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REPORT OF THE ASSOCIATION OF AFRICAN CENTRAL BANKS ON ITS THIRD REGULAR MEETING

Lagos, 20-24 August 1973

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1. The Third Regular Meeting of the Association of African Central Banks was held in Lagos from 20 to 24 August 1973 at the Nigerian Institute of International Affairs.

PART I. ORGANIZATION OF WORK AND PARTICIPANTS

Opening of the Meeting

2. The meeting was opened on Monday, 20 August 1973 at 10 a.m. by the Vice-Governor of the Banque du Maroc.

3. At the opening ceremony the Governor of the Central Bank of Nigeria welcomed the delegations and guests and gave the floor to His Excellency Alhaji Shehu Shagari, the Nigerian Federal Commissioner for Finance, who delivered the opening address. In his address, the Federal Commissioner praised the efforts made so far by the Association of African Central Banks in the areas of sub-regional co-operation and training. He stressed the need for African monetary institutions to devise more positive ways of contributing to the economic development of Africa as a whole. He also urged the Association to identify a common African position on the current reform of the international monetary system and to study ways of minimizing the losses which Africa might suffer as a result of measures taken by the developed countries in support of their own economies.

4. The Vice-Governor of the Banque du Maroc delivered an address on behalf of the Chairman of the Association, who was confined to his bed as the result of a traffic accident. He expressed his deep gratitude to His Excellency, General Yakubu Gowon, Head of the Federal Military Government and Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria, to the Government of the Federal Republic of Nigeria, to the People of Nigeria and to the Central Bank of Nigeria. He also paid a tribute to the preparatory work done by the United Nations Economic Commission for Africa and by its Executive Secretary in particular. After welcoming the Governor of the Banque Centrale de Mauritanie, he made an overall appraisal of the present world economic situation with special reference to the development of the monetary situation. He expressed the hope that the Third Meeting of the Association would be able to give practical expression to ways and means by which the African countries could concert their action and collaborate with one another and that it would provide renewed impetus to efforts in support of African solidarity.

5. The Vice-Chairman delivered an address in which he gave a run-down on the economic, monetary and financial situation in the world at large and in Africa in particular. He stressed the need for closer monetary co-operation among African countries and for strengthening the role of the African Central Banks in this connexion.

6. The Secretary of the meeting read out a message from Mr. R.K.A. Gardiner, Executive Secretary of the Economic Commission for Africa to the Association of African Central Banks, containing his best wishes for the success of the Associa-

tion's work, assuring it of the support of the ECA secretariat, and expressing the hope that the Association's work would help to put an end to the era of monetary colonialism in Africa.

Accession to membership of the Banque de Mauritanie in the Association and in its Subregional Committee

7. At the opening meeting the Vice-Governor of the Banque du Maroc announced that the Banque centrale de Mauritanie had expressed its desire to join the Association and had indicated its acceptance of the Articles of Association. He drew attention to these provisions in the Articles of Association which pertained to accession to membership in the Association and suggested that the request by the Banque Centrale de Mauritanie should be considered. The request was unanimously accepted by the Association's Assembly of Governors and Mauritania's accession to membership in the Association took effect immediately.

Election of the Chairman and Vice-Chairman of the Association

8. At the opening meeting, the Board of Governors unanimously elected the Governer of the Central Bank of Nigeria as Chairman and the Governor of the National Bank of Ethiopia as Vice-Chairman of the Association.

9. The Governor of the Central Bank of Nigeria, the Association's new Chairman, gave an address in which he reviewed the progress achieved in connexion with the reform of the international monetary system, analysing the areas on which the Committee of Twenty in general agreed. He also emphasized some of the points which are of special concern to the developing countries and urged them not to put their signatures to any reform which did not take their specific needs into consideration.

Participants

10. The meeting was attended by the following representatives of African Central Banks and similar monetary institutions: the Banque centrale d'Algérie, the Banque de la Republique du Burundi, the Central Bank of Egypt, the Banque des Etats de l'Afrique centrale, the Banque centrale des Etats de l'Afrique de l'Ouest, the National Bank of Ethiopia, the Central Bank of The Gambia, the Bank of Ghana, the Central Bank of Kenya, the Central Bank of Libya, the Banque centrale de la République malgache, the Reserve Bank of Malawi, the Banque centrale du Mali, the Banque du Maroc, the Banque centrale de Mauritanie, the Bank of Mauritius, the Central Bank of Nigeria, the Banque nationale du Rwanda, the Bank of Sierra Leone, the Somali National Bank, the Bank of Tanzania, the Banque centrale de Tunisie, the Bank of Uganda, the Banque du Zeire and the Bank of Zambia.

11. In addition, the African Development Bank, the African Institute for Economic Development and Planning, the International Bank for Reconstruction and Development and the International Monetary Fund were represented by observers Mr. J.H. Frimpong-

Ansah, Vice-Chairman of the Deputies of The Committee of 20, and Mr. H.R. Monday, Jr., Alternate Director of IMF, also attended the Meeting as observers.

12. A representative of the secretariat of the Economic Commission for Africa, on which the functions and the responsibilities of the secretariat of the Association devolve, acted as Secretary of the Meeting.

Adoption of the Agenda

13. The assembly of governors adopted the following agenda:

1. Opening of the Meeting.
2. Election of the Chairman and Vice-Chairman of the Association.
3. Adoption of the agenda.
4. The Association's activities since its Second Regular Meeting:
   - (a) Chairman's report;
   - (b) Sub-regional Committees' reports;
   - (c) Report on the Association's seminar held at Tunis.
5. International financial and monetary problems and related matters - Implications for African countries:
   - (a) Consideration of the way in which these problems have developed;
   - (b) Review of the work done by the Group of Twenty-four; African position;
   - (c) Review of the work done by the Committee of Twenty; African position;
   - (d) Review of the decisions of the OAU Assembly of Heads of State and Government held at Addis Ababa from 25 to 28 May 1973;
   - (e) Resolution 244(XI) of the Second Meeting of the ECA Conference of Ministers: Declaration on Trade and Development.
6. Problems of intra-African monetary co-operation.
7. Work programme of the Association:
   - (a) Work programme 1971-1973 - Progress achieved;
   - (b) Work programme 1973-1975.
8. Report of the Chairman on transactions by the common fund of the Association.
9. Change in the amount of the contribution made to the common fund by members of the Association and in the uses to which this fund is put.
10. Other business.
11. Data and venue of the next Regular Meeting of the Association.
12. Adoption of the final report.

PART II: CONSIDERATION OF AGENDA ITEMS

The Association's activities since its Second Regular Meeting

(a) Chairman's report

14. At the request of the Chairman, the retiring Chairman read out his report on the Association's activities since its Second Regular Meeting. This report was adopted.

(b) Sub-regional Committees' reports

15. The Chairman pointed out that article 6, paragraph 4, of the Articles of Association specified that "the report of any Subregional committee meeting shall be presented to the next regular meeting of the Assembly of Governors following the subregional committee meeting".

16. Prior to the discussion of these reports, it was proposed that the Chairman of each subregional committee should invite all the other members of the Association to the meetings of his Committee. This would further strengthen the ties between the members of the Association and would better enable them to stay abreast of each other's problems. The proposal was unanimously endorsed.

17. At the invitation of the Chairman, the Chairmen of the Central, East, North and West African Subregional Committees introduced their reports to the Assembly of Governors of the Association (Documents E/CN.14/AMA/CA/2 and 3; E/CN.14/AMA/EA/3 and 4; E/CN.14/AMA/NA.1; E/CN.14/AMA/WA 2 and 3). All these documents were discussed, and those who had introduced them responded to the comments made by the representatives.

18. The Chairman noted that in paragraph 16 of its report on its Third Meeting (E/CN.14/AMA/WA/3), the West African Subregional Committee indicated its wish to have the question of the capacity in which the ECA representative attended subregional committee meetings brought before the meeting of the Association. After debating this matter and hearing the views of its Secretary, the assembly of governors decided that the ECA secretariat, which carries out the functions and responsibilities of the secretariat of the Association, would continue to lend it services to the subregional committees at their request and to participate in their meetings as in the past. Its representative would take part in those meetings as the representative of the secretariat of the Association and would co-operate with the secretariat of each meeting.

