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# 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 held its twenty-sixth meeting in Washington, D.C. on April 18-19, 1985 under the chairmanship of His Excellency Ghulam Ishaq Khan. Mr. J. de Larosière, Managing Director of the International Monetary Fund, Mr. A. W. Clausen, President of the World Bank, and Mr. Fritz Fischer, Executive Secretary of the Development Committee, participated in the meeting. Observers from a number of international organizations and Switzerland also attended.
2. As decided at the previous meeting of the Committee in September 1984, the meeting was an extended one, designed to allow a constructive dialogue to take place between members on the structural and development aspects of the world economy. These discussions took place during sessions which were largely of an informal character. The Committee heard a report on the earlier discussion in the Interim Committee on the world economic outlook and the balance of payments prospects and adjustment efforts of industrial and developing countries. In this context, the Committee briefly reviewed the medium- and long-term setting for developing country growth.
3. The Committee was encouraged by the strengthening of the world economy over the last two years, with the recovery from recession in industrial countries and the resumption of growth in much of the developing world. The Committee stressed that continued adjustment was needed in both industrial and developing countries, within the limits of social and political tolerance, and that many problems remained to be tackled before the progress already achieved could be translated into sustained growth and improved living standards over the longer run. The steps required to achieve this goal formed the agenda for this meeting of the Development Committee.

4. Endorsing the conclusions reached and recommendations made in the Interim Committee, the Committee welcomed the progress made by many indebted developing countries in restoring normal relations with their creditors but noted that debt-servicing difficulties, exacerbated by high interest rates, remained for a significant number of countries. The restoration of creditworthiness and normalization of relations with creditors for these countries would require, in a manner adapted to the circumstances of each case, the continuation of adjustment efforts, supported by financial flows on appropriate terms, improved access to markets and, where appropriate, by multi-year rescheduling arrangements. The Committee agreed all parties concerned should cooperate toward this end.

5. The growth and adjustment prospects of developing countries are closely linked to the expansion of world trade. Trade liberalization is a part of a coordinated effort aimed at securing a better economic environment. In its discussion of trade policy developments and issues, the Committee benefited from a presentation by Mr. Arthur Dunkel, Director-General of the GATT. Mr. Dunkel also referred to a report by a study group commissioned by him entitled "Trade Policies for a Better Future -- Proposals for Action." Members regretted that, in spite of some limited initiatives, the onset of world recovery had not yet led to an easing of protectionist pressures, indeed they seem to have increased. The proliferation and continuation of non-tariff barriers, especially those applied in a discriminatory fashion, was harmful to the multilateral trading system and impeded the growth prospects of all countries.

6. The Committee called on all countries to promptly implement their undertakings to lift any measure inconsistent with GATT or not based on specific GATT disciplines, given the fact that these practices have in particular the effect of restricting exports of developing countries to trade markets. The Committee also stressed that the central role of the GATT in promoting an open trading system and ensuring the effective functioning of multilateral trade rules and disciplines should be strengthened. The Committee also called on governments to resist protectionism and, to the extent feasible, roll back existing barriers to trade. The Committee endorsed the idea, to engage as matters of priority, in serious efforts to carry forward the unfinished business from the 1982 GATT work program. This could lay the basis for a general participation of all countries in the trade negotiation round on which, it was noted, a number of countries have decided to embark under the auspices of GATT. It was also noted that full participation would be encouraged by quick action to improve market access for developing countries. The Committee invited the GATT Director-General to continue to keep it informed about further developments. The respective competencies of GATT and UNCTAD were reiterated.

7. The Committee agreed that developing countries' efforts to adjust and resume growth need to be supported by an increase in the overall volume of capital flows.

8. For the low-income countries, it was agreed that increasing ODA flows deserved the highest priority. The Committee reiterated its request to the management of the International Development Association to carry out a mid-term review of IDA 7. The Committee asked management and the Executive Board to start consideration of a broad array of possibilities for addressing the future needs of the poor countries for concessional resources, including IDA.

9. The Committee was gratified by the prompt action taken by the Bank to explore with donors various approaches to mobilizing resources for Sub-Saharan Africa, as requested at the Committee's September meeting. The agreement reached by donors to establish the Special Facility for Sub-Saharan Africa in support of domestic policy reform was welcomed as a significant achievement. The Committee noted with satisfaction the agreement reached regarding the implementation procedures of the Facility. The Committee underlined the importance of quick disbursement of resources from the Facility. The Committee expressed its appreciation for the efforts made by supporters of the Facility and called on other donors, who had not yet done so, to contribute, directly or indirectly. The Committee noted, however, that the Facility could only be a catalyst for the financing required to meet the immense needs of the region and encouraged donors to further increase their efforts to provide additional flows of concessional resources through bilateral and multilateral channels. The Committee also welcomed the impressive response, both governmental and private, to the emergency needs of the region.

10. The Committee also reviewed the Bank's progress report on the "Implementation of the Joint Program of Action for Sub-Saharan Africa" and expressed appreciation for the progress made so far in strengthening aid coordination mechanisms and in enlarging technical assistance programs. The Committee noted that the balance of payments problems of Sub-Saharan African countries, including severe difficulties with debt servicing, aggravated by a serious fall in commodity prices, required urgent attention. The Committee stressed that official creditors should take into account in their actions the long-term nature of these countries' problems and should encourage the pursuit of appropriate policies by debtors and adequate aid from donors. The Committee urged all parties concerned to explore steps to introduce this broader approach on a case-by-case basis.

11. The Committee agreed that private direct and portfolio investment could make useful contributions to development. Such flows can be promoted by improving the policy environment toward foreign investment in both developing and industrial countries. In this connection,

the proposal being developed by the World Bank for the establishment of a Multilateral Investment Guarantee Agency (MIGA) which would seek to improve the investment environment in developing countries by issuing guarantees against noncommercial risks and providing promotional services, was noted. The Bank was encouraged to hold further discussions in order to reach an understanding among governments for the creation of MIGA on a voluntary basis.

12. The Committee also noted the importance of officially-guaranteed export credits. It agreed that developing countries and export credit agencies, in cooperation with the World Bank and the Fund, should take steps to enhance the developmental impact of export credits.

13. In the light of the uncertainties in commercial flows to the developing countries and the changing world economic situation, the Committee discussed the future role of the World Bank. The Committee took note of discussions on this subject in the Executive Board of the Bank over the past year and endorsed the broad consensus that had emerged from these deliberations as summarized in a Bank background document prepared for the Committee. Bearing in mind the need to maintain lending standards and prudent financial policies, the Committee called for an expansion in the Bank's lending program in order for it to respond more effectively to the needs of its borrowing members and to stimulate the flow of capital from other sources. In that perspective, the Committee urged Bank management to present a report at its next meeting in Seoul which would provide projections of Bank lending over the next five years, and their implications in terms of resources, so as to seek an early consensus on the future financial requirements of the Bank, including the possibility of a General Capital Increase.

14. The Committee considered its deliberations to have been constructive, informative and productive and thus agreed to continue the process begun at this session at future meetings of the Committee.

15. The Committee agreed to meet again on October 7 in Seoul.