

EB/CW/DC/83/3

Revision 1

CONFIDENTIAL

July 20, 1983

To: Members of the Committee of the Whole
on the Development Committee

From: The Acting Secretary

Subject: Development Committee - Agenda and Memorandum on
the Future of the Development Committee

Attached are the revised draft agenda for the September 26, 1983 meeting of the Development Committee and a memorandum on the future of the Development Committee.

These subjects will be scheduled for discussion after the Bank Committee of the Whole has completed its consideration. The meeting of the Bank Committee of the Whole is expected to take place prior to the informal recess of the IBRD Executive Directors which begins on Monday, August 8, 1983.

Att: (2)

Other Distribution:
Department Heads

DEVELOPMENT COMMITTEE

Agenda
for the Meeting in Washington, D.C.
September 26, 1983

Opening Statement by the Chairman

Statement by the Managing Director of the
International Monetary Fund

1. Report by the President of the World Bank on
Current Development Issues, in particular on:
 - (i) The World Bank Lending Program and Implications
for the Bank's Capital Requirements;
 - (ii) Capital Flows to Poor Countries including the
Status of IDA-6 and IDA-7
2. Progress Reports:
 - (i) Linkages between Trade and the Promotion
of Development
 - (ii) Sub-Saharan Africa
 - (iii) Lending for Energy
 - (iv) Task Force on Concessional Flows
3. Annual Report
4. Other Business

A memorandum on the Future of the Development Committee, prepared in response to the request by some Members at an informal meeting last April, will be presented and discussed at an informal closed session of Members.

The World Development Report 1983 and the World Economic Outlook will constitute background documents to the agenda.

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July 19, 1983

Future of the Development Committee

Memorandum by

The Chairman of the Development Committee,

The President of the World Bank and the Managing Director of the IMF

Introduction

1. At the last meeting of the Development Committee in April 1983 questions were raised by some Ministers at an informal meeting about the utility of the Committee as a forum and whether it should be continued. The parallel Resolutions of the Boards of Governors of the Bank and the Fund which established the Committee made provision for a review of the performance of the Committee at the end of two years from the effective date of the Resolutions. There have been two reviews, in 1978 and 1981. The conclusion of the most recent review was that the objective for which the Committee was established is still valid and the need for such a high-level political forum is probably greater now than when the Committee was established in 1974. This paper seeks to address questions of the utility of the Committee, its mandate, the form of the Committee, its procedures and work methods, and institutional arrangements.

The utility of the Committee

2. It is difficult to measure the Committee's work in concrete terms, since it is not a decision-making but an advisory body. The Committee provides a small, representative, and manageable forum where Finance and Development Ministers are able to address current world development problems. While the intangible benefits from regular exchanges of views among financial and economic leaders should not be underestimated, it is also possible to point to tangible accomplishments of the Committee.

These include, for example, the establishment of an intermediate lending facility of the Bank (Third Window) in 1975; the IMF Trust Fund to provide concessionary resources to meet balance of payments needs of the low-income countries; the introduction of structural adjustment lending by the World Bank; and the preparation of studies with positive results on the subjects of non-concessional flows, improving access of developing countries to private capital markets and the role and importance of private investments.

3. The conclusion to be drawn is that the continued existence of the Committee is worthwhile. What needs to be examined is whether its mandate, format, procedures or institutional arrangements need modification in order to enhance the effectiveness of the Committee.

The mandate and format of the Committee

4. The mandate of the Committee was kept deliberately wide to provide a focal point in the structure of international economic cooperation and to maintain an overview of the development process. The breadth of its mandate has however been referred to as an impediment to a sharply focused discussion of a few specific items on a continuing basis. The following options with respect to the mandate should be considered:

- (a) limit the mandate to matters within the competence of the World Bank--essentially a "Bank-only Committee" parallel to the Interim Committee of the Fund;
- (b) maintain the current status as a joint Bank/Fund Committee and continue the overview function and broad development scope of the mandate as at present, encompassing other multilateral and regional development institutions.

5. A Bank-only Committee is not desirable. Apart from the need to amend the parallel Resolutions creating the Development Committee, there are substantive reasons why the Committee should operate jointly with the Fund. These relate to the broad development aspects of topics dealt with by the Committee, such as external indebtedness, trade, the stabilization of export earnings, etc., which are dealt with by the Fund and, therefore, straddle both institutions. It seems that the broad overview mandate should be maintained and, within this mandate, there should be emphasis on the dual functions of the Committee as an information channel on critical World Bank matters and as a political consensus-forming body with respect to difficult issues on which discussion has been advanced sufficiently in the Executive Boards. There should be no inconsistency between these two objectives.

