



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 59th meeting of the Development Committee was held in Washington, D.C., on April 28, 1999 under the chairmanship of Mr. Tarrin Nimmanahaeminda, Minister of Finance of Thailand.¹
2. **Debt Initiative for Heavily Indebted Poor Countries (HIPC):** Encouraged by the progress made over the last two-and-half years, Ministers expressed their continued strong support for the Initiative and reaffirmed its overarching objective of poverty reduction. They discussed ways to strengthen the Initiative and welcomed the results of the extensive external consultation process in this regard. The Committee endorsed the current review and examination of options designed to enable HIPC Initiative debt relief to be broader, deeper and faster. Ministers reiterated the importance of ensuring a clear link between debt relief and the goals of sustainable development and poverty reduction and looked forward to the results of ongoing consultations in this area. From the outset, the underlying reform programs should have an integral pro-poor growth focus. Programs for HIPC should fully reflect social concerns by protecting social expenditures.
3. Ministers endorsed a set of principles that should be used in considering changes to the current HIPC framework. These guiding principles include recommendations that debt relief should: (i) reinforce the wider tools of the international community to promote sustainable development and poverty reduction; (ii) strengthen the incentives for debtor countries to adopt and implement economic and social reform programs; (iii) provide a clear exit from an unsustainable debt burden—taking into account external vulnerabilities of each eligible

¹ Mr. Renato Ruggiero, Director-General of the World Trade Organization, Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, and Mr. G.L. Peiris, Minister of Justice and Constitutional and Ethnic Affairs and Deputy Minister of Finance of Sri Lanka, Chairman of the Group of Twenty-Four, addressed the plenary session. Observers from a number of international and regional organizations also attended.

country; and (iv) be consistent with the need to preserve the financial integrity of the IFIs. Moreover, any changes should simplify implementation of the Initiative.

4. Ministers took note of the updated and higher cost estimates of the current framework, as the alternative costs of potential enhancements to the Initiative, and the importance of early debt service reduction. They emphasized that the review of options for change should continue to be based on cost estimates provided by the Bank and the IMF which take into account those countries likely to qualify for relief, and an estimate of total resources required as well as the likely time period of expenditures. The review would need to be matched by a broad-based effort to find appropriate and equitable financing solutions. In particular, there is a need for increased bilateral contributions—with fair burden sharing—to the HIPC Trust Fund to help those multilateral creditors unable to meet additional costs from their own resources. In addition, ministers stressed the need to secure financing for the IMF ESAF/HIPC Trust. While acknowledging the financial constraints facing multilateral creditors, ministers encouraged them to examine further the funding they can provide for the HIPC Initiative. Ministers requested that changes to the HIPC Initiative framework and financing plans be presented for their consideration at the Committee's next meeting, including specific proposals for multilateral institutions to provide cash flow relief between the decision and completion points.

5. Ministers also welcomed the proposals from bilateral creditors to consider enhanced debt relief, including more relief of the eligible HIPC's ODA debts. The Committee supported a better coordinated effort to ensure that new financing to HIPC's be in the form of grants or on highly concessional terms. Ministers urged an intensification of efforts on both the aid and trade fronts, emphasizing that HIPC Initiative debt relief alone would be insufficient to reach the overarching International Development Goal of halving the proportion of people living in absolute poverty by 2015.

6. **Assistance to Post-Conflict Countries:** Ministers noted the progress achieved by the Bank and the Fund in enhancing their capacity to assist post-conflict countries. They welcomed the recent agreement by the IMF Executive Board to enhance post-conflict emergency financial assistance and to take into account, on a case-by-case basis, the special circumstances of post-conflict countries with arrears to the Fund. The Committee also welcomed the Bank's progress in designing financial instruments aimed at providing positive net transfers to post-conflict countries implementing policies conducive to stabilization, growth and poverty reduction. Ministers stressed the need, where relevant, to link such efforts to preparing countries for participation in the HIPC Initiative. They encouraged the two institutions to continue to work together, and with U.N. agencies, bilateral partners, and other institutions, to strengthen their assistance to post-conflict countries and to implement enhanced assistance in individual countries as soon as possible, in the context of appropriate macroeconomic and structural policies. They stressed that these initiatives would need to complement strengthened efforts by the international community to assist in the early and orderly transition from conflict to stabilization and economic growth. They emphasized the need for demonstrated commitment to lasting peace by the previously conflicting parties to enable donors and creditors to provide exceptional support.

