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October 15, 1998

To: **Members of the Executive Board**

From: **The Acting Secretary**

Subject: **Report on the 1998 Annual Meeting**

The Board of Governors held its 1998 Annual Meeting in Washington, D.C. from October 6-8. The Annual Meeting was preceded by meetings of the Interim and Development Committees.

The **Interim Committee** met on October 4, 1998, with Mr. Carlo Azeglio Ciampi, Minister of the Treasury of Italy, as Chairman. The press communique of the Interim Committee was circulated as Fund Press Release No. 98/47 (Attachment I). On October 6, 1998, the Board of Governors heard a report by Mr. Ciampi, which has been circulated as Joint Press Release No. 6. The Committee's next meeting is provisionally scheduled for April 27, 1999 in Washington, D.C..

The **Development Committee** met on October 5, 1998, with Mr. Tarrin Nimmanahaeminda, Minister of Finance of Thailand, as Chairman, and issued a press communique (Attachment II). On October 6, 1998, the Board of Governors heard a report by Mr. Nimmanahaeminda on the work of the Committee during the period July 1997-June 1998 in compliance with Section 5(I) of the Fund Board of Governors Resolution No. 29-9, adopted October 2, 1974; this report has been circulated as a Joint Annual Meetings document (Fund Document No. 5) and has been issued as Joint Press Release No. 7. The Committee's next meeting is provisionally scheduled for April 28, 1999 in Washington, D.C..

Board of Governors

The Board of Governors adopted the following Resolutions:

Resolution No. 53-5 -- Financial Statements, Report on Audit, and Administrative and Capital Budgets

Resolution No. 53-6 -- Amendments of the Rules and Regulations

The Board of Governors also decided on the following matters:

1. **Officers 1998/99**¹

Chairman	--	Nepal
Vice-Chairmen	--	Kenya and the Philippines

2. **Joint Procedures Committee 1998/99**

China	Latvia	Spain
Dominica	Mali	Sweden
France	Nepal	Turkey
Germany	New Zealand	United Kingdom
Ghana	Panama	United States
Japan	Peru	Uzbekistan
Kenya	Philippines	Venezuela
Kuwait	Saudi Arabia	Zimbabwe

The texts of the Resolutions, reports of the Joint Procedures Committee and the Development Committee, and speeches of the Governors will be published in the **Summary Proceedings** of the 1998 Annual Meeting. Excerpts from speeches by Governors at the 1998 Annual Meetings on matters of interest to the Fund will be circulated shortly.

Att: (2)

Other Distribution:
Department Heads

¹The Chairman and the Vice-Chairmen of the Board of Governors hold the same offices in the Joint Procedures Committee; the Governor for Dominica will be the Reporting Member of that Committee.


INTERNATIONAL MONETARY FUND

 EXTERNAL
RELATIONS
DEPARTMENT

Press Release No. 98/47
FOR IMMEDIATE RELEASE
October 4, 1998

International Monetary Fund
Washington, D.C. 20431 USA

**Communiqué of the Interim Committee
of the Board of Governors of the
International Monetary Fund**

1. The Interim Committee held its fifty-first meeting in Washington, D.C. on October 4, 1998 under the Chairmanship of Mr. Carlo Azeglio Ciampi, Minister of the Treasury of Italy. The Committee expressed its appreciation to the outgoing Chairman, Mr. Philippe Maystadt, former Deputy Prime Minister and Minister of Finance and Foreign Trade of Belgium, for his invaluable contribution to the Committee's work.

2. **Developments in the World Economy**

a. **Problems and Challenges in the World Economy and International Capital Markets**

The outlook for the world economy has worsened considerably since the Committee's April meeting, with a scaling down of prospects for growth of output and trade. Recessions in Japan and several Asian emerging market economies have deepened; Russia's financial crisis has contributed to a general retreat by investors from emerging markets; stock markets worldwide have declined significantly from their recent peaks; and commodity prices have weakened further. The downside risks to the current outlook have increased significantly. Many emerging market economies face a particularly difficult environment associated with reduced access to external financing and widening risk premia. These developments also pose difficulties for financial systems and an orderly process of economic adjustment and push back prospects for economic growth. Recent problems have been aggravated by a general weakening of market confidence, reflecting the greater prevalence and intensity of contagion in an increasingly globalized economy. These contagion effects were most evident in those countries with weak policies and inadequate institutions, but many countries with sound fundamentals have also not been spared.

