PRESS COMMUNIQUE

1. The Development Committee held its seventeenth meeting in Washington, D.C. on September 27-28, 1981, under the chairmanship a.i. of H.E. Manuel Ulloa Elias, Prime Minister and Minister of Economy, Finance and Commerce of Peru, and with the participation of Mr. J. de Larosière, Managing Director of the International Monetary Fund, Mr. A.W. Clausen, President of the World Bank, and Mr. Hans E. Kastoft, Executive Secretary. Representatives from a number of international and regional organizations and Switzerland also attended the meeting.

2. The Committee reviewed the world development situation and prospects on the basis of the "World Development Report 1981".

3. The Committee expressed its deep concern that most developing countries, especially the low-income countries, continue to face grave economic problems with poor medium-term prospects.

4. The Committee noted the disappointingly low levels of economic growth in many industrial countries which, together with high energy costs, inflation and high interest rates, have had a profound effect on the performance of the developing countries. They have had to contend with a difficult external economic environment. The experience of several developing countries reviewed in the World Development Report shows that even when external conditions are favorable, development is still difficult. The Committee therefore found that efforts by industrial nations to curb inflation and reduce unemployment, and restore their growth rates while at the same time intensifying the pursuit of liberal trade regimes should be encouraged. The Committee reiterated that in a world of interdependence there are important interconnections between the policies of individual countries and therefore a need to take into account the effects on other countries.
5. The Committee stressed the importance of efforts by all countries to pursue appropriate adjustment policies and encouraged developed countries, capital surplus oil-exporting countries, as well as advanced developing countries to support adjustment and development through technical and financial efforts. The Committee reiterated the need for measures to increase the flow of official development assistance to the oil-importing developing countries, especially the low-income countries, and noted the Ottawa Communiqué which acknowledged the decisive importance of the developing countries' own efforts and recorded the commitment of participating industrial countries to maintain substantial and, in many cases, growing levels of official development assistance and to seek to increase public understanding of its importance.

6. The Committee noted the importance of maintaining adequate flows of commercial and other financing to developing countries.

7. The Development Committee, recalling its support at the Gabon meeting for providing additional resources to the World Bank and for the restoration of the commitment authority of IDA, welcomed the recent agreement on interim procedures for the valuation of IBRD capital. This has cleared the way for payment of subscriptions to the $40 billion General Capital Increase. The Committee urged all countries to make subscriptions in accordance with the resolution on the General Capital Increase as early as possible. It furthermore reiterated the need for the IBRD/IDA to consider the maximum lending program which can be sustained for FY82 taking into account the needs of the situation.

8. The Committee also noted the coming into force of IDA-VI with the United States formal notification of its intention to participate with its full share of $3.24 billion. As IDA is an essential source of concessional assistance to the poorer developing countries, the Committee urged all contributors to resolve outstanding issues so that planned commitment levels can be maintained. The Committee further requested the World Bank to initiate preparatory discussions for the next IDA replenishment as soon as possible.

9. The Development Committee also reviewed the needs of the regional development banks in the changed circumstances of the 1980s and their plans for replenishment of the ordinary and concessional funds in this regard. It urged Member Governments to speedily seek means of financing the future capital requirements at an appropriate level besides completing commitments previously entered into. The Committee also suggested that the regional development banks dedicate more efforts to support regional integration.
10. The Committee's discussion of energy reflected the global nature of the problem and the international community's interest in a general approach to the subject encompassing conservation and the development of both conventional and non-conventional sources of energy. It reiterated the importance of energy investments in the developing countries and urged the World Bank and the regional development banks to continue to explore the best means to mobilize necessary public and private resources in order to expand their lending operations in this important sector. In this connection, the Committee welcomed the conclusions of the Nairobi Conference on Energy that there is a substantial and increasing demand for financing support and preinvestment activities for the development of new and renewable energy resources in the developing countries and welcomed the recommendation urging all interested parties to accelerate consideration of possible avenues that would increase energy financing, including those mechanisms being examined in the World Bank such as an energy affiliate, increased co-financing, guarantees and other means.

11. The Africa Study prepared by the World Bank at the request of the African Governors was the subject of great interest in the Development Committee. It noted with deep concern that in the preceding two decades output per person rose more slowly in Sub-Saharan Africa than in any other part of the world and growth prospects for the eighties were dismal since, except under optimistic assumptions, per capita incomes are projected to decline for this part of the continent which already accounts for two-thirds of the least developed countries. The potential for growth, however, exists and can be realized through increased flows of resources to the region, a substantial improvement in their world trading opportunities and through appropriate adjustments in domestic economic policies and in the efficiency with which resources are used. This will require increased attention and resources from the international community in forms suited to African development needs.

12. The Committee expressed its appreciation for the report and noted that it forms a good basis for a dialogue between the African Governments, the international donor community and the multilateral financial institutions. It urged the World Bank to take the lead in carrying forward this dialogue with a view to promoting joint action by African Governments, donors and international agencies with a view to accelerate growth and development through effective financial and technical assistance support, appropriate policy changes and expanded investment programs. Further, it requested that the World Bank expand its operations, technical advisory services and other support for member countries in Sub-Saharan Africa, bearing in mind the needs of other low-income countries.

13. The Committee, in its review of the follow-up action on outstanding development issues, reiterated its support for active consideration by both the Bank and the Fund of specific recommendations of both the G-24 Program of Immediate Action and the Brandt Commission
with respect to measures to enhance the flow of resources to developing countries. It noted that both the Fund and the Bank had considered, and in some cases implemented, the recommendations of the G-24 Program of Immediate Action and the Brandt Commission. The Committee encouraged the Fund and the Bank to continue to pay due regard to these recommendations including the suggestions made during the Gabon meeting such as the SDR link and other issues in the future development of their policies.

14. The Committee took note of the work of the Task Force on Non-concessional Flows which, with the support of the World Bank and the IMF, has continued analyzing proposals including more co-financing and other forms of cooperation with private financial institutions to increase the lending capacity of the multilateral development institutions, particularly the World Bank, the guidelines for a multilateral partial guarantee mechanism and recent developments and near-term prospects in international capital markets. The Committee is looking forward to the Task Force's final report which it expects to consider at its Helsinki meeting in the Spring of 1982.

15. The Committee urged that in pursuance of its decision at its Gabon meeting, consultations with respect to the composition and terms of reference of a task force on the important subject of concessional assistance be completed so as to enable the task force to start its work as soon as possible, and before the Helsinki meeting in the Spring of 1982.

16. The Committee noted with satisfaction that the Ottawa Summit communique indicates the readiness of the countries concerned to participate in preparations for a mutually acceptable process of global negotiations in circumstances offering the prospect of meaningful progress. It reiterated its desire that the Committee should play a very active role in regard to matters pertaining to its competence within that process.

17. The Committee noted the forthcoming Cancun Summit Meeting and expressed its hope that it may lead to constructive and positive results.

18. The Committee, after taking into account the views and recommendations of the Executive Boards of the Fund and the Bank, approved the report on the review of the performance of the Development Committee and its annual report. It authorized the Chairman to forward both these documents to the Boards of Governors.

19. The Committee noted that, in pursuance of its earlier decision on the report of the Task Force on Private Foreign Investment, the World Bank has now completed its plan to study the quantitative and qualitative impact of both foreign investment incentives and performance requirements on direct investment and trade patterns. In view of the potential and the role which private foreign direct investment can play in promoting
development in developing countries, the Committee encouraged the World Bank to complete the study for its consideration in due course.

20. The Committee agreed to hold its next meeting in Helsinki on May 13-14, 1982, in response to an invitation extended by the Government of Finland.