INTERGOVERMENTAL GROUP OF TWENTY FOUR ON INTERNATIONAL MONETARY AFFAIRS
First Meeting of Ministers

COMMUNIQUÉ

Caracas, Venezuela
5-7 April, 1972

1. The inaugural Ministerial Meeting of the Group of 24 was convened in Caracas on 5-7 April 1972 on the invitation of the Government of Venezuela. The Minister of Finance of Venezuela, Pedro R. Tinoco Jr. was unanimously elected Chairman of the Meeting and the Minister of Finance of Ceylon, W. N. Perera and the Governor of the Central Bank of Algeria, M. S. Mostefai were also unanimously elected Vice-Chairmen. The purpose of the meeting was to establish the position of the developing countries on the fundamental issues concerning the reform of the international monetary system within the terms of reference specified in the declaration and working program of Lima. Mr. Pierre-Paul Schweitzer, Managing Director of the IMF, and Mr. Manuel Perez-Guerrero, Secretary-General of UNCTAD, also attended the meeting.

2. The Ministerial Meeting was preceded by a meeting of the Deputies of the Intergovernmental Group in Caracas from 3-5 April under the Chairmanship of Carlos Rafael Silva of Venezuela with Lal Jayawardena of Ceylon as Vice-Chairman and S. B. Falegan of Nigeria as Rapporteur. Mr. Silva reported to the Ministers on the work of the Deputies.

3. The Intergovernmental Group of 24 was constituted as a result of a mandate given in Lima by the Group of 77 to their Chairman, to consult Member Governments on the establishment of an intergovernmental group on monetary issues. On the basis of these consultations the Group of 24 was constituted and held its preliminary meeting at the level of Deputies in Geneva in February 1972.

4. The Ministerial Group reviewed various substantive and procedural issues facing the international monetary system at the present time. It expressed its dissatisfaction that important decisions affecting the International Monetary System have been taken by a small number of developed countries to the exclusion and neglect of the interests of the rest of the international community, and that these decisions have adversely affected the economies of developing countries.

5. The Group therefore considered that the most important task facing it at this moment is to provide for fundamental improvements in the decision-making process regarding international monetary issues. The Group agreed that the institution for decision-making on international monetary matters should be the International Monetary Fund. The members of the Intergovernmental Group unanimously decided to support the creation of a Committee of the Board of Governors of the IMF to advise the Board on issues related to the reform of the international monetary system. The Committee should be composed of 20 Governors, each

selected from a constituency that appoints or elects an Executive Directory in a manner to be determined by each constituency. The representation of developing countries in this Committee should not be less than that on the present Board of Executive Directors. Such a Committee would represent a satisfactory compromise between the participation of the entire membership of the Fund in decision-making, and the need to limit numbers to levels that would promote effective consultation and negotiation. The Group of 24 at ministerial level will establish contact with the Governors representing developing countries in this Committee, once set up, to consider arrangements for adequate coordination with the Group of 24.

6. The Ministerial Meeting also examined the issues connected with the next activation of SDRs from the standpoint of the Articles of Agreement of the IMF according to which the actuation of SDRs would depend on the long-term global needs for liquidity. The Group concluded that the international monetary experience of recent years is not sufficiently representative to constitute a reliable basis for predicting the future evolution of international liquidity. Furthermore, it considered that recent developments in the pattern of holdings of international liquidity, while tending to increase difficulties surrounding technical judgment in this area, should nevertheless be taken account of in determining the magnitude of liquidity creation. In the light of these considerations the Ministerial Meeting strongly supported the idea of a new activation of SDRs as from January 1, 1973.

7. The Group recognized that the magnitude of SDR creation should at all times be determined by the liquidity needs of the world economy. At the same time they were convinced that the SDR mechanism should be used to channel additional development finance to developing countries. Since the SDR system has enabled the developed countries to acquire additional international liquidity without the expenditure of real resources there is a strong case for transferring some portion of these savings to developing countries. The Group accordingly gave its fullest endorsement to the establishment of a link between SDRs and additional development finance. The Group urged that this principle be accepted by the international community at the forthcoming UNCTAD and be followed up by appropriate action by the International Monetary Fund and its member.

8. The Group expressed its dissatisfaction with the present system of determining Fund quotas as this does not reflect the relative economic positions of Fund Members. It further recognized the necessity for modifying the present basis for the distribution of SDRs between developed and developing countries.

9. The Group agreed to meet again before the annual meeting of the IMF and IBRD, on the invitation of its chairman after previous consultations with member countries.