



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



1818 H Street, N.W., Washington, D.C. 20433

Telephone: (202) 458-2980
Fax: (202) 522-1618

September 22, 1997

COMMUNIQUE

1. The 56th meeting of the Development Committee was held in Hong Kong, China, on September 22, 1997 under the chairmanship of Mr. Driss Jettou, Minister of Finance, Commerce, Industry and Handicrafts of Morocco.¹
2. **Helping Countries Combat Corruption and Improve Governance** Ministers agreed that corruption and weak governance undermine macro-economic stability, private sector activity and sustainable development objectives, and may erode international support for development cooperation. They emphasized that corruption is a global problem that requires complementary actions by all countries. While stressing that member governments have the primary responsibility for combating corruption and strengthening governance, they welcomed the more active involvement of the Bank and the Fund, each within their respective mandate, in responding to member governments requests to strengthen their institutions and performance in these areas, including the introduction of greater transparency in the public sector. They welcomed the relevant strategies and guidelines recently issued by the Bank and the Fund. The Committee stressed the importance of a consistent and even-handed approach, as well as the need to take governance issues and corruption explicitly into account in lending and other decision-making when they significantly affect project or macroeconomic and country performance. The Committee asked that the Bank and Fund report to the Committee in a year's time on the implementation of their respective strategies and guidelines.

¹ Mr. Zhu Rongji, Vice Premier of China, Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, and Mr. Antonio Casas González, Governor of the Central Bank of Venezuela and Chairman of the Group of Twenty-Four, addressed the plenary session. Observers from a number of international and regional organizations also attended.

3. Ministers invited other Multilateral Development Banks (MDBs) to develop similar strategies and guidelines. The MDBs were encouraged, as a matter of urgency, to establish procurement procedures and oversight mechanisms of the highest standard and as uniform as possible, including anti-bribery provisions. Ministers noted the ultimate responsibility of borrowers for ensuring fair and effective procurement, and stressed the importance of MDBs increasing their assistance to help build borrower capacity and accountability.

4. Ministers welcomed the efforts underway in other international and regional bodies to coordinate efforts to combat corruption. In particular, the Committee encouraged governments to criminalize international bribery, in an effective and coordinated way.

5. **Multilateral Investment Guarantee Agency (MIGA)** Ministers reiterated their support for MIGA's continued growth in response to the expanding demand for its services. They welcomed the consensus on addressing MIGA's resource constraints by means of a three-part funding package comprising an IBRD grant of US\$150 million, paid-in capital of US\$150 million, plus US\$700 million of callable capital. Ministers urged the IBRD management and Board of Executive Directors to move swiftly to implement the US\$150 million grant. Ministers urged MIGA's Board to reach agreement on implementation of the remainder of the package. They also urged the MIGA Board to reach clear understandings on core policy issues as soon as possible. These measures would relieve MIGA's short term financial constraints and provide it with a sustainable capital structure for the medium to long term. Ministers urged the MIGA Board and other relevant parties to come to closure on the capital increase by the time of the Committee's next meeting in April 1998.

6. **Private Involvement in Infrastructure** Ministers welcomed the World Bank Group Action Program designed to strengthen the Group's ability to increase private participation in infrastructure in the context of its overall objectives to support poverty reduction and sustainable development. While ministers recognized that governments continue to play a significant role in infrastructure investment, they emphasized the important and increasing opportunities for more active private sector involvement. Ministers encouraged the Bank Group to strengthen its catalytic role through early and effective implementation of the Action Program's comprehensive range of assistance in the areas of finance, advisory services, risk mitigation, and knowledge and information. The Committee stressed the importance of coordination among the Bank Group based on agreed country frameworks and strategies.

7. **Implementation of the Debt Initiative for Heavily Indebted Poor Countries** The Committee welcomed the further progress that had been made in implementing the Initiative to support governments that show strong commitment to reform. The Committee also encouraged eligible countries to undertake the policy actions necessary to put them on the path to securing debt relief. Decisions to provide assistance of about US\$0.9 billion (in present value terms), which will generate debt service reduction of about US\$1.5 billion, have been made for Bolivia, Burkina Faso and Uganda; decisions on Côte d'Ivoire, Guyana and Mozambique are expected in the near future. Ministers stressed the importance of adequate interim financing by all creditors. The Committee expressed appreciation for the continuing close collaboration among creditors in

implementing the Initiative, including understandings among them on the approach to burden-sharing. Ministers also appreciated that bilateral contributions of about US\$100 million had already been made or pledged to the HIPC Trust Fund (administered by the World Bank), and urged other governments to contribute as well. They also encouraged international financial institutions which have not yet finalized mechanisms for participation in the Initiative to do so as soon as possible. Ministers noted that additional resources will be needed to help finance the African Development Bank's full participation in the Initiative. They also noted the need for additional resources to finance the Fund's contribution to the HIPC Initiative for countries beyond those noted above and, more generally, the need to complete the funding of ESAF.

8. **Strategic Compact** The Committee welcomed the progress made in beginning to meet the Compact's ambitious objectives to strengthen the Bank's effectiveness, as reflected in Management's first semi-annual progress report to the Executive Directors.

9. **Bank/Fund Collaboration on Strengthening Financial Sectors** Ministers noted the importance for macroeconomic stability and growth of strengthening the financial systems of developing countries, as recent events have shown. They welcomed an increased emphasis on this area in Bank and Fund operations. Ministers viewed enhanced cooperation between the Bank and the Fund as an urgent priority and welcomed the recent agreement guiding increased collaboration to help member countries strengthen their financial systems.

10. **Note of Appreciation** Ministers expressed their deep appreciation for the warm hospitality provided by the Chinese authorities and the Hong Kong Monetary Authority.

11. **Next meeting** The Committee's next meeting will be held on April 17, 1998 in Washington, DC.