(c) Report on the Association's seminar held at Tunis from 20 November to 4 December 1972

19. At the Chairman's request, the Governor of the Banque centrale de Tunisie introduced the report on the Association's seminar which had been held in Tunis from 20 November to 4 December 1972 under the sponsorship of his bank in conjunction with the secretariat of the Economic Commission for Africa. (E/CN.14/AMA/37). Although he noted certain problems encountered during the seminar caused by such

factors as linguistic differences and the fact that the participants belonged to different banking systems and that too many subjects were scheduled for discussion, the Governor terminated his remarks by saying that he supported the holding of such seminars because they provided an ideal way of strengthening the ties between African central banks. However, there was a need for greater care in the choice of participants - not only should their administrative rank be taken into consideration but thought should also be given to the length of their professional experience in their central bank, the level of their university training and the degree to which the training they had received fitted in with the subjects on the programme of the seminar. Moreover, the subjects for study in a seminar should be selected with great care and should relate in so far as possible, to the Association's overall programme of activities, taking the order of priority of its objectives into account. Finally, the discussions should lead to recommendations of a practical nature.

International financial and monetary problems and related matters: Implications for African countries

(a) Consideration of the way in which these problems have developed

20. The Chairman gave an overall appraisal of the way in which these problems had developed. He pointed out that the subject under discussion was of great importance not only for Africa but for the world in general. He expressed the hope that the problems concerned would be discussed in depth so that a common African stand might emerge. He found it gratifying that eminent figures who had played an active role in discussions held on these problems in various international forums were present at the meeting.

21. The Chairman drew attention to Document E/CN.14/AMA/40 entitled "International financial and monetary issues, their implications for African trade and development", which the secretariat had submitted to the meeting. In its summary and conclusions, the document drew attention to the most pertinent aspects of the flow of resourcees, the terms of financial flows and problems of debt servicing, the efficiency of aid and the international monetary situation. The document also suggested certain recommendations which might be made in connexion with these issues. The assembly of governors was called upon to give special attention in their debates to the problems outlined in the document.

(b) Review of the work done by the Group of Twenty-four; African position

22. The Chairman then called on the representative of the Banque centrale d'Algérie, who represented Africa - the group of Twenty-four, to make the review concerned. The representative of the Banque centrale d'Algérie, said he did not with to speak exhaustively on the matter but would prefer to present a few of his ideas by way of an introduction to the discussion. He reminded the members of the Group which had been established at the Lima meeting and of its short- and long-term objectives aimed at safeguarding the interests of the developing countries. He gave a brief summary of the meetings which had been held. The Group had undertaken some advance action. From the beginning it had sought to widen the discussions on the reform of the international monetary system. First of all it had criticised the facilities granted to the developing countries by IMF and

the harsh terms under which they were granted. It had drawn attention to the need to alter the quota system and had argued in favour of creating a "link" between the issue of SDRs and additional direct development financing.

23. The representative of the Banque centrale d'Algérie reviewed the activities of the Group in discussing the reform of the international monetary system, saying that a consensus had been reached on two issues: first, that trade and monetary problems were interrelated and therefore needed to be resolved simultaneously and second, that while the developing countries would agree to take part in the discussions on the reform, they would not concede to any part of a reform which did not include development financing. On the other hand, agreement had not as yet been reached on problems posed by the adjustment process convertibility, deciding on the value of the numéraire and related issues. The reasons for that were diverging interests and the fact that the Group met only rarely. Finally the speaker pointed out that the action taken by the African members within the Group was not always concerted and that they did not often take the time to get together for discussions. The other country groups were more solidly united.

(c) Review of the work done by the Committee of Twenty; African position

24. First of all the Chairman gave the floor to the Vice-Chairman of the Association, who was a member of the Committee of Twenty. The Vice-Chairman presented a broad outline of the work of the Committee, pointing out that the gap between the various positions was narrowing and that the results of the most recent meeting had, on the whole been encouraging.

25. In that connexion the Chairman invited first the Governor of the Bank of Tanzania, who is a deputy member of the Committee of Twenty, and then Mr. J.H. Frimpong-Ansah, Vice-Chairman of the Deputees of the Committee to take the floor.

26. The Governor of the Bank of Tanzania reviewed the progress made by the Committee of Twenty. The text of his statement may be found in annex I. Mr. J.H. Frimpong-Ansah also spoke on the progress made by the Committee in its work. His statement comprises annex II to this report.

27. These statements gave rise to a comprehensive debate following which the Assembly of Governors set up a drafting committee with the Governor of the Bank of Tanzania as its Chairman and the Governor of the Somali National Bank, the Vice-Governor of the Banque du Maroc, the Vice-Governor of the Central Bank of Nigeria and the Director of the Banque des Etats de l'Afrique Centrale as its members. Mr. J.H. Frimpong-Ansah would participate in the committee's work in an advisory capacity. The committee's task would be to prepare a statement reflecting the position of the Association of African Central Banks on the principles governing the reform of the international monetary system.

28. The work of the drafting committee was discussed by the Assembly of Governors and this discussion resulted in the adoption of the following statement:

Statement on the principles of the reform of the international monetary system - The Association of African Central Banks' stand

29. The Assembly of Governors of the Association of African Central Banks at their Third Regular Meeting in Lagos, Nigeria (20 - 24 August 1973) reviewed in detail developments in the international monetary system and, in particular, efforts being made to reform it. The Assembly of Governors note with satisfaction the creation of the Committee of Twenty which goes some way to meeting the need expressed by them at their Second Regular Meeting in 1971 that the reform of the international monetary system should be the responsibility of all countries - developed and developing, rich and poor.

30. The Association agrees that there is need for a one world monetary order based on co-operation and consultation within the framework of a strengthened International Monetary Fund. The aim of international monetary co-operation must continue as laid down in Article I of the Fund, as the encouragement of the growth of world trade, full employment and economic development. The Association has also recognized that the new system should be so devised as to support national efforts throughout the world to promote monetary stability and counteract inflation and its adverse effects.

31. With respect to the main issues of the reformed system under discussion, the Assembly Governors unanimously agree as follows:

Adjustment Process

32. A better working of the adjustment process is vital for the stability of the international monetary system.

33. To that end they emphasize:

(a) That care should be taken to ensure that the International Monetary Fund is strengthened and can effectively enforce the agreed rules on all countries - developed and developing, those in deficit, and those in surplus;

(b) That account must be taken of the special circumstances of the developing countries in assessing the need for adjustment;

(c) That decisions on the enforcement of pressures require international consultations within set guidelines and that these decisions be taken only at the level of Governors of the International Monetary Fund;

(d) That the flow of resources to developing countries should not be impeded by any adjustment decisions adopted by developed countries and that such decisions should not be deprimental to trade and other current accounts transactions of the developing countries;

(e) That major trading currency countries come under rigorous surveillance with respect to their external and domestic economic policies.

34. The Assembly of Governors reassert the need for an early return to an exchange rate system based on fixed (but adjustable) parities. Any special need for the

temporary adoption of floating rates must be determined and approved by the International Monetary Fund. Parity changes should not be used to shift the burden of adjustment to other countries, especially the developing countries.

35. Because of its adverse effects on their economies, the Association of African Central Banks consider that the problem of price inflation in the developed economies must be rigorously controlled in the reformed system.

Convertibility

36. The Association of African Central Banks consider that there should be an early return to convertibility. The Governors affirm that there should be a full asset settlement system, which should be under the surveillance of the International Monetary Fund.

37. The Association of African Central Banks consider that the swap facilities operated between developed countries would be detrimental to the long-run stability of the reformed system. They are, in particular, likely to delay the need for adjustment. The impact of these arrangements on the international monetary system, and particularly the agreed need for internationally managed changes in world liquidity, should be studied with a view to bringing them under international surveillance.

38. The Association of African Central Banks consider that the multi-currency intervention system will work adversely against the recognized need to bring movements in world liquidity under the control of the international community.

39. The over-hang of reserve currency balances continues to be a major source of international monetary instability. A solution must be found to this problem of excess currency holdings. Careful consideration should be given to the appropriateness of consolidating them, either bilaterally or multilaterally, in such a way that the consolidation system adopted would not endanger the viability of the reformed system.

