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DEVELOPMENT COMMITTEE

JOINT MINISTERIAL COMMITTEE
OF THE
BoARDS OF GOVERNORS OF THE BANK AND THE FUND
ON THE
TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES

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September 26, 1983

PRESS COMMUNIQUE

1. The Development Committee held its twenty-second meeting in Washington, D.C., on September 26, 1983, 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 Larosiere, 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 the meeting.

2. The Committee's discussions took place against the background provided by the World Development Report 1983 of the World Bank and the World Economic Outlook of the IMF. A Report by the President of the World Bank highlights some specific development issues. The Committee took note of the discussion in the Interim Committee on the global economic situation and agreed that though economic recovery had begun in the United States and appeared to be getting under way in a number of other industrialized countries, the situation facing developing countries remained difficult and that external financial difficulties had required significant restraint on domestic demand in these countries. Particular concern was expressed at the prospect that economic growth in the developing countries in general in 1983 was once again expected to be lower than the rate of population increase.

3. The challenge in the period ahead is how recovery can be sustained, strengthened and extended in a non-inflationary environment. The recovery in the industrialized countries is a necessary but not a sufficient condition for restoring growth momentum in the developing world. In that context, the subject of capital flows to the developing
countries, both non-concessional and concessional, and both public and private, was discussed. In particular, Members agreed on the need, in accordance with past policy and practice, to take early action on a selective capital increase for the World Bank following and in line with the Eighth General Review of Quotas in the Fund. A range of $3 billion to $20 billion was discussed. Most Members agreed to a selective capital increase of about $8 billion and requested that Executive Directors work out the specifics with the aim of submission to the Board of Governors by the end of this calendar year.

4. The Committee also welcomed the intention of the World Bank management to prepare proposals concerning the future role of the Bank and the implications for longer term capital requirements, including the need for a general capital increase. These subjects will be considered by the Bank's Executive Board in the months ahead. The Committee invited the Executive Board to report on these discussions to the Development Committee meeting in September 1984.

5. The needs of low-income developing countries, dependent on official development assistance (ODA) were discussed, including the status of the negotiations of IDA 7. No progress was made in the recent negotiations on IDA 7 which were held on September 24, 1983. This was regrettable since the urgency of concluding IDA 7 negotiations by the end of this year was unanimously accepted. Ministers recognized that the size of IDA 7 should be agreed at a realistic level which recognizes the needs of an expanded IDA recipient community faced with an extremely serious economic predicament and the budgetary constraints of donor countries.

6. The difficult economic circumstances and prospects of Sub-Saharan Africa were considered based on a review of recent World Bank reports. It was noted that a number of countries in this region had adjustment programs under way. Considering the severe decline in the income per capita experienced by these countries, and in order to help sustain and extend the process of domestic economic policy reform, Ministers agreed on the priority attached to an increase of the share these countries receive in external assistance on concessional terms. The Committee urged the World Bank to continue to give particular attention to the problems of Sub-Saharan Africa.

7. The Committee agreed on the importance of encouraging direct private investment, especially in the poorer countries, and noted the intention of the Bank management to propose expanding the investment program of the International Finance Corporation (IFC) during FY84-88 with a capital increase of $750 million. This would expand capital flows from the World Bank Group to the private sector in the developing countries. The proposal will be considered by the Executive Directors in the next several months.
8. The Committee reviewed a progress report on energy development and the role of the World Bank in helping mobilize additional funds for this purpose. The Committee took note of the growing need for these additional funds by developing countries for energy development.

9. The Committee also considered brief progress reports from the Bank and the Fund on the subject of trade and promotion of development, first taken up at its last meeting in April 1983. The Committee agreed to discuss this subject further at its next meeting. In the meantime the Committee urged all trading nations to reduce their reliance on protectionism.

10. The draft of the Annual Report on the work of the Committee during the year July 1982 to June 1983 was approved by the Committee for submission to the Boards of Governors.

11. An oral progress report from the Chairman of the Task Force on Concessional Flows set up in 1982 by the Committee to study problems affecting the volume, quality and effective use of concessional flows was also received.

12. The Committee agreed to meet again in the Spring of 1984.