The Committee also noted that there are some positive features that, if reinforced, can help carry forward the response to the crisis. First, there is continuing, generally solid, growth in the industrial countries of North America and Western Europe, amid low inflation and progress toward needed fiscal consolidation. Second, economic and monetary union in Europe, which is on the verge of being introduced, is already contributing to monetary stability. The Committee looks forward to a successful EMU, which contributes to growth and stability in the international monetary system. Third, there has been maintenance of growth in China and India, while progress

in some of the Asian crisis countries toward financial stabilization and strengthened external positions has allowed the recent cautious easing of macroeconomic policies. Fourth, there has also been a considerable strengthening in recent years of economic fundamentals and underlying growth performance in several developing and transition countries, which has served to contain the crisis and limit the resort to market restrictions. Fifth, protectionist pressures have so far been kept in check.

The Committee considered at length the challenges facing the world economy. It is its unanimous view that forceful action is required on the part of member countries over a broad range of policies with the overriding aim of restoring market confidence and growth where needed.

b. Policy Responses to Recent Crises

In view of the seriousness of the present global situation, the Committee deemed it crucial that a strong co-operative effort be pursued by all countries and institutions to support those countries that have been most adversely affected by the recent developments and which are implementing strong economic adjustment programs. To contain the crisis, confidence-restoring policy measures are needed to address domestic and external sources of vulnerability; in particular forceful and timely actions have to be taken in countries with deep-seated weaknesses.

The Committee reviewed and endorsed the overall strategy adopted by the international community in dealing with the Asian crisis. It noted that stability in the affected countries' currencies should, if maintained, allow for a further cautious easing of monetary policies. The Committee nonetheless remained concerned about the depth of the recession in many countries of Asia and its negative impact on the welfare of large sections of their population. It supported the scope provided for fiscal policy to alleviate pressures on the real economy and, in particular, to back countries' social safety nets, and to absorb the costs of bank restructuring. In order to secure the recovery of these economies, the Committee considered it essential that they continue to address forcefully the structural weaknesses in their financial and corporate sectors that lie at the heart of the recent loss of confidence, and to develop effective mechanisms to facilitate debt workouts.

Regarding Russia's financial crisis, the Committee encouraged the new government to take immediate measures to re-establish confidence in the ruble, restore the payments mechanism, and work with its creditors to develop a cooperative solution to Russia's debts. It also emphasized the need for vigorous action to tackle the root causes of the crisis, especially the persistent fiscal imbalances and inadequacies in the taxation system and the banking sector, while strengthening the rule of law, market competition, the private enterprise sector, and also minimizing the social impact of the crisis. Members reaffirmed that the international community, including the international financial institutions, stands ready to support convincing and effective measures to stabilize and reform the Russian economy. The Fund should continue to fully support those

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countries most affected by the Russian crisis that are performing adequately under their adjustment programs.

As for other emerging market and developing economies, with capital markets highly sensitive to any sign of policy deficiencies, it is essential that they persevere with sound policies to reduce vulnerability to changes in investor sentiment. The Committee noted that many countries in Asia and in other regions are dealing effectively with the spillover effects from the crisis. It also welcomed the reaffirmation of China's commitment not to devalue its currency, which has provided an important anchor to the region. In Latin America, while progress during the past decade in macroeconomic policies and structural reforms has enabled many countries to cope with the recent financial market turbulence, there still remains a strong need in some countries for fiscal consolidation and strengthening of financial systems.

The Committee stressed the importance of the role that the industrial countries have to play in sustaining global growth, containing deflationary risks, and creating environments conducive to a smooth resolution of financial crises. While noting the recent steps in this direction, the Committee considered it essential that Japan should take prompt and resolute action to strengthen its banking system and to provide sufficient and sustained stimulus to revive domestic demand and restore confidence until the recovery is well established. In most other industrial countries, growth is sufficiently robust for fiscal policy not to be diverted from medium-term objectives. In view of the favorable inflation and growth prospects in these countries and the seriousness of the global financial market crisis and its spillover effects, the Committee welcomed the recent interest rate cut in the United States as a useful step in this regard and the convergence of interest rates in the countries participating in the euro towards the lowest levels prevailing in the area. Should there be a worsening of the crisis or a further slowdown in economic activity, additional action on both domestic and international grounds would be required by both emerging market countries and industrial countries.

