

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

Committee of the Whole for the Development Committee

Meeting 90/2

3:00 p.m., January 17, 1990

M. Camdessus, Chairman

Executive Directors

Alternate Executive Directors

Dai Q.

S. Gurumurthi, Temporary
C. J. Jarvis, Temporary
G. C. Noonan

J. de Groot

M. E. Hansen, Temporary

W. K. Parmena, Temporary
S.-W. Kwon
F. O. Montórfano, Temporary
M. A. Fernández Ordóñez
C. Schioppa, Temporary
S. K. Fayyad, Temporary

M. Fogelholm
M. R. Chasimi

B. Goos

J. E. Ismael

J. R. N. Almeida, Temporary
J.-F. Cirelli

Mwakani Samba

M. Al-Jasser

G. A. Posthumus

K. Ichikawa, Temporary

J. W. Lang, Jr., Secretary

M. J. Miller, Assistant

Committee of the Whole for
the Development Committee
Meeting 90/2 - 1/17/90

- 2 -

Also Present

Development Committee: Y. L. Fortin, Executive Secretary; D. R. Clarke.
IBRD: C. I. Bradford, M. F. Carter, Policy, Research and External Affairs.
Exchange and Trade Relations Department: L. A. Whittome, Counsellor and
Director; T. Leddy, Deputy Director; M. Allen, J. P. Guzman, H. Hino,
G. R. Kincaid, J. M. Landell-Mills, K. M. Meesook, M. Shadman-Valavi,
P. J. P. Szymczak, P. M. Thomsen. Legal Department: T. M. C. Asser.
Secretary's Department: A. Tahari. Personal Assistant to the Managing
Director: H. G. O. Simpson. Advisors to Executive Directors:
F. E. R. Alfiler, K.-H. Kleine, M. J. Mojarrad. Assistants to Executive
Directors: B. A. Christiansen, L. Hubloue, P. Kapetanovic, J. K. Orleans-
Lindsay, D. Saha, J. C. Westerweel.

1. TENTATIVE PROVISIONAL AGENDA; OUTLINES FOR BACKGROUND PAPERS

The Executive Directors continued from the previous meeting (Committee of the Whole for the Development Committee Meeting 90/1, 1/17/90) their consideration of the tentative provisional agenda and outline of background papers for the May 8, 1990 meeting of the Development Committee (EB/CW/DC/89/10, 11/17/89) and a report on procedures and memorandum on a related matter from the Executive Secretary of the Committee (EB/CW/DC/89/11, 12/12/89).

The Executive Secretary of the Development Committee said that apparently a majority, although not all, Directors wished to maintain parallel procedures in handling Development Committee matters with the World Bank Executive Directors. The established rules of procedure clearly stated that the Executive Directors of the Bank and the Fund were to undertake the preparatory work for meetings of the Development Committee, including its agenda and work program, to review papers on issues that were to be presented to the Committee for its consideration, and to ensure that Executive Directors' proposals were fully reflected in the papers, agenda, and work program of the Development Committee. Directors' preference for discussing Development Committee matters in the Committee of the Whole was in keeping with the rules of procedure.

Executive Directors appeared to endorse the comments of Directors in the World Bank on the question of the policy orientation, or refinement of policy issues, in the documents that would be prepared for the Committee, except perhaps the paper on debt, the Executive Secretary went on. His understanding was that it had been generally agreed that, when the Ministers met, it would be preferable to have analytical papers that raised issues of moment, to ensure that the Ministers would address substantive issues of interest to them. That, in fact, had been a problem in the past, as the Committee discussions had turned out too often to be seminars. The papers that had been prepared for the meetings had not in the past given the Ministers an idea of what they should be focusing on specifically. He was glad to note that the idea of drafting succinct, analytical, and issue-oriented papers had been generally supported.

While there had been differences of view on the focus of the paper on debt, no speaker had recommended that the question of debt not be discussed by the Development Committee, the Executive Secretary said. The great challenge was how to resume growth in developing countries, having in mind the impact of debt on flows of resources and adjustment problems. The Chairmen of both the Interim Committee and the Development Committee had tried to tackle that question. Whenever a new initiative in the debt strategy was undertaken, the proponents of the debt strategy and the potential beneficiaries always insisted that it be reflected in the discussion in the Development Committee, because the more support for the new initiative, the better.

