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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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COMMUNIQUE

1. The 52nd Meeting of the Development Committee was held in Washington, D.C. on April 23, 1996 under the chairmanship of Mr. Mohamed Kabbaj, Minister of Finance and Foreign Investment of Morocco. ^{1/}

2. INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) Ministers expressed appreciation to all donors that contributed to the three-year funding arrangement ^{2/} agreed upon in March 1996, and extended special recognition to those donors contributing to the FY97 Interim Trust Fund. Ministers noted that the funding pledged by donors, together with other resources expected to be available to IDA, will allow IDA to lend up to US\$22 billion over three years, commencing in July 1996. While this represents a significant achievement, reached under difficult circumstances, it leaves IDA with seriously constrained financial capacity to respond to countries' improved policy performance. Ministers praised those countries that have become new IDA donors and encouraged others to take similar action. They also thanked those that have made supplementary or increased contributions to IDA.

3. Ministers emphasized that the IDA 11 agreement reflects a strong consensus on IDA's importance to the support of effective development policies and programs in the poorest countries, with its core objective of poverty reduction supported by economic growth and environmental sustainability. Ministers urged IDA to raise its effectiveness and development impact.

^{1/} Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Qazi Alimullah, Deputy Chairman of the Planning Commission of Pakistan for Finance and Economic Affairs and Chairman of the Group of Twenty-Four, and Mr. Abdlatif Y. Al-Hamad, Director General of the Arab Fund for Economic and Social Development and Chairman of the Task Force on MDBs, addressed the plenary session. Observers from a number of international and regional organizations also attended.

^{2/} The arrangement includes a one-year Interim Trust Fund followed by a two-year replenishment of IDA's general resources.

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4. Ministers reiterated the importance of maintaining IDA's capacity to transfer resources to countries with sound policy performance. They stressed the importance of fair burden-sharing among IDA donors, and called upon donors to honor their commitments on a timely basis to ensure successful implementation of IDA 11.
5. Noting with great concern the difficulties encountered in the replenishment of IDA 11, Ministers agreed that the prospects for IDA funding be a key issue for discussion by the Committee in a year's time.
6. Ministers urged that rapid progress also be made in ensuring the continued financing of the IMF's Enhanced Structural Adjustment Facility (ESAF), a vital complement to IDA, for the multilateral effort to be fully effective.
7. RESOLVING DEBT PROBLEMS OF THE HEAVILY INDEBTED POOR COUNTRIES (HIPC) Ministers welcomed A Framework for Action presented by Bank and Fund managements. The Committee noted the progress achieved since its last meeting and expressed appreciation for the joint efforts of the Bank and the Fund.
8. Ministers agreed with the analysis of Fund and Bank staff that there were a number of HIPC countries for whom the burden of debt, including multilateral debt, was likely to remain above sustainable levels over the medium term, even with strong policies and full use of existing debt-relief mechanisms.
9. Ministers agreed that for these countries further action is needed to address their debt problems, building on actions already being taken by official bilateral and commercial creditors. This would involve both use of existing mechanisms and new arrangements, including contributions by the IFIs from their own resources, contributions by bilateral donors, and appropriate action by the Paris Club, and by other creditors.
10. Ministers agreed that the principal goal of the proposed framework should be to ensure, for these countries, that adjustment and reform efforts are not put at risk by continued high debt and debt-service burdens. They endorsed the following six principles to guide further action. (i) The objective should be to target overall debt sustainability on a case-by-case basis, thus providing an exit strategy from the rescheduling process. (ii) Action will be envisaged only when the debtor has shown, through a track record, ability to put to good use whatever exceptional support is provided. (iii) New measures will build, as much as possible, on existing mechanisms. (iv) Additional action will be coordinated among all creditors involved, with broad and equitable participation. (v) Actions by the multilateral creditors will preserve their financial integrity and preferred creditor status. (vi) New external finance for the countries concerned will be on appropriately concessional terms.

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11. While recognizing that many important aspects of the proposed framework of action need to be further developed and refined, Ministers agreed, nevertheless, that it provided an appropriate basis for further work. They requested that the Bank and Fund -- in close consultation with concerned bilateral creditors/donors/debtors, the Paris Club and other multilateral institutions -- move swiftly to produce a program of action. Ministers urged that a decision be reached on this program and its financing as soon as possible, aiming to do so by the next IMF/World Bank Annual Meetings.

12. REPORT OF THE TASK FORCE ON MULTILATERAL DEVELOPMENT

BANKS The Committee welcomed this balanced and objective report prepared by its MDB Task Force. Ministers appreciated that it presented, for the first time, an overall assessment of the multilateral development banks.

13. Ministers believe the report provides an excellent analysis of the importance of multilateralism and the role of MDBs in a rapidly changing world. The Committee appreciated the report's careful assessment of the performance of these five quite different institutions, with particular reference to its support for poverty reduction and sustainable development, investment in infrastructure, promotion of the private sector, operational orientation toward results on the ground, and to increasing cooperation among the MDBs.

14. The Committee generally agreed with the report's conclusions and recommendations, recognizing that not all apply equally to each institution. Bearing in mind the value of diversity among the MDBs, Ministers urged the MDBs to act upon relevant recommendations as a matter of priority to strengthen further their policies and practices. Ministers invited the Presidents of the MDBs to advise the Committee, in about two years' time, on progress achieved in implementing the Task Force's major recommendations.

15. The Committee expressed its great appreciation and gratitude to Mr. Abdlatif Al-Hamad for his leadership as Chairman of the Task Force, as well as to the Task Force Members and the Secretariat for their dedicated and productive work over the past fifteen months. The Committee requested that the report be published and widely distributed.

16. NEXT MEETING The Committee's next meeting will be held on September 30, 1996, in Washington, D.C.