

## Recommendations

- 1 Private international capital flows have become such an important and potentially volatile element in developing countries' economies that their macroeconomic policy makers must acquire accurate and timely information as to their size and composition. The IMF should do all in its power to assist member countries with weak data on these flows to improve them.
- 2 The IMF should be encouraged to recognise capital account controls, direct and indirect, as legitimate macroeconomic policy instruments in most developing countries to deal with volatile capital flows. A revision in the IMF Articles of Agreement to require capital account convertibility of all its members would be inappropriate at this time.
- 3 Monetary authorities in the developed countries should actively assist and co-operate with those in developing countries in the collection of data, monitoring of developments, and implementation of controls on international private capital flows.
- 4 The IMF should be formally mandated to lend into financial crises in developing countries, both to provide emergency liquidity and to support orderly workouts of sovereign debt problems. (This may require amendments to its Articles of Agreement.) Decisions as to the appropriate procedures for activating such lending and the decisions actually to lend should be taken via the fully multi-lateral decisionmaking mechanisms of the IMF.
- 5 The IMF should be provided with significantly expanded resources, particularly through quota increases and SDR issues, to permit it to play a stabilising role in future financial crises in developing countries.
- 6 The World Bank should be encouraged to play an important complementary financial and advisory role in orderly workouts of sovereign debt problems in developing countries. Bank-IMF co-operation could build on the precedent of the current system of policy framework papers in low-income countries.
- 7 The IMF should be encouraged to expand its role, in conjunction with other relevant bodies, in the surveillance of international capital markets. (Again, this could be facilitated by an amendment to its Articles of Agreement.)
- 8 G-10 proposals on orderly debt workouts represent an important start. Efforts should be made to introduce new provisions in future international debt contracts that clarify the means of collective representation and decision-making on the part of creditors, and thereby facilitate future orderly workout of sovereign debt problems.
- 9 Early efforts should be made to clarify rules and jurisdictions relating to international capital account transactions and international financial institutions in the many areas in which there are potential overlaps, e.g., those of the IMF, the WTO and other international and regional institutions or agreements.
- 10 The major industrial countries must take account of the increased sensitivity to interest rates of private capital flows to (or from) developing countries, and the potential for significantly increased feedback effects from the developing countries' performance to the global economy.