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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

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

Telephone: (202) 477-6424

September 24, 1990

## PRESS COMMUNIQUE

1. The Development Committee met in Washington, D.C. on September 24, 1990 under the chairmanship of the Hon. B.T.G. Chidzero, Senior Minister of Finance, Economic Planning and Development of Zimbabwe. <sup>1/</sup>
2. The Committee met at a time when the economic prospects of many developing countries were being affected adversely, particularly by the disruption of trade and workers' remittances and the increase in the price of oil resulting from the events in the Middle East as well as by the economic slowdown in some industrial countries, higher interest rates and the weakening in non-oil commodity prices. It welcomed the efforts currently underway to coordinate the distribution of financial resources for those developing countries affected by the Middle East crisis. Members welcomed the recent suggestions made by the managements of the Bank and the Fund on the response of their respective institutions. They recommended that the Boards of Executive Directors at the Bank and the Fund commence, on an expedited basis, a comprehensive review of measures that would enable them to respond promptly, flexibly and with expanded resources to the current situation. They agreed that experience shows that strong and rapid adjustment measures by affected countries are essential for maintaining internal and external balances. They also stressed that the impact of the Middle East crisis underlines the need to address development issues even more vigorously, including those considered at this meeting.
3. Noting the continuing severity of poverty problems in developing countries, the Committee agreed that the objective of a sizeable reduction in the incidence of poverty is the highest priority for the

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<sup>1/</sup> Mr. Barber B. Conable, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Yves L. Fortin, Executive Secretary of the Development Committee, and Mr. S.M.H. Adeli, Chairman of the Group of Twenty-Four, participated in the meeting. Observers from Switzerland and a number of international and regional organizations also attended.

international development community. Members also agreed that a broad consensus is emerging on strategies to be pursued toward the achievement of this goal. They welcomed the contribution of the 1990 World Development Report and the work of the Bank and the Fund in support of this process.

4. The Committee agreed that governments of developing countries have the primary responsibility for achieving the objective of poverty reduction. Members stressed that this objective would be most effectively achieved through the adoption of national development strategies, including sound macroeconomic and structural policies, which:

- a) encourage sustainable growth that increases income earning opportunities for the poor; and
- b) develop the human resources of the poor, particularly through broad access to education, health and family planning services.

Members also stressed that the above strategies should be supplemented by social safety net programs, selectively targeted to those in need and consistent with growth-oriented adjustment and development policies. The Committee encouraged all parties concerned to discuss their poverty reduction approaches, programs and goals in the framework of their policy dialogue. Members also agreed that good governance and involvement of the poor in the design and execution of development projects and programs are key elements for the effectiveness of poverty reduction efforts.

5. The Committee emphasized that the poverty reduction efforts of developing countries should be supported and complemented by developed countries in a consistent manner, through increased official flows, as well as through sound macroeconomic, structural and open trade policies. Members agreed that aid donors and multilateral development agencies should examine their operational policies to ensure that their external assistance more fully supports the implementation of recipient countries' national development strategies aimed at lasting poverty reduction, thus improving the quality of aid. In this connection, members welcomed the commitment of the President of the World Bank to submit to the Bank's Board of Executive Directors, for its early consideration, proposals for fully translating the conclusions of the 1990 World Development Report into the Bank's operational practice.

6. The Committee reaffirmed its support for the strengthened debt strategy and welcomed the number of debt and debt service reduction packages already concluded, or in the course of negotiation, between debtor countries and commercial banks. Members expressed concern, however, about the slow pace of negotiations on commercial bank financing packages in some cases. They called on the Bank and the Fund to continue to provide support for debt and debt service reduction packages, with the necessary flexibility, under their established guidelines. The Committee emphasized the crucial importance for debtor countries to adopt

appropriate growth-oriented adjustment programs as a basis for debt and debt service reduction, thus creating the conditions favorable to domestic and foreign investment and the repatriation of flight capital. Members welcomed U.S. efforts to implement the "Enterprise for the Americas Initiative" designed to promote investment, growth and debt reduction in Latin America.

7. The Committee expressed its concern that the prospects for external viability with sustainable growth remain difficult for some of the severely indebted lower middle-income countries, largely indebted to bilateral official creditors, even if a significant strengthening of domestic policies is assumed. Members welcomed the recent consensus by Paris Club creditor countries to lengthen repayment periods and to permit debt/equity and other debt conversion in reschedulings. The review of additional options should take into account the need for debtor countries to benefit from increased new financial flows. The Committee welcomed the recent bilateral decisions by a number of creditor countries which would contribute to alleviating the burden of bilateral debt of some severely indebted lower middle-income countries. Members invited all creditor countries to consider taking further measures on a coordinated and case-by-case basis in favor of those countries implementing adjustment programs.