The Committee agreed to explore a strengthened capacity, based in the IMF and together with the general increase of IMF quotas and establishment of the New Arrangements to Borrow, to provide more effectively contingent finance to help countries pursuing sound policies to maintain stability in the face of difficult global financial conditions.

3. Strengthening the Architecture of the International Monetary System

The Committee welcomed the progress that has been made during the past six months in the work on aspects related to the strengthening of the architecture of the international monetary system. Recent crises have, however, exposed broader and deeper difficulties in the system, underscoring the need to widen the scope of recent work to encompass other crucial aspects with respect to the management and resolution of financial crises. These pertain, in particular, to mechanisms for the allocation of capital and for the management of risk, the regulation and supervision of financial sectors, and standards of transparency. The roles of the various institutional components of the

system also need a thorough review, including the possibility for strengthening and/or transforming the Interim Committee. Members invited the Executive Board to develop its work in these directions and to report to the Committee at its next meeting.

On a number of points of great importance for the stability of the international financial system and the effective functioning of global capital markets, preparatory work is already well under way, and agreement around them is broad. Now is the time to follow up with concrete and rapid action. The following points were emphasized:

Standards

- There is an urgent need to further develop and disseminate internationally accepted norms as a means to raise the transparency of economic policy and to enable financial markets to better assess borrowers' creditworthiness, as well as standards as benchmarks for the assessment of good practices. Furthermore, appropriate means should be sought to encourage off-shore financial centers to comply with such norms and standards. The Committee welcomed the introduction by the Fund of the code of conduct on fiscal transparency, as well as the ongoing work on the code of monetary and financial policies, and called on the Executive Board to complete its work in this area urgently. The Committee also noted the need for similar agreed codes and standards on corporate governance, accountancy, and insolvency regimes, and called on the Fund to collaborate closely with relevant international financial institutions and other standard-setting bodies in these areas of less direct operational concern to the IMF.

Transparency

- Greater transparency and reporting by both the public and private sectors is critical for better functioning financial markets. Comprehensive, frequent, and timely disclosure of countries' international reserve positions and external exposure is needed. Work must proceed expeditiously to improve the availability of data on reserves, external debt, and other capital flows, particularly short-term private flows. To this end, the Committee endorsed the current proposals to strengthen the Special Data Dissemination Standard, and the agreement on a minimum standard for data provision to the Fund with respect to reserves and related items. The Committee urged the Inter-agency Task Force on Finance Statistics convened by the Fund to accelerate the work to improve the systems for reporting external debt, as a matter of priority.
- Greater transparency is also needed on the part of financial market participants and may require additional regulatory and disclosure measures. In that context, the Committee called for an in-depth analysis by concerned agencies of the prudential and supervisory implications arising from the operations of international institutional investors, including highly leveraged operations, with a view to determining whether additional disclosure

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requirements or regulations are appropriate to allow better public assessment of the risks involved.

- The Fund, for its part, is contributing to transparency through greater openness, about its own policies and the advice it provides to members. These efforts should be strengthened through a wider use of Public Information Notices (PINs), (including on Fund policy decisions); the broader publication of Letters of Intent (LOIs) and Policy Framework Papers (PFPs) underpinning Fund-supported programs; and more public information on, and evaluations of, the Fund's operations and policies.

Private Sector Contribution

- Greater involvement of the private sector is also of critical importance both in preventing and resolving financial crises. The Committee recognized that the issues involved in this domain are complex. The Fund could build on the experience from the several cases, over the past nine months, in which member countries, creditors, and the Fund found practical approaches for rapid and effective action. In this regard, the Committee asked the Board to study further the use of market-based mechanisms to cope with the risk of sudden changes in investor sentiment leading to financial crises.

