

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

FOURTH MEETING OF MINISTERS

COMMUNIQUÉ

**Washington, D.C.
July 29, 1973**

1. The Chairman, summarizing the discussion, remarked that the Ministers should decide what use they wished to make of the report before them. Briefly, they could use it as a press communiqué, they could transmit it officially to the Committee of Twenty, or they could use it as internal guidance for the nine Ministers in the Committee of Twenty.

2. After further discussions the Ministers agreed:

a. To consider the report by the Deputies as an aide memoire for the nine Ministers in the Committee of Twenty to guide them in the forthcoming discussions;

b. To invite the Deputies to continue work on the topics mentioned in their report and to present a new document at the next meeting of Ministers.

3. The Ministers of the Group of Twenty-Four reaffirm that the developing countries along with the rest of the international community have a vital interest in all aspects of the reformed international monetary system. The manner of resolution of all issues outstanding before the Committee of Twenty affects intimately the environment in which the developing countries have to proceed with their developmental tasks. Consequently, they look forward to participating in the forthcoming negotiations and stand ready to contribute their ideas and eventual support to the various aspects of the reform. At this stage, however, they would like to state that this support, wherever possible would be given in a constructive spirit but that any resulting provisional agreement would be conditional on the final outcome of the whole reform including, in particular, those issues of special interest to developing countries.

4. (i) Adjustment and Convertibility

The developing countries have studied Alternatives A and B of the Draft Outline placed before the Committee. Of these alternatives they are convinced that the characteristics common to both, namely universality in application and an equitable sharing of the burden of adjustment, are goals worth pursuing. These imply a commitment to a one world system of interdependent economies with a common framework of discipline. They wish to further emphasize that the effective working of the adjustment process is intimately bound up with access by developing countries to developed country markets and with the aggregate flow of real resources to developing countries and its financing. The new procedures for reviewing the working of the adjustment process cannot in any event be fully effective unless adequate measures are taken to ensure the compatibility of the balance-of-payments aims of countries being considered for

review. In their view, so long as countries under review continue to seek to run surpluses in their balance of payments, steps must be taken to bring about the implied transfer of real resources to developing countries. In any event, so long as the international community decides as a matter of political will to bring about an adequate transfer of real resources to developing countries as an independent goal of policy, the manner in which the developed countries set their balance-of-payments aims should be accommodated to this consideration. They accordingly view the link proposal and other measures to promote the flow of long-term capital to developing countries as an important means to this end. Mechanisms to ensure these objectives should be built into the reform and the World Bank study on the flow of capital to developing countries should be expedited.

5. In their view, the new procedures of the special meeting of the Executive Board require further study in the light of the final shape of the reformed system. They would like to emphasize the agreement that as a general rule only those cases of imbalances that individually or collectively have significant international repercussions will be examined at these special meetings. They interpret this agreement to mean that the special examination of developing country situations ought not to arise as a rule, and that in the annual consultations which the Fund will continue to hold with member countries the special characteristics of developing countries will be fully taken into account in any adjustment disciplines they are obliged to accept as Fund members. In particular they have reservations about the relevance to their economies of graduated pressures. In any event they are of the view that any decision to apply graduated pressures on countries ought to be taken at the highest political level.

6. They recognize as an important principle in connection with the system of convertibility the need to support those proposals which, while ensuring global reserve management, will safeguard the greatest possible freedom of reserve composition for individual countries.

7. (ii) Primary Reserve Assets

Developing countries reaffirm their full support for the view that the amount of SDR allocations should be determined solely on the basis of global monetary requirements and that the principal characteristics of the SDR should be similarly determined and should be the same whether they are distributed through the normal allocations or through the link. Subject to this consideration however, developing countries take the view that their interests should be fully taken into account in the determination of the effective yield of SDRs.

8. (iii) The Decision-Making Process

In regard to both the procedure of special meetings and other decision-making processes of the Fund, the developing countries are of the view that their role in the decision-making process should be suitably strengthened through an appropriate adjustment in the structures of Fund quotas. They also want to emphasize that all major decisions in the money field should be taken within the full membership of the Committee of Twenty, so that the interests of the entire international community are taken into account.

9. (iv) Issues of Special Interest to the Developing Countries

The Group of Twenty-Four reaffirm their commitment to the form of link between the allocation of SDRs and additional development finance which they have already accepted namely, the direct distribution to them of a larger proportion of SDR allocations than they would receive on the basis of their share in Fund quotas to be used for developmental purposes. This would be apart from any increase that may result from raising their share in Fund quotas. They are agreed that any formula for distributing link resources among themselves should be such that: (a) all developing countries should benefit and (b) the distribution would be relatively more favorable to the least developed countries; and consider that these provisions taken together would suffice to secure equity in the distribution of link resources. They accept further that some broadening of the ambit of Fund consultations based upon a more flexible approach to the assessment of development performance could provide a satisfactory degree of assurance of effective use for developmental purposes of link resources allocated directly to developing countries.

10. They are also of the view that more adequate provision should be made for the financing of imbalances. They find an asymmetry between swap facilities available to developed countries and the lack of an adequate facility to deal with analogous situations in developing countries. They are aware that a detailed examination of proposals for establishing a new facility in the Fund to provide longer term balance-of-payments finance has already been accepted. They wish to emphasize that this examination should be expedited by the Executive Board so that the new facility can be implemented to the extent possible within the resources of the General Account of the Fund. They would emphasize however, that if such a facility is to contribute to the satisfactory development of developing countries, its terms and conditions should be tailored to the specific socio economic requirements that developing countries are bound to respect in the course of their development efforts. They would like to reiterate however, that any such new facility within the Fund ought not in any way to be regarded as a substitute for the link.

11. (v) Development Finance and the Reform

Developing countries reiterate their view that attention must be focused on an operative solution to the problem of an adequate transfer of real resources to promote development on the same basis on which solutions are being sought in the other two areas of the reform exercise -- concerning money and trade respectively -- because it is necessary to bear in mind from the outset the tripartite nature of the exercise.

12. The Draft Outline recognizes that "the attainment of the purposes of the reform also depends upon arrangements for international trade, capital, investment and development assistance including the access of developing countries to markets in developed countries; and it is agreed that the principles which govern the international monetary reform and arrangements in these related areas must be consistent."

13. In accordance with these considerations unless the questions of resource transfer to developing countries - adequately financed in quantity and quality- - are directly focused upon as such, so as to facilitate the needed political decisions, the agreed position in the "Draft Outline" would not in fact be capable of implementation.