PRESS COMMUNIQUE

1. The twenty-third meeting of the Development Committee was held in Washington, D.C. on April 13, 1984 under the chairmanship of His Excellency Ghulam Ishaq Khan, Minister of Finance, Commerce and Economic Coordination of Pakistan. Mr. A.W. Clausen, President of the World Bank, Mr. J. de Larosière, Managing Director of the International Monetary Fund, and Mr. Hans E. Kastoft, Executive Secretary, participated in the meeting. Representatives from a number of international and regional organizations and Switzerland also attended.

2. The Committee discussed the status of IDA and the linkages between trade and development against the background of the world economic outlook as projected in the Fund document and the report by the President of the World Bank. It was noted that while the world economic situation is more promising than a year ago, the achievement of sustained growth and its extension to developing countries require improved policy performance by both the developed and developing countries, an increase of private and official capital flows, and improved trade prospects.

3. Ministers recalled that at their last meeting most Members had agreed on a Selective Capital Increase (SCI) for the World Bank of about $8 billion. In the process of negotiating the SCI, agreement was reached on the relative contributions of major donors to IDA 7. The Committee noted the agreement reached among most of the major shareholders on share ranking in the IBRD which had facilitated the agreement on the IDA 7 Replenishment. While concern was expressed by members that action on IDA 7 and the SCI had not yet been taken, they were encouraged by the willingness of major shareholders to work toward resolving as quickly as possible the outstanding issues. Ministers urged that shareholders exert maximum effort to obtain the necessary approvals so that the implementing resolutions for the Seventh Replenishment and the Selective Capital Increase could be considered by the Executive Boards and approved by the Governors in time to permit the legislative action needed if IDA 7 is to become effective on July 1, 1984.
4. All donors but one expressed concern at the implications of a $9 billion replenishment, an amount well below the $12 billion level supported by most. All members except one pointed to the inadequacy of the $9 billion replenishment, which represents a sharp decline in real terms in relation to IDA 6. Most members asked for accelerated action by IDA management and donors to mobilize up to $3 billion in a Supplementary Funding Arrangement to be available by July 1, 1984. All donors were urged to participate in this fund on the basis of fair burden-sharing.

5. The Committee looks forward at its next meeting to suggestions from World Bank management concerning the future role of the Bank and the implications for longer-term capital requirements, keeping in mind the need for a general capital increase. The Committee welcomed progress in the preparation of an expanded investment program for the International Finance Corporation (IFC) through a management proposal of a $750 million capital increase and called for early action by the IFC Executive Board.

6. In reviewing the world economic outlook, the Committee took note of the difficulties developing countries continued to experience despite recovery in many industrialized countries. The Committee welcomed the recovery of economic activity that is currently under way in industrial countries at a pace faster than was foreseen. It noted, however, that the effects of this recovery on employment had so far been limited outside the United States and Canada. The reductions in inflation rates which had been substantial in many countries were welcomed. The Committee expressed great concern, however, at the possible consequences of recent increases of key interest rates rising from an already high level. In reviewing economic conditions in the developing countries, the Committee commented favorably on the fact that the rate of growth appears to be picking up in these countries on average, but regarded the continuing low level of that rate, especially in per capita terms, as a danger and a challenge to policy. It was a matter of regret that, in general, little improvement in inflation rates had yet taken place.

7. The Committee paid special attention to the critical situation faced by the Sub-Saharan African countries. The Committee expressed concern at the grim prospects for the region, reflected in a continued decline in per capita incomes for many African countries, a weakening in external payments positions, depressed commodity prices, a burdensome debt situation and against rapidly rising population growth, a crisis in food production, bordering on famine. These negative features had been exacerbated by continuing severe drought conditions which had now extended to southern Africa, creating human and economic problems of major proportions. It was agreed that increased concessional assistance was urgently needed from both bilateral and multilateral sources to address the immediate problem of food availability and its distribution and to support domestic policies aimed at improving Sub-Saharan Africa's long-term development prospects.
8. The Development Committee reiterated its earlier view that Africa should continue to receive high priority in the allocation of IDA resources. It was noted, however, that with a replenishment level of $9 billion, it would be difficult to provide adequate IDA resources to Sub-Saharan Africa, taking into account the needs of other low-income countries. The Committee welcomed an undertaking by the Bank/IDA management to prepare a program for Africa for the September 1984 meeting of the Development Committee to guide the Bank and the international community in helping Sub-Saharan Africa deal with its severe human, social and economic problems.

9. The Committee held an extensive discussion on the linkages between trade, finance and development, on the basis of background papers prepared by the Bank and Fund staffs. While the Committee noted with satisfaction that exports had begun to revive, it expressed serious concern regarding the continuing rise in protectionism which is making more difficult the orderly implementation of the adjustment process in all countries, developing and developed. Moreover, for some heavily indebted developing countries relying on the openness of markets, protectionism has aggravated their serious balance of payments problems, making it more difficult for them to service their debt in an orderly fashion. The increase in trade barriers is also retarding the much needed structural adjustment in both developed and developing countries. The Committee emphasized that expanded trade opportunities, including more remunerative prices for primary commodities, would provide a critical impetus to the extension of world economic recovery and contribute to restoring the long-term growth and development prospects of developing countries. Trade liberalization and improved domestic economic policies in all countries, together with enlarged flows of external finance to developing countries, are mutually reinforcing actions which would help accelerate growth momentum of developing countries.

10. The Committee invited all governments to step up their efforts to seek effective solutions to the current problems in international trade relations, bearing in mind the special needs of the developing countries. The Committee welcomed the indications of a growing interest among governments in launching a new round of multilateral trade negotiations under the aegis of the GATT, which should continue to play the central role in efforts to bring about a more open trading system. These negotiations should consider dismantling nontariff barriers and other measures affecting the trade of developing countries. The Committee considered that it could usefully supplement these efforts by playing a more active part in strengthening governments' resistance to protectionist pressures and encouraging trade liberalization. Accordingly, it invited Members to discuss in future meetings progress reached on improvements in trade opportunities, particularly for the developing countries. It also invited the Director-General of the GATT, at the Committee's future meetings, to present his appraisal of progress in measures to strengthen the multilateral trading system and to liberalize trade affecting developing
countries. The Committee urged the Bank and the Fund to continue their efforts to encourage an expanding and open world trading system. The Committee considered that, by keeping under review the linkages between trade and the promotion of development, it could provide continuing support to the work of the GATT and the UNCTAD, and thereby help ensure the coherence and consistency of actions in the international financial and trade fields.

11. The Committee expressed its satisfaction with the progress achieved so far by the international community in addressing the debt problem of developing countries. The Committee requested that the Fund and the Bank continue to examine the debt problem of developing countries.

12. The Committee also took note of a study on investment incentives and performance requirements undertaken by the World Bank on the recommendation of the Task Force on Private Foreign Investment. The study will facilitate a better understanding of the impact and choice of policies pertaining to international direct private investment.

13. The Committee appointed Mr. Fritz Fischer to succeed the present Executive Secretary, Mr. Kastoft, with effect from July 1, 1984, and placed on record its appreciation of the services rendered by him.

14. The Committee agreed to meet again on September 23, 1984 in Washington, D.C.