Capital Movements

- Introducing or tightening capital controls is not appropriate to deal effectively with fundamental economic imbalances. Any temporary breathing space such measures might bring would be outweighed by the long-term damage to investor confidence and the distortionary effects in resource allocation. These controls are no substitute for addressing at the source weaknesses in dealing with structural or macroeconomic imbalances. Temporary impediments to capital movements, however, have been utilized under certain circumstances, and in this regard, the Committee asked the Board to review the experience with the use of controls on capital movements, and the circumstances under which such measures may be appropriate.
- As regards capital movements, the preconditions for a successful opening of national markets must be carefully ascertained and created. It is essential to prevent participation in global capital markets from becoming a channel or a source of financial instability (in the domestic economy), with the attendant risk of negative spillovers onto the rest of the world economy. The opening of the capital account must be carried out in an orderly, gradual, and well sequenced manner, keeping its pace in line with the strengthening of countries' ability to sustain its consequences. The Committee underscored the crucial importance in this regard of solid domestic financial systems and of an effective prudential framework. To this end, the Fund was encouraged to continue its work, in the context of its surveillance activities and adjustment programs, to prompt countries to adopt adequate

measures and to support these efforts, in close collaboration with the World Bank, through several means, including technical assistance and dissemination of standards.

Fund Support

- The Committee endorsed the Board's recent reaffirmation of the 1989 policy of lending into arrears and its agreement to consider extending this policy, under carefully designed conditions and on a case-by-case basis.

Computer Date Change

- In connection with these discussions, the Committee urged all countries to prepare expeditiously for a smooth transition to the year 2000 computer date change, and invited the Fund to contribute to raising awareness of the associated problem in the context of its surveillance and program activities.

The Committee requested the Executive Board to advance its work in all of these areas, in cooperation with other institutions and fora, and to report to the Committee at its next meeting.

4. Reports on Other Fund Policies and Operations

a. Fund Liquidity, Quotas, NAB, and SDR Amendment

The Committee expressed serious concern over the Fund's tight liquidity position. It stressed the critical importance in current conditions of augmenting the Fund's resources and urged all members to accelerate the process leading to the implementation of the agreed quota increase. The Committee also called for the completion of countries' adherence to the New Arrangements to Borrow and for the early acceptance of the Fourth Amendment of the Articles of Agreement allowing for the special one-time allocation of SDRs. These were viewed as indispensable actions in present circumstances.

b. ESAF & HIPC Initiative—Implementation, Financing, and Lessons from Evaluation and Review; Post-Conflict Assistance

- The Committee welcomed the progress made in the implementation of the HIPC Initiative, the extension by the Executive Board of the original two-year period for countries to begin qualifying for assistance until end-2000, as well as the Board's decision to add a degree of flexibility in its evaluation of track records of policy performance for countries receiving post-conflict assistance. The Committee strongly encouraged potentially eligible countries to start the necessary program of adjustment as soon as possible as a prerequisite to benefit from the Initiative, so that every eligible country is in the process by the year 2000.

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- The Committee stressed the urgency of securing the financing of the ESAF and the HIPC Initiative and requested the Executive Board to take the necessary decisions soon after the Annual Meetings. It called upon industrial countries that have not contributed to the ESAF-HIPC Trust Fund to come forward with their contributions without delay.
- The Committee supported proposals based on the recent internal and external reviews of ESAF operations, to achieve better design and implementation of ESAF-supported programs. It regarded them as part of a continuing effort to adapt the Fund's strategy for the purpose of promoting growth and adjustment; in this context, it encouraged the deepening of the dialogue between the Fund and other relevant organizations.
- The Committee took note of the joint Bank-Fund report on assistance to post-conflict countries and requested that the Executive Board consider the issues quickly and explore further viable proposals that recognize the special needs of poor post-conflict countries, especially those with arrears to IFIs.

c. Bank-Fund Collaboration

The Committee considered recent initiatives to strengthen collaboration between the Bank and the Fund. While recognizing the specific mandates of the two institutions, it stressed the importance of their working together, including in joint missions, to assist countries in implementing integrated stabilization and structural reform programs. Enhanced collaboration would maximize the effectiveness of the two institutions at a time of high demands on their resources. The Committee attached particular importance to stronger cooperation in helping countries strengthen financial systems.

d. EMU and the Fund—Operational Issues

The Committee welcomed the decision of the European Union (EU) that 11 EU members will move to the third and final stage of economic and monetary union (EMU) on January 1, 1999. EMU will necessitate some changes in the Fund's operational procedures, including those related both to surveillance and to the financing of the Fund. In light of the importance of the euro area, the Fund should develop its surveillance activities in this domain and complete its work to deal with the operational implications of the advent of EMU. In this context, the Committee underlined the importance of establishing an effective exchange of views with relevant EU institutions, especially the ECB.

