

THE GLOBAL CONTEXT: CO-OPERATION WITH DEVELOPING COUNTRIES

16. Ministers agreed that OECD countries should further strengthen co-operation with developing countries, contributing to their economic recovery and renewed development progress.

The Debt Problem

17. Ministers noted that progress was being made in managing and containing the problems of international indebtedness. Nevertheless, the debt problems of some developing countries remain serious and high interest rates add to the debt-servicing burden. Ministers saw commitment to continued co-operation by governments, international financial institutions, and the banking community as essential to achieve effective adjustment efforts by debtor countries and to the continued effective functioning of the international financial system.

Policies for Improved Resource Flows

18. Ministers agreed that it was important to focus on the fundamental task of ensuring that financial flows to developing countries respond to development needs and investment opportunities, contributing to efficient resource use and avoiding unsustainable patterns of debt accumulation.

19. Ministers stressed that achieving satisfactory resource flows to developing countries requires effective policies and international co-operation in three central areas:

- i) adequate savings by the industrialised countries;
- ii) efficient use of capital by developing countries;
- iii) effective channels of intermediation -- the private capital markets, the international financial institutions, and aid.

Ministers agreed on the need for improved policies as well as action in these areas as outlined below.

Non-Concessional Resource Flows

20. Recent experience has shown that more effective, market-oriented policies are important for mobilising sustainable private capital flows to developing countries. Ministers were of the view that the international financial institutions could further develop their roles in this respect. The role of the IMF in support of effective adjustment was considered critical, as well as the World Bank's emphasis on medium and long-term development. Against this background, Ministers urged strengthened co-operation between the IMF and the World Bank in fulfilling their complementary responsibilities.