Primary Reserve Assets

40. The Association of African Central Banks welcomes the consensus that the special drawing rights should be the principal and main reserve asset of the reformed system. With respect to the valuation of, and interest rate on, the special drawing rights, the Association believes firmly that the value of the special drawing rights should be based on those of the average of a representative basket of currencies, and that it should attract interest rates that are averages of that basket of currencies.

41. The Assembly of Governors welcomed the consensus that gold should play a diminishing role in the international monetary system. They are of the view that:

(a) Monetary authorities should gradually surrender their gold stocks to a substitution account in the Fund, in exchange for special drawing rights at an agreed price;

(b) The Fund should regulate the gold market; and

(c) The gains made by the Fund in this operation be at the disposal of the international community.

Development Assistance and Trade

42. The Association notes that the technical arguments against a link between the allocation of special drawing rights and development finance have been disposed of. They reaffirm that the link must be an integral part of the reformed system and would find it difficult to recommend to their governments ratification of new articles of the Fund which did not provide for this.

43. They consider that allocations of link-special drawing rights should be made direct to member countries and weighted in favour of the least developed of the developing countries.

44. Rules will be adopted to ensure:

(i) That link funds are directed solely to development purposes; and

(ii) That they are used in such a way they will not be a source of inflationary pressures on any one of the developed countries.

45. On trade, the Association considers that the reformed system must include a mechanism to ensure stability in the prices of primary commodities and other products of developing countries.

Reserve Management

46. The Association considers that new policies on reserve balances must take into account the following, which give special consideration to the interests of the developing countries:

(a) The need for an increased rate of growth in the developing countries;

(b) The need to have balances in financial centres where developing countries borrow;

(c) The fact that developing countries have to hold balances where they service their debts;

(d) The need to ensure that the balances of developing countries which depend on depletable natural resources, should have special consideration.

Structure of the Fund

47. (a) The Association supports the strengthening of the Executive Board of the Fund to ensure that it has political stature and strength to perform its functions in the new reformed system;

(b) Regarding Fund membership, the Association endorses the view that there is need for a monetary order that encompasses the whole world on the basis of co-operation and consultation within the International Monetary Fund;

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(c) Regarding quotas, the Association considers that the quota structure and voting system of the Fund, which were designed in 1944, no longer reflects the present day realities of the international monetary community, and thus needs fundamental review.

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48. After adapting the preceding text of the statement on the Association stand with regard to the principles governing the reform of the international monetary system, the Assembly of Governors asked its Chairman to send a copy of it to the Chairman of the Committee of Twenty with a covering letter and another copy to the Chairman of the Deputies with a copy of the covering letter.

(d) Review of the decisions of the OAU Assembly of Heads of State and Government held at Addis Ababa from 25 to 28 May 1973

49. The text of the African Declaration on Co-operation Development and Economic Independence containing recommendations which the Assembly had adopted on trade, development and monetary problems had been submitted to the Assembly of Governors. In addition, the secretariat had prepared a document reproducing certain passages of this text which related to the Association of African Central Banks or were connected with its activities.

50. The Assembly of Governors decided to set up a study group comprising at least two representatives of each of its subregional committees. Its terms of reference were confined to a consideration of the best ways to implement those recommendations adopted by the Assembly of Heads of State and Government which concerned the Association. The Group was instructed to complete its work within 12 months. The secretariat was to convene the group, which would elect its Chairman when it met.

(e) Resolution 244 (XI) of the Second Meeting of the ECA Conference of Ministers: Declaration on Trade and Development

51. The Assembly of Governors took note of this resolution with particular reference to those parts which related to development financing, development aid, economic co-operation among developing countries and the international monetary situation.

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52. As for financial problems, the Assembly of Governors noted the conclusions with regard to the flow of resources, the terms of financial flows, the problems of debt servicing and the efficiency of aid which are contained in Document

E/CN.14/AMA/40, entitled "International financial and monetary issues, their implications for African trade and development", prepared by the secretariat.

53. The Chairman announced that the Eighth ECA/OAU Joint Meeting on Trade and Development, which had taken place recently in Geneva, had asked its secretariat to submit to the third meeting of the Association the texts of the declaration and resolutions endorsed by the developing countries members of the Group of 77 of the Committee on Invisibles and Finance related to trade. These texts had been made available to the representatives. They included a draft resolution on international monetary issues (TD/B/C/93), a draft resolution on measures to counteract the effects of the international crisis during the transition period (TD/B/C.3/L.97), a draft resolution on the objectives of financial co-operation (TD/B/C.3/L.96/Rev.1), a joint declaration on international monetary issues (TD/B/C.3/L.102) and another joint declaration on transitional policies pending the reform of the international monetary system (TD/B/C.3/L.103). These texts have been reproduced in annex III.

Problems of Intra-African Monetary Co-operation

54. The Chairman called attention to the relevance of these problems and called on the Vice-Chairman to make a statement concerning them, together with some suggestions as to how they might be solved.

55. The Vice-Chairman stressed the need for closer co-operation and stronger solidarity among the African countries where monetary issues were concerned, pointing out that action taken by them in that connextion should, as a general rule, be taken within the Association. He emphasized the importance of such action in promoting trade and said that African countries should go beyond merely opening reciprocal accounts to the establishment of multinational payments arrangements. The measures they enacted should be such as to facilitate free trade and transactions, to promote stable trade and employment at a high level and to help to make African countries gradually independent of foreign currencies and aid. Finally, they should lead to total monetary integration, to the establishment of a common currency or of convertibility and to a stable exchange rate for all African currencies.

56. In short, the Vice-Chairman suggested that the foundations of an African monetary order should be gradually laid. It would be necessary to proceed step by step, by opening reciprocal accounts, by establishing subregional payments arrangements, by mutual assistance in deposits, and finally by establishing an African monetary zone with an African monetary co-operation fund. This fund should eventually become the African monetary fund, which would act as a full-fledged African Central Bank and might well issue an African currency.

57. The Assembly of Governors considered the principles governing intra-African monetary co-operation and various aspects of such co-operation. At the Chairman's request, a representative of each subregional committee described the situation with respect to intra-African co-operation within the countries members of his committee.

58. In East Africa, there had been a high degree of monetary co-operation among Kenya, Tanzania and Uganda, the three countries of the East African Community.

The system had been based on the fact that the currencies of the three countries had been of equal parity, so that it had been possible to promote trade by opening reciprocal accounts under which credit had been granted and compensation had been possible after the ceilings had been reached. None of the three countries had been able to adjust the parity of its currency without consulting its partners. Decisions by any one of them had had to take the interests of the other two into consideration, and such co-operation had promoted the development of common services. Efforts had been made to include Ethiopia and Somalia in the system. The original system was now no longer in force, and exchange controls were being applied. In point of fact, it was difficult to talk about monetary harmonization when development programmes differed so radically.

59. The representative of the West African Subregional Committee drew attention to the existence of bilateral agreements which permitted limited official transactions with monthly benefits. Such agreements were in force between, inter alia, Nigeria and Ghana, Nigeria and Sierra Leone, Niger and Nigeria, Dahomey and Ghana and Upper Volta and Ghana.

60. The situation in North Africa was more or less the same as that in West Africa. Central banks had reciprocal accounts for specific trade flows, and bilateral payments agreements existed.

Work Programme of the Association

(a) Work programme 1971-1973 - Progress achieved

61. The Chairman drew attention to Document E/CN.14/AMA/41 prepared by the secretariat, which contained a report on the progress made in carrying out the 1971-1973 work programme.

(b) Work programme 1973-1975

62. The secretariat had prepared a work programme for the Association for the period 1973-1975 (E/CN.14/AMA/42) and had submitted it to the Association for its consideration. In the draft work programme, it was suggested that the necessary research and studies should be conducted by the secretariat, the subregional committee, African experts recruited for that purpose and possibly by certain member banks appointed by the Chairman of the Association.

63. It was noted that where research was concerned, the draft programme was rather heavy. The Governors accepted the draft with the provision that priority should be given to that part of it which related to the impact of the world's monetary and trade problems on the economy of African countries.

