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DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION

International monetary reform

Report of the Secretary-General

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Annex. OUTLINE FOR A PROGRAMME OF ACTION ON INTERNATIONAL MONETARY REFORM

## I. INTRODUCTION

1. In paragraph 1 of its resolution 34/216 of 19 December 1979, the General Assembly invited the appropriate organs, organizations and bodies of the United Nations system to examine positively the Outline for a Programme of Action on International Monetary Reform (prepared by the Intergovernmental Group of 24 on International Monetary Affairs and endorsed by the Group of 77 at its ministerial meeting held at Belgrade on 29 September 1979 (see annex)), to take the necessary decisions to implement the measures therein, with a view to ensuring that progress in that area should contribute to the establishment of the new international economic order, and to report to the Assembly at its thirty-fifth session on progress made in that field.
2. Pursuant to that request, the present document contains the replies received from the specialized agencies and the General Agreement on Tariffs and Trade (GATT) and from the United Nations bodies and organs concerned.
3. In paragraph 2 of the same resolution, the General Assembly welcomed with satisfaction the establishment by resolution 128 (V) of the United Nations Conference on Trade and Development (UNCTAD), of an ad hoc intergovernmental high-level group of experts to examine fundamental issues regarding the future evolution of the international monetary system, and requested that its report, together with the comments of the Trade and Development Board thereon, should be made available to the Assembly at its thirty-fifth session.
4. A separate note, containing the report of the Ad Hoc Intergovernmental High-Level Group of Experts on the Future Evolution of the International Monetary System and comments thereon by the Trade and Development Board, will be submitted to the General Assembly once the Board has concluded its consideration of the matter.
5. The text of the Outline for a Programme of Action on International Monetary Reform is reproduced, for ease of reference, in the annex to the present report.

## II. REPLIES RECEIVED FROM SPECIALIZED AGENCIES AND OTHER ORGANIZATIONS OF THE UNITED NATIONS SYSTEM

### A. Specialized agencies and GATT

#### FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

##### Proposed food-financing facility

1. The need for special monetary measures to help low-income countries cope with fluctuations in their food imports has been recognized by the Food and Agriculture Organization of the United Nations (FAO) in the Plan of Action on World Food Security, which was approved in 1979 by the Council in its resolution 1/75 and endorsed by the Conference in its resolution 3/79. The Plan of Action provides not only for increased food aid, emergency assistance and national reserves but also proposes that special measures should be examined to help developing countries finance exceptional increases in the food import requirements which they face from time to time, for reasons beyond their control. Specifically, the Plan of Action invites the International Monetary Fund "to consider within the context of its financing facilities the feasibility of providing additional balance-of-payments support for meeting the rise in food import bills of low-income food-deficit countries, particularly in the event of domestic food shortages and rising import prices".

2. The food imports of low-income developing countries (excluding China) have fluctuated between \$2 billion and \$6 billion a year, reflecting variations in the crops and fluctuations in world prices and freight rates. Less than one third of these imports is provided as food aid in cereals. Hence, in periods of production shortfalls - or rising world market prices of basic foods - the availability of foreign exchange becomes a critical factor in determining whether sufficient food can be imported to prevent, or at least dampen, the consequential fall in food consumption. For low-income food-deficit countries, where large parts of the population live at or below survival levels and whose balance of payments is generally fragile, these effects imply suffering beyond any acceptable standard and a disruption in the development process. The existing facilities of the International Monetary Fund (IMF) cannot satisfactorily cope with these serious food security problems, the solution of which is recognized to be a prerequisite for a new international economic order.

3. The Director-General of FAO has transmitted the proposal to the Managing Director of IMF, who has agreed to present it to the Board. The proposal has been supported by the World Food Council (WFC), and it is also one of the policy measures which has been proposed for inclusion in the new international development strategy. At the annual meetings of the Board of Governors of the World Bank and IMF, held in October 1979 in Belgrade, several delegates urged the liberalization of access to IMF financing facilities or the setting-up of a special food import facility to deal with recurrent emergencies created by natural calamities and abrupt variations in food grain prices.

4. The Director-General of FAO is convinced that this proposal is fully consistent with paragraph 10 of chapter IV of the Outline for a Programme of Action on International Monetary Reform as adopted by the Group of 77, and mentioned in General Assembly resolution 34/216, which calls for the existing IMF facilities to be reviewed "to enable them to cope more adequately with the deteriorating world economic environment." The need to ensure minimum conditionality and liberal access by low-income countries would in the view of the Director-General of FAO, point to the need to establish a separate new facility to finance exceptional increases in food imports. The modalities for such financing assignments are, however, a matter for consideration by IMF.

5. The FAO proposal had a preliminary consideration by the IMF Executive Board in August 1980.

#### WORLD BANK

##### Programme lending and local cost financing

1. Given the deteriorating external payments situation facing the growing number of developing countries, the Bank recently approved a policy of structural adjustment lending to help those countries adjust their balance-of-payments structures. Such lending will make available foreign exchange to finance imports not linked in advance to specific investment projects, and would be quick disbursing; it is envisaged that structural adjustment programmes will be such that support over a number of years will be necessary to bring about the structural reforms required. Under this new policy, three member countries (Bolivia, Kenya and Turkey) have so far been granted loans in fiscal year 1980 totalling \$305 million; discussions on prospects for similar borrowing are under way with a number of other countries, and it is expected that 8 to 10 per cent of Bank financing will take this form of non-project lending in the immediate future. It is hoped that such lending will promote similar assistance from other sources to countries which are implementing appropriate structural adjustment policies; part of these funds may be provided under co-financing arrangements with the Bank.

2. With respect to local cost financing, the Bank provides such assistance to those countries in which there is a serious domestic savings constraint, provided a reasonable domestic resource mobilization effort is mounted as part of its development programme.

##### Replenishment of International Development Association (IDA)

3. Representatives of prospective contributors reached agreement on the Sixth Replenishment of IDA in December 1979, the terms of which have been approved by the Governors. The level of the Sixth Replenishment for the three-year period from fiscal year 1981 to fiscal year 1983 is \$12 billion, which represents a minimal increase of 55 per cent over the resources available under the Fifth Replenishment, and a significant increase in real terms. Several new donors have expressed their intention to contribute and, in view of the resource requirements of the poorest countries, member Governments have been invited to make additional

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voluntary contributions. Depending on the income and reserve position of the Bank, it is also possible, as in the past, that the Bank will be in a position to make grants to IDA during the Sixth Replenishment commitment period; in addition, repayments on previous credits totalling \$153 million would be available during fiscal years 1981-1983. IDA VI will become effective when instruments of commitment and qualified instruments of commitment are deposited adding up to about 80 per cent (\$9.6 billion) of the total replenishment. In the absence of timely action by the United States Congress, a lapse in IDA commitment authority became effective on 1 July 1980; discussions among IDA deputies are expected to take place soon to consider possible courses of action that would minimize the disruption in the flow of IDA resources.

