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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES

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Opening Address by the Chairman
the Hon. **MOHAMED KHALFAN BIN KHARBASH**
Governor of the Bank and the Fund for the **UNITED ARAB EMIRATES**,
at the Joint Annual Discussion

**OPENING ADDRESS BY THE CHAIRMAN,
HIS EXCELLENCY MOHAMED KHALFAN BIN KHIRBASH
GOVERNOR OF THE BANK AND FUND FOR THE UNITED ARAB EMIRATES**

In the name of God, the Gracious, the Merciful

My fellow Governors, ladies and gentlemen.

Thank you for your kind welcome.

I am honored, on behalf of the United Arab Emirates, to chair these 1997 Annual Meetings of the World Bank Group and the International Monetary Fund. I would like to thank the Government of China and the people of Hong Kong for their generous hospitality in this beautiful city in this historic year.

I am particularly honored to chair this year's meetings as I represent a member country that deeply believes in the Bretton Woods system and the effective international cooperation. My country, along with other Arab donor countries, have demonstrated a firm commitment to international cooperation by extending, substantial aid, grants, and concessional assistance to developing countries.

We applaud the active role of the Bretton Woods institutions and other multilateral groups in helping to foster increased prosperity that will improve standards of living worldwide, particularly for those living in poverty. Growth and prosperity are difficult to sustain without peace and stability. In this context, the advancement of the peace process in the Middle East constitutes an urgent international objective.

Fellow Governors,

We meet in Hong Kong as we stand at the threshold of a new millennium. How will we make the transition into the 21st century? As Governors of the Bank and the Fund, we have a critical responsibility to ensure that the state of current events does not prevent us from preparing for the demands of the future. The Bretton Woods institutions have to adapt to rapidly changing circumstances. The same is true for our countries and economies.

The success of these two institutions is largely a product of their ability to bring about a remarkable degree of consensus and productive action. Debate among different views leads to better policies, better projects and programs, and most importantly, better "results on the ground." The world economic environment remains broadly favorable for the achievement of our objectives. Most countries are achieving growth, with increased attention to an investment in people and with an increased concern for the environment.

The IMF projections expect that world output will expand by 4.4 percent in both 1997 and 1998. The quality of this growth is sounder and more sustainable than it has been in a generation, largely

as a result of sound economic and financial policy-making. Growth has been accompanied by low and declining inflation, thanks to the prudent fiscal and monetary policies and more liberal trade policies. The continued vigorous and well-balanced economic performance of the United States, with low inflation and unemployment, and the improving growth prospects in Europe and Japan, bode well for the continuity and sustainability of global growth.

Developing and economies in transition have become more active participants in global economic change. Accelerated integration of world markets for goods, services, and capital over the last decade has improved growth in many developing countries, albeit at significantly different rates. Middle Eastern and African overall economic performance has improved as a result of the acceleration of economic reforms. The fastest growing regions--East and South Asia, and Latin America--are being incorporated into the international capital markets and trade system at the fastest pace, although many countries in other regions are lagging behind.

The countries best placed to benefit from globalization are those adapting to change and transforming their policies and structures to support more market-based, outward-oriented growth. Growth and integration are mutually reinforcing. Both depend, however, on the quality of policies and on the institutional and human capacity which support them. Many countries still lack the institutional and administrative capacity to formulate and implement the effective policies that are necessary in an increasingly integrated world economy.

The task ahead, for our countries and the Bretton Woods institutions, is to accelerate our efforts to achieve sustained growth and harmonious development, so that all may share in the benefits of globalization.

Fellow Governors,

The wide-ranging economic problems of our member countries will require various solutions. Let me take a moment to tell you how my country has prepared itself for participation in the global economy.

As the twentieth century draws to a close, the United Arab Emirates seeks to consolidate the policies that have enabled it to achieve high real annual growth rates in its GDP which average about 6 percent at the present time.

The United Arab Emirates adopted a growth strategy that focuses on substantial expansion of both upstream and downstream activities in the oil and gas sector, while at the same time promoting activities directed towards diversification through consolidation of the country's dynamic non-oil sector, and promotion of higher levels of private sector investment. The government's large investment in infrastructure, power generation, industrial parks and free trade zones have already played a major part in attracting private sector investment in an increasing

number of manufacturing industries. At the heart of these policies lies a strong commitment to an open economic system, liberal trade and exchange policies, a stable currency and low inflation.

This proved conducive to the development of a private sector, active in a number of non-oil sectors, the creation of a modern and sound banking system, in addition to formulating the basis for further economic diversification. Our development strategy has continued to emphasize education and health as we recognize the importance of our human resources in sustaining growth.

The United Arab Emirates' economy is now in a good position to meet the challenges ahead, and shall continue to implement its open economic policy. This, in order to share the benefits that should follow from recent trends of greater world economic integration.

The United Arab Emirates firmly believes in international cooperation and continuously supports the efforts of the developing countries. The U.A.E. has a long standing policy of providing official development assistance to the developing countries in the form of grant and untied concessionary loans. Such assistance amounted to Dh 90 billion by the end of 1996, which represents an annual average rate of about 3.5 percent annually of GDP.

Fellow Governors,

My central thought today is that all participants in the global economy must adapt to the changing realities of an increasingly interdependent world economy. Adaptability must be the hallmark of our work. This is not change for the sake of change. As we seek answers to new questions and as we evaluate our approaches to difficult problems, we are required to change in ways that increase efficiencies, minimize costs, and bring increased benefits to our own people and the rest of the world. Many countries have come to recognize the important role of the private sector in contributing to the achievement of higher economic rates of growth.

