PRESS COMMUNIQUÉ

1. The Development Committee met in Washington on September 25, 1989 under the chairmanship of the Hon. B.T.G. Chidzero, Senior Minister of Finance, Economic Planning and Development of Zimbabwe. ¹

2. The Committee focused its discussion on three subjects: (a) the external economic environment and resource requirements of structural adjustment programs; (b) development prospects in severely indebted countries and the evolving debt strategy; and (c) World Bank support for the environment. Reports on the status of the negotiations for the Ninth Replenishment of IDA, trends in the transfer of resources to developing countries and current developments in international trade were also considered.

3. At April's Committee meeting it was agreed that the essential ingredients in the design and sustainability of successful structural adjustment programs were the strong political commitment by developing countries to sound policies, broad public support, the integration of poverty and environmental considerations, the strengthening of institutional capacity, adequate and timely financing and supportive external economic conditions. In reviewing the implications of the external economic environment for structural adjustment, members were of the view that while growth-oriented structural adjustment can yield positive

¹ 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. Lemboumba-Lepandou, Chairman of the Group of Twenty-Four, participated in the meeting. Observers from Switzerland and a number of international and regional organizations also attended.
results even under unfavorable external conditions, the pace, scale and sustainability of benefits would be adversely affected by an unsupportive external setting. Industrial countries should take seriously their responsibilities in respect of the impact which their policies have on developing countries. It was generally considered that the adoption by industrial countries of economic policies supportive of developing countries' adjustment efforts would also help improve their own economic performance. Moreover, it would assist the integration of developing countries into the world economy. Bearing in mind the Committee's conclusions and its ongoing interest in this question, the Bank and Fund were asked to keep under review the impact of industrial countries' trade, agricultural and industrial policies on developing countries as well as the results of adjustment programs that developing countries undertake.

4. In view of the uncertainty of external economic conditions, members agreed on the importance of contingency planning in the design of structural adjustment programs. In this connection, members emphasized the need for the Bank and Fund to continue to adapt their support to changing circumstances.

5. The Committee noted that experience had shown that inadequate resources and delays in their provision can impede the implementation of structural adjustment programs. Accordingly, the need for adequate and timely financing to support structural adjustment programs was emphasized. In this connection, members noted that there is an urgent need to increase savings rates in the world economy so as to enhance the availability of resources to developing countries.

6. The Committee underlined the need to strengthen the resources of the Bank and the Fund. It took note of the status of the negotiations for the Ninth Replenishment of IDA held by IDA Deputies in recent months. Members recognized the pressing needs of IDA recipient countries for concessional assistance as they address adjustment, development and poverty-reduction objectives. Accordingly, the Committee stressed the urgency of completing negotiations by the November meeting of IDA Deputies in Kyoto, and of achieving agreement on a substantial replenishment of IDA 9 commensurate with the pressing needs of IDA-eligible countries.

7. Members noted the importance of ensuring that the Fund is provided with adequate resources, and, in this connection, also noted that the Interim Committee had requested the Fund's Executive Board to pursue its work on the outstanding issues relating to the Ninth Review as a matter of highest priority, with a view to a decision by the Board of Governors on the completion of the Ninth Review before the end of this year.

8. The Committee stressed the importance of an open multilateral trading system in improving the external economic environment for structural adjustment programs. It noted the adverse effects of industrial and agricultural protectionism on the effective implementation of such pro-
grams. The Committee heard from the Director General of GATT that after having successfully concluded its mid-term review, the Uruguay Round had now entered its final and critical phase. The Committee called on both developed and developing countries to take the fullest advantage of the unique opportunity provided by the Round -- set for conclusion at the end of 1990 -- to strengthen and expand the multilateral trading system. Members emphasized the need to ensure that the emergence of regional trading arrangements did not adversely affect developing countries' market access and the multilateral trading system. The Bank and Fund were requested to keep under study, in close consultation with the GATT, the possible implications of regional trading arrangements for developing countries' economic prospects for consideration at a future meeting.

9. The Committee reviewed the debt strategy and its impact on development prospects for all severely indebted countries. It reaffirmed its support for the strengthened debt strategy endorsed at its April meeting, based on a cooperative framework between the debtor countries, the commercial banks and official creditors. The Committee commended the prompt response of the Fund and the Bank in developing operational guidelines for support of voluntary commercial bank debt and debt-service reduction. It stressed that the implementation of officially supported debt and debt-service reduction should not divert Bank and Fund financial support from good performing countries. It expressed its appreciation of the substantial financial support of the Japanese Government of adjustment programs by debtor countries and encouraged other countries in a position to do so to take similar action. It reemphasized the importance of special efforts by debtor countries to attract new investment, to promote the repatriation of flight capital, and to implement appropriate debt equity swap programs. Furthermore, it underscored the need for a flexible case-by-case approach to realistic commercial bank financing packages including both debt and debt-service reduction and new financing as appropriate. It welcomed the progress made in several cases in implementing the strengthened debt strategy and noted that a number of countries were currently undertaking negotiations with banks. They encouraged other debtor countries to develop strong economic reform programs in cooperation with the two institutions. Such programs could provide the basis for World Bank/IMF support for debt and debt-service reduction within the established Bank/Fund guidelines.