64. In reply to some questions put to him, the representative of the secretariat said that UNDP had granted certain facilities to ECA which made it possible for ECA to recruit experts on a temporary basis to study monetary and trade problems and their impact and to deal with infra-African monetary co-operation. In taking note of the foregoing information, the Assembly of Governors expressed the view that ECA could have its own experts to implement its own work programme, but when experts were recruited either by ECA or another organization for the purposes of the

Association, the Association would have to set up a working group of experts appointed from among the members of its Executive Committee to give instructions to the experts recruited and to review the work performed by them.

65. Where training was concerned, the Assembly of Governors considered the possibility of holding a seminar in 1974. It expressed itself as being in favour of the continuation of bilingual training courses at the regional level. The Chairman asked whether any member bank would like to invite the Association to hold its 1974 seminar in its country. As no invitation was issued, the Assembly of Governors decided to give the member banks some time to think about the matter. That bank which decided to invite the Association to hold its 1974 seminar in its country would so inform the secretariat and would work together with it in organizing the event. If no invitation were forthcoming, the secretariat would be asked to organize the seminar at ECA headquarters. The secretariat would choose the topics to be studied.

66. The Assembly of Governors discussed the proposal made to the Association by the International Board of Co-operation for Developing Countries with regard to the organization of a conference on the role of African Central Banks in the development of Africa and in promoting investments in Africa.

67. It was the feeling of the Assembly of Governors that the Association of African Central Banks should accept only offers from those public international organizations whose membership included the majority of countries members of the OAU. Consequently, it was agreed that the Association of African Central Banks should thank the International Board for its offer and express its regrets to the Board for being unable to accept the invitation as a body. However, it should be understood that this decision should not keep individual African central banks members of the Association from accepting the invitation on their own behalf. The invitation might be sent to individual governments or central banks members of the Association of African central Banks, which could then decide for themselves whether or not to accept it.

68. Where technical assistance was concerned, it was suggested that the secretariate should continue to keep in touch with the members of the Association concerning their ability to make the services of experts on their staff available to other members of the Association.

69. It was agreed that that part of the work programme which related to current international monetary problems had already received a great deal of attention by the Committee and that it should be retained.

Report of the Chairman on transactions by the common fund of the Association

70. The Chairman invited the previous Chairman to introduce the report he had prepared in pursuance of paragraph 5(f) of Document E/CN.14/AMA/34 adopted at the second regular meeting, in which it was specified that the Chairman was to present a statement of account of and transactions by the common fund at meetings of the Association.

71. The Vice-Governor of the Banque du Maroc informed the governors that a total of US.$48,000 had been received in contributions over the two-year period, US.$25,000 in 1972 and US.$23,000 in 1973. The expenditures which the Association had either made or committed itself to during the period amounted to US.$24,728,38 leaving a balance of US.$23,271.38.

72. The Assembly of Governors raised the question of the need to provide for checking and auditing the accounts of the common fund of the Association in future and a few suggestions were made in that connexion. It was agreed that the external auditors of external accounts of the Central Bank to which the Chairman in office belonged would be responsible for auditing the accounts of the Association and for submitting a report in this connexion to the Association's meetings.

73. In addition, the Assembly of Governors asked its secretary to take the necessary steps to ensure that provisions pertaining to the establishment of the common fund of the Association and to the auditing of the fund's accounts were incorporated in the Articles of Association.

Change in the amount of the contribution made to the common fund by members of the Association and in the uses to which it is put

74. The Chairman introduced the document prepared by the secretariat in connexion with the item under consideration (E/CN.14/AMA/43), but the Assembly of Governors felt that the present contributions were adequate. It decided to postpone the matter until later when it could be considered in the light of the expansion of the activities of the Association.

Other business

75. Some representatives suggested that Arabic and some of the other African languages should become working languages of the Association. The Assembly of Governors recommended that the Association should follow the example set by Organization of African Unity in this connextion in that representatives wishing to have the meetings conducted in additional working languages should be asked to defray the expenses so incurred.

76. Some representatives wished to set in motion the machinery for amending the articles of association so as to permit the Assembly of Governors to elect a second Vice-Chairman. The Assembly considered the advisability of doing so and discussed the functions which might be assigned to a second Vice-Chairman. It was pointed out that proposals to amend the articles of association could not be agreed upon on the spur of the moment. It was agreed that those wishing to amend the articles of association would notify the members of their proposals as prescribed in the articles themselves.

77. Some delegates proposed that the Assembly of Governors should meet once a year instead of once every two years. It was pointed out that when the Governors attended various meetings, they could seize the opportunity to get together to discuss their problems. The proposal was therefore not considered in detail, on the understanding that the Governors would take it up when they were in Nairobi for the annual meeting of the International Monetary Fund.

Date and venue of the next regular meeting of the Association

78. The Governor of the Banque du Zaire invited the Association to hold its next regular meeting in Kinshasa.

79. The Assembly of Governors accepted the invitation and thanked the Governor of the Banque du Zaire for extending it. The precise date of the meeting would be decided on by mutual agreement between the secretariat and the host bank.

Motions of gratitude

80. The following motions of gratitude were proposed and unanimously adopted:

(a) The Association of African Central Banks, Mindful of the interest shown in its work and of the warm welcome accorded to it by His Excellency General Yakubu Gowon, Head of the Federal Military Government and Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria, and by the Government of the Federal Republic of Nigeria and Dr. C.N. Isong, Governor of the Central Bank of Nigeria,

Expresses its most sincere gratitude to His Excellency General Yakubu Gowan, his Government and the Central Bank of Nigeria.

(b) The Association of African Central Banks, Grateful for the invaluable contribution made to the success of the Third Regular meeting of the Association by Mr. R.K.A. Gardiner, Executive Secretary of the Economic Commission for Africa;

Expresses its profound gratitude and warm thanks to the Executive Secretary of the Economic Commission for Africa; and

Congratulates the Chairman and Vice-Chairman of the Association and their colleagues on the successful way in which the work of the meeting was conducted.

Adoption of the report and closure of the Meeting

81. This report was adopted by the Assembly of Governors on 24 August 1973.

82. The Chairman pronounced the meeting closed.

Annex I: PROGRESS IN THE COMMITTEE OF TWENTY

Report by Governor E.I.M. MTEI, Bank of Tanzania

It is difficult to summarize the work that has been done so far by the Committee of Twenty on International Monetary Reform. Other than the inaugural meetings which took place in September 1972 in Washington when the Committee itself and the Deputies of the Committee agreed on the procedures they would follow and on the programmes on their work, there have been two meetings of the Ministerial Committee and five meetings of the Deputies. The Deputies are due to meet again in Paris in the first week of next month and it is expected that the Committee will hold its third meeting on the 23rd September in Nairobi. The Deputies have also had to establish three technical working parties in which many of them personally participated. The technical working parties specifically dealt with:

1. The use of indicators in the asjustment process.

2. Disequilibrating capital flows and how to control and influence them.

3. Development finance and the SDR link.

It is expected that at the annual Fund Board of Governors' meeting in Nairobi, the Committee will be able to present a draft outline of the reform of the international monetary system. The draft outline will indicate areas where the Committee has reached broad agreement on the basis of approach, as well as those areas in which there are differences of opinion or approach. It is hoped that where the Committee has not fully resolved the issues, the various alternative approaches being deliberated will be indicated in the outline, and where possible the arguments for and against will also be spelt out. The publication of the draft outline in Nairobi will enable debate to take place in the full Board of Governors and it is expected that after Nairobi, the Committee will be in a better situation to give guidance to the Deputies to proceed to resolve any outstanding issues and to undertake detailed drafting. My personal assessment is that firm proposals for the new system will only emerge for formal consideration and approval by the Board and subsequent submission to member countries about the latter half of 1974.

The Committee of Twenty is agreed that there is need for a world monetary order based on co-operation and consultation within the framework of the International Monetary Fund and that this institution should be strengthened. The aim of international monetary co-operation must continue, as laid down in Article 1 of the Fund, as the encouragement of the growth of world trade, full employment and economic development. The Committee has also recognized that the new system should be so devised so as to support national efforts throughout the world to counteract inflation and its adverse effects.