The question of consistency between the two Committees remained a fundamental one, the Executive Secretary noted. The Secretariat of the Development Committee had been working with the Interim Committee to ensure consistency; the exchange of draft communiqués prior to the meeting had been one vehicle to ensure it. The Development Committee and the Interim Committee could not afford to send different messages. The degree of cooperation between the Development and Interim Committees on other questions had been satisfactory in the past.

A number of useful suggestions for the Development Committee's work program had been made by Mr. de Groote, the Executive Secretary went on. He welcomed Mr. de Groote's wish to push the Development Committee in the direction of exploring more exciting topics. Nevertheless, the key problem was how to reach a consensus on any particular proposal for discussion. There were many interesting topics that could be taken up in the context of the Development Committee, but reaching a consensus on them was always difficult. In the final analysis, the topics for discussion had to be decided by the membership, in consultation with the Chairman.

The question of not only the type of topics, but the presentation of those topics to the Ministers, was an important one, the Executive Secretary pointed out. Exciting topics that were presented in an unappealing manner often led to uninteresting discussions. However, he hoped that documentation providing a clearer focus and more relevant analysis would lead to more interesting discussions.

As the Development Committee was a creation of the Board of Governors of both institutions, he had a responsibility to consult with both Bank and Fund Directors, the Executive Secretary said. A majority of the Committees' members--especially industrial country members--participated in both the Development and Interim Committees. If there were difficulties in reconciling the views of the Fund and Bank Directors, perhaps bilateral consultations between the Directors of both institutions would be appropriate. Consistency of views was advisable, as well as the avoidance, as much as possible, of overlapping discussions.

The Development Committee had been perceived as being weak, and the Secretariat was still searching for answers to some of the questions that had been raised in that connection, the Executive Secretary concluded. The key, however, was the Executive Board's commitment to the work and success of the Development Committee in reaching its objectives. The fact that important questions about the effectiveness of the Committee remained after a number of Executive Secretaries and Chairmen suggested that the problem went beyond that of personality.

Mr. Goos said that the Executive Secretary could usefully clarify how the issues concerning the need for possible reform of the debt strategy would be dealt with in the Development Committee.

The Executive Secretary stated that he was in the hands of the Committee members with regard to what would be discussed. The issue had to do with the division of labor between the Interim and Development Committees. He believed that the key issue for discussion in the Development Committee would be the impact of the debt strategy on the development prospects of developing countries. However, given the nature of the topic, a discussion on the impact of the strategy could easily become a discussion of the strategy itself. He was not sure how that outcome could be avoided. Moreover, the World Bank had now been given a key role in the process of debt reduction which was a central initiative that had been undertaken by the U.S. Secretary of the Treasury. The Development Committee provided a forum where the roles of both the Bank and the Fund could be discussed.

The Chairman stated that he would inform the Interim Committee that the Executive Board had done a good job in streamlining its procedures for preparing the papers and discussing the respective roles of the two Committees, and, in particular, in providing a better focus to the papers. A clear implication of that conclusion was that the more pointed the discussions were, the less likely it was that the discussions would be overlapping. When the issues for discussion were broad, some overlapping was understandable; if the issues and discussions were well focused the special competence of each Committee would be evident, and no problem with overlapping should emerge.

With respect to the agenda of the forthcoming Development Committee meeting, the Chairman continued, the focus should be not on the debt strategy, but on the strategy's impact on development prospects. He was certain that the Chairman of the Development Committee, in planning the debates, would convey that conclusion to the members of the Committee. The debt strategy--and the politics of changing it--would be in the purview of the Interim Committee. The impact of the debt strategy on development prospects would be in the purview of the Development Committee. Such a division of labor should produce constructive results and avoid overlapping of discussions at the two meetings.

The suggestions by the Executive Secretary for improvements in the documents and the distribution of responsibilities between the staffs of the Fund and the World Bank were welcome, the Chairman went on. He was certain that the Ministers would appreciate such improvements. They would be made aware of Mr. de Groote's suggestions on possible future issues for inclusion in the Committee's work program.

The Fund was in the first stages of helping the countries of Eastern Europe to adjust to a market economy, which was a formidable task, the Chairman remarked. While he agreed that East European issues might be included at some stage on the Development Committee's agenda, it was premature to have an in-depth discussion at present. More time was needed to draw lessons from the East European experience. He looked forward to the

general discussion the Fund's Executive Board expected to have on market-oriented reforms in centrally planned economies, and he was certain that the conclusions of the discussion would make an important contribution to the Development Committee's own deliberations of the issues.