The Bank and Fund are becoming more effective and forward-looking. Increasingly, they are working in a complementary fashion as they adapt to the changing needs of member countries. Let me highlight three areas where a strengthened common effort is making a significant difference:- financial sector cooperation, governance and the initiative for heavily indebted poor countries.

Regarding financial sector cooperation, substantial progress has been made. Enhanced collaboration will ensure that financial sector problems are promptly identified, and that each institution takes the lead in its areas of primary concern. In areas of mutual interest, duplication of activity should be avoided.

The ability of the Bank and Fund to adapt to changing circumstances is evident in their approach to the issues of governance. Promoting transparency, accountability, and institutional capacity are critical to successful, sound and equitable development. The Bank and the Fund are increasingly able, within their competence and mandate, to assist a growing number of member countries to tackle corruption, and to help them develop effective administrative and financial systems.

My fellow Governors, the Fund's and the Bank's role on issues related to governance should contribute to the achievement of effective development.

A concrete example of enhanced Bank-Fund cooperation is their effort to assist the heavily indebted poor countries. The HIPC Initiative is a striking development and a radical departure addressing the debt problems of these countries in a comprehensive fashion, including debt owed to multilateral institutions. We look forward to continued expeditious implementation of this initiative and further transfer of concessional resources to developing countries. We also applaud the leadership shown by the Bank, the Fund and the support of other creditors such as the Paris Club.

As shareholders in the Bank and the Fund, we should be proud of what these international institutions, working on behalf of all their members, are able to do as they adapt to ever-changing needs and circumstances.

Under Mr. Wolfensohn's leadership, the World Bank Group--the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA), is making significant progress on a number of fronts.

The World Bank has embarked on a comprehensive program of reform and renewal. The framework is embodied in the Strategic Compact between the Bank Group and its shareholders. The President will provide you with his view of the changes. I am sure I speak for all shareholders in expressing strong support for the fundamental objective of the Compact which is to achieve greater effectiveness and efficiency in the Bank Group's basic mission--to reduce poverty--through the delivery of better products and services for its clients. Now that the Compact has been endorsed by the Bank's shareholders, the Bank must continue to move towards its quick implementation for it is only then that shareholders will witness the real benefits. The Executive Directors will be monitoring developments closely which should also provide opportunities for mid-course corrections whenever necessary.

We are also pleased to see that the Bank is adapting to the increasing number of countries seeking support for post-conflict reconstruction. This forms a growing part of the Bank's work, much of which in rebuilding infrastructure, but also prompting economic adjustment and recovery to address social sector needs and to build capacity.

Supporting private sector development is a large part of the Bank Group's overall strategy to promote sustainable growth, reduce poverty, and integrate countries into the global economy. The Bank Group is encouraging greater coordination at the policy, country, sector, and project levels, and improving outreach and partnerships with the international business community. The "Extending IFC's Reach" initiative encourages private investment in selected countries where difficult conditions have constrained the activities and programs of the IFC.

MIGA's considerable success in promoting foreign direct investment is making an important contribution to development. MIGA's portfolio has grown rapidly evident in its continuous

stream of applications. We welcome the consensus that was reached regarding MIGA's capital increase.

Turning to the IMF, Governors will join me in welcoming the initiatives taken by the Fund, under the leadership of Mr. Michel Camdessus, to strengthen its effectiveness in the aftermath of the Mexican crisis of 1994. These included strengthened surveillance and more effective financial support to member countries. The events of recent months affecting Thailand and other countries have tested the Fund's capacity to provide quick assistance to members in need. I am sure that Governors will join me in commending the Fund's rapid and decisive assistance to Thailand and the Philippines. Nevertheless, the Fund must further improve its ability to serve its members. It must also constantly adapt to a changing world.

I welcome the Fund's work on issues related to capital movements. The growth of international capital markets is bringing major benefits to member countries, but recent events in Asia, have again shown the dangers. The challenge facing the Fund is to help members maximize the gains, while managing and minimizing the associated risks. It can best do this by fostering liberalization of capital movements in ways that are consistent with a sound international financial system. I hope that Governors will join me in encouraging the Executive Board to make rapid progress toward an appropriate Amendment of the Articles of Agreement.

Governors will also join me in welcoming the breakthrough in the negotiations for a new allocation of SDRs and for an increase in quotas under the Eleventh General Review. With respect to the SDR allocation, the resolution that is before the Governors, for adoption during these Annual Meetings, represents a reasonable compromise; it equalizes the ratios of quotas and SDRs for all members and addresses the issue of equity for those member countries that have not participated in previous allocations. I encourage Governors to adopt this resolution. With agreement now having been reached in the Fund's Executive Board on the quota increase we hope that procedures will soon be put in place to allow the new quotas to become effective as soon as possible. With strengthened resources and new initiatives, we will expect the Fund to play its role with increased effectiveness in the period ahead.

My fellow Governors, we live in a dynamic world in which the need for adaptability to change within a sound framework is paramount for success.

This is true for each of our individual countries and for the two institutions that have the responsibility to ensure international monetary stability and promote economic development.

In conclusion, I would like to recite a verse from the Holy Koran:

"Mankind! We created
You from a single (pair)
Of a male and a female,
And made you into
Nations and tribes, that
Ye may know each other.
(Not that ye may despise

Each other). Verily
The most honoured of you
In the sight of God
Is (he who is) the most
Righteous of you.
And God has full knowledge
And is well acquainted
(With all things)."

I now declare the Fifty-Second Annual Meetings of the World Bank Group and the International Monetary Fund open.

Thank you.