A. On specific issues, the Committee is agreed on the need for a better working of the adjustment process. To this end, there should be improved international

consultations, including the use of objective indicators. It is expected that effective adjustment will be possible under the principle of symetric obligations whereby both deficit and surplus countries will be expected to take action. However, whilst the majority of Committee members would favour that international consultation should be promoted by composite indicators and general assessment, a few members argue for the use of reserves of external assets as the indicator.

Following international consultation it is expected that members will take adjustment action. However, those who fail or do not take adequate action will be subject to graduated pressures. No firm agreement has been reached on the form of pressures to be applied or the procedures to be followed. It is expected that when the role of the reformed International Monetary Fund is cleared, it will also be easier to determine the procedures.

It is expected that those countries whose economies either individually or collectively have significant impact on the rest of the world will be more closely examined in the international consultation forum. Such examination will take place in the revamped Fund Executive Board probably on a quarterly basis, whilst smaller economies will continue to be examined by the Fund on an annual basis. Although discussion on pressures to be applied on defaulters is not yet very advanced, it is expected that these would take the form of:

a. Denial of or restriction on the use of Fund resources;

b. Publication of a Fund report on the defaulting country's economy;

c. Trade discrimination by other members and current account restrictions against the defaulting member; and as a last resort,

d. Suspension from Fund membership.

The Committee is agreed that measures to bring about adjustment may include both exchange rate and domestic policies. The choice of measures, it is expected, should be left with individual governments depending on political and other circumstances. It is also expected that small and timely adjustments in the exchange rate will facilitate general stability of the monetary system. Thus the principle of a fixed but adjustable exchange rate system has been reaffirmed. I should note however that in the light of recent experience, the Committee recognizes that floating exchange rates could provide a useful technique in particular situations. Under such circumstances, Fund surveillance and approval for floating will be expected.

B. The Committee is agreed that there should be a better management of <u>global liquidity</u>. In this connexion, the role of reserve currencies and gold should be reduced and the SDR should be the numéraire as well as the principal reserve asset of the reformed system. It is also expected that there is need to move towards a system of general convertibility as soon as possible. To this extent it is agreed that a solution must be found to the current excessive holdings of reserve currencies in the system. After dealing with the excessive balances (the dollar overhang) it is expected that all countries, including reserve currency countries,

will settle their obligations by external assets either borrowed or acquired. Although details have not yet been worked out, it is expected that a substitution or settlement account will be established in the Fund which will sell SDRs in exchange for foreign currencies acquired by members in excess of working balances. Similarly, members in need of foreign currencies afterwards will offer their holdings of SDRs to the settlement account.

The question of the overhang is still unsettled since some members of the Committee consider that it can be tackled bilaterally between the issuing country and the holder of the excess foreign currency through funding. Naturally holders of excessive foreign currencies, although appreciating the need to consolidate, are keen to ensure that whatever consolidation or funding arrangement is agreed will enable them to remobilize the assets in case of need. Similarly, the reserve currency countries prefer an arrangement which will minimize the expenses of servicing these external debts.

With regard to the role of the SDR, it is expected that its capital value and its rate of interest will influence its general acceptability vis-a-vis gold for foreign exchange. Proposals regarding the capital value being related to the average value of a number of selected currencies are being further studied. The rate of interest of the SDR could also be related to the average rate applicable to selected currencies. The uses into which the SDR may be put, including a possible link with development finance, should however influence the attitude members adopt to its capital value and interest rate.

The question of gold and how it can be phased out has a number of emotive connotations. The majority of members however are agreed on the phasing out although no precise formula has been agreed.

C. Very much connected with the question of global liquidity and reserve management is that of capital flows. It is agreed within the Committee that short-term capital movements can have disruptive consequences on the monetary system and that member Governments should continue to have powers to control and influence them. In fact in the adjustment process, recourse to capital controls should be approved by the Fund. There is a measure of agreement that long-term capital flows have beneficial effects and that in any case controls introduced by developed countries should be against other developed countries rather than against developing countries. In view of their special structural problems, developing countries will be able to maintain capital controls against any country. And while I am on the subject of controls I should say that the consensus in the Committee is that trade and current account controls for purposes of achieving balance-of-payments equilibrium will be treated as actions of last resort by the Fund. As in respect of capital controls, the Committee appreciates that less developed countries may have to resort to trade and current account controls more often. It is also accepted that measures for such controls exercised by developed countries should exempt less developed countries or the products of such countries.

As I mentioned earlier there has been a specific technical working party of deputies on capital flows. Besides coming up with the recommendations I have mentioned, it examined the nature and operations of the Eurocurrency markets and

their impact on international monetary stability. The Deputies accepted that the Eurocapital market is a useful source of development funds for both developed and developing countries. They recognized that a large proportion of the funds is nonofficial but that recently official foreign exchange holders have made substantial placements in the Eurocurrency market. There is no unanimity regarding how to control and/or influence the market in future. Those governments concerned about excessive flows of dollars into their banks are keen to see official monetary authorities restricted in the use of the Eurocurrency market. Others, especially developing countries, have maintained thatnot only is the interest rate in the market attractive and the disruptive impact of market of little significance, but recourse to the Eurocapital market is dependent on placement of funds by official holders in the Eurocurrency market.

D. The question of the Link between the issue and allocation of SDRs and development finance is still not fully resolved. The less developed countries' representatives on the Committee have presented a joint approach to the question emphatically preferring the "B" Link Scheme. Besides, the less developed countries have also presented a joint statement preferring that within the group of the less developed countries the least developed countries should have preference in allocation of Link resources. It appears that a few developed countries have still a number of reservations on the concept of the link, but these are based mainly on political grounds. Their position is that mixing development assistance with monetary reform may not do justice to either development assistance or monetary reform. Members from the less developed countries have however put forward a strong economic and moral case for the link and I believe they have convinced a majority of the developed countries that technically a scheme can be worked which need not prejudice the future of the SDR. The Committee however has unanimously acknowledged that the occasion of the reform of the international monetary system should provide for arrangements to promote the flow of real resources from developed to developing countries for economic development.

E. As I have already indicated, there was an air of optimism at the last Committee meeting in Washington and it is expected that a draft outline of reform will be produced in Nairobi. There is however no doubt that there are a lot of points of principle and of detail still to be negotiated. The structure of the reformed International Monetary Fund for example, has still to be discussed. Besides, the final set of proposals have to be seen and examined where there may have to be real negotiations so that it will be known what a group of countries is sacrificing or what it is gaining in return. However the sense optimism and achievement was felt by a majority of the participants because of the recognition by all that we must have a reform. The current situation of uncertainty benefits no one. In this atmosphere there is an acceptance that all have to adopt an attitude of give and take.

Finally I should mentione that the Committee has accepted that the "related issues" of trade and development have to be tackled simultaneously if there is to be meaningful and effective international monetary reform. Approaches have been made to GATT, UNCTAD and the IBRD for these institutions to note the work of the Committee and to indicate the concurrent actions they are taking in their particular fields so that matters are properly co-ordinated.

Annex II: SUMMARY OF STATEMENT BY VICE-CHAIRMAN OF DEPUTIES OF THE COMMITTEE OF TWENTY (Mr. J.H. FRIMPONG-ANSAH)

The Committee of Twenty has held three meetings since its establishment in September 1972. There have been six meetings of the Deputies of the Committee. At the meeting of the Committee in July 1973, a draft outlined on the reform of the International Monetary System and related matters was placed before the Committee together with a summary of issues on which ministerial decision was sought. Three major areas of reform were presented for consideration by the Committee. There were, however, a number of subjects of no less importance which were listed in the outline of the form but which were not presented to the Committee for discussion. They included disequilibrating capital flows, consolidation, reserve management, capital inflows, exchange rate management and the revamped Fund Board, and the quota structure of the Fund. On these subjects it was either felt that further work was necessary at the technical level or that ministerial attention and decision was premature.

The major areas of reform which were discussed by the Committee were the following:

I. Adjustment and Convertibility
II. Primary reserve assets
III. Development assistance

It would be useful to develop our consideration of each of these major areas from the position reached by Deputies before the Committee meeting in July 1973, to the progress made during the meeting in July and subsequent work carried out by the Bureau in preparation for the meeting of Deputies in September 1973.

I. Adjustment

The Deputies had reached the following broad framework of agreement after their meeting in July 1973.

