



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 53rd Meeting of the Development Committee was held in Washington, D.C. on September 30, 1996 under the chairmanship of Mr. Mohamed Kabbaj, Minister of Finance and Foreign Investment of Morocco. <sup>1/</sup>
2. RESOLVING DEBT PROBLEMS OF THE HEAVILY INDEBTED POOR COUNTRIES (HIPC): The Committee expressed its appreciation to the Bank and Fund for the progress made since its last meeting and endorsed the Action Program for the HIPC Initiative. It urged the Bank and Fund, working closely with donors and other creditors, to move swiftly to implement the Initiative.
3. Members reiterated their support for the Initiative's basic objective -- ensuring that HIPCs demonstrating a track record of sustained strong policy performance are able to achieve overall external debt sustainability, enabling them to exit from the rescheduling process and to strengthen their poverty reduction programs. They recognized that the HIPC Initiative commits the international financial community to take additional action to reduce eligible countries' debt burdens to sustainable levels where full use of existing debt relief mechanisms is unlikely to be sufficient.
4. Members agreed that coordinated action by all creditors was critical to the Initiative's success. The assistance to be provided by each group of creditors should be consistent with the guiding principles agreed at the Committee's April 1996 meeting, and would be based on the need to: a) deliver debt sustainability; b) share broadly and equitably the cost of the Initiative; and c) preserve the preferred creditor status of the multilateral financial institutions. Ministers stressed that the Initiative should be implemented flexibly, on a case-by-case basis, and with full participation by debtor governments.

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<sup>1/</sup> Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, and Mr. Qazi Alimullah, Deputy Chairman of the Planning Commission of Pakistan for Finance and Economic Affairs and Chairman of the Group of Twenty-Four addressed the plenary session. Observers from a number of international and regional organizations also attended.

5. Ministers also welcomed the commitment of the IMF, reflected in the statement of the Interim Committee on September 29, to participate in the enhanced assistance to be provided under the HIPC Initiative through special ESAF operations, including long maturity loans or grants.

6. Members supported the World Bank's proposed \$500 million initial contribution, and noted President Wolfensohn's announced readiness to recommend to the Board of Executive Directors additional contributions, provided future net income of the Bank would so permit, that there is equitable burden sharing by creditors, and these funds are needed to meet the Bank's own share of the burden. Members supported as well the enhanced assistance (including IDA grants) the Bank intends to provide in selected cases when needed.

7. Given the significant share of debt owed by the poorest and most indebted countries to bilateral creditors, Ministers welcomed the indication from the Paris Club that it was ready to go beyond Naples Terms to provide debt reduction of up to 80 percent, for countries qualifying for additional relief within the HIPC Initiative, and that its decisions will be made on a case-by-case basis according to its usual rules, to achieve an exit from unsustainable debt. They suggested the Paris Club, the International Financial Institutions and all involved creditors coordinate their actions to deliver needed debt relief consistent with the Initiative's basic principles noted in paragraphs 3 and 4 above.

8. Ministers welcomed the readiness to participate in the Initiative indicated by several multilateral agencies, and urged other multilaterals to define their participation as soon as possible. The Committee agreed that the proposed multilateral HIPC Trust Fund, to be administered by IDA, would make an effective contribution to the success of the Initiative. Members expressed appreciation to those bilateral donors which had indicated at this early stage their intention to contribute to the Trust Fund and encouraged others to do so as well.

9. Ministers requested the IMF and World Bank to begin implementation of the Initiative for the first potentially eligible countries before the end of 1996 and to report back to the Committee at its next meeting on progress achieved in implementing the Initiative.

10. INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA): Ministers reiterated their strong support for IDA and its central importance to the global effort to reduce poverty; therefore, it is important that all donors ensure the success of IDA 11 by fully respecting their commitments on time. The Committee welcomed the increased IBRD grant to IDA of \$600 million this year.

11. Ministers recognized that the IDA 11 agreement reflects a significant reduction in donor contributions from previous levels. They asked IDA management and donor representatives to work together in the next several months to help ensure adequate and secure future funding for IDA. Ministers will discuss these and related matters as they consider the prospects for IDA funding at their next meeting.

12. MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA): Ministers noted that MIGA's activities had grown appreciably along with the expansion of foreign private investment in developing countries. They welcomed the recent rapid expansion in demand for MIGA services and recognized that, as a result, MIGA is quickly approaching the limits of its financial capacity. Ministers requested that the MIGA Management and Executive Board address MIGA's resource constraints soon and report on this subject at the Committee's next meeting.

13. WORLD TRADE ORGANIZATION (WTO): The Committee expressed its appreciation to WTO Director-General Renato Ruggiero for his valuable briefing on key issues likely to be addressed at the First WTO Ministerial Meeting in December. Ministers agreed with Mr. Ruggiero on the importance of trade as a formidable engine of economic growth for all nations and on the opportunities and challenges offered by globalization. They requested the Bank and Fund to assist those countries not yet members of the WTO to join the organization, and to assist all members, particularly the poorest, to become more fully integrated into the multilateral trading system. Ministers expressed their support for closer collaboration between the WTO, the Fund and the Bank and offered the Director-General and the WTO best wishes for a successful Ministerial Meeting.

14. NEXT MEETING: The Committee's next meeting will be held on April 29, 1997 in Washington, DC.