence of the debt problem, and the need for the Fund to rely mainly on its own resources. There should be a substantial increase of at least 100 percent in the quotas. A substantial increase would also help build up members' confidence in the Fund's ability to provide, without recourse to large-scale borrowing, timely and adequate financial resources in support of their adjustment programs.

25. Ministers expressed deep concern about the possibility of a reduction in the relative quotas and voting power of the developing countries in the Fund, and strongly reiterated that such a reduction must be avoided, chiefly by incorporating a predominant equi-proportional element in the distribution method that is uniformly applicable to all members. There should be a provision for special treatment for countries with very small quotas. Special consideration should also be given to those developing countries whose present quota shares are greatly out of line with their current positions in the world economy, while ensuring that such consideration may be taken into account by adjusting the quota share of industrial countries and not by adjusting the share of either developing countries as a group, or of any individual developing country.

26. Ministers reaffirmed the need for an in-depth review of the present quota calculation formulas to take account of need-based variables relevant to the developing countries, so that they faithfully reflect the concerns of the majority of the Fund membership.

#### **Access Limits to Fund Resources for 1990**

27. Ministers noted that the basic reasons which led to the adoption of the enlarged access policy in 1981 remain valid and that in an international economic climate that is still austere for the developing countries, whose imbalances and payment needs remain large, continuation of the enlarged access policy is a pressing need.

28. Ministers deeply regretted the restrictive policy of access to Fund resources that the Fund has practiced in recent years, which is characterized by actual access well below the official limits in effect, when neither the liquidity position of the Fund nor the financing needs of member countries can justify such a policy.

29. Ministers strongly urged that the Fund at least maintain the current potential access to its resources and appropriately revise them upward once the Ninth General Review of Quotas comes into operation.

30. Ministers emphasized that, since access to Fund resources is determined by member countries' quotas, a substantial increase should be made in the quotas in order to increase Fund liquidity and reduce the cost of borrowing under the enlarged access policy, and allow the Fund to play a more significant catalytic role in promoting growth-oriented adjustment, and in debt and debt-service reduction operations.

#### **Overdue Financial Obligations to the Fund**

31. Ministers noted the persistence of the problem of payments of arrears to the Fund heightened by the net negative transfers of many of its member countries, and reaffirmed that the intensified cooperative approach is still valid, but noted with concern that progress has been very slow in this respect, results have been mixed, and more flexibility is needed in some cases.

32. Ministers noted the initiative taken in the implementation of support groups; however, they regretted the slow pace observed in the formation of those groups. Ministers urged other members to support efforts to adjust members in arrears to regularize their relations with their creditors.

33. Ministers regretted the trend toward stepping up punitive measures and, in this regard, reiterated that an increase in the Fund's conditionality will not be able to prevent new arrears. However, it is important to help member countries introduce adjustment programs favoring growth and improving the external payments situation of the adjusting countries, thus enabling them to honor their commitments to creditors.

34. Ministers reiterated that the adoption of punitive measures, whatever they may be, is not likely to bring about a solution to the problem of overdue obligations, and that such measures should not be considered; accordingly, they reaffirmed that the measures calling for a suspension of the right of countries in arrears to the Fund to subscribe to their quota increases under the Ninth Review of Quotas, and measures involving the suspension of the membership of member countries in the Fund are unacceptable.

### **Orientation For Future Work of The Executive Board**

35. Ministers greatly welcomed the inclusion of Item 8 (Orientation for Future Work of the Executive Board of the Fund) on the Agenda of the Interim Committee, which deals with SDR Allocations, and the International Monetary System and the Role of the Fund.

#### **(a) SDR Allocations**

36. Ministers pointed out that the proportion of SDRs to non-gold reserves of member countries is extremely small. They urged that this situation be reversed, so that the objective of making the SDR the principal reserve asset is promoted, and recommended as a first step a gradual rise in the ratio of SDRs to non-gold reserves to the level that prevailed at the end of the First Basic Period.

37. Ministers emphasized the potential role of the SDR to contribute to the stability and more efficient functioning of the existing international monetary system.

38. Ministers strongly emphasized that regular SDR allocations would help countries improve their reserves and pursue growth-oriented adjustment efforts without increasing debt or imposing import compression. Such allocations could, in some cases, be helpful in financing some debt reduction operations.