#### International Bank for Reconstruction and Development (IBRD) capital increase

4. Agreement on the size and terms of a General Capital Increase of the World Bank has been reached, and the Governors have approved a \$40 billion capital increase by the required three-fourths majority vote in January 1980. When subscribed, the Bank will be able to maintain a significant real growth in lending over the next several years. Some Bank Executive Directors have noted that, before subscriptions to the General Capital Increase can take place, the Board of Directors would have to reach decisions on the valuation of the subscriptions and the maintenance of value, which are still pending. Actual subscriptions to the General Capital Increase are expected to begin no later than fiscal year 1983 and would continue through 1 July 1986.

#### Other issues

5. With respect to trade, the adequacy of present institutional arrangements for financing the trade deficits of developing countries is being considered in a forthcoming paper on capital flows to be presented to the September meeting of the Development Committee. As part of its assessment of the relevant Brandt Commission recommendations, 1/ the Bank is preparing a paper for consideration by the Board on the establishment in the World Bank of a long-term facility to finance purchases of capital goods; also within the context of the review of the Brandt Commission recommendations, the call for increased representation of developing countries in the decision-making of the Board is being considered.

### INTERNATIONAL MONETARY FUND

1. The International Monetary Fund (IMF) has studied the analyses and recommendations of the Group of Twenty-four with considerable interest. The Interim Committee of the Board of Governors on the International Monetary System, in the communiqué dated 25 April 1980 issued at the conclusion of its Hamburg meeting, requested the Fund to start an in-depth examination of the relevant recommendations in the Outline for a Programme of Action on International Monetary Reform, in the light of the Ministerial communiqué of the Group of 24 dated 24 April 1980, with a view to holding a substantive discussion of these issues at

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1/ North-South: A programme for survival. Report of the Independent Commission on International Development Issues (Cambridge, Massachusetts, The MIT Press, 1980).

the meeting of the Interim Committee on 28 September 1980. Prior to that date, the following preliminary indications are set out below.

2. The Executive Board initiated an extensive programme of work on the Outline for a Programme of Action proposed by the Group of 24. A paper was prepared describing the status of Fund activities on various issues relevant to the Group's recommendations, identifying the context in which further consideration would be given to the recommendations, and proposing a time-table for completion of papers on each issue. These proposals were warmly welcomed by the Executive Board at its meeting on 20 June. Members of the Board commended the Fund management and staff for having an open and positive attitude. The Board agreed that a thorough examination of the issues raised by the Group of 24 could contribute to a better understanding of the problems of the international monetary system.

3. As a consequence, the Fund is undertaking a number of studies on many issues relating to the recommendations of the Group of 24, including Fund policies under current conditions, allocations of special drawing rights (SDR) and SDR link, quotas, participation of developing countries in decision-making in the Fund, compensatory facility, continuation of the Trust Fund, interest rate subsidies, conditions in international capital markets, and external debt problems. These papers are receiving serious consideration by the Executive Board, and a summary progress report will be transmitted to the Interim Committee for consideration at its meeting on 28 September 1980. Following consideration by the Interim Committee, a fuller report on the IMF response will be made available to the General Assembly in an addendum to the present report.

#### INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

1. The Outline for a Programme of Action on International Monetary Reform has been reviewed. The International Fund for Agricultural Development (IFAD) has no comments on the Outline for a Programme of Action on International Monetary Reform as such but the following information may be of some interest.

2. One matter raised in the report which is of particular relevance to IFAD is the comment in chapter I on the desirability of establishing the SDR as the principal international reserve asset. In this regard, IFAD decided just after it began operations, that it would be advantageous to its borrowers to denominate IFAD loans in SDRs and this was done from the beginning of 1979. This was a departure from the normal practice followed by the World Bank and the regional banks and was introduced so as to ensure that all borrowers received the same currency package and were therefore treated equally in an exchange risk sense. These new lending arrangements are working very satisfactorily and it is interesting to note that IDA has also recently announced that it too will soon begin to denominate loans in SDRs.

3. Concurrently with the move to SDR-denominated lending, IFAD also took a decision to restructure gradually the currency composition of its contributed resources along SDR lines to minimize exchange risk exposure to IFAD itself. In order to facilitate this restructuring of resources, IFAD set up special arrangements with the Bank for International Settlements (BIS) under which IFAD placed "SDR indexed deposits" with BIS. A number of commercial banks have subsequently offered the same facility. Another related development is that IMF

recently agreed to deal in SDRs with certain selected official institutions and IFAD is one of the institutions which has received authority to maintain an SDR account with IMF.

#### GENERAL AGREEMENT ON TARIFFS AND TRADE

1. In chapter III, paragraph 2 (a), of the Outline for a Programme of Action on International Monetary Reform, dealing with the adjustment process, "the maintenance of free and secure access for developing countries to the goods and financial markets of developed nations" is called for.

2. The improvement of access for exports of developing countries to the markets of developed nations is a continuing and priority concern of GATT, which constitutes the main rules governing international trade, and is thus the principal guarantor of security of access to markets. Recent actions to this end have centred on the Tokyo Round of Multilateral Trade Negotiations, launched by the Tokyo Declaration of September 1973 <sup>2/</sup> and completed in November 1979. The results of these negotiations include reductions in tariffs facing exports of developing countries; concessions improving market access for tropical products; bilateral concessions on non-tariff measures; a number of multilateral agreements on non-tariff measures incorporating special and more favourable treatment for developing countries; and a set of "framework" agreements which affect certain basic GATT rules and which provide particular benefits for developing countries, including the establishment of standing legal authority for preferences in favour of developing countries. Details are given in a two-volume report, The Tokyo Round of Multilateral Trade Negotiations.

3. Apart from the Tokyo Round, GATT has continued other activities aimed at improving access of exports of developing countries to markets of developed nations. The Committee on Trade and Development oversees this work. Technical assistance to developing countries continues to be provided by the GATT secretariat, a Technical Co-operation Division for this purpose having been established on a permanent basis with effect from 1 January 1980.