8. The Committee welcomed the debt relief that creditor countries have provided, in particular through concessional official debt rescheduling and official development assistance debt cancellation, to an increasing number of severely indebted low-income countries implementing Bank and Fund supported adjustment programs. Members also welcomed the utilization of International Development Association (IDA) reflows for the benefit of IDA-only countries with outstanding IBRD debt. They encouraged the early use of the resources of the Bank's facility, financed from the Bank's net income, to assist eligible IDA-only countries to reduce their debt to commercial banks. Members noted that even with these arrangements and continued adjustment efforts, many of these countries have uncertain prospects for an early return to external viability with sustained growth. The Committee welcomed the request made to the Paris Club in the Houston Declaration to review the implementation of the existing options that apply to the poorest countries and encouraged the concerned creditors to complete this review in a timely manner. The Committee called for early consideration, through the Paris Club, of the proposals made at this meeting by some creditor countries, such as France, the Netherlands and the United Kingdom, for further bilateral official debt relief to low-income countries implementing adjustment programs. It invited creditor countries to ensure that debt relief measures and official development assistance flows are designed on a case-by-case basis to assist a timely return to external viability with sustainable growth. Members also reiterated that their new commitments of assistance to the severely indebted low-income countries should be provided on highly concessional terms.

9. Members reiterated that it was also important to recognize the needs of a number of indebted countries which have not restructured their external debt obligations and which have been implementing sound macro-economic policies. The Committee urged that efforts be made to maintain adequate financial flows to these countries, including multilateral flows, to support adjustment, development and poverty reduction.

10. The Committee welcomed the increasing recognition in both developed and developing countries of the critical contribution of women to economic growth and development. Members agreed however that there was a need for a major effort and a strong commitment to concrete action to strengthen the economic role of women in development.

11. The Committee stressed that governments have the primary responsibility to promote women's economic potential within their own specific socio-cultural context. It encouraged them to design women in development policies and strategies in consultation with relevant groups. Members noted that enabling women to raise their own productivity and income is the best way to help them and thereby to contribute effectively to other national development objectives, including poverty reduction. They emphasized that the priorities are education, family planning and maternal health care, agricultural services, provision of credit facilities and access to labor markets. The Committee urged governments to remove constraints affecting women by adopting or revising legal codes and regulations, as may be required, in order to guarantee women equal rights including ownership and use of productive assets, and opportunities to take part in all sectors of the economy.

12. The Committee welcomed the initiatives taken so far to give women in development issues a higher priority. It encouraged governments and bilateral and multilateral development institutions to further integrate women in development objectives in their activities. While noting the encouraging progress made by the Bank, members urged it to increase further the resources it devotes to women in development activities and to strengthen its institutional capacity to integrate these issues more effectively into its country strategies, economic and sector work, policy dialogue and actual lending operations. The Bank's action plan in this area should include guidelines for monitoring implementation and evaluating its results. The Committee requested the Bank to prepare a progress report on its women in development activities for the 1991 fall meeting.

13. The Committee welcomed the World Summit for Children initiative that will focus international attention on the survival, protection and development of children. Noting the strong emphasis placed by the Bank on poverty reduction in its lending program and operations, members urged the Bank to play a central role in helping realize the objectives of this Summit, including through the further expansion of its programs in the areas of primary education and health care.

14. The Committee reviewed progress made in the implementation of the World Bank Group's private sector development action program in light of the need to promote growth, employment opportunities and poverty reduction. It welcomed the growing emphasis given to market systems and the role of private initiative by member countries in their development strategies. It noted the need to stimulate private foreign and domestic investment and the return of flight capital so as to encourage non-debt creating private flows in the 1990s. Members welcomed the progress made to date under the Bank Group's action program to support the promotion of an enabling environment for private sector development, public sector restructuring including privatization, and the acceleration of the pace of financial sector reforms. They noted with satisfaction the important role of the International Finance Corporation (IFC) in providing financing and advice for new investment and the work of IFC and the Multilateral Investment Guarantee Agency (MIGA) in supporting the continued growth in the flow of resources to the private sector in developing countries. The Committee also stressed the role that the Bank Group can play in reaching small urban and rural private sector enterprises and encouraged it to increase its efforts to assist the development of indigenous entrepreneurship and a locally based private sector.