39. Ministers urged the countries still opposed to regular SDR allocations to reconsider their

position in a spirit of international cooperation so that an agreement can be reached on fresh allocations of between SDR 8 billion and SDR 12 billion during each of the three remaining years of the Fifth Basic Period.

40. Ministers strongly recommended a system of post-allocation redistribution of SDRs consistent with the need to maintain the monetary character of the SDR.

(b) International Monetary System and the Role of the Fund

41. Ministers endorsed the view that, at this juncture in the evolution of the world economy, the ability of the Fund to play its role will depend critically on the orientation that the Interim Committee provides, in order to guide the future work of the Executive Board with a view to ensuring the efficient functioning of the international monetary system in the 1990s.

42. Ministers strongly emphasized that for the Fund to exercise its central role and implement its policies effectively, as mandated by its basic purposes, the institution must be provided with sufficient additional resources to enhance members' confidence in the Fund so that it will be able to deal effectively with all members' financial requirements in the 1990s.

43. Ministers re-emphasized that experience with the present floating exchange-rate system has shown its limitations, particularly as regards allowing great volatility in exchange rates. It has not succeeded in improving the operations of the adjustment process, nor can it be said that it has helped the growth of international trade and output. What is required is an exchange-rate system that can effectively deal with the rigidities of a par value system and the destabilizing uncertainties of floating rates.

44. Ministers regretted that recent developments in the international monetary system have occurred without the association of the Fund and have been marked by some conflicts arising from domestic and external objectives among the major industrial countries. The coordination of monetary policies aimed at ensuring price stability has been more effective than the role of fiscal policies. Ministers noted that the adjustment process among the largest industrial countries appears to have weakened, and therefore called on the major industrial countries to reduce their trade and fiscal imbalances while paying due attention to appropriate measures to contain inflationary pressures. In this process, they should endeavor to take their exchange-rate policies along a path that would help to improve the international economic environment in which developing countries can expand their export-promotion prospects and strengthen their debt-servicing capacity.

45. Ministers therefore called on the Fund to strengthen its surveillance of the major industrial countries to complement their monetary policies with strong and decisive fiscal policies in order to ensure stability in exchange rate movements, and urged that microeconomic and structural policies, particularly trade-related policies, which affect exports from developing countries, be strengthened to improve resource allocation.

**ISSUES BEFORE THE DEVELOPMENT COMMITTEE**

## **The External Environment and Financing Requirements for Growth-Oriented Adjustment**

46. Ministers stressed that the national authorities bear primary responsibility for formulating and implementing structural adjustment programs as an integral part of their long-term development objectives, taking due account of the social, political and economic situation.

47. Ministers urged the Bank and the Fund to help countries design and implement growth-oriented, realistic structural adjustment programs; and stressed that collaboration between the World Bank and the Fund in support of these programs must never lead to cross-conditionality.

48. Ministers underlined that reduction of costs and increased possibilities of the success and sustainability of growth-oriented structural adjustment in developing countries require a more favorable international environment, including adequate external finance, a more open trading system, and an improved mix of fiscal and monetary policies in industrial countries.

49. Ministers noted with concern the generally worsening external environment, in particular, the sharp decline in financial resource flows to developing countries, seriously jeopardizing developing countries' adjustment efforts.

50. Ministers welcomed the increased efforts of the World Bank to help governments design programs with specific measures to reduce the adverse social effects of adjustment, and insisted that such measures form an integral part of all adjustment operations. Ministers appealed to the international community to provide additional support, including concessional financing for programs specifically oriented to improve living standards for the poorest segments of the population.

51. Ministers underlined the responsibility of the industrial countries to create the environment in which the adjustment programs of developing countries can have their greatest beneficial effect. They stressed the fact that the overall policy prescriptions that the Bank, as a development institution, advocates for developing countries are also applicable to the industrial world, and that there is therefore a commonality of interest between developed and developing countries in the efforts to promote symmetrical structural change for sustained growth.

52. Ministers called on industrial countries to:

(a) make efforts to bring about structural changes in their own economies and in particular to adopt measures aimed at reducing the adversity and volatility of the external environment facing developing countries;

(b) contribute to contingency measures against unexpected changes that adversely affect the external environment at the bilateral level; and strengthen their support of such measures at the multilateral level (e.g., the Common Fund, the STABEX scheme within the Lomé Convention, the International Coffee Agreement, the international commodity agreements, and the IMF Contingency Financing Facility).