10. In discussing the problems of the severely indebted low-income countries, the Committee welcomed the recent recommendation by the World Bank Board to its Governors to support commercial debt reduction in eligible IDA-only countries by setting aside $100 million from IBRD's net income for this purpose. The Committee welcomed the measures taken in the past by many donors and the announcements made more recently by others to forgive official development assistance debt owed by low-income countries in sub-Saharan Africa. Despite efforts made to assist the debt-distressed low-income countries in sub-Saharan Africa, their debt and external financing problems remain pressing. The Committee requested the institutions to evaluate at an appropriate time the impact of the various debt-relief measures taken so far in favor of the severely
indebted low-income countries. As the benefits of concessional re-scheduling within the framework agreed by the Paris Club in 1988 have so far been extended to thirteen countries, the Committee suggested continued implementation of such concessional terms to debt-distressed low-income countries undertaking adjustment programs.

11. Members also recalled the concern expressed last April that the development needs of lower middle-income countries whose debts are mainly to official creditors should be given special attention.

12. Members agreed that it was also important to recognize the needs of a number of countries which have so far avoided debt/debt-service difficulties. The Committee urged that efforts be made to maintain an orderly and adequate flow of finance to these countries to support adjustment, development and poverty reduction. In this connection, it welcomed the decision by the World Bank Board to enlarge the Bank's co-financing operations to help these countries maintain and expand access to financial markets.

13. The Committee welcomed the World Bank's report on its efforts to support the environment. Members commended the Bank on the progress made in integrating environmental issues into Bank activities including the preparation and release to the Executive Directors of environmental impact assessment guidelines thus providing an opportunity for interested parties to comment. They also noted with satisfaction the steps taken to increase public awareness of Bank activities in the environmental field. Members emphasized the need for continuing and even intensifying these efforts. The Bank was encouraged to increase public access to environmental information on projects and programs.

14. While it was recognized that the bulk of environmental pollution so far stemmed from the industrial countries, it was agreed that a cooperative effort was required by both the developed and the developing countries in addressing this critical problem. All countries were urged to take measures to penalize polluters and to check the flow of exports and imports of environmentally damaging materials. Members took special note of the importance of global climate change issues. They welcomed the Bank's increasing emphasis on energy conservation and efficiency programs and on conversion to less environmentally damaging fuels. The Bank was encouraged to assist in the introduction of alternatives to chloro-fluro carbons. They commended the Bank's efforts in increasing its work in conservation and sustainable development of forestry resources and, more generally, for the promotion of environmental action plans. They also encouraged the Bank to assist countries in the development of such arrangements as debt-for-nature swaps. Members called on the Bank to continue to expand the scope of its activities in these areas.

15. The Committee noted that the integration of environmental considerations into development projects could result in increased costs as well as benefits and could require technological transfers to the developing countries. They recognized that additional external financial and tech-
nical support on appropriate terms could help meet these costs and requirements. Donor governments and multilateral development institutions were requested to consider ways by which they could provide assistance and, in this connection, the Committee requested the Bank to prepare a study of the mechanisms and financial requirements that may be needed to address the environmental challenges of the developing world.

16. The Committee stressed the importance of the links between poverty, population growth and environmental degradation and expressed concern at the impact of world population pressures on physical and human infrastructure, as well as urban and rural environments. It recognized that excessive population growth reinforces the problems of poverty and environment and called on governments to increase their efforts in the field of population and on the multilateral development institutions and bilateral agencies to intensify their support.

17. The Committee reaffirmed the importance attached to the reduction of poverty in developing countries and encouraged greater efforts by the Bank for poverty reduction. It reiterated the agreement reached at a September 1988 meeting that the Committee should periodically review progress made by the international community in addressing poverty issues. The Bank was requested to prepare a report to serve as a basis for such a discussion at a future meeting.

18. In reviewing the trends in the transfer of resources to the developing countries, the Committee noted that, while net flows in real terms remained well below the levels of the early 1980s, the sharp annual decline was arrested in 1988. The Committee welcomed the efforts of the international community in increasing flows of official development assistance in 1988. It recognized, however, that more needed to be done by all countries to support the objectives of growth and poverty reduction. It called on donor countries, particularly those with assistance levels below the 0.7 percent ODA/GDP target, to make further efforts for securing financial flows to the developing countries. On the basis of the reform programs under way and the current economic performance in particular in sub-Saharan Africa, the Committee also considered that these high priority programs should continue to be supported. The Committee called for sustained efforts on the part of developing and developed countries to stimulate the flow of private direct investment and the repatriation of capital. The Committee encouraged the creation of an economic climate conducive to foreign and domestic investment. Countries which have not done so were encouraged to consider joining MIGA.

19. The Committee reviewed the priorities for its forthcoming meetings. It confirmed its undertaking last April to have a discussion in the Spring of 1990 on enhancing the contribution of the private sector to development including the promotion of foreign private investment, and the support that the Bank and Fund can provide for this purpose. It was also agreed to continue next Spring the review of the debt strategy and its impact on the development prospects for all severely indebted countries. The long-term perspective for sub-Saharan Africa would also
be discussed at that time. The Committee called on the Bank and the Fund to prepare documentation on these subjects, as appropriate. They also requested the Bank to prepare a progress report for the next meeting on environmental issues. In connection with the Committee's undertaking to consider the economic role of women in development at a future meeting, it was agreed to give full consideration to this subject in the Fall of 1990.