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IMF/IBRD ANNUAL MEETING: DEVELOPMENT COMMITTEE.

FOLLOWING IS PRESS COMMUNIQUE.

BEGINS:

1. THE DEVELOPMENT COMMITTEE HELD ITS TWENTYSEVENTH MEETING IN SEOUL, KOREA, ON OCTOBER 7, 1985 UNDER THE CHAIRMANSHIP OF HIS EXCELLENCY GHULAM ISHAQ KHAN. MR. A.W. CLAUSEN, PRESIDENT OF THE WORLD BANK, MR. J. DE LAROSIERE, MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND, AND MR. FRITZ FISCHER, EXECUTIVE SECRETARY OF THE DEVELOPMENT COMMITTEE, PARTICIPATED IN THE MEETING. OBSERVERS FROM A NUMBER OF INTERNATIONAL ORGANISATIONS AND SWITZERLAND ALSO ATTENDED.
2. THE COMMITTEE HEARD A REPORT FROM THE IMF MANAGING DIRECTOR ON THE INTERIM COMMITTEE DISCUSSIONS ON THE WORLD ECONOMIC OUTLOOK.
3. THE COMMITTEE CONTINUED A DISCUSSION BEGUN IN APRIL CONCERNING THE IBRD'S LENDING PROSPECTS AND IMPLICATIONS FOR ITS FINANCIAL REQUIREMENTS. THE COMMITTEE EXPRESSED SUPPORT FOR AN EXPANDED ROLE FOR THE BANK IN HELPING DEVELOPING COUNTRIES IMPLEMENT POLICIES DESIGNED TO PROMOTE EFFICIENCY AND MOBILIZE DOMESTIC SAVINGS AS THEY CONTINUE TO ADJUST TO THE ADVERSE EXTERNAL ECONOMIC ENVIRONMENT. THE COMMITTEE CONCLUDED THAT ALL COUNTRIES NEED TO MOVE AS QUICKLY AS POSSIBLE TOWARD SUSTAINED ECONOMIC GROWTH. THE COMMITTEE FURTHER AGREED THAT MANY HEAVILY INDEBTED COUNTRIES HAVE MADE CONSIDERABLE PROGRESS IN THEIR ADJUSTMENT EFFORTS, BUT NOTED THAT SERIOUS DIFFICULTIES REMAIN. IN THIS CONTEXT, THE COMMITTEE STRESSED THAT SUSTAINED GROWTH IN INDUSTRIAL COUNTRIES, OPEN MARKETS, TOGETHER WITH GREATER STABILITY IN THE EXCHANGE MARKETS AND LOWER INTEREST RATES, ARE NECESSARY TO FURTHER ADVANCE PROSPECTS FOR GROWTH IN SUCH DEVELOPING COUNTRIES. MOREOVER, THE COMMITTEE AGREED THAT THERE WERE OTHER ELEMENTS WHICH ARE ESSENTIAL TO STRENGTHEN GROWTH PROSPECTS SEMICOLON COMPREHENSIVE STRUCTURAL AND DEVELOPMENT POLICIES, PROVISION OF SUBSTANTIAL NET NEW RESOURCES BY COMMERCIAL BANKS, AND ENHANCED PARTICIPATION OF THE MULTILATERAL DEVELOPMENT BANKS AND THE IMF. THESE ELEMENTS MUST BE CLOSELY INTEGRATED, WITHIN A CONSISTENT FRAMEWORK, IF THE GOAL OF GROWTH IS TO BE ACHIEVED IN THESE COUNTRIES. THE COMMITTEE CONCLUDED THAT IN THIS SITUATION THE WORLD BANK HAS AN INCREASINGLY IMPORTANT ROLE TO PLAY IN RESTORING GROWTH AND REQUESTED THAT BANK MANAGEMENT PREPARE, FOR CONSIDERATION AT THE APRIL MEETING OF THE COMMITTEE, A REPORT FOCUSED ON HOW SUSTAINED GROWTH CAN BEST BE ACHIEVED IN THESE COUNTRIES.



4. THE COMMITTEE REVIEWED THE RESPONSE OF BANK MANAGEMENT TO ITS REQUEST FOR FIVE-YEAR PROJECTIONS OF BANK LENDING, I.E. A THREE-YEAR LENDING PROGRAMME (FY 86-88) OF U S DOLLARS 40-45 BILLION, RISING TO AN ANNUAL LEVEL IN FY 90 OF BETWEEN U S DOLLARS 16.5 AND U S DOLLARS 20 BILLION. THE COMMITTEE EXPRESSED ITS STRONG SUPPORT FOR A SUBSTANTIAL EXPANSION OF THE BANK'S LENDING PROGRAMME IN ORDER FOR IT TO RESPOND MORE EFFECTIVELY TO THE NEEDS OF ITS BORROWING MEMBERS AND TO STIMULATE THE FLOW OF CAPITAL FROM OTHER SOURCES.

