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WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Report to the Boards of Governors of the Fund and the Bank by
the Hon. **TARRIN NIMMANAHAEMINDA**,
Chairman of the Joint Ministerial Committee of the Boards
of Governors on the Transfer of Real Resources to Developing Countries
(Development Committee) at the Joint Annual Discussion

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by the Hon. Tarrin Nimmanahaeminda, Chairman of the Development Committee
at the Joint Annual Discussion**

October 6, 1998

Mr. Chairman, Mr. Camdessus, Mr. Wolfensohn, Governors. Ladies and Gentlemen,

As Chairman of the Development Committee, I am pleased to report to you the Committee's work during the two meetings held during this year.

I am honored to have been selected by the Committee as Chairman, succeeding Mr. Anwar Ibrahim, former Deputy Prime Minister and Finance Minister of Malaysia. The Committee's communique, issued after yesterday's meeting, expressed ministers' great appreciation for his able Chairmanship of the Committee at its meeting last April. Last March he had succeeded the Honorable Driss Jettou from Morocco, who made the last Annual Report to you one year ago in Hong Kong.

Mr. Chairman, in attempting to summarize the Committee's work in this past year, three key themes emerge. These are:

- a) an attempt to address problems of middle-income countries, particularly those resulting from the current Asian Crisis;
- b) a search for additional ways to help poor countries deal with their special needs;
and
- c) the encouragement it has given to the strengthening of the Bretton Woods institutions' ability to assist all its members.

Let me address each one briefly.

The first theme is a focus on issues primarily related to middle-income countries, emerging market countries and countries in transition. The main topic in the Committee's last two meetings has been the Asian Crisis and its aftermath. Members addressed the broad range of issues generated by the crisis and the steps needed to support sustained recovery in the region. While Members initially concentrated on the impact in East Asia, we have also broadened the focus as the global ramifications of the crisis increased the vulnerability of all countries.

Within this broad context, and mindful of the work of the Interim Committee on which Chairman Ciampi has just reported, the Committee has concentrated particularly on financial sector issues, the social consequences of the crisis, and on other key development priorities. Yesterday we paid special attention to the response of the World Bank.

The second key theme which has characterized the Committee's work in this past year is the focus on the especially difficult problems of the poor countries.

The Committee has urged a successful conclusion of the IDA 12 replenishment negotiations now underway, and stressed the need to secure the financing of the Fund's ESAF, given their critical importance to the reduction of poverty in the poor countries.

It was in the Committee over two years ago that the Initiative for the Heavily Indebted Poor Countries (HIPC) was successfully launched. Since that time, seven very poor countries have been included in the program; these countries are scheduled to receive over \$6 billion in nominal debt service relief. In our meeting yesterday, Members expressed continued strong support for HIPC and for the extension by two years of the entry deadline. They encouraged all eligible countries to meet the conditions for assistance so that they would be able to benefit from this innovative program.

Yesterday we also discussed the special problems faced by countries emerging from conflict situations. The extremely difficult circumstances of these very poor countries require special attention, but Members recognized that they also create especially difficult policy issues for international financial institutions when they seek to provide substantial assistance. As a result, the Committee requested that the Bank and the Fund, along with their partners, develop an approach to guide assistance to these countries. We shall review this subject again at the next meeting.

The third key theme of the Committee's recent work cuts across all these country concerns; this theme is the Committee's support for the strengthening of the World Bank Group and the Fund so that they can best serve the interests of their members.

Much attention has been paid to the strengthening of Bank-Fund collaboration, and we have seen considerable evidence of the fruits of these efforts by the two managements. The Committee looks forward to reviewing this subject again in the future.

The Committee has been a strong supporter of the Bank's Strategic Compact and Bank management's ambitious goals of augmenting skills and capacities in new areas of concentration. The Committee receives regular reports on the Compact's implementation.

Following up on the Committee's 1996 Multilateral Development Bank Task Force Report, the Committee has continued to promote a deeper partnership between the World Bank and the regional development banks.

It has never been more important to ensure the Bank's financial soundness, and so the Committee has addressed in both meetings this year the Bank's income dynamics and its overall financial structure, particularly in light of the increasing demands placed on its resources as a result of the East Asia crisis and its impact on others regions.

As a newcomer I am impressed with the breadth of the Committee's mandate and the opportunities it offers to strengthen international cooperation. The Committee, representing the full range of the Fund and Bank membership, can use these semi-annual meetings to address critical issues in a forum small enough to permit a real exchange of views. It can call upon the vast combined resources of the Bank and Fund—its management and its staffs—for a wealth of information and experience. But in the end,

the value of the Committee lies in the degree to which we as ministers are prepared to use these opportunities to good advantage. I am honored to be part of this effort.

Thank you very much.