4. GATT is now engaged in putting into effect a work programme approved by the Contracting Parties at their session of November 1979. This programme, which is being vigorously pursued, gives priority to implementing the Tokyo Round results; to completing negotiations on safeguards - an issue of great concern to developing countries; and to enlarging the responsibilities of the Committee on Trade and Development. The Committee is now responsible for:

(a) Work on trade policy and development policies, including trade liberalization in areas of special interest to developing countries;

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<sup>2/</sup> Approved on 14 September 1973 by the Ministerial Meeting of the Contracting Parties to GATT, held in Tokyo.

(b) Supervising implementation of the Tokyo Round "framework" agreements concerning differential and more favourable treatment, reciprocity and fuller participation of developing countries;

(c) Examination of protective action by developed countries against imports from developing countries;

(d) Work on structural adjustment and trade of developing countries;

(e) Special attention to the problems of least developed countries.

5. It should be noted that the question of structural adjustment and trade policy is also being examined in the Consultative Group of Eighteen, which brings together high-level trade policy officials.

6. Details of the recent and current GATT activities outlined above are given in GATT Activities in 1979.

7. Chapter IV, section D, paragraph 13, is also relevant to GATT. With regard to standstill provisions, the basic such provision is embodied in article XXXVII, paragraph 1 (b), of part IV of the General Agreement on Tariffs and Trade. Implementation of part IV is, as mentioned above, supervised on a continuing basis by the Committee on Trade and Development. It may be noted that a sub-committee of the Committee on Trade and Development was established by a decision of the Contracting Parties in November 1979 to examine protective measures taken against imports from developing countries: it thus in practice monitors deviations from the standstill. The remainder of paragraph 13 deals with the questions of adjustment and of implementation, in the multilateral trade negotiations, of the provisions of the Tokyo Declaration: these points have been dealt with above.

#### B. Other bodies of the United Nations system

##### ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

1. The Economic and Social Commission for Asia and the Pacific (ESCAP) has been actively engaged in promoting monetary co-operation in this region for quite some time. After years of work in co-operation with UNCTAD and with financial support from the United Nations Development Programme (UNDP), ESCAP was instrumental in setting up an arrangement called the Asian Clearing Union (ACU), to settle payments for international transactions within the region on a multilateral basis. Although membership in the Union is open to both developed and developing countries in the ESCAP region, it is only the developing countries that are members of it. At present, the membership consists of the central banks of Bangladesh, Burma, India, Iran, Nepal, Pakistan and Sri Lanka. The ESCAP secretariat continues to render technical assistance and advisory services to the Board of Directors of ACU in their efforts to expand the scope of operations of the Union as well as to increase its membership. In addition, the secretariat is also assisting ACU in examining the possibility of linking up with similar clearing and payments arrangements among developing countries in other regions.

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2. ESCAP has also conducted a study on the feasibility of establishing an Asian reserve bank for the region. This is a reserve pooling arrangement. An intergovernmental group considered the report and adopted the draft articles of agreement for an Asian reserve bank. However, further work was delayed due to the international monetary crisis and the preoccupation of a number of countries of the region with their own balance-of-payments problems. It is now planned to update the secretariat's earlier study and also to examine the feasibility of setting up reserve pooling arrangements even on a subregional basis.

3. In the field of insurance, ESCAP, in co-operation with UNCTAD, has helped the developing countries of the region to set up the Asian Reinsurance Corporation (ARC) with a view to reducing the outflow of foreign exchange from the region on account of insurance and reinsurance business. ARC, which is an autonomous intergovernmental body with its headquarters in Bangkok, commenced underwriting business on 1 January 1980. At present, Afghanistan, Bangladesh, Bhutan, China, India, the Republic of Korea, the Philippines, Sri Lanka and Thailand are members of ARC.

4. Recently ESCAP has taken the initiative for setting up a regional export credit refinance scheme on soft terms for the benefit of developing countries of the region. Consultations with the Asian Development Bank on this project are under way and it is hoped to establish the scheme in collaboration with the Bank.

## ECONOMIC COMMISSION FOR LATIN AMERICA

1. The Outline for a Programme of Action on International Monetary Reform raises fundamental issues with regard to efforts to devise an international monetary system acceptable both to the developed and to the developing countries, and thereby contribute to the establishment of the new international economic order.
2. The secretariat of the Economic Commission for Latin America (ECLA) began studies in the field of international financial and monetary matters at the start of 1975, with project RLA/75/040, "Implications for Latin America of the Situation of the International Monetary and Financial System".

### Resolutions and studies of a general nature

3. In March 1977, at the seventeenth session of ECLA, the member Governments adopted the Guatemala Appraisal (resolution 362 (XVII)). Chapter IV of the Appraisal (the Plan of Action), section B, on the international monetary system, covers most of the basic issues referred to in the Outline for a Programme of Action on International Monetary Reform. Moreover, in resolution 370 (XVII), on external economic relations, the Commission instructed the Executive Secretary to analyse the external financing problems of the countries of the region.
4. At the eighteenth session of the Commission, in April 1979, the member Governments adopted resolution 385 (XVIII) on protectionism in developed countries and resolution 398 (XVIII) on international financial and monetary aspects. In resolution 388 (XVIII), the Commission adopted the La Paz Appraisal, whereby the member Governments expressed their support for a series of measures and recommendations contained in that document. Chapter III, section E (on international economic co-operation), subsection 2, of the La Paz Appraisal sets out trade policy measures to deal with the impact of protectionism.
5. Subsection 8 of the same section includes recommendations on various aspects of external financing and monetary problems, and particularly on what is required of the international monetary system and on net flows of resources and the terms of their transfer.

## ECONOMIC COMMISSION FOR AFRICA

### Programme of Immediate Action

1. For a number of years, the secretariat headquarters at Addis Ababa of the Economic Commission for Africa (ECA) has been the venue of the annual meetings of the Working Party of the African Governors of IMF and the World Bank. The meetings, normally convened by the joint secretariat (located in Washington) of the African Executive Directors of IMF and the World Bank, are aimed at exchanging views on the preparation of three documents. These are: a speech setting out the joint view of the African Governors and usually delivered by one of the African Governors at the joint IMF/World Bank annual meetings, and two memoranda, one addressed to the IMF Managing Director and the other addressed to the President

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of the World Bank on specific problems related to each of these institutions. The views of ECA are fully taken into account in the preparation of these documents which outline the economic, monetary and financial problems confronting the African countries and also attempt to assess the impact of developments in the international, financial and monetary fields on the African region as a whole.