The question of using the time of the Ministers most efficiently had been raised by a number of speakers, the Chairman recalled. In that connection, he intended to change his presentation to the Development Committee. It had been his practice to send a written statement in advance to Development Committee members in order to help them to focus on the key issues. He believed that it would be more constructive to shift the form of that statement in the future to a discussion of the external economic conditions that confronted developing countries, drawing from the latest world economic outlook exercise and the Board discussion of the papers involved. He had also traditionally made an oral presentation devoted to reading the Interim Committee's communiqué at the beginning of each Development Committee meeting. Since Ministers had an opportunity to read the communiqué before the start of each Development Committee meeting, in the future it might be more appropriate for him to speak more informally, focusing on those aspects of the Development Committee's agenda that the Fund's Executive Board had found most important, drawing on the Interim Committee's deliberations and the work of the Fund's Executive Board. He would in that way make a specific contribution on behalf of the Fund. He hoped that those changes would make the Development Committee's proceedings more interesting.

Mr. Fogelhom said that he agreed that it would be impossible to direct precisely the deliberations of the Development Committee. Nevertheless, the comments of members on the debt strategy might be more pointed if the title of the agenda item were "the impact of the debt strategy on the development prospects of developing countries," rather than "the debt strategy and its impact on the development prospects of developing countries." Also, in the future, an annotated agenda could be issued explaining what type of discussion would be expected for each agenda item.

Mr. Al-Jasser said that he welcomed the Chairman's intention to cover the external environment and its impact on development prospects in his opening remarks to the Development Committee. It was important that Development Committee discussions address the critical issues that were relevant to not only the developing countries, but also to the industrial countries.

Mr. Goos asked whether the changes the Managing Director intended to introduce in his written statement to members of the Committee, as well as in his opening oral remarks, had been aired with the Executive Directors in the World Bank. In his view, the World Bank Directors were in a better position to speak for their Ministers than the Directors in the Fund.

The Chairman confirmed that he had discussed those points informally with Bank Directors, who had encouraged him in the direction that he had described.

The Executive Secretary said that he greatly welcomed the support Directors had given to fix the focus more closely on the issues in the documentation. It would be helpful to have a paper that focused Ministers' attention on exactly those aspects of the debt question that would be properly discussed in the Development Committee. If a bland report were prepared without any focus, a free-for-all would develop once again, with the debt strategy itself being discussed quite openly.

He welcomed the changes that the Managing Director intended to introduce into his preparatory statement for Committee members, as well as in his opening remarks, the Executive Secretary went on. Those remarks would provide a good way to avoid overlap in discussions in the two Committees.

The amendment to the wording of the agenda item on the debt strategy suggested by Mr. Fogelholm would be inconsistent with the wording of the previous Development Committee communiqué, the Executive Secretary noted. Nevertheless, he would mention Mr. Fogelholm's suggestion to the Chairman of the Committee. An annotated agenda had been issued in the past, but had been dropped for various reasons. He hoped that the outline of the papers would provide the type of annotation that Mr. Fogelholm had in mind.

Mr. Jarvis asked why there had been separate papers on development prospects for sub-Saharan Africa, rather than a joint paper by both institutions.

The staff representative from the Exchange and Trade Relations Department said that there were two separate papers because the background work on the issue had already been completed by the Bank by September 1989, whereas the Fund staff had wished to draw on the paper on official balance of payments assistance, as well as the lessons drawn from the review of the Fund's experience with structural adjustment and enhanced structural adjustment programs in Africa, before preparing a paper for the Development Committee. The review was currently under way, in conjunction with the review of the structural adjustment and enhanced structural adjustment facilities. Because of the difference in timing, the staff had believed that it would be most practical to produce two separate papers. Nevertheless, the two papers would be transmitted to the members under a joint cover note, which would propose the issues for discussion by members. In that way, the desired consistency in the message that would be presented to the members would be ensured. The staffs of the Fund and the World Bank worked together closely in the preparation of all the background papers; the staff of each institution benefited from the expertise of the other. The objectives of a joint paper were therefore met, in the staff's view.

Committee of the Whole for
the Development Committee
Meeting 90/2 - 1/17/90

- 8 -

The Chairman remarked that one of the attractions of such a cover note would be its brevity, and the fact that it could act to help the Ministers to focus on the key items for consideration, in the same way an annotated agenda would. He was confident that the Executive Secretary would help in the formulation of such a pointed cover note.

The Executive Secretary said that he had always urged the institutions to present their papers to the members of the Committee under a cover note that described the key issues succinctly. In fact, that type of presentation had been quite effective in narrowing the focus of the discussion at the two previous meetings.

APPROVED: February 11, 1991