5. THE COMMITTEE DISCUSSED THE IMPLICATIONS OF THE EXPANDED LENDING PROGRAMME PROPOSED BY MANAGEMENT FOR THE RESOURCES OF THE BANK. MINISTERS AGREED THAT THE BANK SHOULD BE PROVIDED WITH THE CAPACITY TO INCREASE ITS QUALITY LENDING AND THAT THE BANK SHOULD NOT BE CONSTRAINED BY LACK OF CAPITAL OR BORROWING AUTHORITY IN MEETING FUTURE DEMAND. THE COMMITTEE CALLED UPON MANAGEMENT TO BEGIN DISCUSSIONS WITH THE EXECUTIVE BOARD ON PROPOSALS THAT WOULD ENABLE THE BANK TO MEET ITS RESOURCE REQUIREMENTS OVER THE NEXT FIVE YEARS, INCLUDING THE POSSIBILITY OF A GENERAL CAPITAL INCREASE, AND TO REPORT ON PROGRESS AT THE NEXT MEETING OF THE DEVELOPMENT COMMITTEE.

6. THE REPORT OF THE TASK FORCE ON CONCESSIONAL FLOWS, COMPRISING REPRESENTATIVES FROM EIGHTEEN DEVELOPING AND INDUSTRIALISED COUNTRIES, WAS PRESENTED TO THE COMMITTEE BY ITS CHAIRMAN, PROFESSOR JOHN P. LEWIS. THE COMMITTEE EXPRESSED ITS APPRECIATION FOR THIS IMPORTANT REPORT AND UNDERLINED THE CONSENSUS REACHED IN IT ON AID EFFECTIVENESS, PUBLIC SUPPORT FOR AID, AND AID VOLUME. THE COMMITTEE RECALLED ITS AGREEMENT REACHED LAST APRIL THAT FOR THE LOW-INCOME COUNTRIES INCREASING ODA FLOWS DESERVES THE HIGHEST PRIORITY AND EXPRESSED ITS SUPPORT FOR THE TASK FORCE REPORT. IT URGED THAT THE REPORT AND ITS SUGGESTIONS SHOULD BE TAKEN INTO ACCOUNT BY ALL GOVERNMENTS CONCERNED. IT CALLED ON THE WORLD BANK TO TAKE THE LEAD IN FOLLOWING UP ON THE TASK FORCE'S CONCLUSIONS AND TO REPORT TO FUTURE DEVELOPMENT COMMITTEE MEETINGS ON PROGRESS ACHIEVED.

7. AGAINST THIS BACKGROUND WHICH EMPHASISED THE NEED FOR INCREASED AID FLOWS TO POOR COUNTRIES, THE COMMITTEE HEARD A REPORT ON THE MID-TERM REVIEW OF IDA-7 FROM THE CHAIRMAN OF THE IDA DEPUTIES, FOLLOWING THEIR MEETING ON OCTOBER 5, 1985. THE COMMITTEE URGED THAT A SUCCESSFUL AND ADEQUATE EIGHTH REPLENISHMENT OF IDA CAN BE ACHIEVED BY SEPTEMBER 1986 FOLLOWING THE TIMETABLE ESTABLISHED BY THE DEPUTIES.

8. THE COMMITTEE NOTED THE REPORT FROM THE IMF MANAGING DIRECTOR CONCERNING THE CONSTRUCTIVE DISCUSSIONS THAT HAD TAKEN PLACE IN THE INTERIM COMMITTEE ON THE USE OF IMF TRUST FUND REFLOWS. THE COMMITTEE WELCOMED THE INITIATIVES PROPOSED THAT WOULD CONCENTRATE THE USE OF THOSE RESOURCES IN LOW-INCOME COUNTRIES WITH PROTRACTED BALANCE OF PAYMENTS PROBLEMS IN SUPPORT OF PROGRAMMES TO PROMOTE STRUCTURAL ADJUSTMENT AND GROWTH IN A MEDIUM-TERM FRAMEWORK. IN THIS REGARD, THE COMMITTEE STRESSED THE IMPORTANCE OF CLOSER COLLABORATION BETWEEN THE FUND AND THE BANK WHILST AVOIDING CROSS-CONDITIONALITY.



9. THE COMMITTEE CONTINUED TO REVIEW THE ESPECIALLY DIFFICULT ECONOMIC SITUATION OF SUB-SAHARAN AFRICAN COUNTRIES. IT EXPRESSED ITS PLEASURE THAT THE BANK'S SPECIAL FACILITY FOR SUB-SAHARAN AFRICA HAD BECOME EFFECTIVE JULY 1, 1985 WITH OVER U S DOLLARS 1.2 BILLION IN ANTICIPATED CONTRIBUTIONS, AND NOTED WITH SATISFACTION THAT SEVERAL CREDITS HAD ALREADY BEEN MADE BY THE FACILITY IN ITS FIRST THREE MONTHS.