The procedures

6. Over the years, the role of the Executive Directors in relation to the Development Committee has been strengthened. The administrative arrangements adopted in 1979 placed responsibility on the so-called Troika and the Executive Boards of the Bank and Fund "to act as preparatory bodies for the work of the Development Committee including its agenda and work program" (see Annex). All previous performance reviews of the Committee have pointed to the need for greater focus of the agenda on selected items. This implies avoidance of agenda items of a very general nature such as the "world economic situation" which invariably lead to lengthy and diffused discussion without concrete results or, conversely, of such specificity of detail that they are not appropriate for general discussion at Ministerial level. The experience of the April meeting suggests that

agenda items should be limited to not more than two or three. Agenda items should be selected from subjects of critical importance where it is difficult to reach final agreements in the Board but where adequate preparatory work has been undertaken with the issues maturing to a point where there is a need for political discussion at the highest governmental levels. There should also be consistency on agenda topics, programmed over an extended period of say two years, since complex development issues may not be amenable to conclusive discussions in one meeting.

Annotated Agenda

7. The experience of the April meeting indicated that a review of the present process of preparing the Annotated Agenda is required. The disadvantage of the present system of the Annotated Agenda is that the discussions of the Committees of the Whole in the Boards of the Bank and the Fund could tend to be preemptive of the discussions in the Development Committee and not merely preparatory for this meeting. On the other hand, it would be counterproductive to make the Committee deliberate on issues on which there was wide difference of view within the Boards. An alternative approach would be to provide for the possibility, depending on the particular items to be discussed, of either having an Annotated Agenda or having reports submitted by the managements or the Executive Boards. In either case, the issues on which the guidance of the Committee is required should be brought out clearly.

Communiqué

8. There has been criticism about the time spent by Ministers in drafting the language of a communiqué. This criticism could be met by providing the option of having a factual Chairman's Summary in place of a communiqué

when that is considered appropriate in light either of the items on the agenda or the status of discussion.

Work methods

9. A variety of techniques have been used by the Committee to improve its work performance, such as Ministerial deputies, senior officials' meetings and working groups. The role of Ministerial deputies tended to overlap that of Executive Directors, and this approach has not been pursued. The "Ten Points" came out negatively against senior officials or working groups as part of the institutional framework. However, the "Ten Points" supported the use of task forces--with limited tasks and duration on specific issues with the approval of the Development Committee, e.g., the Task Forces on Non-concessional and Concessional Flows.

Meetings

10. Frequency of meetings. The Resolutions require that there should be at least one meeting a year. The practice has been to hold two meetings, one in the spring and one during the Annual Meetings in the fall. The suggestion has been made to restrict the meetings to once a year. This could be perceived, certainly in the developing world, as giving the wrong signals to the international community about the attention given to international development issues during the present crisis facing developing countries. As a result, two meetings a year are recommended.

11. Format of meetings. A number of suggestions have been made to change the present format of meetings. These come down to three possible options:

- (a) Continue the meetings in the present form as modified at the April meeting with arrangements for informal meals only

for members; in the absence of a Communiqué, these informal occasions would be used to discuss substantive issues.

(b) Extend the time for restricted informal meetings leaving the plenary sessions short, to be devoted to essentially the opening statements by the Chairman, the Managing Director of the Fund and the President of the Bank and a closing statement by the Chairman.

(c) Hold restricted plenary sessions limited to the member, an associate and two Executive Directors (Fund and Bank); such sessions should avoid set speeches.

12. Because of the problem of coordinating positions in multiple constituencies and the necessity for intra-governmental consultations between national agencies, it may be difficult to avoid set speeches; in that event, their length could be strictly limited as in some international organizations, with the fuller text being entered into the record. Accordingly, the limitation on time in the plenary session suggested in (b) might not be practical. Similarly, there could be problems in having restricted plenary sessions as suggested in option (c). The practical approach seems to be option (a) holding open the possibility of restricted sessions of the member, an advisor and Executive Directors, as an intermediate step.

