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INTERNATIONAL FINANCE CORPORATION  
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INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES  
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. CHARLIE MCCREEVY ,  
Governor of the Fund and the Bank for IRELAND ,  
at the Joint Annual Discussion

**Statement by Mr. Charlie McCreevy, T.D.  
Minister for Finance, Ireland**

The past year has been exceptionally difficult and demanding for both the Bank and the Fund with the continuing difficulties due to the East Asian crisis, and new pressures arising from events in Russia and other emerging market economies. The fallout from these crises threatens the progress which we have made on development and poverty reduction over the past two decades. In an increasingly integrated world the effects of these events have spread beyond the countries and regions concerned. It is imperative therefore that the international financial institutions redouble their efforts to bring stability to the global financial and monetary system, so that producers and investors can be confident of a return to normal trading and investment patterns. Resolving the difficulties in Russia, reviving growth in South East Asia and minimizing contagion effects are all vital ingredients.

The present difficulties demand a strategic response and an appropriate mix of short and long-term measures. Ireland will work closely with the IMF and World Bank, and our international partners, to ensure that these institutions have the appropriate resources and develop the necessary strategies to address the challenges facing the global economy in the 21st century. It is clear that the IMF must continue to play a critical role at the centre of the international monetary system. Its role in crisis prevention should however be strengthened. The early implementation of the IMF quota increase as well as the establishment of the New Arrangement to Borrow now assume even greater importance. I am glad to report that Ireland has already consented to the increase in its quota under the 11th Review.

It is now recognised by all that the key to economic and financial stability, both domestically and internationally, is the pursuit of policies based on price stability and balanced budgets, in an open market economy which favours an efficient allocation of resources. Sound policies will recognise a number of core principles:

- \* the most vulnerable groups in society must be protected, to the extent possible, in times of economic turmoil and financial turbulence;
- \* the private sector must bear its fair share of the overall burden of adjustment in support of strong economic reforms for countries in economic difficulty;
- \* transparency of information and in decision-making is a key element in efficient economic management.

The urgent attention which these present crises demand should not deflect us from parallel consideration of the enormity of the challenges facing under-developed countries. The

eradication of poverty and the integration of Africa into the world economic, financial and trading systems should remain central to all our concerns.

### **Policy on Third World Debt**

I welcome the emphasis which the Fund and the Bank are continuing to give to the problem of Third World debt. The Irish Government fully supports the efforts to bring the deepest possible level of debt relief to the poorest countries. My Government has recently adopted a set of principles which will govern Ireland's policy towards Third World debt. In brief, the principles seek to ensure that debt relief measures take full account of the social dimension, embrace widespread consultation in the countries in question, and encourage sustainable economic development.

Debt relief strategies must become an integral part of overall development policy. They must reinforce the existing emphasis on the fundamental goal of poverty alleviation, as well as environmental sustainability and gender equality. Ireland is a strong supporter of the HIPC Debt Initiative and welcomes the openness and flexibility which all partners have brought to the process. Progress under the Debt Initiative has been significant but there is a strong case for further flexibility in its implementation. Speedier implementation, and application to as wide a range of the heavily indebted poor countries as possible must be key goals. Definitions of debt sustainability should be broadened to take human, as well as economic, development into account. The two recent evaluations of the ESAF Facility emphasise the need for the IMF to take full account of the social impact of policies in the design and implementation phases of macroeconomic and structural adjustment programmes. The most vulnerable sections of the community must be afforded special consideration, with safeguards against the most severe consequences of structural adjustment policies.

In calling for deeper debt relief and wider and speedier application of the debt initiative my Government has decided to provide £11 million to the World Bank's HIPC Trust, and also to provide £4 million to the IMF's ESAF/HIPC Trust. These resources are additional to £9.5 million that has already been committed by Ireland to Mozambique and Tanzania for debt relief.

In the context of this major debt relief package, Ireland will make its proposed contribution of £7 million to ESAF. The need for reform of certain aspects of ESAF programmes is clear, and I am encouraged by the positive response of the IMF to the external evaluation of the Facility. We must ensure that the lessons of the external review increasingly influence the planning, design and implementation of ESAF programmes.

I encourage the international community, including bilateral creditors to take an even more generous and flexible approach to the heavily indebted poor countries. Deeper debt relief is a prerequisite to integrating the poorest countries into the global economy.

I am heartened by the recent trend in both the Bank and the IMF to involve civil society in the developing countries more fully in the planning, design and implementation phases of IMF/World Bank programmes. Successful implementation of programmes will also be facilitated through greater transparency in the workings of the Bretton Woods Institutions.

## **Summary**

We must all recognize that the Bretton Woods Institutions have, since their establishment, served the international community well. Their record of achievement has been outstanding. Recent crises have raised awareness of how vulnerable emerging economies can be in the face of sudden shocks. The Irish Government looks forward to working with the Fund and the Bank in strengthening the architecture of the international monetary system, and especially, helping to resolve the problems of the most heavily indebted poor countries.