(a) That the need for adjustment would as much as possible be confined to serious cases (singly or collectively) of imbalance that had international repercussions.

(b) That discussions and the examination of such cases should take place internationally and in the International Monetary Fund. This would imply the elimination of unilateral decisions on exchange rates adjustments.

(c) That amongst other the best single indicator to use in such an examination was the reserve indicator.

(d) That there was the need for effective measures to enforce decisions take by the international community. In this regard various forms of pressures have been considered for application to both surplus and deficit countries.

The mechanism for effecting an adjustment was however not fully agreed by Deputies. Whereas the United States favoured the use of a reserve indicator to establish a presumption of a need for action other deputies preferred the use of general assessment using the reserve indicator as well as other indicators to establish the presumption of need for adjustment action. The United States suggestion for a reserve indicator is not deemed to be automatic in the triggering of adjustment action. Nevertheless the following advantages were claimed for it:

1. It would ensure a coherent system that would make for a certainty for adjustment action within the framework of an agreed level of global equidity.

2. It would make for easy parliamentary consent.

The other alternative, namely an assessment by the Executive Board as to the need for adjustment action was claimed by the proponents to be equally politically acceptable without subjecting decisions on adjustment to the results of an abstract set of statistics.

The following similarities are however found in the two alternatives:

1. Both are based on assessment.

2. Both involve the use of reserve indicators.

3. No automaticity is involved in either alternative.

There is however the following important difference between the two alternatives, the successful use of the reserve indicator is based on how often it can be overriden i.e. the burden of proof lies with the country being assessed or examined. On the other hand the use of presumptive assessment technique depends upon how rigorously the International Monetary Fund can press the country being assessed to take adjustment action if it is deemed necessary to do so. This requires a strong IMF.

At the July meeting of the Committee of Twenty, Deputies were requested to find a workable solution based on the following lines:

1. The establishment of a reserve indicator structure that would prescribe limit, within which countries will be expected to keep the level of their reserves. Such limits should be internationally agreed.

2. A special examination that will be induced by disproportionate movements in a country's reserves or by a judgement by the Managing Director of the International Monetary Fund.

3. The necessity to take into account all relevant factors in the special examination, including in particular reserves movements in relation to the indicator points mentioned above.

4. The Executive Board to be empowered to call upon a country to adopt or reinforce policies to correct imbalances that would be established as a result of a special examination.

5. The use of pressures, mainly mild financial in nature at the beginning, increasing to strong pressures if adequate action is not taken.

6. However, if reserves are allowed to exceed the predetermined indicator points, further accruals would be deposited with the fund at negative interests.

Convertibility

The deputies at the time of the July Meeting had come to the following broad frame of agreement on convertibility:

1. That the need for a better working of the adjustment process was an important pre-condition for viable system of convertibility.

2. That there was the need for a symetric adjustment process between reserve centres and non-reserve centres as an important means of avoiding the creation of excess reserve currencies holdings.

3. That reserve centres should be protected from the effects of the present overhung; that for this purpose a substantial initial consolidation was necessary and that a substitutional account should be established in the International Monetary Fund to provide facilities for the gradual elimination of any excess build up of currency balances.

Against this background, deputies put forward two possible alternative approaches:

1. A system of full asset settlement by reserve centres coupled with limitations on countries on the accumulation of reserve currencies.

2. A system of voluntary asset settlement under which countries whose currencies are held in official reserves will be required to settle in reserve assets only to the extent that they are requested to do so by holders.

The Committee in examining the two alternatives during the July meeting requested deputies to rely on the following principles in working out an acceptable system of convertibility:

1. The need for symetry of obligations on reserve centres as well as on other countries in the settlement of imbalances.

2. The avoidance of uncontrolled growth of reserve currencies balances.

3. The provision of adequate elasticity (credit) in any system of asset settlement for the maximum freedom for countries to choose the composition of their reserves within the agreed limits.

From these guidelines, the following two alternatives may emerge:

1. An introduction of a reasonable degree of elasticity into the system of full asset settlement.

2. A mixed system providing for a multi-currency intervention system for large group of countries, practicing full asset settlement with a reasonable degree

of elasticity simulataneously with the remaining group of countries operating a non-mandatory system of asset settlement.

Under the mixed system the following conditions may be applicable:

1. The differing arrangements by one group should not adversely affect the interest of the other.

2. An undue growth of global liquidity should be avoided. In this regard the International Monetary Fund should provide regulations requiring countries to convert excess currencies reverse in the primary reserve assets.

3. The introduction of credit facilities should come under the International Monetary Fund surveillance. Non participants of the multi-currency intervention system should have access to similar credit facilities.

4. Countries may present currencies balances for conversion to a substitution facility in the International Monetary Fund in addition to any facilities that may be available in the issuing country.

II. Primary Reserve Assets

The following general framework has been agreed by deputies:

1. The SDR should become the principal reserve asset of the new system.

2. The SDR should also become the numéraire.

3. Measures should be devised to submerge all other reserve assets such as currencies and gold.

The following measures are necessary for the implementation of the above decisions:

1. Rules governing the use of the SDR should be appropriately modified as follows:

(i) The limits on acceptance of obligations and the reconstitution obligation will be abolished, and the Fund will rely on designation, if necessary, to prevent an unbalanced distribution of holdings of SDRs among participants.

(ii) Except in cases where the Fund decides otherwise the requirement of need for the use of SDRs shall be retained.

(iii) General authority will be given for willing partners to enter into transactions in SDRs without designation by the Fund within the limits established in (ii) above.

(iv) The general Account will be authorized to accept or use SDRs in all transactions and operations in which it can accept or use gold or currencies.

(v) The Fund will have the power to designate any international or regional institution of an official and financial character as a holder of SDRs.

(vi) The Fund will have the power to permit additional types of transactions and operations in SDRs.

(vii) The Fund will have the power to modity the provisions on opting out of decisions to allocate SDRs.

2. The creation only of adequate amounts of SDRs for the satisfaction of global liquidity needs.

3. The establishment of a suitable value to be placed on SDRs for transaction purposes.

4. The determination of an appropriate rate of interest on SDRs.

Of these implications, the value to be placed on the SDR and its interest rate are the ones subject to further discussion and agreement. A considerable degree of analytical work is also needed.

Three suggestions have been made on valuation and interest rate.

1. A valuation related to the strongest currency and attracting a low -interest rate.

2. A valuation based on the average of a large basket of representive currencies combined with a lower than average interest rate.

3. A valuation based on a basket of an average number of about 12 to 15 currencies used in international trade combined with an average rate of interest.

The Committee at its meeting in July did not work strongly on these alternatives with a view to finding a compromise that would eliminate the various differences of views. It would, however, appear that there is a considerable body of support for the third alternative.

On gold the following positions were recognized:

1. Considerable time will elapse before a new primary asset can be developed and accepted. The phasing out of gold should therefore take this into account.

2. There is general agreement that in the reformed monetary system, monetary authorities should be free to sell gold, either directly or indirectly through the International Monetary Fund so long as the market price remains above the official price.

Deputies however presented the following differences of approach to the Committee for decision:

1. That monetary authorities may be authorized to sell gold at market prices but not to buy gold. The official price of gold may be maintained at the present level which should be the price at which monetary authorities may transact in gold among themselves.

2. That the official price will be abolished. Monetary authorities including the International Monetary Fund would be free to deal in gold with one another at market related prices. Monetary authorities may sell gold to the market at market related prices but not buy gold from the market.

3. That in the absence of the substantial rise in the official price, the official price may be abolished. Monetary authorities and the International Monetary Fund will be free to deal in gold i.e. buy and sell among themselves and in the market at market prices.

As an interim arrangement the possibility has been put forward that Alternative (1) may be introduced during the period of reform to be followed by Alternative (2) when the reform system comes into operation.

III. Development Assistance

This is the subject that would appear to be of paramount importance to developing countries in the current reform exercise. The objectives of developing countries in their participation in the reform discussion should be three fold: To ensure the transfer of real resources from developed to developing countries to ensure that the terms of trade do not move against them, and to maintain an effective voice in the current discussions as well as in future discussions on monetary issues.

