

**FOR IMMEDIATE RELEASE**



**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) 477-6424

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PRESS COMMUNIQUE

1. The Development Committee held its thirty-first meeting in Washington, D.C., on April 10, 1987, under the chairmanship of The Hon. B.T.G. Chidzero, Minister of Finance, Economic Planning and Development of Zimbabwe. Mr. Barber B. Conable, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, and Mr. Fritz Fischer, Executive Secretary of the Development Committee, participated in the meeting. Mr. Svetozar Rikanovic, Chairman of the Group of Twenty-four, also took part in the meeting. Observers from a number of international and regional organizations and Switzerland also attended. The Members of the Committee were pleased to welcome Mr. Camdessus who was present for the first time as Managing Director and wished him all success in the important and demanding tasks he had assumed.

2. The Committee focused attention on how growth in developing countries could be sustained and enhanced at a time of depressed commodity prices, sluggish growth in the industrial countries and the uncertain prospects for increased external financial flows. Members reemphasized that only through concerted efforts by developed and developing countries could prospects for stimulating and sustaining growth for developing countries be significantly improved. A more promising outlook for growth is important to secure and maintain public support for adjustment efforts.

3. Members noted that many heavily indebted middle-income countries have pursued strong adjustment programs in efforts to achieve growth, improve living standards and strengthen their external payments position. For a number of countries, this proved to be a very difficult task, in view of the adverse shift in the terms of trade and the reluctance of commercial banks to provide the required flows. While the process of adjustment with growth has been fostered since the launching

of Secretary Baker's initiative in 1985, the Committee noted that difficult problems still remain. To resolve these problems, the Committee stressed that all parties - the commercial banks, creditor governments and debtor countries - should play their part. The Committee reasserted the central role of the Bank and the Fund in the promotion of growth-oriented adjustment programs and the mobilization of resources from official and private sources. It requested the Bank and the Fund to continue to examine additional measures to refine and strengthen the implementation of growth-oriented programs and submit a report with possible recommendations for consideration at a future meeting of the Committee.

4. Ministers reiterated their commitment to support the low-income countries, in their development and adjustment efforts. They recognized that many of these countries, especially Sub-Saharan Africa, face severe problems of indebtedness. Ministers stressed the need for larger concessional flows and agreed that for many of these countries additional measures were needed to improve their capacity to service their debts and at the same time undertake growth-oriented programs. In this connection, the Committee welcomed the intentions of the official creditors in the Paris Club to work toward realistic rescheduling terms for the poorest nations undertaking strong growth-oriented adjustment programs. The Bank and Fund were asked to make proposals of action, at its next meeting, to address the problems of countries facing exceptional difficulties, which should also take into account the assessment of the implementation of the United Nations Programme of Action for African Economic Recovery and Development.

5. The industrial countries need to broaden the range of resource flows to developing countries, notably through export earnings of the latter countries, which can make a significant contribution toward meeting debt service and stimulating growth. An appropriate policy environment for trade in agricultural products is of particular importance to developing countries. Ministers identified protectionist agricultural policies as a major cause of distortions including depressed commodity prices on the world markets, of surplus production and of budgetary drain. Recognizing that these conditions have made development efforts of many developing countries more difficult, the Committee emphasized that open and unencumbered international agricultural trade and the reduction of domestic support would foster development efforts and promote the adjustment process.

6. Members emphasized the responsibility of industrial as well as developing nations to implement growth-oriented policies so that both could resist protectionism and benefit from an open trading system. In this context, Ministers welcomed the inclusion of agricultural trade in the Uruguay Round of multilateral trade negotiations and

looked to these negotiations to achieve greater liberalization of trade in agriculture and increased discipline on the use of all direct and indirect subsidies to production and exports. The Committee also felt that the liberalization of industrial protection warranted urgent attention and requested the Bank and the Fund to prepare a report on the impact of the industrial policies of the developed countries. The Committee was informed by the GATT Director General of current developments in international trade negotiations and noted governments' commitments to halt and reverse the escalation of protectionism. Ministers hoped that rapid progress would be made in actions requiring priority attention in the GATT and in other international fora, including the OECD Ministerial Council Meeting, Venice Economic Summit and UNCTAD VII.

