PRESS COMMUNIQUE

1. The Development Committee held its sixteenth meeting in Libreville, Gabon, on May 22, 1981, under the chairmanship of H.E. David Ibarra Muñoz, Secretary of Finance and Public Credit of Mexico, and with the participation of Mr. R.S. McNamara, President of the World Bank, Mr. J. de Larosiere, Managing Director of the International Monetary Fund, and Mr. Hans E. Kastoft, Executive Secretary. Observers from a number of international and regional organizations and Switzerland also attended the meeting.

2. The Committee noted with concern that the developing countries continue to face serious problems and that their medium-term prospects remain poor. A number of factors are of importance in this respect. These include:

- persistent international inflation;

- slow down in the expansion of world trade, growing protectionist tendencies, and a depressing outlook for exports of developing countries;

- sharp increases in the current account deficits of non-oil developing countries from $58 billion in 1979 to an estimated $80 billion in 1980 and a projected $97 billion in 1981;

- continuing slow growth of most industrial countries; the growth of real GDP in these countries had averaged 4 per cent in the 1976-79 period; it slowed down to only 1.5 per cent in 1980 and is expected to fall to less than 1 per cent in 1981.
3. The financing of these large deficits has required a substantial rise in external borrowing at higher cost and, consequently, the debt service burden for developing countries has increased perceptibly in recent years. There is little or no expectation that the large imbalances will be corrected quickly and, therefore, problems relating to external financing and debt are likely to persist. The plight of the low-income countries is particularly acute because these countries have limited recourse to international capital markets and depend heavily on official development assistance; the volume of this type of concessional assistance may not at present be expected to increase at a rate similar to the expansion in requirements. Concerted efforts are necessary to deal with this difficult situation.

4. In view of these circumstances, the Committee concentrated its attention on a few selected topics addressing the expanded capital needs of developing countries, and the role of the international financial institutions in meeting them.

5. The Committee recognized that in view of the magnitude of the financing needs of the developing countries, including those of China, it was of particular importance and urgency to provide the multilateral development institutions such as the World Bank and the regional banks with additional resources to assist developing countries in their development efforts, to help them restore acceptable levels of growth and to support their structural adjustment. The Committee therefore urged the Executive Board of the World Bank to continue its efforts to reach a consensus on the scale of World Bank activity appropriate to the circumstances of the early 1980s and to seek means of future financing of that activity, including study of a possible change in the gearing ratio.

6. Of special concern to the Committee was the delay by some countries in bringing into effect the Sixth Replenishment of the International Development Association (IDA), with the result that IDA ran out of new commitment authority in April this year. Any extended disruption in IDA operations will have serious repercussions on the poorest developing countries. In view of the gravity of the circumstances, the Committee stressed the need for member governments to restore IDA's commitment authority as a matter of great urgency. The Committee noted with appreciation those donors which agreed to make available advance payments to IDA-VI.

7. The Committee noted with satisfaction the reaffirmation of support for a general capital increase by all major donors. It also urged the Executive Directors to consider sympathetically the maximum lending program which can be sustained for FY82 taking into account the needs of the situation.
8. The Committee acknowledged that the world energy situation poses a serious problem of adjustment for producers and consumers. In particular, the oil-importing developing countries face an acute and growing external financing problem and need to reduce their dependence on imported oil. This will involve expanding exploration for and development of domestic oil and gas resources, increased development of coal, major expansion of renewable resources, maximum utilization of hydro-power capacity and conservation.

9. The Committee expressed its support for the Bank's initiative to expand its lending operations in the energy sector. They urged that in the light of the pressing need to reduce the strains on the balance of payments of the oil-importing developing countries, the ongoing consultation process be completed expeditiously. They urged that Members examine ways to mobilize additional funds for energy development, both through existing mechanisms and through a possible new affiliate or facility. The Committee stressed the importance that these measures should reflect the global nature of the problem and the international community's interest in a general approach to energy, which encompasses conservation and the development of conventional and non-conventional sources of energy.

10. The Committee considered the status reports on the future lending of both concessional and ordinary capital resources of the African Development Bank, the Asian Development Bank and the Inter-American Development Bank currently under review within these institutions. Given the pressing need to strengthen the lending operations of the regional development banks, the Committee urged member governments to seek means of financing their activities arising from the changed circumstances of the 1980s.