The next meeting of the Interim Committee will be held in Washington, D.C. and is provisionally scheduled for April 27, 1999.

INTERIM COMMITTEE ATTENDANCE

October 4, 1998

Chairman

Carlo Azeglio Ciampi

Managing Director

Michel Camdessus

Members or Alternates

Ibrahim A. Al-Assaf, Minister of Finance and National Economy, Saudi Arabia
Gordon Brown, Chancellor of the Exchequer, United Kingdom
Chatu Mongkol Sonakul, Governor, Bank of Thailand
Antonio Fazio, Governor, Banca d'Italia
(Alternate for Carlo Azeglio Ciampi, Minister of the Treasury, Italy)
E.A. Evans, Secretary, Commonwealth Treasury of Australia
(Alternate for Peter Costello, Treasurer, Australia)
Dai Xianglong, Governor, People's Bank of China
Marcel Doupamby Matoka, Minister of Finance, Economy, Budget and
Equity Financing, Gabon
Roque B. Fernández, Minister of Economy and Public Works and Services, Argentina
Viktor Gerashchenko, Chairman, Central Bank of the Russian Federation
José Angel Gurria, Secretary of Finance and Public Credit, Mexico
Marianne Jelved, Minister of Economic Affairs, Denmark
Abdelouahab Keramane, Governor, Banque d'Algérie
Trevor A. Manuel, Minister of Finance, South Africa
Sultan Bin Nasser Al-Suwaidi, Governor, United Arab Emirates Central Bank
(Alternate for Mohammed K. Khirbash, Minister of State for Finance and
Industry, United Arab Emirates)
Pedro Sampaio Malan, Minister of Finance, Brazil
Paul Martin, Minister of Finance, Canada
Robert E. Rubin, Secretary of the Treasury, United States
Yashwant Sinha, Minister of Finance, India
Dominique Strauss-Kahn, Minister of Economy, Finance and Industry, France
Sadakazu Tanigaki, State Secretary for Finance, Ministry of Finance, Japan
Kaspar Villiger, Minister of Finance, Switzerland
Jean-Jacques Viseur, Minister of Finance, Belgium

Hans Tietmeyer, President, Deutsche Bundesbank, Germany
(Alternate for Theo Waigel, Federal Minister of Finance, Germany)
Gerrit Zalm, Minister of Finance, Netherlands

Observers

Yilmaz Akyuz, Chief, Macro-Economics and Development
Policies Branch, UNCTAD
Andrew D. Crockett, General Manager, BIS
Nitin Desai, Under-Secretary-General for Economic and Social
Affairs, UN
Yves-Thibault de Silguy, Commissioner for Economic,
Monetary and Financial Affairs, EC
Wim F. Duisenberg, President, ECB
Donald J. Johnston, Secretary-General, OECD
Renato Ruggiero, Director-General, WTO
Tarrin Nimmanahaeminda, Chairman, Joint Development Committee
James D. Wolfensohn, President, World Bank





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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October 5, 1998