2. At its 1980 meeting, held at Addis Ababa from 28 July to 1 August, the Working Party of the African Governors attached great importance to those aspects of reform of the international monetary system that are of particular interest to developing countries, and to African countries in particular, and in pursuance of General Assembly resolution 34/216 on international monetary reform. It agreed that the speech of the African Governors should, inter alia, reiterate strong support for the proposals contained in the Outline for a Programme of Action on International Monetary Reform prepared by the Group of 24. The speech accordingly urges the Fund to give due attention to the proposals in the Outline for a Programme of Action, including specific proposals to increase the transfer of real resources to the developing countries and measures to solve the balance-of-payments deficits and debt problems of the developing countries, particularly the less developed of the developing countries.

3. In addition, a number of studies currently on the secretariat's work programme for 1980-1981 or under consideration for 1982-1983 bear much relevance to the concerns expressed in chapter IV of the Outline for a Programme of Action, on the Programme of Immediate Action, and the suggested measures to deal with them. These include the ECA study entitled "Biennial review and assessment of the implications of the international monetary and financial situation for African countries, including a periodic study of the impact of exchange rate fluctuations of main currencies on balance of payments as well as evaluation of long-term implications of different debt arrangements for African countries". Another major programme element refers specifically to the reform of the international financial and monetary framework under which it is intended to monitor actively the implementation of the Programme of Immediate Action and assess the impact of such implementation on member States.

4. The objective of these and other relevant studies, as well as related advisory activities, is to assist member States in reaching a deeper understanding of the issues and measures set out in the Programme of Immediate Action against the background of their own over-all development concerns and priorities, and thus enable them better to ensure not only that the Programme is implemented, but also that their own national, subregional and regional interests are duly safeguarded in the process.

#### Some elements of the future work programme of the Group of Twenty-Four

5. The secretariat welcomes the emphasis given to monetary and financial co-operation among developing countries as "an integral part of the process of changes in the world monetary and financial order" (see annex, chap. V, para. 4). For a number of years pursuant to many resolutions and decisions adopted by the Commission's highest policy organs, the ECA secretariat has been giving particular attention to intra-African monetary and financial co-operation, as part and parcel of the ECA strategy for the development of intra-African trade.

6. In this regard, efforts have been aimed principally at strengthening existing subregional multilateral payments institutions, and to establishing new ones. Thus, ECA is currently providing technical assistance to the West African Clearing House through a UNDP-financed project of which it is the executing agency. Studies prepared by ECA have led to the creation of the Central African Clearing House which is expected to become operational early in 1981. Basic studies have also been undertaken on prospects for monetary and financial co-operation between North African countries. The findings and conclusions of these studies are expected to be presented shortly for consideration by the monetary and financial authorities of this subregion. As for the Eastern and Southern African subregion, it is worth recalling that the Intergovernmental Negotiating Team for the establishment of a Preferential Trade Area among countries of this subregion finalized consideration at its seventh meeting, held last May at Addis Ababa, of a Draft Protocol on Clearing and Payments Arrangements. Similarly, ECA, which played a pioneering role in the establishment of the African Centre for Monetary Studies, has been extending strong support to the Centre, whose main functions are to carry out research on monetary problems and developments in Africa and to offer training and advisory services on financial matters to member countries.

7. In so far as regional development finance institutions, such as the African Development Bank (ADB) which ECA helped to establish, and the African Development Fund, are concerned, the secretariat has been collaborating fully in strengthening and supporting their activities.

8. ECA, in close collaboration with ADB, is currently setting up an African Industrial Development Fund.

9. ECA has also been giving support to measures designed to strengthen monetary and financial co-operation between the African region and other developing regions. Together with UNCTAD and other regional economic commissions, ECA has been actively participating in the work of the Co-ordination Committee of Multilateral Payments Arrangements and Monetary Co-operation among Developing Countries, to help establish feasible linkages among the existing monetary and payments arrangements.

10. ECA action in the future is expected to take the following directions based essentially on the relevant decisions adopted under the Plan of Action for the Implementation of the Monrovia Strategy for the Economic Development of Africa, agreed upon at Lagos, in April 1980, by the Assembly of Heads of States and Government of the Organization of African Unity (A/S-11/14, annex I). First, efforts will be intensified to strengthen existing multilateral payments institutions and to create new ones, with the objective of linking the various subregional payment arrangements into an All-Africa Payments Union before the end of the decade.

11. In the framework of monetary and economic co-operation at the regional level, it is expected that an African Monetary Fund will be established by the year 1985, followed by an African Common Market before the end of the present decade, leading to the eventual creation of a Regional Economic Community by the year 2000.

12. Similar support will also continue to be provided to the existing regional and subregional development finance institutions and for the creation of new institutions, such as the proposed nine-country Southern African Development Fund.

#### ECONOMIC COMMISSION FOR WESTERN ASIA

1. The activities of the Economic Commission for Western Asia (ECWA) relating to the Outline for a Programme of Action on International Monetary Reform, and especially to some of the specific issues stipulated in chapter IV, on the Programme of Immediate Action, have been generally confined to periodic monitoring and evaluation of developments at the regional level. The results of these exercises are usually reflected in the annual Economic and Social Survey of Western Asia.

2. Important as the specific issues in chapter IV of the Outline are, ECWA has not yet embarked on analytical work on the issues concerned. The 1980-1981 work programme of the Commission does not envisage analytical research for immediate action on these issues. As soon as a plan for such work is developed, as anticipated in chapter V of the Outline, and the extent and nature of the involvement of ECWA are specified in such a plan, together with those of IMF, the World Bank, UNCTAD, GATT and other organizations directly concerned, every effort will be made to deal with the matter within the scope of the Commission's work programme for the next biennium.

#### WORLD FOOD COUNCIL

1. In February 1979 a proposal was placed before the World Food Council (WFC) regarding the need to establish a food financial facility from which individual developing countries facing balance-of-payments difficulties could draw when, for reasons beyond their control, they had to expand sharply their food import bills. This eventuality, the frequency of which has been increasing in the recent past, occurs either because of crop failures that many developing countries periodically suffer, or because of sudden increases in the international prices of their essential food imports.

2. Document WFC/1979/5, World Food Security for the 1980s, containing this proposal, was widely distributed, and the concept of an IMF food facility rapidly became one of the food-related measures now considered necessary by the international development community. The Brandt Commission report, for example, reproduced the proposal along with the supporting figures used, and firmly endorsed it. 3/ Resolutions favouring the proposal were adopted by WFC at its fifth and sixth sessions, and by the FAO Conference.

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3/ North-South: A programme for survival. Report of the Independent Commission on International Development Issues (Cambridge, Massachusetts, The MIT Press, 1980).

