

**WORLD BANK GROUP**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL FINANCE CORPORATION  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
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Statement by the Hon. **JOSE ISIDRO N. CAMACHO**,  
Governor of the Bank for the **PHILIPPINES**,  
at the Joint Annual Discussion

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Governor of the Bank for the Philippines,  
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We are meeting here today as member-countries of the World Bank and the International Monetary Fund to assess how much we have achieved during the past year and map out our agenda for the next year.

Since our meeting last year, the world economy has been rocked by initial reversals and subsequent advances. Our poverty reduction efforts have suffered reversals from uncertainties of the global environment --- induced by the Iraq war, the SARS epidemic and the continuing threat of terrorism. However, through coordinated action and with the help of the UN system including the Bank and the Fund, we have been able to weather the negative impacts of these events. Efforts have also been initiated to bring to light the objectives of the Monterrey consensus. We are now forging ahead with other agenda items in implementing our poverty reduction agenda for the future.

Several important issues confront us today. First, is the issue of voice. In Monterrey last year, we have decided that the World Bank and IMF will continue to enhance the participation of developing and transition economies in decision-making as they address the development needs of these countries. In spring earlier this year, the Development Committee reaffirmed this decision and initial action has been done to strengthen capacity in executive directors' offices in the Bank and the Fund.

This coming year, we should look at more straightforward options to give developing countries the voting strength in accord with their real share in the world economy. With a fairer share in voting strength, developing countries are better placed and more equipped to use opportunities to present their views and advocate issues in line with their interests.

Both the Bank and the Fund have moved far from their joint beginnings in Bretton Woods. The world since then has also changed. I would like to commend the Bank and the Fund for their genuine resolve to listen harder to what their clients need and want. The Bank is in the forefront in poverty reduction and we sincerely applaud the many initiatives and strategies which it designs. We especially commend the Bank's continuing policy in devolving more functions to its decentralized offices. Complementing the decentralization policy is the establishment of "knowledge development centers" as piloted in the Philippines. These centers are a boon to those who thirst for information and knowledge. These and the many innovative programs of the World Bank are very much appreciated by the constituent countries.

These two venerable institutions now appreciate that economic and financial stability and development cannot be achieved through textbook prescriptions, nor can they be attained from the perspective of functionaries who are far removed from the on-the-ground and day-to-day realities. There is now recognition that no one formula works every time for everybody and there is need to differentiate countries on the basis of their political, cultural, social and economic situation. We salute them for this growing open-mindedness.

Second, we want to go full steam with the creation of “an open, equitable, rule-based, predictable and non-discriminatory multilateral trading and financial system”. We have embraced trade liberalization and opened our markets sacrificing even much-needed fiscal resources. However, the impact of our efforts is blunted by the trade agenda remaining stuck on the issue of subsidies and QRs in developed countries on major products of export interest to developing countries, and thus the standoff in Cancun.

Third, we are concerned by the decision to veer resources away from middle-income countries to low-income countries, depriving the poorest of the poor in middle-income countries of their rightful share in resources. While it is true that middle-income countries now have higher per capita incomes relative to low-income countries, middle-income countries continue to have many pockets of poverty, in many cases, extreme poverty, which are masked by measurement of averages. How different is a starving and homeless person living in a middle income country from a starving and homeless citizen of a very poor and low income country?

Furthermore, many middle-income countries face fiscal and financial constraints. For this reason, it is imperative that creative and less fiscally burdensome financial assistance be packaged for middle income countries so that governments can more effectively use these facilities and advance their development agenda. We look to the Bank and the Fund to lead in the efforts at creatively reducing the debt burdens of the middle income countries.

How can the MFIs be more relevant today? How can the MFIs provide value added inputs and be better appreciated by client-countries? Let the MFIs be less preachers and be more problem solvers as the World Bank has so effectively done for us. In many instances, we are bombarded with diagnostics of our problems and deficiencies. For the most part, we, the authorities, already know these problems and deficiencies. We are there on the ground to face the hungry, the homeless, the uneducated, and the unemployed members of our society. We do not need to be constantly reminded of our problems because we face them everyday. We need to be aided and guided to find practical solutions to the problems! We are also concerned with the fact that some multilateral institutions at times behave more like credit rating agencies., i.e., establishing public scorecards for client-countries. We do not believe the need for countries to perform and to institute measures to achieve efficiency, effectiveness, and good governance, but we find counter-productive the “credit rating mentality” of some of the MFIs which constantly highlight the negatives of our economies. This undermines the confidence-

building exercises that many countries assiduously pursue to gain support, unity, and credibility domestically and internationally and makes our jobs more difficult than they already are.

Last year, I have strongly supported the initiatives for harmonization of the procurement and financial management of the major lender institutions. Sad to say, in spite of the high level discussions in Rome early this year on harmonization, little progress can be seen in this area. We again call for a speedy resolution to the harmonization issues.

With these thoughts, I sincerely hope that we can all work together in meeting the challenges before us.