COMMUNIQUE

1. The 58th meeting of the Development Committee was held in Washington, D.C. on October 5, 1998 under the chairmanship of Mr. Tarrin Nimmanahaeminda, Minister of Finance of Thailand.¹
2. **Anwar Ibrahim** The Committee expressed its great appreciation to Mr. Anwar Ibrahim, who had served so ably as Chairman of the Committee.
3. **Implications of the Asian Crisis** The Committee paid particular attention on this occasion to development priorities and the response of the World Bank Group.
4. Ministers recognized that the economic and social aftershocks of the crisis were more severe than earlier anticipated. The crisis had now spread beyond Indonesia, Korea, Thailand and Malaysia, and its global ramifications had increased the vulnerability of all countries. Ministers therefore noted the need to support an early and sustained recovery in East Asia and contain the risks of crises elsewhere, and to assist countries more generally to develop the prerequisites for sustainable economic growth in a more integrated international financial and economic system.
5. Ministers agreed that a concerted strategy for restoring sustainable growth and reversing the dramatic increase in poverty in East Asia should include the following key elements: i) maintaining and accelerating progress on structural reforms, including governance structures required for the efficient working of markets; ii) restructuring the banking system and corporate sectors and, in the short term, restoring credit to viable businesses; iii) mobilizing necessary resources to finance growth; iv) regenerating demand; and v) protecting the environment. Crucial to all these elements is a focus on social concerns and the need to mitigate the most harmful effects of the crisis on the poor.

¹ Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Abdelkrim Harchaoui, Minister of Finance of Algeria and Chairman of the Group of Twenty-Four, addressed the plenary session. Observers from a number of international and regional organizations also attended.

6. Ministers further noted that, if it were allowed to continue, financial turmoil could result in major setbacks to the global economy, and particularly to the progress most developing countries had achieved in the 1990s. The Committee agreed that actions were needed to help restore confidence and prevent contagion in the event of market pressures. Emerging market countries should strengthen their policies and institutions at an early stage to minimize their vulnerability to adverse shifts in investor sentiment. Industrial countries should take early and decisive actions to help regain or maintain growth momentum and global financial stability. All countries should continue the process of market opening and resist protectionism. All countries and the IFIs need to attach high priority to the promotion of good governance and the elimination of corruption.

7. Ministers stressed that, given the magnitude of reversals in capital flows that East Asia and other regions had experienced, resumption of private flows was key to recovery. Ministers also emphasized the important catalytic role played by official flows from multilateral agencies and bilateral sources.

8. In this context, the Committee agreed that, beyond responding to the immediate crisis, and in parallel with ongoing efforts to improve the international financial architecture, concerted actions were needed to help countries bolster their structural and social policies and institutions. These include strengthening the financial sector; establishing a sound business environment; improving public and private sector governance, particularly transparency and accountability; and strengthening social protection. Ministers noted that the primary role of the World Bank was to help eliminate poverty and improve social well-being, in line with international development goals. They therefore encouraged the World Bank to work with the United Nations, the Fund and other partners to develop general principles of good practice in structural and social policies (including labor standards).

9. **Bank Group Response** The Committee welcomed the prompt response of the Bank Group to the crisis, including the pledge of up to \$17 billion in financing for affected countries in the region. Ministers expressed appreciation for the significant steps already taken by the Bank Group to assist countries to address the social consequences of the crisis; restructure their financial and corporate sectors; and strengthen structural reforms. They welcomed the Bank Group's intention to further enhance, within the Strategic Compact, its capacity (including through consideration of new instruments) to support member governments' structural and social development programs.

10. The Committee noted the decisions and recommendations recently made by the Executive Board related to the Bank's income dynamics. Given the increasing demands on the Bank's financial resources, Ministers asked the Executive Board to explore appropriate options to ensure that the Bank remains able to respond quickly and effectively to the development needs of its members. Ministers reaffirmed the fundamental importance of maintaining a financially strong Bank.

11. **Bank-Fund Collaboration** The Committee noted the important roles to be played by the International Financial Institutions in meeting the range of new challenges facing the international community. In this context, the Committee expressed its appreciation for the major efforts undertaken by the Fund and Bank to help countries deal with the crisis and its broad consequences. They stressed the importance they attached to effective coordination between the Bank and the Fund. Ministers noted the joint report from the Fund's Managing Director and the Bank's President which set out the respective responsibilities of the two institutions and how each would support the macroeconomic policy and structural reform agendas of member governments. Ministers welcomed the proposed measures to improve operational mechanisms and the environment for collaboration, including information sharing, so as to enhance the institutions' capacity to serve member countries. Ministers requested that the Bank and Fund Executive Boards keep implementation of these actions, as well as the scope for further strengthening of collaboration, under review.