3. During the second half of 1979, WFC worked in co-operation with FAO to produce a joint document further developing the case for a food facility. This document was submitted to the IMF Managing Director in December 1979. Since that date, WFC has been active in promoting the concept. Various representations to this end were made at the IMF headquarters at Washington and in a number of developed and developing countries.

4. Consideration of the establishment of a food facility, either by the creation of a new mechanism, which WFC favours, or the reform of the existing compensatory facility to incorporate the concept, which may be easier to achieve, is now being given to the IMF staff. WFC understands that a document has been prepared in this respect, which had a preliminary consideration by the IMF Executive Board in August.

#### UNITED NATIONS DEVELOPMENT PROGRAMME

1. The United Nations Development Programme (UNDP) has been making an active contribution to the technical studies which are essential for a proper analysis and understanding of these complex issues, thereby facilitating progress in the negotiations between all parties. In the light of the major balance-of-payments and foreign exchange problems which developing countries are now facing and will continue to face in the coming years, problems which can negate all other attempts and efforts in enhancing their development, UNDP recognizes that increased attention must be paid to international monetary reform and associated issues, such as balance-of-payments adjustment strategies and policies, structural adjustment assistance, debt rescheduling and trade related matters.

2. Accordingly, UNDP will continue to use interregional and regional funds in assisting projects in the above fields, so long as there continues to be clearly expressed support for such action by Governments. However, the bulk of UNDP funds is earmarked for expenditure at the national level, and availability of funds at the intercountry level is therefore limited. The more important of UNDP-funded activities in the above fields are described below.

##### Interregional level

3. INT/75/015 - Studies of Interregional Monetary Financial Issues. This project, which was approved in 1975 for UNCTAD execution, seeks to assist developing countries in enhancing their capacity in negotiations on international monetary issues by strengthening their technical preparation and ability to participate in all phases of discussions and negotiations. UNDP to date has committed \$583,052 to this project.

4. The main work carried out under the auspices of the project includes the following:

(a) Study on the balance-of-payments process in developing countries. The report of the study was issued earlier this year. The report was referred to extensively in a document prepared jointly by the staff of IMF and of the World Bank

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on financial flows to developing countries and the adjustment process (IMF document SM/79/177 of 29 June 1979). In addition, the IMF/World Bank paper contains a special annex setting out the main features of the proposal for a Medium-Term Balance-of-Payments Facility that was recommended in the UNDP/UNCTAD report. The joint staff paper was examined by the Executive Boards of the IMF and the World Bank and, subsequently, the Managing Director of IMF and the President of the World Bank issued a joint statement (EBD/79/187, Revision 4) which again made reference to the study of the adjustment process made under the UNDP/UNCTAD project.

(b) Four reports, listed below, prepared in response to requests made at the March meeting of the Bureau of the Group of Twenty-Four. These were submitted to the Bureau at its meeting at Mexico City from 17 to 19 August 1979. The Chairman requested the secretariat of IMF to bring them out as documents of the Group of Twenty-Four for the annual IMF meeting held at Belgrade from 26 to 28 September 1979.

- (i) "Implications for Developing Countries of Current Proposals for a Substitution Account" by V. B. Kadam;
- (ii) "An Elaboration of a Proposal for a Long-term Facility for Financing Purchases of Capital Goods by Developing Countries (Mexican Proposal)" by Michael Stewart;
- (iii) "A Survey of Some Recent Proposals for New International Facilities" by Michael Stewart;
- (iv) "Proposal for the Establishment of a Medium-Term Facility Within the Framework of the International Monetary Fund" by Project Staff.

(c) A major work under way comprises the study on exchange rate régimes, focusing on exchange rate practices adopted by developing countries during the 1970s and assessing the impact on developing countries of alternative régimes (i.e., floating, pegged to major currencies, pegged to SDRs or crawling). The report of this study, which is being prepared by Professor Gerry Helleiner, will be issued in 1980.

(d) A further study is being carried out on international monetary reform by John Williamson.

5. UNDP is planning to make funds available in order to prepare for the ad hoc meetings on debt reorganization, which are held by the Paris Club. Depending on the outcome of further consultations between UNDP and UNCTAD a major project on debt management is expected to get under way in 1980.

6. Since 1973, UNDP has been financing a comprehensive and integrated programme of technical co-operation designed to assist the developing countries to participate more actively and effectively in the Tokyo Round of Multilateral Trade Negotiations. Except for the interregional project, other regional programme components have been terminated. The programme was recently evaluated by an

independent team and a decision regarding further technical co-operation in this area is still under active consideration by UNDP, UNCTAD and the regional commissions.

7. Technical co-operation funded by UNDP and executed by UNCTAD in connexion with the Integrated Programme on Commodities to assist developing countries increase their ability to process primary commodities locally prior to their being exported also has relevance to reform of the international monetary and financial system.

Regional level

8. RBA/79/009 - Framework for International Financial Co-operation: (Arab States Region). The project, expected to be completed by 30 April 1981, is intended to undertake a series of analytical studies relating to international monetary and financial issues including, among other things, an appraisal of IMF operations; the World Bank and other regional development banks; analysis of cross-institutional topics and several country oriented studies.

9. RAB/78/012 - Arab Banking and Financial Studies: (Arab States Region). The project has been designed to provide for training especially for the officers of the central banks of the region.

10. RAF/78/069 - Workshop for senior Government officials on major issues relating to region-wide trade and development within the context of the new international economic order (African region).

11. RAF/78/069 - Regional meetings on economic co-operation among developing countries (African Region). The meetings, funded through the project, concentrate on three main areas: global system of trade preferences among developing countries, co-operation among state trading organizations, and establishment of multinational marketing enterprises.

12. RAF/73/030 - West African Clearing House, Phase I (African Region). The West African Clearing House, established with UNDP assistance to further subregional trade through monetary co-operation and clearing arrangement is receiving consultants' advice and fellowships.

13. RLA/77/021 - Implications for Latin America of the Present State of the International Monetary and Financial System (Latin American Region). The project analyses, among other things, the degree to which balance-of-payments fluctuations depend on factors outside the region as well as the capital movements within and outside Latin America, including their policy implications. On the basis of these studies, a proposal for a Financial Safety Net for Latin America has been submitted to the Governments of the region.

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National Level

14. Virtually all technical co-operation provided by UNDP at country level, which accounts for some 80 per cent of UNDP field expenditures, has direct or indirect implications for structural change in the patterns of trade and production in developing countries, and hence for the flow of trade and financial resources between countries, in varying degrees. This would be particularly true in those economic sectors having a direct bearing on production, and trade in general.