To ensure that the voice of developing countries carries the appropriate weight and respectability it is necessary to maintain unanimity on as many positions as possible. Efforts should be made to obtain the highest price possible for exports, to maintain the value of reserves and to help minimize those disequilibrating factors in financial sectors that could lead to instability and therefore the increase in the prices of imports of development goods. The link between the SDR and development assistance has been mentioned as one of the important means of ensuring the transfer of real resources from developed to developing countries.

Developing countries with the political support of the Group of 24 have come to a common position regarding the type of link desired and its distribution. Technical arguments in favour of the link have been made and substantiated. The technical arguments against the link have been thoroughly examined and have been declared by a majority of European countries not to be superable. Of the two countries that still have reservation against the link, Germany would now not commit itself to a final position until the total reform package became clearer. The United States position against the link remains unchanged.

The decision regarding the link may now be described as one requiring political will to overcome and this may therefore be persued only at the political level.

CONCLUDING REMARKS

The following concessions have been generally agreed upon in favour of developing countries:

1. That all countries agree that in the reformed monetary system adequate measures should be taken to ensure the transfer of real resources to developing countries.

2. That as far as possible developing countries should be exempted from trade control and capital control imposed by developed countries and that their special circumstances should be taken into consideration in assessing the control that they may wish to impose.

3. That in the process of examination of the world economy situation the development in the transfer of real resources to developing countries should be reviewed and taken into account in any decisions regarding the adjustment process.

4. That those developing countries with large depletable resources such as oil producing countries should be treated differently in the enforcement of the rules regarding the adjustment process.

The future work of the Committee will involve smaller working parties in which a considerable degree of expertise will be called upon. It becomes therefore necessary that developing countries should carefully select and train their participants in these working parties. The future programme of work will also involve a considerable amount of negotiation. This will also call for a unity of voice and of approach. In this regard also it is necessary that developing countries through the various associations should as soon as practicable formulate common positions on the major issues of reform.

Annex III: DRAFT RESOLUTIONS AND DECLARATIONS

Draft resolution submitted by Chad on behalf of the countries in the African, Asian and Latin American Groups of the Group of the 77 of the Committee on Invisibles and Financing related to Trade (TD/B/C.3/L.93, 9 July 1973)

The UNCTAD Committee on Invisibles and Financing related to Trade,

Recalling (i) "The International Development Strategy for the Second United Nations Development Decade", and in particular its paragraph 52, (ii) resolution 84 (III) of the third session of UNCTAD, (iii) General Assembly resolution 3041 (XXVII), and in particular, its paragraphs 7, 8 and 9, (iv) "The joint declarations concerning international monetary issues" by developing countries members of the Group of 77 at the fifth session of the Committee on Invisibles and Financing related to Trade, (v) "The communiqué of the Group of 24" of 4 March 1973,

Bearing in mind the interdependence between problems of trade, development finance and the international monetary system, and noting resolution 95 (XII) of the Trade and Development Board in which, inter alia, the Board requested the Secretary-General of UNCTAD to keep under constant review the existing arrangements for the solution of the interrelated problems of trade, development finance and monetary issued in a co-ordinated manner,

Noting the work of the Committee of Twenty, in which adequate representation of members of IMF has been achieved, in evolving an appropriate and durable international monetary reform,

Recognizing the importance of the Group of 24 as an instrument for the co-ordination and political support of the points of view of special interest to developing countries on international monetary matters,

Noting with concern the fact that decisions on international monetary issues continue to be made in forums other than the IMF and without adequate participation of developing countries,

Noting further that these decisions have, inter alia, resulted in widespread departures by developed countries from the present exchange rate system affecting the economic situation of the developing countries,

Recognizing the importance of the future role of special drawing rights, and the need to enhance this role within the framework of international monetary reform,

Noting with approval that the Committee of Twenty is currently examining all aspects of proposals for a link between SDR creation and additional development finance,

1. Expresses its view that all future decisions on monetary issues should be made with the effective participation of developing countries in the framework of the IMF.

2. Urges a return to a system of stable exchange rates as already agreed by the Committee of Twenty.

3. Recommends that there should be a progressive creation of SDRs, so that SDRs can become the principal reserve asset.

4. Urges further the establishment of a link between SDR and additional development finance, and that any such arrangements should provide for additional net real resource transfers to developing countries, and that it should take the form of direct country allocation as recommended by the Group of 24.

5. Urges all countries, and particularly the developed ones, to pursue economic policies conducive to stable, non-erratic growth in the interest of orderly international development.

6. Urges an agreement on the outline of the reform, presently under discussion in the Committee of Twenty, in time for the Nairobi meeting of the IMF.

7. Reiterates its request for the Secretary-General of UNCTAD to continue and develop further his consultations with the Managing Director of the IMF and the Director-General of GATT.

THE FLOW OF FINANCIAL RESOURCES

Draft resolution on the objectives of financial co-operation, submitted by Chad on behalf of the Group of 77 of the Committee on Invisibles and Financing related to Trade (TD/B/C.3/L.96/Rev.1, 11 July 1973)

The Committee on Invisibles and Financing related to Trade,

Taking into account Conference resolutions 27 (II) and 61 (III) and the International Development Strategy for the Second United Nations Development Decade, particularly paragraphs 42 and 43 which call upon economically advanced countries to make commitments of financial co-operation for development,

Having regard to the fact that various concepts and definitions of financial co-operation have been advanced and that targets of co-operation must be meaningful and clearly defined,

Taking into account resolution 91 (XII) of the Trade and Development Board which requested the Secretary-General of UNCTAD, with the assistance of a group of governmental experts to examine the concepts of the present assistance and flow targets in order to prepare for a discussion thereon in the mid-term review of the implementation of the Strategy,

Recalling resolution 62 (III) on the Special Measures in favour of the least developed among the developing countries, in particular its paragraphs 37 and 46,

Recalling further resolution 63 (III) on the land-looked developing countries, in particular its paragraphs 3 and 5,

Noting the statement of the Secretary-General of UNCTAD on the meeting of the Group of Governmental Experts (26-29 June 1973),

1. Calls upon those developed countries which have not yet accepted the ODA target of 0.7 per cent of the GNP of the developed countries and/or its date of achievement to do so immediately.

2. Recognizes that any indicator of financial development assistance or co-operation must be part of a broader framework of co-operation between developed and developing countries with the purpose of increasing the real net transfer of resources to developing countries through augmenting their foreign exchange earning capacity and availabilities.

3. Recognizes also that the 1 per cent target for total financial resources does not constitute an adequate indicator of the effort of developed countries in so far as it includes flows which are primarily motivated by export promotion or profit objectives.

4. Considers that in the measure of financial flows the concepts are not meaningful when they do not incorporate all the reverse flows and thus do not permit a proper evaluation of the financial relations between developed and developing countries.

5. Declares that within the general framework of international economic co-operation the greatest importance should be attached to an objective of net transfer of ODA, defined as gross disbursements net of associated reverse flows on account of both interest and amortization payments, and that its magnitude should be increased, the elements to be included should be distinctly concessional, and the related issues should be settled in international discussions between developed and developing countries.

6. Requests the Secretary-General of UNCTAD, with a view to achieving the above objectives:

(a) To further the statistical work on financial flows between developed and developing countries and in this respect intensify the existing technical relationship among the UNCTAD secretariat, the World Bank staff and the OECD secretariat with a view to achieving a more precise definition and coverage of flows, and collect statistical data, as needed directly from governments, in order to be able to adequately measure progress in the implementation of relevant United Nations and UNCTAD resolutions.

(b) To reconvene the Group of Governmental Experts, as he deems appropriate, with a view to making early recommendations particularly in the technical issues relating to the concepts of the present development assistance and flow to facilitating evaluation of the efforts of developed countries in the mid-term review and appraisal of the International Development Strategy and to report thereon at the latest to the fourteenth session of the Trade and Development Board.

7. Recognizes that the statistics presented on financial co-operation should take full cognizance of the relevant United Nations and UNCTAD resolutions and takes the view that financial flows to areas which developed countries themselves do not regard as sovereign political entities should be excluded since, by definition, such flows cannot be regarded as external.

8. Recommends all developed countries and international financial institutions to implement immediately the relevant provisions of resolutions 62 (III) and 63 (III).

9. Stresses the fact that the commitments to transfer net official development assistance to developing countries, refers to all developed countries irrespective of their social or economic system.