12. Ministers also encouraged the Executive Boards of the Fund and Bank to review the roles of the Interim and Development Committees as part of the ongoing consideration of steps to strengthen the international financial architecture.

13. **Partnerships** Ministers also welcomed the continued deepening of the partnerships between the World Bank, the Asian and African Development Banks, and other multilateral and bilateral agencies in addressing the crisis and its longer-term impact. (Ministers looked forward to receiving at the Committee's next meeting the Bank President's report on progress achieved in strengthening World Bank cooperation with regional development banks.) Given the importance of trade for sustained recovery, Ministers urged the IFIs to intensify cooperation in the Integrated Framework for Trade Related Technical Assistance for the Least Developing Countries. They also encouraged the World Bank to work closely with WTO, UNCTAD and other interested parties in building poor countries' capacity to prepare for a new global trade round. Ministers also urged enhanced cooperation between IFIs and the United Nations system at the country level.

14. **Implementation of the Debt Initiative for Heavily Indebted Poor Countries (HIPC)** Ministers were encouraged by the progress made during the Initiative's first two years. They noted that nine countries have so far reached the decision point, and total commitments to the seven requiring assistance under the Initiative amount to about \$6.1 billion in nominal debt service relief (\$3.1 billion in NPV terms). Ministers welcomed the fact that Bolivia had reached its completion point, based on continued strong policy performance; savings in nominal debt service were about \$760 million (or about \$450 million in NPV terms). The Committee also welcomed the recent agreement that Mali had reached its decision point and was expected to reach its completion point in December 1999.

15. Ministers expressed continued strong support for the Initiative. They endorsed the extension of the entry deadline, from September 1998 until end-2000, and the decision to add a degree of flexibility in its evaluation of track records of policy performance for countries receiving post-conflict assistance. Ministers encouraged potentially eligible countries, including those emerging from conflict, to undertake the necessary Bank/Fund supported

programs as soon as possible so that by the year 2000 every eligible country is included in the Initiative. They also stressed the importance of additional contributions to the Initiative to assist all multilateral institutions to meet their share of the cost, including, in particular, the African Development Bank.

16. **Ministers encouraged the establishment of closer ties between debt relief and support for poverty reduction, as ways of making progress toward achievement of the international development targets. Ministers also supported the plan to carry out a comprehensive review of the Initiative, including an update of cost estimates, as early as 1999.**

17. **Assistance to Post-Conflict Countries** Ministers discussed the special problems faced by post-conflict countries. They noted that a wide range of support had been provided these countries by the Bank and Fund, along with the UN System and bilateral partners. Ministers encouraged them, within their respective mandates, to assist these countries with effective conflict prevention policies, thereby paving the way for a durable and successful post-conflict resolution. Ministers recognized, however, that in a number of cases, especially those with large and protracted arrears to multilateral institutions, the international community should explore additional ways to provide assistance more quickly and effectively. In particular, Ministers emphasized the need to provide (and, where needed, increase) positive net transfers from official creditors to post-conflict countries that are adopting sound economic and social policies. The Committee welcomed the initial work done by the Bank and the Fund in identifying the issues. Ministers recognized that providing additional assistance, especially from the IFIs, raised significant policy and resource issues which would need to be considered more fully. Given the need to provide more effective support to post-conflict countries, Ministers requested that the Bank and the Fund, in cooperation with the African Development Bank and other major creditors, develop an approach to guide assistance to these countries on a case-by-case basis, taking account of the specific capabilities of each institution. The Bank and Fund were asked to report back to the Committee at its next meeting.

18. **IMF and IDA Resources** Ministers urged all members to implement the agreed IMF quota increase without delay to ensure the Fund has adequate resources to meet the substantial additional demands placed upon it. Ministers also stressed the urgency of securing the financing of the ESAF. Moreover, given the vital need for concessional resources to sustain support for poverty reduction in poor countries, particularly in Africa, they urged IDA Deputies to reach a successful conclusion of IDA 12 negotiations before the end of 1998.

19. **Executive Secretary** The Committee extended Alexander Shakow's term as Executive Secretary until October 1999.

20. **Next Meeting** The Committee's next meeting is provisionally scheduled for April 28, 1999 in Washington, DC.