10. THE COMMITTEE NOTED WITH GREAT CONCERN THE INCREASING NUMBER OF COUNTRIES IN SUB-SAHARAN AFRICA WHICH FACE SEVERE DEBT, AND MORE GENERALLY, RESOURCE PROBLEMS. IT WELCOMED THE EMERGING CONSENSUS THAT THE USE OF THE IMF TRUST FUND REFLOWS WOULD CONTRIBUTE TOWARD THE SOLUTION OF THESE PROBLEMS. THE COMMITTEE ALSO AGREED THAT CONTINUED BROAD-BASED ADJUSTMENT EFFORTS, INCLUDING STRUCTURAL REFORMS, AS WELL AS ADDITIONAL CONCESSIONAL FLOWS, ARE NEEDED FOR THESE COUNTRIES TO RECOVER AND RESUME PER CAPITA INCOME GROWTH. IN THIS CONTEXT, THE COMMITTEE URGED THE WORLD BANK AND THE IMF TO IMPROVE THE COOPERATION IN DEVELOPING SOUND AND CONSISTENT ADVICE ON POLICIES DESIGNED TO REDUCE POVERTY AND PROMOTE GROWTH IN THESE COUNTRIES. THE COMMITTEE ALSO REQUESTED THAT WORLD BANK MANAGEMENT PREPARE A STUDY FOCUSED ON THE RESOURCE PROBLEMS OF SUB-SAHARAN AFRICA FOR DISCUSSION AT THE NEXT COMMITTEE MEETING.

11. THE COMMITTEE WAS INFORMED BY THE GATT DIRECTOR-GENERAL OF THE LATEST DEVELOPMENTS ON INTERNATIONAL TRADE ISSUES. THE COMMITTEE REITERATED ITS CALL FOR ALL GOVERNMENTS TO RESIST PROTECTIONISM AND WELCOMED THE UNANIMOUS AGREEMENT RECORDED IN RECENT DISCUSSIONS IN THE GATT CONCERNING PREPARATIONS FOR THE PROPOSED ROUND OF MULTILATERAL TRADE NEGOTIATIONS. IT INVITED THE GATT DIRECTOR-GENERAL TO CONTINUE TO KEEP IT INFORMED ABOUT FURTHER DEVELOPMENTS.

12. THE MINISTERS NOTED THAT, PURSUANT TO THE CONSENSUS REACHED AT THE APRIL DEVELOPMENT COMMITTEE MEETING, THE EXECUTIVE DIRECTORS OF THE WORLD BANK HAD PREPARED THE DRAFT CONVENTION ESTABLISHING THE MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA) WITH A VIEW TO ENHANCING THE FLOW OF CAPITAL AND TECHNOLOGY FOR PRODUCTIVE PURPOSES TO DEVELOPING COUNTRIES. MOST MEMBERS OF THE COMMITTEE NOTED WITH SATISFACTION THAT THE CONVENTION HAD BEEN TRANSMITTED TO THE BANK'S BOARD OF GOVERNORS RECOMMENDING THAT IT NOW BE OPENED FOR SIGNATURE BY INTERESTED GOVERNMENTS. MOST MEMBERS OF THE COMMITTEE EXPRESSED THE HOPE THAT THE CONVENTION WOULD BE SIGNED AND RATIFIED BY INTERESTED MEMBERS IN THE NEAR FUTURE IN ORDER TO ENABLE THE AGENCY TO START OPERATIONS AS SOON AS POSSIBLE.

13. THE DEVELOPMENT COMMITTEE NOTED THAT A PRELIMINARY EXCHANGE OF VIEWS HAD TAKEN PLACE IN THE INTERIM COMMITTEE ON THE REPORTS ON THE INTERNATIONAL MONETARY SYSTEM PREPARED BY THE GROUP OF TEN AND THE GROUP OF TWENTYFOUR. IT WELCOMED THE COMMITMENT OF THE INTERIM COMMITTEE CHAIRMAN TO COMMUNICATE WITH THE CHAIRMAN OF THE DEVELOPMENT COMMITTEE WITH A VIEW TO SEEING TO WHAT EXTENT ARRANGEMENTS COULD BE MADE FOR COOPERATION ON MATTERS PERTAINING TO DEVELOPMENT.



14. MINISTERS EXTENDED THEIR DEEPEST SYMPATHY TO THE MEXICAN PEOPLE AND GOVERNMENT FOLLOWING THE TRAGIC EARTHQUAKE THAT HAS CAUSED SUCH GREAT HUMAN LOSS AND SUFFERING. THEY CALLED UPON THE INTERNATIONAL COMMUNITY TO GIVE ITS STRONG SUPPORT TO ALLEVIATING THE EFFECTS OF THE DISASTER.

15. THE COMMITTEE EXPRESSED ITS APPRECIATION TO THE GOVERNMENT AND THE PEOPLE OF THE REPUBLIC OF KOREA FOR THEIR WARM HOSPITALITY AND FOR THE EXCELLENT ARRANGEMENTS PROVIDED FOR ITS MEETING.

16. THE COMMITTEE AGREED TO MEET AGAIN ON APRIL 10-11, 1986 IN WASHINGTON, D C FOR AN EXTENDED SESSION.

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TEXT OF ECONOMIC SECRETARY'S INTERVENTION AND DELEGATION REPORT OF MEETING FOLLOW BY SEPARATE TELEGRAMS.

SPRECKLEY.

MONETARY  
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