7. The Committee reviewed the depressed state of international commodity markets as well as the unfavorable prospects for any substantial improvement for most commodities. It recognized that an acceleration of global growth would improve the prospects for commodities and that actions are required on many fronts, including the assistance of the multilateral institutions to broaden the export base of countries dependent on commodities, and to offset temporary fluctuations in their export earnings. The World Bank in cooperation with the Fund should prepare options for the next meeting of the Committee.

8. The Committee noted declining trends in capital flows to developing countries and stressed the importance and urgency of reversing this trend. The decline has been particularly significant in the case of flows from commercial banks. Private investment flows remain disappointing. Improved conditions to stimulate expanded flows of private investment and other capital movements need to be created in both developing and developed countries. The IFC should play a helpful complementary role in this area.

9. Multilateral financial institutions should continue to strengthen their efforts to support the growth and adjustment process. The Committee welcomed the recent agreement on a \$12.4 billion IDA 8 replenishment and commended the group of IDA donor countries, which had made the agreement possible as such concessional flows were critical to support adjustment, growth and poverty alleviation in low-income countries. The Committee urged early approval by the IDA Board of Governors of the IDA 8 Resolution. The Committee noted the efforts of the Bank and the Fund to assist low-income countries in implementing programs to foster growth and strengthen the balance of payments by providing concessional loans supported by IDA resources and the newly established Structural Adjustment Facility (SAF). Ministers stressed that larger resources would be needed to complement both SAF and IDA programs to support policies and programs for higher growth in

low-income countries. Ministers were asked to review at a future meeting ongoing efforts of the Bank, the Fund and bilateral agencies designed to assist the poorest countries to implement growth programs.

10. In response to the needs of Bank borrowers, the Bank was encouraged to increase its lending programs to support growth and reform efforts. The Committee reiterated the call on the Bank last September, to maintain the momentum of the reform effort and to permit the growth in the IBRD lending envisaged for the period through FY 1990, the Committee agreed that a substantial general capital increase (GCI) will be required if quality lending materializes as expected. The Committee urged the Bank's Executive Directors to continue their discussions of GCI modalities to permit agreement on a proposal for a General Capital Increase as needed to ensure that the Bank's lending program is not constrained by the availability of capital. In this context, Members of the Committee recognized that, should quality lending materialize as projected, it is possible that the program for FY 1988 might exceed the sustainable lending limit on a temporary basis.

11. The Committee agreed to discuss, in September, the adequacy of resource transfers to all developing countries to enhance the momentum of their development. The Committee requested a report on this issue to facilitate its deliberations.

12. The Committee expressed concern at increasing poverty trends and deteriorating social conditions in many developing countries. Ministers urged that in the design and implementation of policy reforms, governments and international institutions should give special attention to protecting the most vulnerable groups. Members agreed that increased flows and more targeted use of resources, both external and domestic, would help to alleviate the plight of the poor in the process of adjustment. Members highlighted the importance of increased investments in the poverty alleviation programs and welcomed recent Bank initiatives to impart a greater poverty focus in its operations and to strengthen support for non-governmental organizations' humanitarian aid programs. The Committee agreed to have a broader discussion of this subject at a future meeting on the basis of further work by the Bank and the Fund.

13. The Committee stressed the importance of environmental protection in pursuing growth and development objectives. Members emphasized that the pursuit of these objectives is often mutually reinforcing for poverty is a major cause of environmental damage and it is typically the poorest members of society that suffer most from environmental degradation. The Committee welcomed the Bank's current initiatives at increasing emphasis on environmental protection, in

its lending and helping borrowers to integrate natural resource management into the planning and implementation of their development activities. The Committee felt that further work needed to be undertaken in the light of its discussions. In this context, the Committee looked forward to a further report by the President of the Bank at its next meeting and hoped to benefit from the findings of the World Commission on Environment and Development whose report would be published soon.

14. The Committee agreed to meet again in Washington, D.C. on September 28, 1987.