7. **Bank Group Financial Capacity:** The Committee welcomed the successful conclusion of the IDA12 replenishment agreement and the MIGA general capital increase which will provide essential resources for two key parts of the World Bank Group. Ministers also welcomed the attention being devoted by the Bank's Executive Board and management to the financial strength of the IBRD and IFC. Ministers reaffirmed their strong commitment to preserve the IBRD's and IFC's financial integrity. They recognized that the institutions must respect appropriate financial limits in the conduct of their operations. Ministers accordingly asked that the Executive Board review IBRD and IFC priorities, particularly in light of recent global economic and financial developments, and report back to the Committee at its next meeting with balanced options for maintaining and supporting the institutions' financial capacity to help them meet the future development needs of borrowing member countries.

8. **Comprehensive Development Framework (CDF):** The Committee welcomed the holistic approach to sustainable development envisaged in the CDF. Ministers appreciated that the CDF emphasizes the ultimate importance of country ownership of decision-making as well as partnership and coordination between government, civil society, the private sector and other multilateral and bilateral actors-in pursuit of poverty reduction—the Bank's central goal. They underscored the importance, within the CDF, of each partner sharpening its focus. They noted that many governments had expressed interest in working as partners with the Bank in helping to develop the CDF. Ministers recognized that the ultimate test of the CDF would be in its implementation, and they called on the Executive Board to monitor and evaluate progress in the pilot country cases as they evolve over the next eighteen months.

9. **Multilateral Development Bank (MDB) Cooperation:** Ministers welcomed the President's report on strengthened World Bank cooperation with regional development banks, an important set of development partners. They underscored the importance of continuing to strengthen cooperation between the World Bank, regional development banks, and the IMF. Ministers believe such enhanced collaboration, while respecting each institution's unique mandate, can improve lending efficiency and effectiveness; they urged further concrete steps be taken by the MDBs as, for example, in developing comparable methods for evaluating development effectiveness and in establishing best-practice MDB procurement rules.

10. **Principles and Good Practice in Social Policy:** Ministers noted the important contributions of the Bank and the Fund in current efforts to strengthen the architecture of the international financial system through their participation in the formulation of international standards, principles and best practices. Reflecting on the lessons of the recent financial crisis, Ministers reiterated the importance of concerted action to help countries bolster their social policies and institutions. They considered a draft note on principles and good practice in social policy, prepared at the Committee's request by the World Bank in cooperation with the U.N. and others. Ministers agreed that further development of these basic social principles was best pursued within the framework of the United Nations, as part of the international community's follow-up on the Copenhagen Declaration of the World Summit for Social Development. Ministers encouraged the Bank to help countries mobilize the necessary domestic and external resources to implement these principles and to share best practice on the effective use of such resources. Ministers emphasized the importance of the Bank

concentrating on strengthening its support for member countries in translating broad principles into practical country-specific results, based on the Bank's extensive operational role in promoting broad-based poverty-reducing development—experience of best-practice which should be an important part of the Bank's contribution to the United Nations discussion of principles. They emphasized the importance and urgency of work by the Bank and the Fund to help countries be better prepared for crisis situations, and to ensure that when crisis strikes the most vulnerable groups are protected and the process of longer term development is sustained; ministers asked the World Bank to report back to the Committee at the Annual Meetings on associated policies and practices that could support national and international implementation of these objectives.

11. **Strengthening International Fora:** Ministers discussed a number of options for strengthening the Development and Interim Committees. They recognized the importance of reaching agreement as soon as possible and asked the two Executive Boards to develop proposals for consideration by the Committees at their next meetings.

12. **The Balkan Crisis.** Ministers were informed of the results of the special high-level meeting of governments and international agencies held on April 27. Convened by the World Bank and the International Monetary Fund, the meeting focussed on the economic impact of the Kosovo crisis on neighboring countries in the Balkan region. The Committee welcomed the attention being paid to the region's short-term financial needs, as well as a medium-term approach to economic stability in these countries. They emphasized that conflict and post-conflict situations elsewhere also required a high level of attention by the international community. Ministers welcomed the request that the World Bank and the European Union coordinate these efforts for the Balkan crisis. Ministers looked forward to being informed of follow-up actions in due course.

13. **Next Meeting.** The Committee's next meeting is scheduled for September 27, 1999 in Washington D.C.