53. Ministers invited the Bank and the Fund to improve the design of adjustment programs in the light of experience and lessons, and, as first steps:

(a) incorporate, as a standard procedure in their documentation on structural adjustment operations, an analytical discussion of the effects of industrial countries' economic, trade, and financial policies on developing countries undertaking structural adjustment programs, taking into account countries undertaking economic integration schemes;

(b) incorporate into these programs contingency measures including not only additional resources, but also flexibility in conditionality and macroeconomic performance criteria to deal with unexpected changes in funding or in the external economic, trade, or financial environment.

### **Recent Debt Strategy Developments and the Impact of the Strategy on Development Prospects**

54. Ministers welcomed the recent initiatives taken by the international community on the debt strategy but restated their deep concern over the deterioration of economic and social conditions in heavily indebted countries, phenomena which hinder their economic growth and make it more difficult and costly to solve the debt problem in an orderly, sustainable manner.

55. Ministers drew the attention of the Bank, the Fund, and the Industrial countries to the situation in the developing countries that are currently honoring their debt-service requirements but do not benefit from any of the debt or debt-service reduction operations. These countries should be provided with solutions to their specific needs.

56. Ministers noted that the evolving voluntary, market-based approach to debt reduction is seriously handicapped by the lack of adequate supportive structures, especially the contractual provisions on sharing and non-preference of third parties. Ministers strongly urged the major industrial countries to consider revising their banking, tax, and accounting regulations so as to facilitate the flow of new money and debt reduction operations.

57. Ministers insisted strongly on further measures by creditors and international financial institutions which should effectively bring about significant improvement in debt-servicing capacity and be more supportive of the growth of heavily indebted countries. Such measures could, inter alia, include: reducing real interest rates; extending debt consolidation, grace periods and maturities; and additional facilities for adequate inflow of new financial resources with conditionality supportive of new investments and growth.

58. Ministers called on the Development Committee to ask the Bank and the Fund to prepare a comprehensive review of the debt problems facing the low and middle-income countries whose debts are mainly to official creditors, both multilateral and bilateral, and to propose effective measures to deal with these problems for consideration by the Committee at its next meeting.

59. Ministers called on the Paris Club to extend the terms of the Toronto Agreement to all eligible countries, as well as other debt distressed countries with a substantial volume of outstanding official debt, especially the low-income and lower middle-income countries.

60. Ministers urged the Development Committee to ask the Bank and the Fund to urgently

review the impact of the extension of Toronto terms on the debt problems and growth prospects of the countries concerned.

61. Ministers called on creditor governments to strengthen the Paris Club framework by providing more flexible debt reschedulings on better terms and conditions which would result in substantial debt relief, as well as increased financial flows on softer terms to the debt distressed countries. Special consideration should be given to the restructuring of projects for which bilateral credit is significant.

62. Ministers re-emphasized the serious problems faced by the low-income and lower middle-income IDA eligible countries, whose heavy indebtedness, mainly to official creditors, is jeopardizing their growth prospects and further depressing the living conditions of their people, particularly the poor. Ministers urged creditor governments, as well as the Bank and the Fund, to be more responsive to the development needs of these countries and to take initiatives for extending commensurate debt relief to them.

### **World Bank Activities related to the Environment**

63. Ministers stressed that the principal responsibility for the deterioration of the environment falls above all on the industrial countries. They recognized the importance of sound management of the environment to the achievement of lasting development; and reaffirmed that improving and protecting the environment should be reviewed in the framework of multilateral cooperation.

64. Ministers welcomed the efforts of the World Bank, other multilateral development institutions, and governmental and nongovernmental organizations to combat environmental degradation, but emphasized that the World Bank, in designing such programs, should regard alleviation of poverty, economic growth, and environmental protection as interconnected objectives that must be pursued simultaneously. Ministers further emphasized that the Bank should, in the design and implementation of such programs, ensure that there is no breach of the Bank's obligation to borrowing countries to maintain the confidentiality of communications, and that the programs themselves should conform to the framework of government policy in force within the territory of the borrowing government.

65. Ministers reaffirmed the need for the improvement of the Bank's programs and for additional concessional financing for the alleviation and prevention of environmental degradation, but stressed that this support should be designed chiefly to help developing countries protect and enhance their environment on the basis of their own national priorities, not to add new conditions to the Bank's support operations.