15. It should be noted that information similar to the above is also contained, albeit in lesser detail, in document DP/470 entitled "UNDP and the New International Economic Order" which was submitted by UNDP to the General Assembly at its eleventh special session.

Annex

Outline for a Programme of Action on International  
Monetary Reform

(Prepared by the Intergovernmental Group of 24 on International  
Monetary Affairs and endorsed by the Group of 77 at its  
ministerial meeting held at Belgrade, 29 September 1979)

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## I. ASSESSMENT OF INITIAL OBJECTIVES AND DEVELOPMENTS IN INTERNATIONAL MONETARY REFORM

Following the monetary crisis that began during the sixties and became acute in 1971, the international community was confronted with the urgent need to reform the international monetary system. In this connection, the Group of Seventy-Seven emphasized that unless there were an effective participation of the developing countries in designing the new system, particularly in view of the preponderant influence hitherto exercised by the developed countries, common objectives could not be achieved. Consequently, the Intergovernmental Group of Twenty-Four on International Monetary Affairs (Group of Twenty-Four) was established for the purpose of coordinating and unifying the position of the developing countries in international monetary and financial matters. In particular, it was agreed that the Group of Twenty-Four was to:

- a) keep the international monetary situation under review;
- b) evaluate events in the monetary field, as well as any decisions which might be taken by a single country or group of countries within the framework of the International Monetary Fund, relating to the interests of the developing countries;
- c) recommend to the governments of the Group of Seventy-Seven coordinated positions for use in various fora, and to consider any other action that might be necessary, including the convening of a world monetary conference within the framework of the United Nations.

The initial basic discussions and negotiations with the developed countries on the reform of the monetary system were undertaken in the forum of the Committee of the Board of Governors on Reform of the International Monetary System and Related Issues (Committee of Twenty). It was agreed that this reform had to be of a tripartite nature requiring mutually supporting arrangements in the fields of money, trade and the transfer of resources to developing countries.

Major structural changes in the world economy towards the end of 1973 and the absence of political will on the part of developed countries made it impossible to agree on an overall package of monetary reform. Agreement was, however, reached by the Committee of Twenty on the need to alter some aspects of the monetary system, particularly the exchange rate regime. Measures were proposed to deal with the most urgent aspects of monetary relations among developed countries. However, they did not deal with those aspects of the system that were of particular interest to developing countries.

Although overall reform was not considered possible, it was felt that an evolutionary process of reform, with a gradual adaptation of the legal structure, was called for. Towards this objective, two bodies were established. These were: The Interim Committee of the Board of Governors on the International Monetary System; and the Joint Ministerial Committee of the

Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries.

The Interim Committee was to advise on the adaptation of the system, while the Development Committee was to pursue the means for promoting and improving the transfer of real resources to developing countries. Work within these two bodies along with the ongoing negotiations in UNCTAD and the multilateral trade negotiations under the auspices of GATT were expected to bring about the desired changes in the fields of money, finance and trade. However, the results so far have not met the requirements of developing countries.

In practice, no comprehensive and coherent program was agreed for bringing about a deliberate process of evolution in the system. The Jamaica Agreement and the subsequent amendment of the Articles of Agreement eliminated some features of the Bretton Woods System, and left open a future range of options, but failed to convey a sense of direction and did not incorporate certain features of basic interest to developing countries, such as: measures to control, in an effective manner, the creation of international liquidity; dispositions on asset settlement; rules to ensure symmetry in the adjustment process and promote a stable system of exchange rates; the financing by the IMF of short-term capital movements; and, particularly, arrangements to promote the transfer of real resources.

In the absence of a firm collective commitment to comprehensive reform, reliance was placed in the new Articles of Agreement on the collaboration of members with the International Monetary Fund and on IMF surveillance in the effort to ensure the proper functioning of the system, with particular emphasis on achieving orderly exchange arrangements and promoting a stable system of exchange rates. The nature of the collaboration with the Fund to be undertaken by members was, however, not precisely defined. So far as exchange rates were concerned, the Fund was not in a position to exercise significant influence except where members sought access to its resources. The effectiveness of exchange rate policies was over-estimated, and it was in any case undermined by the excessive volatility of rates which itself became a powerful force adding to instability and uncertainty.

The creation of international liquidity continued to be determined largely by national policies, and inadequate progress was made towards collective management of international reserve creation or towards establishing the SDR as the principal international reserve asset, despite previous agreement on the desirability of both these objectives.

Failure to establish a new basis for the international monetary system was accompanied by a deterioration in the climate of world trade. Expectations that the introduction of flexibility into the exchange rate system would make it possible to move towards more open trading relationships failed to materialize. Indeed, in the face of business recession and inadequate industrial adjustment in the developed countries, international trade was further impaired by increasing recourse to protectionist measures.

The discussions in the Committee of Twenty resulted in a wide measure of agreement that a properly functioning international monetary system would require a considerable expansion in the transfer of resources to developing countries. However, the subsequent shelving of comprehensive reform efforts was accompanied by a decline in such transfers in real terms.

Thus the international community has failed to achieve its goals in the fields of money, trade and transfer of real resources to developing countries.

## II. THE CHANGING WORLD ECONOMIC ENVIRONMENT AND THE REFORM PROCESS

Expectations for improvements in the world economy and in the working of the international monetary system following the Jamaica Agreement seem to have rested in the main on the following assumptions:

- the low growth rates and inflation in developed countries, as well as the payments imbalances among them, would be temporary and of a cyclical nature;
- flexibility in exchange rates would ensure that they reflect underlying economic conditions and would enable countries to manage with smaller reserves, thus providing greater freedom to countries in the pursuit of their own objectives, while at the same time permitting the achievement of equilibrium;
- deficits would be financed largely from capital markets and through the IMF oil facility, although the temporarily expanded credit tranches in the regular IMF facilities, the new extended facility and the liberalization of the compensatory financing facility, would be expected to play a complementary role;
- concessional flows to the countries with limited access to capital markets would increase substantially;
- repayments would be effected through the expansion of export earnings that would accompany the recovery of the world economy and further liberalization of international trade.

The above-mentioned assumptions were invalidated by events. In the first place, the problem of stagflation in developed countries proved to be much more intractable than anticipated. The policy responses of major industrial countries to stagflation varied widely. Some of them persisted in following growth policies below their potential and experienced low inflation rates and sizable current account surpluses, while others continued expansionary domestic policies that resulted in significant deficits on current account and higher inflation rates. In particular, the main reserve center followed expansionary policies and achieved higher growth rates than most other industrial countries, but this was accompanied by increasing inflation and widening deficits on current account.

