PRESS COMMUNIQUE

April 24, 1980

1. The Development Committee held its 13th meeting in Hamburg, Federal Republic of Germany on April 24, 1980 under the Chairmanship of Mr. Cesar E.A. Virata, Minister of Finance of the Philippines, and with the participation of Mr. J. de Larosiere, Managing Director of the International Monetary Fund, and Mr. Ernest Stern, Vice President, Operations, of the World Bank. Sir Richard King, Executive Secretary, took part in the meeting which was also attended by representatives from a number of international and regional organizations and Switzerland as observers.

2. The Committee considered papers submitted by the World Bank on lending for structural adjustment and on co-financing, and a progress report by the IMF on recent developments relating to IMF facilities. They also received preliminary reports from the Chairmen of the two Task Forces on Non-concessional Flows and on Private Foreign Investment. On the basis of a staff study by the Bank and the Fund, the Committee reviewed recent developments relating to the proposals of the Group of 24 for a Program of Immediate Action, which the Committee at its meeting in Belgrade had agreed to keep in view. The Committee had a preliminary discussion on the report of the Brandt Commission.

3. The Committee noted with concern that the general impact of the high level of world inflation, including the increase in energy and other prices, and the weakening of demand for LDC exports due to the slowdown of economic activity in the industrial countries, are leading to large current account deficits and placing an increasing burden of adjustment on many non-oil developing countries. Recent developments in international financial markets have made it more difficult and expensive for developing countries to secure appropriate long-term financing for their development programs. Their debt service burden could only be expected to grow further given the large dependence of the middle-income countries on non-concessional public and private financial flows. The Committee also noted that the present flows of concessional official development assistance were inadequate to meet the essential requirements of the poorer developing countries and unless urgent action is taken their condition will further deteriorate. The
Committee therefore emphasized the pressing need for an increase in ODA directed toward achieving the target of 0.7 per cent of GNP. It reaffirmed its intention to consider at its next meeting the issue of ODA flows, both present and prospective, on the basis of a staff paper. Against the background of a generally deteriorating international economic environment, the Committee re-emphasized its earlier call for a reduction of protectionist trade measures which adversely affect the exports of developing countries, and stressed the need to avoid restrictions on access to capital markets.

4. The Committee welcomed the initiative taken by the Bank to provide assistance through structural adjustment lending on appropriate terms and conditions for developing countries which face difficult medium-term prospects in their balance of payments. Members recognized the contribution that could be made through this type of non-project and program lending both to the rapid transfer of adequate resources and to the active pursuit of appropriate structural policies in the developing countries. Governments and the Bank were urged to give prompt attention to this subject, and Members agreed to review progress in this respect at their September meeting.

5. The Committee recognized that it was important to expand net private capital flows in the period ahead. It noted that while there had been substantial growth in recent years in co-financing by the Bank with official aid agencies, export credit institutions and private lenders, the volume was still insufficient compared with the needs. Noting that the Bank was already exploring several new approaches to attract funds for co-financing from a wider range of private sources, Members urged that efforts be continued to improve the effectiveness and the volume of these financial flows in ways that would meet the objectives of the borrowing countries.

6. The Committee welcomed the recent decision by the Executive Board of the Fund to increase the maximum repurchase period under the extended facility from eight to ten years, and to reduce the number and frequency of repurchase installments; the combined effect of these measures will increase the average life of a drawing outstanding under the extended facility by almost one-fifth. This action will spread the adjustment effort over a longer period and lessen the financial burden of using the extended facility. The Committee recognized that the Fund should continue to follow a flexible approach as regards the volume of drawings under the supplementary financing facility in cases where additional amounts are justified by the magnitude and nature of a member's need for financing. The Committee expressed the hope that at an early date measures would be taken to reduce the cost of using the supplementary facility and in this way ease access to the facility.

7. The Committee welcomed the steps being taken by both the Bank and the Fund to adapt and expand their activities to meet the needs of countries affected by the increasingly difficult economic situation. While recognizing that each institution has its own character and function which should remain distinct, they emphasized the importance of close collaboration between the two institutions.
8. The Committee welcomed the progress that had been made toward providing additional capital resources for the World Bank and the regional development banks, and the agreements reached on the replenishment of IDA under the Sixth Replenishment. However, Committee Members expressed concern that legislative difficulties now threatened a hiatus in the commitment authority of the multilateral development institutions, and urged that member governments take all necessary actions to ensure continuity in their operations. Action was particularly urgent in regard to IDA-VI, since resources available from IDA-V will be exhausted by June 30. Equally urgent are actions concerning the replenishment of the Inter-American Development Bank and the increase of the concessional funds of the Asian Development Bank. The Committee further noted that additional resources had been pledged to the OPEC Fund, and that aid commitments under the LOME II convention had been increased.

9. The Committee noted that at the time of its next meeting there would be available a final report of the Task Force on Private Foreign Investment, and a progress report of the Task Force on Non-concessional Flows. Members stressed the extreme importance of the review of private financial flows to determine what measures could be taken to facilitate additional flows on appropriate terms and to improve access of a wider range of developing countries to private capital markets.

10. The Committee welcomed the publication of the Brandt Commission Report and viewed its recommendations as a useful basis for consideration by the international community. The Committee noted that a number of the recommendations related to the Bank, the Fund, and the regional banks and that these institutions are currently examining these recommendations. They requested that specific papers should be prepared on those recommendations of the Commission's report that were of particular relevance to the Committee's work.

11. The Committee reviewed the current state of discussions relating to the Group of 24 Program of Immediate Action for International Monetary Reform. While recognizing that international agreement had been reached on some of these proposals and that some others were under discussion, they nevertheless stressed the importance of reaching early agreement on other items of a developmental character, an increase in the volume of official development assistance, completion of the processes for the Sixth Replenishment of the IDA and a significant increase in the amount of program lending.

12. The next meeting of the Committee will be held in Washington at the time of the Annual Meetings of the Governors of the Bank and Fund in September 1980.

13. The Committee expressed their warm appreciation to the Government of the Federal Republic of Germany for their hospitality and for the excellent arrangements provided for their meeting.