



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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COMMUNIQUE

1. The 47th meeting of the Development Committee was held in Washington DC on September 27, 1993 under the chairmanship of Mr. Rudolf Hommes, Minister of Finance and Public Credit of Colombia. <sup>1/</sup> The Committee extended its thanks to the retiring Chairman, Mr. Ricardo Hausmann of Venezuela.

GAZA AND THE WEST BANK

2. The Committee welcomed the outstanding contribution to the Middle East Peace Process made by the World Bank in preparing the ground for a coordinated program of financial support for Gaza and the West Bank.

WORLD ECONOMY

3. The Committee reviewed the impact on developing countries of recent trends in the world economy. It renewed its call for a fresh impetus to growth in the industrial countries, and for a successful conclusion of the Uruguay Round by the end of 1993 on the basis of a comprehensive and balanced agreement; this is crucial to the growth prospects for industrial and developing countries alike. It therefore welcomed the joint statement by Mr. Sutherland, Mr. Preston, and Mr. Camdessus, issued on the morning of its meeting.

ADJUSTMENT EXPERIENCE OF LOW-INCOME COUNTRIES AND THEIR FINANCING NEEDS

4. The Committee recognizes that many low-income countries have found it hard to make the economic adjustment necessary to achieve economic and social progress. There are several reasons: the main ones are poor initial

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<sup>1/</sup> Mr. Lewis T. Preston, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Peter Sutherland, Director-General of the GATT, Mr. Mohammed Imady, Minister of Economy and Foreign Trade of Syria and Chairman of the Group of 24, and Mr. Peter Mountfield, Executive Secretary, took part in the meeting. Observers from a number of international and regional organizations also attended.

conditions; lack of domestic savings; lack of adequate institutional and administrative capacity; inappropriate policies which take time to correct; and an unfavorable external environment. Progress in most directions has been slower than among the middle-income countries, but the preliminary evidence suggests that countries which sustain strong adjustment policies do better than the rest. In these countries there has been significant progress with macro-economic stabilization and outwardly orientated policies, and in decontrolling domestic prices, particularly in agriculture. But even there, financial-sector and public-enterprise reforms have lagged behind, and private investment has responded only with a considerable lag. As a result, improvements have not yet led to a sustained increase in income per capita, and success in reducing poverty and in protecting the environment has been uneven.

5. The Committee welcomes the broadening political consensus on adjustment strategies which stress stabilization and market-friendly measures, combined with human resource development and poverty alleviation. It believes such strategies will succeed over time, if implemented consistently and backed up by structural reforms consistent with long-term sustainable development. It therefore urges countries which have not yet embarked on the adjustment process to formulate and implement their own programs accordingly. The design of adjustment programs and of external assistance needs to reflect the socio-political background and institutional capacity of the countries concerned. It follows that the best programs are those which are home-grown. The Bank and the Fund (as appropriate) in their relations with the borrowing countries, will do more to address the impact of macro-economic and adjustment measures and their sequencing on poverty, employment, investment and the environment. Some of the lessons of the East-Asian experience may be relevant to today's low-income countries, particularly those of macro-economic policy, export orientation, human resource development and the training of a professional civil service.

6. In many cases, low-income countries will need to supplement domestic savings with foreign investment and with substantial and timely concessional financial support, together with necessary and appropriate relief of bilateral debt. To sustain the required levels of external support and investment, they will have to maintain their commitment to economic reform, poverty alleviation, environmental soundness, public participation and good governance. Donors should focus concessional assistance on the low-income adjusting countries. They should complete ratification of IDA-10 as early as possible, agree to the broadest possible spectrum of contributors to the ESAF successor, work for its rapid implementation, and make significant bilateral contributions to the SPA.

#### SOCIAL SECURITY REFORM AND SOCIAL SAFETY NETS

7. The Committee looked at the continued need for social support, both to meet life hazards and to help those hurt by necessary adjustment measures. Many existing insurance structures have created unsustainable burdens on the government budget and the competitiveness of the formal sector, while

failing to cover important groups of the population. Existing entitlements may now have to be reviewed. In many countries, including economies in transition, a system combining elements of public and private provision will be appropriate, but the mix will vary from case to case. The international institutions can help by continuing to provide technical assistance and policy advice.

8. In addition to these classical social security systems, countries engaged in adjustment or systemic transformation may require well-designed extra social safety nets, integrated into their poverty-reduction strategy, involving schemes such as labor-intensive public works, nutrition programs, targeted food subsidies, retraining of dismissed workers, and "social funds". But governments should avoid creating new long-term entitlements which might build up future budgetary problems. The appropriate mix of measures depends on data availability, administrative capacity, and financial resources. Budget outlays should where necessary be reallocated to provide financial resources, both for safety nets and for other pro-poor social spending. The poorest among them may require continued technical and financial support for such schemes from the World Bank and from donors. The Committee welcomes the constructive part played by the Bank and the Fund in their respective roles, in supporting social security system reforms and establishing and financing safety nets as part of their adjustment lending.

#### WORLD BANK WOMEN-IN-DEVELOPMENT STRATEGY

9. The Committee welcomed a report on the World Bank's attempts to integrate gender issues into its overall development strategy. It commends the progress made, and welcomes the President's commitment to a further strengthening of the Bank's operations in this area. It notes that the Bank's Executive Board will be reviewing the strategy in the Spring of 1994.

#### THE COST-EFFECTIVENESS OF AID

10. The Committee believes it is more than ever important to enhance the effectiveness of development assistance, welcomes recent steps taken by the World Bank in this context, and proposes to address this matter next year. In order to provide maximum help to recipients, donor agencies and multilateral institutions need to maintain and improve their cost-effectiveness.

#### NEXT MEETING

11. The Committee will meet again in Washington DC on April 26, 1994, when it will discuss population and migration issues.