

FOR IMMEDIATE RELEASE



DEVELOPMENT COMMITTEE



JOINT MINISTERIAL COMMITTEE
OF THE
BOARDS OF GOVERNORS OF THE BANK AND THE FUND
ON THE
TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES

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PRESS COMMUNIQUE

1. The Development Committee (the Joint Ministerial Committee of the Boards of Governors of the Fund and the Bank on the Transfer of Real Resources to Developing Countries) held its sixth meeting in Manila on October 3, 1976, under the chairmanship of Mr. Henri Konan Bédié, Minister of Economy and Finance for the Ivory Coast. Mr. Robert S. McNamara, President of the World Bank, Mr. H. Johannes Witteveen, Managing Director of the International Monetary Fund and Mr. M. M. Ahmad, Acting Executive Secretary took part in the meeting which was also attended by representatives from a number of international and regional organizations and Switzerland as observers.
2. The Committee approved for presentation to the Boards of Governors of the Fund and the World Bank its second annual report covering the period July 1975 to June 1976.
3. The Committee considered the program of its future work in the light of the situation and prospects of developing countries. The analyses presented to it by the staffs of the IMF and the World Bank showed that the current account deficit of non-oil developing countries had declined somewhat but was still expected to be running at a high annual rate of about US\$32-33 billion in 1976 and the first half of 1977. These estimates did not suggest that a significant relief from current difficulties would be forthcoming in the early part of 1977. Many developing countries, especially the middle-income countries, borrowed heavily to maintain the flow of imports and to avoid undue interruption of their development programs, leading to an increase in their external debt and debt service payments. The low-income countries have had little or no growth in per capita income since 1970 and their level of imports fell by some 20 per cent below those of the late 1960s. Official aid to them has been inadequate. To assist the developing countries in their adjustment process and to help them achieve a higher rate of growth, the low-income countries would require additional concessional assistance and the

middle-income countries would need increased flows from both official and private sources. To be effective, these in turn would require a greater emphasis upon domestic policies attuned toward the necessary internal adjustment processes and toward employment creation.

4. The Committee reaffirmed its strong support for the timely and satisfactory completion of the Fifth Replenishment of IDA so as to permit a substantial increase in IDA resources which, in the opinion of many members, should be in real terms, and to maintain continuity of its operations beyond June 1977. The Committee also agreed that it was important that the lending programs of the international lending institutions remain adequate to help meet the capital requirements of the developing countries. They asked the Boards of these institutions to review the adequacy of their capital resources for this purpose and, where such capital is inadequate, to review the issues prerequisite to consideration of augmenting such capital.

5. The Committee, with due regard to the functions of the Boards of the IMF, the World Bank, and other international institutions, desired to focus attention on the resources situation of the international development finance institutions, on the volume, terms and distribution of official flows, and on the role of adjustment in the development process. The Committee agreed to establish a Working Group which would, initially, consider the study of the International Resources Bank requested of the World Bank. In addition, the group could be assigned other specific matters, including the volume, terms and distribution of official flows. The Working Group will present its conclusions and recommendations for the consideration of the Committee.

6. The Committee received a further interim report from the Working Group on Access to Capital Markets. It was agreed that capital market countries would endeavor, as far as their balance of payments situation permitted, to move progressively toward greater liberalization of capital movements, in particular capital outflows. In the meanwhile, when regulations governing capital outflows are maintained for unavoidable reasons,

- governments of capital market countries would afford favorable treatment, as among foreign borrowers, to developing country borrowers with regard to permissions to make an issue or place in the issue calendar;
- those capital market countries which currently maintain quantitative limits on the amount of foreign issues in their markets would endeavor to keep developing country borrowers outside these limits, at least up to specified amounts;

- since the Eurobond market presents potential opportunities for developing countries to raise finance, countries whose currencies are in strong demand, and which maintain restrictions on international issues denominated in their currencies, would endeavor to give favorable treatment, as among foreign borrowers, to developing country borrowers.

The Committee noted a number of recommendations in the report that consideration be given to the removal of legal and administrative barriers so far as is consistent with investors' protection and urged capital market countries to give them earnest consideration.

7. The Committee recognized the need to reinforce and expand technical assistance activities in the field of access to capital markets, noted the bilateral programs already in the field, recognized the need to coordinate the implementation of present and future available services, and recommended that attention be given by the Board of IFC to the possibility of IFC expanding its activities.
8. The Committee stressed the importance of co-financing by international and regional development banks as a means of augmenting private capital flows to some developing countries, noted the progress being made in this regard and urged that these arrangements be further expanded.
9. The Committee noted with satisfaction that the Working Group had considered the subject of multilateral guarantees and the proposal for an international investment trust and asked that it continue its studies on these subjects. The Committee also agreed that the Working Group should present to the Committee at its next meeting concrete recommendations for improving the various reporting systems on international financial stocks and flows.
10. The Committee agreed to meet again on October 6 in Manila and also tentatively to meet on April 17, 1977, in Washington, D. C., the time of the next meeting of the Interim Committee.
11. The Committee expressed its deep appreciation to the Government of the Republic of the Philippines for its warm hospitality and for the excellent facilities provided to the Committee for the conduct of its meetings.