Institutional arrangements

13. The Secretariat. Two future alternative approaches for undertaking the Secretariat functions of the Committee have been suggested:

- (a) a Secretariat (Executive Secretary) as at present, separate and independent of Bank and Fund;
- (b) a joint Bank/Fund Secretariat.

From the inception of the Committee the intention was that the Secretariat should be small in size and should rely on the staff work of the Bank and the Fund. The "Ten Points" agreed in 1979 reduced the Secretariat to a senior official as Executive Secretary whose position is provided for in the parallel Resolutions establishing the Committee. The arrangement introduced in 1979 was the creation of the so-called Troika of the Chairman of the Development Committee, the Managing Director of the Fund, and the President of the Bank being jointly responsible for organizing the work of the Development Committee assisted by the Executive Secretary. Under the "Ten Points", the substantive secretariat services required by the Development Committee have been provided by Bank/Fund staff.

14. Since the 1979 reorganization, the chief function of the Secretariat (Executive Secretary) has been to provide a bridge between the two Boards and the two managements of the Bank and Fund, and an independent relationship with the Chairman and other multilateral agencies that have observer status on this Committee. This relationship requires close coordination and understanding between the Executive Secretary and the two institutions. Alternatively, the Secretariat functions could be assigned to the regular staff of the Bank and the Fund. The conclusion is that the present arrangement should continue.

Summary

15. In summary, the following recommendations are made to members of the Committee:

- (i) The Development Committee should continue with its present mandate as a Bank/Fund Committee.

(ii) The present practice of the Annotated Agenda should be reviewed; an alternative approach should be considered, depending on the particular items to be discussed, of either having an Annotated Agenda or reports submitted by the managements or the Executive Boards; the reports should be reviewed by the Committees of the Whole of the Executive Boards before presentation to the Committee as in the case of the Annotated Agenda.

(iii) Communiqués should not be issued routinely; there should be an option of having a Chairman's Summary where considered appropriate.

(iv) Meetings should allow for informal discussions restricted to members (at lunch and/or dinner) and short statements in plenary sessions where members are supported by associates and advisors.

(v) The present Secretariat arrangement should continue.

The above proposals are jointly recommended by the Chairman of the Committee, the President of the Bank, and the Managing Director of the Fund.

16. In the light of the above, if the Executive Directors agree, it is suggested that the new approach with respect to the agenda be used experimentally in September. A draft agenda for consideration by the Committees of the Whole has been circulated separately. Whether this model would be used at future meetings would depend on the decision of Ministers.

Changes in Development Committee Procedures
(Transmitted in Chairman's Telex of January 23, 1979
to Members of the Development Committee)

1. The Development Committee would be continued as a joint Bank/Fund Committee with its present broad mandate to consider all matters relating to the transfer of real resources.
2. The Development Committee's main function would be that of a discussion forum, including its use as a "reserve forum" for the discussion of issues relating to the operations of the institutions when circumstances warrant it.
3. The Chairman of the Development Committee, the Managing Director of the Fund, and the President of the Bank would be jointly responsible for organizing the work of the Development Committee with a view to more effective performance.
4. The independence of the Development Committee would be reflected in the ability to present ideas freely to members of the Committee--the work of the Committee would not be bound by a narrow definition of the responsibilities of the Bank and the Fund.
5. The Boards of the Bank and the Fund would be used as preparatory bodies for the work of the Development Committee including its agenda and work program, as well as reviewing and sharpening issues in papers prepared for Committee consideration.
6. To assure that proposals and views expressed by the Executive Directors are fully reflected in the papers, agenda, and work program, when they meet on Development Committee matters, they will do so as Committees of the Whole of the Executive Boards.
7. Senior officials would not be part of the institutional framework. However, Ministerial Deputies could meet on an ad hoc basis, when appropriate to consider special issues. Since they would be Deputies to Ministers, the decision to convene them would be one for the Ministers.
8. The Secretariat would be reduced to a Senior Official who would serve as Executive Secretary. He would assist the Chairman, Managing Director, and President in ensuring the effectiveness of the Development Committee's work. The Secretariat service required by the Development Committee would be provided by Bank/Fund staff.
9. The working groups would be abolished. Task forces--with a specific limited task and duration--might be used for certain issues with approval of the Development Committee.
10. Studies and papers for the Committee would normally be prepared by regular Fund/Bank staff, but consultants or other agencies may be asked by the Committee to contribute work under certain circumstances.