11. In the context of the review of the flow of non-concessional resources, the Committee considered the Report on Selected Issues by the Task Force on Non-concessional Flows both timely and useful. In its report the Task Force limited its comments to the following issues: (1) cooperation between multilateral development institutions and commercial lenders; (2) external indebtedness of developing countries; and (3) increases in lending capacity of the multilateral development institutions.

12. Based on the Task Force report, the Committee considered that a degree of additionality in non-concessional flows could be achieved by actions on the part of multilateral development institutions to help broaden the range of financial instruments and improve the attractiveness of lending to developing countries. In this regard, the
Committee endorsed the Task Force recommendation to invite the multilateral development institutions to discuss, as speedily as possible, these proposals with banks and other financial institutions in major financial centers. These discussions would include: (1) the improvement of co-financing arrangements between multilateral development institutions and commercial lenders; (2) the sale of portfolio and loan participations by multilateral development institutions; (3) the use of guarantees by multilateral development institutions; and (4) the issue and placement of pass-through loan certificates by multilateral development institutions.

13. The Committee also noted and endorsed the Task Force report on the external indebtedness of developing countries which emphasizes that developments regarding external debt must be viewed in the broader context of the world economic situation. It notes that debt problems are due to many factors and believes that both short and long-term aspects of the debt question must be kept under constant review. The Committee stressed the importance of sound debt management in order to avoid debt servicing problems and thus help sustain large inflows of capital necessary for the economic development of developing countries. The Committee noted that debt indicators, taken on their own, are not a substitute for comprehensive reviews of the economic situation and prospects of the countries involved.

14. The Committee expressed concern over the impact of inflation and high interest rates on external debt and encouraged further study of this subject. The Committee recognized the importance of the existing international framework for the rescheduling of official debt which must be viewed as part of a comprehensive effort to assist the requesting debtor country to implement necessary adjustment policies and to restore flows. The IMF, the World Bank and the regional development banks might be able to provide good offices in facilitating private debt rescheduling when requested.

15. Regarding ways of increasing the flow of funds to developing countries from the multilateral development institutions, the Committee urged the Task Force to examine various proposals under consideration and supported the request of the Task Force asking the World Bank for the elaboration of a paper examining these proposals.

16. The Committee expressed its appreciation to those members of the private international financial community who have actively participated and supported the work of the Task Force on Non-concessional Flows.

17. The Committee discussed the critically important issue of concessional assistance and decided, in principle, to establish a Task Force to carry forward and widen the continuing study of the problems affecting the volume and quality and effective use of concessional flows, both in the shorter and longer term. The Committee urged that consultations with respect to composition and terms of reference be initiated so as to enable the Task Force to undertake its work at the earliest opportunity.
18. The deteriorating prospects for growth in sub-Saharan Africa have been a matter of serious concern to the international community. The Committee was pleased to learn from the President of the World Bank that the formulation of an action program was well under way and looked forward to discussing the program of action at its September 1981 meeting.

19. The Members reiterated their interest in a relationship between the Committee and United Nations global negotiations on the North/South issues. The Committee reaffirmed its desire to play a very active role in regard to matters pertaining to its competence.

20. The Committee decided that its future work program should evolve around matters now before it, and on work which is in progress in the Bank, the Fund and Task Forces. In particular, the work includes a regular review of the flow of resources to the developing countries, and the financial needs of these countries, keeping under review the specific recommendations of the G-24 Program of Immediate Action and the Brandt Commission with respect to measures to enhance the flow of resources to developing countries, endorsed the recommendation included in the Interim Committee press communiqué regarding the SDR link.

21. The Committee paid a special tribute to Mr. Robert S. McNamara in recognition of his long and distinguished tenure as President of the World Bank. It expressed its deep appreciation for his devoted and outstanding services to the cause of economic development, especially for his deep and abiding concern for the poorest of the world community, and wished him the very best in his future endeavors.

22. The Committee expressed its special appreciation to the Government of Gabon for its warm hospitality and for the excellent arrangements provided for the meeting.

23. The Committee agreed to hold its next meeting in Washington, D.C., on September 27 in the afternoon and September 28, 1981, and was pleased to accept the invitation of the Government of Finland to hold its Spring 1982 meeting in Helsinki.