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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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April 15, 1988

PRESS COMMUNIQUE

1. The Development Committee met in Washington, D.C., on April 15, 1988, under the chairmanship of the Hon. B.T.G. Chidzero, Senior Minister of Finance, Economic Planning and Development of Zimbabwe. 1/
2. Members discussed two broad issues:
 - the adequacy of resource transfers to all developing countries, including the problems of the indebted countries
 - environment and development, in particular the role of the World Bank.
3. Members welcomed positive developments since the Committee's last meeting, notably:
 - the full effectiveness of IDA-8
 - the establishment of the IMF's Enhanced Structural Adjustment Facility (ESAF)
 - the successful launching of the Special Program of Assistance by the World Bank for highly indebted low-income African countries
 - the agreement by the Bank's Executive Board for a \$74.8 billion increase in the capital of the World Bank and its early approval by many governors

1/ Mr. Barber B. Conable, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Yves Fortin, Executive Secretary of the Development Committee, and Mr. Mailson Ferreira da Nobrega, Chairman of the Group of Twenty-Four, participated in the meeting. Observers from Switzerland and a number of international and regional organizations also attended.

- the coming into force of the convention establishing the Multilateral Investment Guarantee Agency (MIGA)
- the progress achieved by many developing countries in their adjustment efforts.

4. In spite of these encouraging developments, members agreed that an enlarged volume of financial flows to the developing countries was required to meet the needs for economic growth, poverty alleviation, environmental conservation, structural adjustment and the resolution of debt difficulties. There was also need for a more supportive world economic environment. They also agreed that the flow of resources, which for some countries has been negative, could be enhanced by policies and actions by both developed and developing countries. Improved aid coordination, further strengthening of the international financial institutions, improved prospects for commodity export earnings, and reduction of protectionist measures would contribute toward increased resource flows. Members urged early progress toward trade liberalization in the Uruguay Round and stressed the importance of the mid-term ministerial meeting. The Committee agreed that appropriate economic policies in the developing countries, including increased efforts to mobilize domestic resources, were essential. The IFC was encouraged to continue to expand its role in providing support and promoting private investment in the developing countries.

5. The Committee called on those governors who had not already done so to approve the resolution for a general capital increase for the World Bank as quickly as possible, and for all governments to proceed expeditiously to subscribe the necessary capital. The importance of the ongoing review by the Board of the Bank of the valuation of the Bank's capital and the issue of the voting power of small member countries was underlined.

6. The Committee also invited countries which had not so far made a contribution to the Fund's ESAF to do so. Members urged eligible countries to continue to pursue or to adopt strong economic adjustment programs that could be supported by ESAF.

7. The Committee recognized that additional efforts were required to ease the burdens and support the adjustment efforts of many debt distressed low-income countries and urged creditors and debtors to consider measures to this end, including, where possible, interest rate reduction in official reschedulings or alternative measures having a similar impact. It took note of the recommendations in the recent report by the UN Secretary General's advisory group on financial flows to Africa. In addressing the special problems of low-income Africa, donors were urged to take as soon as possible the actions needed to translate their pledges of adjustment co-financing under the Bank's Special Program of Assistance into firm commitments and disbursements to ensure as far as possible

additionality in the flow of resources to countries which are, or will become, eligible. The Committee welcomed the recent increase in the resources of the African Development Bank and Fund.

8. The Committee discussed the problem of debt in the heavily indebted middle-income countries in the context of the transfer of resources and the need for achieving sustained growth through adjustment programs. The Committee reaffirmed its support for a case-by-case market-oriented strategy. While strong economic programs were essential, resource constraints remained a major problem. The Committee noted some encouraging developments since the last meeting in the evolution of the menu approach, including the emergence of new financing options and voluntary market-based techniques which reduce the stock of debt. The Bank and the Fund, working closely together, were encouraged to continue their efforts in facilitating developments in the menu approach on a case-by-case basis and thereby catalyzing financial support for a growth-oriented debt strategy. The Committee agreed to keep the debt strategy under review so as to enhance the prospects for growth and development.

9. The Committee recognized that greater flows and an improved quality of concessional resources were needed by low-income countries, including those not seriously indebted, to tackle the problems of poverty alleviation, sustained growth and development and to assist adjustment efforts where needed. It was also recognized that a number of lower middle-income countries not referred to above have serious economic difficulties, including heavy indebtedness, which deserve attention by the international community.

10. Members exchanged views on the important issues raised in the Brundtland report and welcomed the progress made by the World Bank in its environmental program. Growth, development and environmental conservation must be seen as inter-related concepts and operational objectives. It was generally agreed that many environmental problems transcended national boundaries and therefore required action by developed and developing countries alike. The Committee particularly noted the close link between environmental degradation and poverty and recognized that substantial resources were needed to assist countries in dealing with these inter-related problems. The Bank was encouraged to provide further suggestions at a future meeting on how best to address poverty and environmental issues, especially in low-income countries. A progress report on the implementation of the Bank's environmental program was requested for the next meeting.

11. The Committee agreed to meet again in Berlin (West) on September 26, 1988.