66. Ministers expressed their opposition to the use of environmental concerns as a disguised instrument for protectionism and for reducing the net flow of financial resources to developing countries.

67. Ministers reiterated that the added costs of taking environmental problems into account should be covered by genuinely additional resources, provided on grant and other highly concessional terms, to finance programs intended to improve the environmental situation,

alleviate poverty, and strengthen the social infrastructure, all of which are closely interrelated and mutually supportive objectives.

68. Ministers reiterated their concern about the abuses that have occurred in the territories and coastal zones of developing countries due to the dumping of industrial waste, including toxic waste, by industrial countries; accordingly, Ministers requested the prohibition by international agreement of all trans-border shipments of toxic and nuclear wastes. They emphasized that the responsible industrial countries should bear full costs and repatriation for resulting damages; and the World Bank should provide assistance for the search for ways to eliminate these dangers.

## **REPORTS**

### **International Trade - Report on the Present Situation Particularly the Progress of the Uruguay Round**

69. Ministers regretted that commitments embodied in the Punta del Este declaration, and further endorsed in Montreal, on Standstill and Rollback have not been observed and that their violations continue to multiply. They reiterated their concern about the growth of protectionism, which imposes unacceptable harm not only on developing countries, but also on the world economy as a whole, including the industrial countries. They strongly urged all participants in the Uruguay Round to arrest protectionism and restore order and discipline to the world trading environment, as both are essential for the general interest of the international community. They noted that tariff escalation in industrial countries is cutting off access to finished and semi-finished products from developing nations.

70. Ministers regretted that the continued increase in protectionist measures as well as subsidization of agriculture and manufacturing by the developed countries is in sharp contrast to the liberalization efforts undertaken by many developing countries, mainly under World Bank and Fund programs. They urged that these liberalizing efforts by developing countries be given due credit by developed countries in the application of the principles of relative reciprocity and differentiated treatment for developing countries within the framework of the Uruguay Round.

71. Ministers stressed that the far-reaching economic restructuring in the developing countries, oriented toward the stimulation of foreign trade and exports, can bear fruit only with sustained financial and technological transfers to them, supported by the expansion and diversification of their exports. To this end, Ministers called on industrial countries to open their markets to developing countries' products.

72. Ministers stressed the importance of the link between trade and finance and the need to improve the trading environment so as to permit developing countries to meet their financial obligations, and create mechanisms to avoid the imposition of undue and unfair trade restrictions on developing countries. Ministers underlined in this regard the fact that the widespread movement toward trade-oriented policy reform in developing countries cannot succeed without parallel reforms in the industrial countries to improve access to their markets and a supportive combination of financial and technological inflows and export expansion, which are fundamental to solving the debt crisis. Ministers also stressed that low-income and heavily indebted countries

expect fair and equitable treatment to expand and diversify trade to escape their economic crises.

73. Ministers noted the progress made halfway through the Uruguay Round negotiations, called the negotiators' attention to the advantages of a more open trading system, and asked them to find more favorable arrangements for the developing countries in the questions still pending.

74. Ministers noted with regret that the industrial countries have been moving toward managed trade, bilateralism, and unilateralism, which represent a serious threat to the multilateral trading system and are particularly damaging to the exports of developing countries.

75. Ministers expressed concern about regionalization of trade, particularly the single market in Europe in 1992 and its possible negative implications on trade and financial relations with the developing countries.

### **Trends in the Transfer of Real Resources**

76. Ministers stressed again that a marked increase in transfers of concessional resources to developing countries is crucial; and called on the industrial countries to take urgent steps to reach the internationally agreed target of 0.7 percent of GNP for ODA.

77. Ministers deplored the further decline in total net disbursements of external finance, both official and commercial, to developing countries, and urged the international community to take urgent steps to reverse the trend.

78. Ministers stressed once again that, especially in view of the inadequacy in net disbursements of official development assistance to low and lower middle-income debtor countries and other heavily indebted countries, increased amounts of concessional bilateral and multilateral resources in support of their adjustment efforts are needed.