The above-mentioned differential economic performance of industrial countries and the lack of economic policy coordination among them gave rise to serious problems in several areas and limited the effectiveness of exchange rate changes. Firstly, sizable speculative capital movements, as well as violent swings in exchange rates, created worldwide conditions of uncertainty, discouraged investment, and complicated the implementation of economic policies. Secondly, pressures upon the main reserve currency

center to defend the value of the dollar eventually induced the U. S. Government to pursue more restrictive economic policies. Furthermore, the reluctance of the surplus developed countries to reflate their economies sufficiently may well have deepened the deflationary trends in the world economy, fostered protectionism, and inhibited more basic adjustment.

Continuation of recession and inflation in developed countries resulted in a slower growth of exports of developing countries and a further deterioration in the terms of trade. In addition, the rising wave of protectionism in developed countries severely affected the export volume of developing countries and denied them a more efficient use of resources.

The effective functioning of the financial system requires the maintenance of an open and dynamic trading system. Developing countries, however, cannot--and should not--continue to bear the costs of inadequate adjustments in developed countries. Continuation of the development process requires that full employment and growth conditions be restored in the world economy; that world markets be open to the exports of developing countries; and that, in the long run, a greater proportion of the import requirements of these countries be financed through export earnings.

The current account deficits that developing countries have been experiencing and are likely to face in future are not sustainable in the light of the existing trade framework or of the terms and conditions of current financial flows.

In the case of some developing countries private capital markets did provide the necessary volume of finance to sustain activity while effecting the required structural adjustments. However, inadequacy of the terms relating to maturities and interest rates would give rise to later problems.

Contrary to expectations and, indeed, accepted objectives, the volume of ODA declined in real terms in the period 1975-1978. Flows from multilateral sources through the soft loan windows of the development finance institutions, the IMF compensatory financing facility, the oil facility and the Trust Fund, made valuable contributions to the financing of deficits of the poorer developing countries, but fell far short of requirements. In the face of inadequate external financing, these countries had no choice but to cut back their development process.

Recent analyses carried out by multilateral institutions regarding the economic outlook for the coming years suggest that the international environment has deteriorated substantially for developing countries and that in many respects they will face more critical situations than after the 1974/1975 crisis. The reduced growth prospects of industrialized countries will exert a further deflationary impact on economic activity in developing countries; there are prospects for an even slower growth of world trade and deteriorating terms of trade, as well as a substantial widening of current account deficits for most developing countries. The external debt situation will become more strained, and the debt service payments from accumulating debt will significantly reduce the transfer of real resources.

For developing countries that have access to private capital markets, notwithstanding certain trends in the direction of larger resources within the international commercial banking system, there is the possibility that commercial bank financing may not be forthcoming in the needed quantities or on suitable terms, so that the recycling mechanism will not operate as efficiently as in the past. For those countries that do not have effective access to capital markets, the highly inadequate flows of ODA, which have been well below the internationally agreed targets, have already meant that there is not sufficient finance to cover essential import requirements.

Consequently, developing countries are faced by a further reduction of the already highly unsatisfactory growth rates, with serious social and political effects.

It is clear from the above that, unless policies change, the world economy will continue to find itself trapped in a vicious circle of slow growth, unemployment, protectionism and instability in the monetary and financial fields. In order to break this vicious circle, the international community must address itself to the question of structural adjustments in order to accommodate the growing productive potential of developing countries in the context of a growing world economy. Such adjustments are, however, difficult to implement under conditions of stagnation in developed countries and of inadequate resources for developing countries. The resumption of vigorous economic activity, investment, and trade would therefore contribute significantly towards achieving such adjustments.

The foregoing analysis underlines the vital need to take fully into account the interrelationship that exists between trade, development finance, and monetary arrangements, and the need to establish a mutually supporting action program in these three areas.



### III. TOWARDS A FUNDAMENTAL INTERNATIONAL MONETARY REFORM

1. It will be apparent from the foregoing considerations that the basic tasks of international monetary reform have yet to be accomplished. Developing and developed countries alike have a common interest in a viable international monetary system. Such a system should foster development, employment and trade, and, in particular, support the development of developing countries in the overall context of the establishment of the New International Economic Order.

2. The principal features of a viable system should include:

a) An effective, symmetrical and equitable adjustment process that would be consistent with the maintenance of high levels of employment and rates of growth and the dynamic expansion of world trade. This would require access to official credit facilities on terms and conditions responsive to the nature of balance of payments problems, as well as to the level of development of the countries concerned. It would also require the maintenance of free and secure access for developing countries to the goods and financial markets of developed nations.

b) An exchange rate regime which, while flexible, is capable of promoting adequate stability.

c) In exercising its surveillance over exchange rate and balance of payments policies, the IMF should give equitable and symmetrical treatment to surplus and deficit countries with a view to ensuring that surplus developed countries and reserve currency countries accept an equitable share of the burden of adjustment at high levels of economic growth.

d) Arrangements should be made for the creation of international liquidity through truly collective international action in line with the requirements of an expanding world economy, and the special needs of developing countries, and with such safeguards as would ensure that the total supply and distribution of international liquidity is not unduly influenced by the balance of payments position of any country or group of countries. The SDR should become the principal reserve asset of the system.

e) The promotion of the net flow of real resources to developing countries should be viewed as an integral element of an effectively functioning system. In this context, a link should be established between the allocation of SDRs and development assistance.

f) Developing countries should have a greater role than presently in the decision-making process, including all phases of the studies, consultations and negotiations linked to decisions on the international monetary system.

3. Specific or interim proposals for improvements in current international monetary arrangements should be carefully examined from the standpoint of their consistency with the framework for a reformed system set forth above.

4. The Intergovernmental Group on International Monetary Affairs will continue to study and initiate the measures required in moving towards a fundamental reform of the international monetary and financial system.

5. The Group of Twenty-Four should continuously develop and strengthen its work in order to be of maximum assistance to developing countries, coordinating their positions on international monetary and financial matters in all relevant fora.

#### IV. THE PROGRAM OF IMMEDIATE ACTION

The developing countries require the formulation of a program of action with specific items in which solutions may be found within the framework of a general program of reform. The Ministers of the Group of Seventy-Seven at the meeting in Arusha, Tanzania, decided upon a substantial number of proposals. These give a sense of direction to our efforts to achieve a New International Economic Order.

The Group of Twenty-Four has reassessed and elaborated upon these proposals within the context of the reform of the international monetary and financial system, and considers that the following should be given priority for immediate action.