THE FLOW OF FINANCIAL RESOURCES

Draft resolution on measures to counteract the effects of the international crisis during the transition period, submitted by Chad on behalf of the Group of 77 of the Committee on Invisibles and Financing related to Trade (TD/B/C.3/L.97, 11 July 1973)

The Committee on Invisibles and Financing Related to Trade, at its sixth session,

Recalling the statement by the Group of 77 at the fifth special session of the Trade and Development Board, document TD/B/L.316, document TD/B/L.324 of the twelfth session and resolution 84 (III) of the third United Nations Conference on Trade and Development,

Recognizing the interdependence between problems in the monetary, financial and trade fields and instability in the process of development,

Noting with concern the slow pace of the negotiations on international monetary reform and, at the same time, the critical decline in the value of international reserves and the competitive position of the developing countries,

Considering that there is now a substantial concentration of international liquidity in very limited geographical areas, with a consequent negative impact on the developing countries,

Considering that the lack of co-ordinated policies has created a systematic increase in international inflationary processes which endanger economic and trade stability,

Considering that, owing to the lack of immediate decisions even of a temporary nature, the central banks of the developed countries have been unable to control the movements of speculative capital,

Considering that, despite the fact that the arrangements for floating established in the developed countries was created for the purpose of reducing the initial impact of the monetary crisis, experience has shown that, on the contrary, this machinery has been used to stimulate harmful and systematic speculation in certain currencies and has consequently been the cause of further periodic devaluations and revaluations that have distorted the economies, development plans, international trade structure and prices in the developing countries, and on the terms of trade,

1. Urges the Governments of the developed countries, as a prior step to a return to a convertible system, to adopt immediate measures in the exchange field, designed to achieve an orderly and consequently stable period of transition, while awaiting definition of various elements of the new international monetary system.

2. Requests the Governments of the developed countries, in particular those that have accumulated substantial international liquid assets, to study the possibility of effecting financial operations which make it feasible through appropriate instruments such as special bonds, to transfer liquid assets to the developing countries, and to expand their financial assistance while at the same time contributing to the elimination of the imbalance originated by the substantial concentration of liquidity.

3. Requests further the Governments of the developed countries, in co-ordination with the Secretary-General of UNCTAD and the specialized financial bodies, to study the possibility of creating mechanisms for the transfer of an important part of the international liquid assets to financial funds and institutions designed to promote international trade in favour of the developing countries, and to this end making use of international, regional and subregional institutions to channel that international liquidity for the financing of development.

4. Urges the Governments of developed and developing countries alike, to hold bilateral and multilateral consultations with commercial banks in each region in order to include in their banking relations among developed and developing countries, procedures to avoid the erosion of the international monetary reserves that the developing countries have placed in the banks of the developed countries, as deposits for commercial operations and international payments.

INTERNATIONAL MONETARY ISSUES

Joint Declaration of the developing countries members of the Group of 77 (TD/B/C.3/L.102, 13 July 1973)

The developing countries members of the Group of 77,

Recalling (i) "The International Development Strategy for the Second United Nations Development Decade", and in particular its paragraph 52, (ii) resolution 84 (III) of the third session of UNCTAD, (iii) General Assembly resolution 3041 (XXVII), and in particular, its paragraphs 7, 8 and 9, (iv) "The joint declarations concerning international monetary issues" by developing countries members of the Group of 77 at the fifth session of the Committee on Invisibles and Financing related to Trade, (v) "The communiqué of the Group of 24" of 4 March 1973,

Bearing in mind the interdependence between problems of trade, development finance and the international monetary system, and noting resolution 95 (XII) of the Trade and Development Board in which, inter alia, the Board requested the Secretary-General of UNCTAD to keep under constant review the existing arrangements for the solution of the interrelated problems of trade, development finance and monetary issues in a co-ordinated manner,

Noting the work of the Committee of Twenty, in which more adequate representation of members of IMF has been achieved, in evolving an appropriate and durable international monetary reform,

Recognizing the importance of the Group of 24 as an instrument for the co-ordination and political support of the ~~points~~ of view of special interest to developing countries on international ~~monetary matters~~,

Noting with concern the fact that decisions on international monetary issues continue to be made in forums other than the IMF and without adequate participation of developing countries,

Noting further that these decisions have, inter alia, resulted in widespread departures by developed countries from the present exchange rate system affecting the economic situation of the developing countries,

Recognizing the importance of the future role of special drawing rights, and the need to enhance this role within the framework of international monetary reform,

Noting with approval that the Committee of Twenty is currently examining all aspects of proposals for a link between SDR creation and additional development finance,

Reaffirm their conviction that all current and future decisions on monetary issues should be made with the full and effective participation of developing countries in the framework of the IMF.

Urge a prompt return to a system of stable exchange rates.

Recommend that there should be a progressive creation of SDRs, so that SDRs can become the principal reserve asset.

Strongly recommend the establishment of a link between SDR and additional development finance, and that any such arrangements should provide for additional net real resource transfers to developing countries, and that it should take the form of direct country allocation as recommended by the Group of 24.

Urge all countries, and particularly the developed ones, to pursue economic policies conducive to orderly international development.

Urge an agreement on the outline of the reform which should take fully into account the interests of the developing countries and to be reached in time for the Nairobi meeting of the IMF, as a concrete and positive step towards the reform of the international monetary system.

Reiterate its request for the Secretary-General of UNCTAD to continue and develop further his consultations with the Managing Director of the IMF and the Director-General of GATT, particularly in the light of the critical international situation in the trade, finance and monetary field and its unfavourable effects on the trade and development of the developing countries.

INTERNATIONAL MONETARY ISSUES

Joint Declaration of the Developing countries members of the Group of 77

Transitional policies pending the reform of the international monetary system (TD/B/C.3/L.103, 13 July 1973)

The developing countries members of the Group of 77 of the Committee on Invisibles and Financing related to Trade,

Recall its statement at the fifth special session of the Trade and Development Board, document TD/B/L.316, document TD/B/L.324 of the twelfth session and resolution 84 (III) of the third United Nations Conference on Trade and Development and recognize the interdependence between monetary, financial and trade disorder and development instability,

Note with concern the slow pace of the negotiations on international monetary reform and, at the same time, the critical decline in the value of international reserves and the competitive position of the developing countries,

Consider that:

(i) there is now a substantial concentration of international liquidity in very limited geographical areas, with a consequent negative impact on the developing countries;

(ii) the lack of co-ordinated policies has created a systematic increase in international inflationary processes which endanger economic and trade stability;

(iii) owing to the lack of immediate decisions even of a temporary nature, the central banks of the developed countries have been unable to control the movements of speculative capital.

All these elements have had a consequent negative impact on the developing countries.

Consider further that, despite the fact that the floating exchange rates established in the developed countries was created for the purpose of reducing the initial impact of the monetary crisis, experience has shown that, on the contrary, this procedure has been used to stimulate harmful and systematic speculation in certain currencies and has consequently been the cause of further periodic devaluations and revaluations that have distorted the economies, development plans, international trade structure and prices in the developing countries, and on the terms of exchange.

Urge the Governments of the developed countries, as a prior step to a return to a convertible system, to adopt immediate measures in the exchange field, designed to achieve an orderly and consequently stable period of transition, while awaiting definition of various elements of the new international monetary system, and in so doing, avoid harm to the interests of developing countries.

Request the Governments of the developed counties, in particular those that have accumulated substantial international liquid assets, to study the possibility of effecting financial operations which make it feasible through appropriate instruments such as special bonds, to transfer liquid assets to the developing countries, and to expand their financial assistance while at the same time contributing to the elimination of the imbalance originated by the substantial concentration of liquidity.

Request further the Governments of the developed countries, in co-ordination with the Secretary-General of UNCTAD and the specialized financial bodies, to study the possibility of creating mechanisms for the transfer of an important part of the international liquid assets to financial funds and institutions designed to promote international trade in favour of the developing countries.

Urge the Governments of developed countries to encourage and promote bilateral and multilateral consultations with relevant banking institutions in each region in order to avoid the erosion of the international monetary reserves that the developing countries have placed in the banks of the developed countries, as deposits for commercial operations and international payments.