15. The Committee reiterated its call on the Bank Group to give a very high priority to private sector development in its operations and continue to expand the scope of its activities in this area, including new approaches and instruments as may be needed, as well as to assist developing countries' efforts to implement long-term institutional, regulatory and legal reforms consistent with their socioeconomic situation. As the Bank Group implements and adapts its action program and strives to enhance further its catalytic impact, members emphasized the need to keep under review the roles, policies and lending programs of the Bank and its affiliates, the balance between their advisory and operational functions and the need for systematic coordination within the Bank Group. The Committee requested the Bank to prepare a report on these issues and its efforts to strengthen further its activities in support of private sector development for consideration by its Board of Executive Directors.

16. Members recognized the important catalytic role of IFC in promoting sound private sector development. They underscored the need for the Corporation to have adequate resources to meet the growing demand for its services in a regionally balanced and financially prudent manner during the 1990s. In this context, the Committee urged the IFC Board of Executive Directors to complete by the end of the year its review of the operational policies and adequacy of the capital of the Corporation, including the modalities of subscription and payment.

17. Taking note of the recent events, the Committee urged all IMF member countries to take the necessary actions to ensure that the Fund quota increase and the associated third amendment of the Articles become effective without delay.

18. The Committee welcomed the Bank's first Annual Report on the Environment which it had requested at its Berlin meeting in September 1988. Members stressed that this comprehensive report clearly shows that the Bank is moving forward on a growing number of Bank-related environmental issues while improving the flow of information on these issues. They reiterated the importance of integrating environmental concerns into the Bank's operations, particularly environmental impact assessments and environmental action plans. They emphasized the importance of new initiatives to provide greater protection for tropical forests and promote energy efficiency and conservation in developed and developing countries. Members asked the Bank to increase its cooperation with governments making efforts in these two areas and to include an assessment of progress achieved in its second Annual Report on the Environment. The Committee also welcomed the creation of an Interim Multilateral Fund in support of the Montreal Protocol on the elimination of chlorofluorocarbons. The Committee welcomed the progress made toward the establishment of a program, including a funding mechanism, to address global environmental problems and urged the donors and the Bank, working in collaboration with UNEP and UNDP, to complete their work before the next Development Committee meeting.

19. The Committee emphasized that current developments and their economic impact make the strengthening of the international trading system more necessary than ever. Members heard from the Director General of the GATT that multilateral trade negotiations under the Uruguay Round were in their final phase and that the time had come for participants in the Round to reach basic agreements across the board, and in particular in such areas as agriculture, textiles and clothing, and tropical products which are of particular importance to developing countries. They urged all countries to roll back protectionist measures and to refrain from introducing new ones. The Committee reiterated its call on all parties concerned to agree on a global package by December 1990 in a way that would foster trade liberalization on the basis of uniform multilateral rules. The Committee further noted that successful completion of the negotiations was essential in order to support the reform programs in progress in a number of countries.

20. Despite an encouraging trend in the flow of foreign direct investment and NGO grants, the Committee noted with concern that net resource flows, particularly to low-income Asian countries and the severely indebted middle-income countries, had declined in 1989. Members agreed on the need to continue to mobilize adequate financing in support of developing countries' reforms and development efforts. The Committee called on donor countries to indicate their levels of assistance to ensure the full financing of the second phase of the Special Program of Assistance for Sub-Saharan Africa. Members welcomed the outcome of the Maastricht Conference last July and the wide support expressed for measures which could stimulate external assistance for Sub-Saharan Africa's development efforts. They also welcomed the main conclusions of the Paris conference on the least developed countries.

21. The Committee agreed to focus at its Spring 1991 meeting on two aspects of the broad issue of transfer of resources to developing countries: first, the financial implications of development policies aimed at poverty reduction in the light of an issues paper to be prepared by the Bank in consultation with the Fund; and second, the role of foreign direct investment in development with the assistance of a joint Bank-Fund issues paper. The Committee will also discuss the impact of industrial countries' trade, agricultural and industrial policies on developing countries on the basis of the joint Bank/Fund full report requested at its May 8, 1990 meeting. In addition, Members requested a report on progress in the discussion of IFC's capital adequacy as well as a detailed progress report from the two institutions on the implementation of the debt strategy and its impact on the development prospects of all severely indebted countries.

22. Members expressed their deep appreciation for the dedicated services of its Chairman, the Honorable B.T.G. Chidzero, Senior Minister of Finance, Economic Planning and Development of Zimbabwe, over the last four years. They underlined the special contribution he has made to the strengthening of the Committee as it gears itself to meet the challenges of the 1990s and in particular, the dignity, distinction and judgment with which he had presided over the meetings of the Committee. They offered him their warmest good wishes for the future.

23. The Committee agreed to meet again in Washington, D.C. on April 30, 1991.