##### A. Measures Related to the Transfer of Real Resources

1. There is an urgent need to accelerate the flow of concessional aid to developing countries. Each developed donor country, particularly those falling behind in meeting the internationally agreed target, should establish its program and make binding commitments for the annual growth rate of ODA disbursement for each of the next three years. This should result in a general increase in real terms and an improvement in the quality of ODA flows to the developing countries; in the context of this general increase, the quantum in real terms of ODA flows to least developed countries, most seriously affected countries, and landlocked and island developing countries, should double.
2. The Group of Twenty-Four urges the early establishment of a link between SDR allocation and additional development assistance. The creation of such a link is long overdue and a positive decision to establish it should be arrived at without further delay.
3. The Group of Twenty-Four calls for an increase in program lending of the multilateral financial institutions to make it equal to at least 25 per cent of total loans, and stresses in this context that the lending programs of the multilateral financial institutions should become increasingly responsive to the overall priorities, and in particular to sectoral priorities, of the recipient developing countries. It also calls for the provision of adequate local cost financing.
4. There is a need for an effective strategy to deal with the official external indebtedness of some developing countries, designed to avert debt servicing difficulties and sustain the development process of these countries. The Group urges early conclusion of the negotiations regarding internationally agreed guidelines for debt reorganization of interested developing countries, in the light of the general principles adopted in UNCTAD Resolution 165 (S-IX). The Group also stresses the need for immediate and full implementation of part A of the same resolution regarding the retroactive adjustment of terms on past ODA in favor of the low-income countries, particularly of the least developed and the most seriously affected countries.

5. The Sixth Replenishment of IDA should be effected without delay so as to result in a significant increase in real terms. The contributions to IDA should come from a wider group of countries, provided that the additional contributions from new donors do not prejudice the increase in real terms of the contributions of the traditional donors.

6. All member countries should provide a substantial and effective increase in the capital base of the multilateral financial institutions so as to ensure that their commitments in favor of developing countries increase in real terms at a satisfactory rate consistent with the needs of these countries. In this connection, the Group of Twenty-Four urges early approval and acceptance by all member countries of the capital increase of the World Bank of the equivalent of \$40 billion and the prompt payment of subscriptions when due.

#### B. Measures Related to the Increase in Total Resources

7. Taking into account the long-term global liquidity needs, the Group supports:

a) an increase in the present agreed SDR allocations to meet the current difficult economic conditions;

b) regular annual allocations of SDRs, in amounts adequate to members' needs for reserve increases.

8. The Group urges early completion of legislative action by the member countries concerned, to make effective the Seventh General Review of Quotas. It also urges the revision of the criteria, both in terms of the variables used and the weights attached to them, for determining the quotas of the membership in the International Monetary Fund, and the advancement of the date for the Eighth General Review of Quotas. In this review, the quota share of no developing country should be reduced. Due regard should be paid to increasing the representation of developing countries in the Executive Boards of both the Fund and the World Bank. In any event, the present geographical representation by developing country regions should be preserved.

#### C. Measures Related to Balance of Payments Support

9. The Group of Twenty-Four attaches importance to the establishment of a medium-term balance of payments facility to respond to the adjustment needs of the developing countries. The new balance of payments financing facility should add a substantial level of additional resources and must be able to provide support that is significant in relation to present levels of deficits, should carry minimum conditionality, since it is responding to an externally induced balance of payments deficit, and should provide support on longer-term maturity. This facility should have as one of its basic characteristics an interest subsidy account for the low-income developing countries.

10. The existing IMF facilities should be reviewed to enable them to cope more adequately with the deteriorating world economic environment.

In particular, it is necessary to consider:

- a) lengthening repayment periods;
- b) modifying the quantitative restrictions on the availability of such facilities;
- c) setting conditionality with due regard to causes of deficits;
- d) reviewing the Fund's compensatory financing facility, including a significant increase and the liberalization of access in order to compensate adequately for shortfalls in export earnings, import fluctuations and deterioration in the terms of trade of developing countries.

11. The support of the developing countries for the proposed Substitution Account will be considered in the light of the studies that are being carried out to analyse fully its impact and effect on the developing countries, as well as of the discussions in the IMF Board. Furthermore, the implementation of a Substitution Account would have to be seen within the framework of a balanced package for immediate action.

#### D. Measures Related to Trade

12. The establishment in the World Bank of a long-term facility to finance purchases of capital goods should be considered as quickly as possible with a view to taking a positive decision at the earliest possible date, provided it ensures additionality of resources for all developing countries and incorporates provision for a Subsidy Account to ensure broadest access by low-income developing countries. All relevant aspects of the proposal would be studied with the support of multilateral institutions.

13. The Group of Twenty-Four calls for full and strict adherence to the standstill provisions pledged by developed countries, in particular concerning imports from developing countries. Moreover, the developed countries should facilitate the development of new policies and strengthen existing policies that would encourage domestic factors of production to move progressively from the lines of production that are less competitive internationally, especially where the long-term comparative advantage favors the developing countries. Additionally, there is a need for full implementation of the commitment of developed countries undertaken in the Tokyo Declaration, which provides for special, differential and more favorable treatment for developing countries in removing protectionist barriers against the exports of these countries.

The developing countries regard the adoption of these proposals as an important step towards the reform of international monetary and financial relations. All other initiatives for changes in the system will be assessed in the light of progress towards the achievement of the above-mentioned objectives and the implementation of facilities of special interest to developing countries.

V. SOME ELEMENTS OF THE FUTURE WORK PROGRAM OF THE GROUP  
OF TWENTY-FOUR

1. The Group of Twenty-Four will at its subsequent meetings review the progress made in the implementation of the action program adopted by the Ministers of the Group of Twenty-Four.
  2. The Group of Twenty-Four will elaborate a plan of analytical work to be requested from the IMF, IBRD, UNDP/UNCTAD, and other international organizations on fundamental reform of the international monetary system and on various alternatives open for action by developing countries. The Group of Twenty-Four will also undertake, with the support of independent or governmental experts, analytical research on problems identified as timely and relevant.
  3. The Group of Twenty-Four will recommend that the representatives of developing countries in the IMF/IBRD, as well as in the executive organs of GATT, ECOSOC, UNCTAD and other international fora, shall support the agreed views adopted in this document and promote the adoption of the necessary measures in accordance with the objectives underlying these views.
  4. The Group of Twenty-Four reaffirms the importance of monetary and financial cooperation among developing countries as an integral part of the process of changes in the world monetary and financial order, and will seek ways and means to contribute to the elaboration of specific mechanisms through which monetary and financial cooperation among developing countries could be implemented in the light of the ECDC programs adopted by developing countries and on the basis of its own initiatives.
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