### **Progress of Negotiations Toward the Ninth Replenishment of IDA**

79. Ministers reiterated the importance of the role played by IDA in promoting economic growth, increasing productivity, and alleviating poverty in low-income countries. It is, therefore, with great interest that developing countries are following the IDA-9 replenishment negotiations. IDA donor countries must take into account the gains that have been made as a result of IDA-assisted operations which obviously should be sustained and expanded. Ministers underlined the need for an early finalization of the ninth replenishment of IDA with sufficient resources to enable its beneficiaries and other IDA-eligible countries to gain and maintain the developmental momentum and make progress in poverty alleviation.

80. Ministers strongly urged donor countries to increase their collective contributions in real terms to a level substantially exceeding that under IDA-8 so as to enable the Association to respond effectively to the increased needs of IDA recipients, including those of the small, land-locked and island countries, as well as other IDA-eligible countries, particularly the heavily indebted low-income and lower middle-income countries facing serious financial difficulties.

81. Ministers reaffirmed the importance of reducing poverty as a fundamental objective of IDA, and stated once again that the Association's activities are and must continue to be focused on the poorest countries. They underlined the need to reach a consensus on equitable burden-sharing and the equitable distribution of resources, so as to maintain the universal character of the Association.

## **OTHER MATTERS**

### **Harmonization, Follow-Up and Defense of Resolutions Adopted by the Group of Twenty-Four within the Bretton Woods Institutions**

82. Ministers reaffirmed that the fundamental aim of the G-24 is to assure coordination and effective expansion of the common economic and financial interests of its members, and called on members to take all steps necessary to preserve and strengthen further the organizational and functional achievements of the G-24.

83. Ministers regretted the present marked tendency of major industrial countries to take important economic and financial decision outside the specialized institutions of the United Nations. They strongly urged these countries to work in a spirit of international cooperation, to promote dialogue with the developing countries, and to ensure their broader and more effective participation in reaching decisions that concern the functioning of the world economy and hence of all mankind.

84. Ministers issued a political mandate to the Chairman of the Group of Twenty-Four to establish, whenever he deems it necessary, regular contact with the President of the Bank, the Managing Director of the Fund, the Chairman of the Interim Committee, the Chairman of the Development Committee, and the Group of Nine to discuss with them questions of major importance to the Group of Twenty-Four.

85. Ministers called on the Managing Director of the Fund and the President of the World Bank to give appropriate attention to specific recommendations that the Chairman of the Group of Twenty-Four might make from time to time, as he considers necessary, in view of the mandate issued by the Group.

### **Special Economic Cooperation Plan for Central America**

86. Ministers reiterated that the economic and social situation in Central America remains critical. Ministers strongly supported the appeal to the international financial community to provide financial support for the "Special Economic Cooperation Plan for Central America," approved by the General Assembly of the United Nations in Resolution No. 42/231 of May 12, 1988, a plea that was reiterated by the General Assembly in paragraphs 5 and 6 of Resolution A/C.2/43/L.46 of November 14, 1988.

87. In this respect, Ministers noted with satisfaction the actions undertaken by the Central American countries in seeking financial and technical support for their economic cooperation plan.

## **Report on the Role of the Fund and the Bank in the Context of the Debt Strategy**

88. Ministers welcomed and strongly supported the initiative taken by the Chairman of the Group of Twenty-Four to initiate a discussion of the issues raised by the Report of the G-10 on "The Role of the Fund and the Bank in the Context of the Debt Strategy."

89. Ministers requested that a report by the G-24 Deputies on the subject be prepared for consideration by the Ministers of the Group of Twenty-Four as soon as possible. The report should advance proposals on the roles of the Fund and the Bank in facing the debt problem as part of a truly international development problem.

## **Reform of the International Monetary and Financial System**

90. Ministers reiterated the call for the creation of a representative Committee of Ministers from developing and industrial countries to consider the reform and improvement of the international monetary system. This Committee could perhaps take the form of a joint subcommittee of both the Interim and Development Committees and should conduct its business on the basis of consensus.

91. 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.

## **Third Replenishment of IFAD**

92. The Ministers reiterated the support expressed for the International Fund for Agricultural Development (IFAD) at the Ninth Session of the Non--Aligned Countries meeting in Belgrade and commended the successful conclusion of the negotiations on the Third Replenishment of IFAD and invited other donors to announce their final commitment as soon as possible. The Ministers recognized the important role IFAD plays in agricultural development and acknowledged that IFAD's work improves the lot of the rural poor. Ministers urged members to give their highest priority to IFAD's Third Replenishment and recommended that members pledge substantial contributions to its resources.