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Statement by the Hon. **HEINZ GERARDO DOLL**,
Governor of the Bank for **PARAGUAY**,
at the Joint Annual Discussion

Ministry of Finance

Statement by Mr. Heinz Gerhard Doll

Minister of Finance and Governor of the World Bank for Paraguay

Annual Meetings of the World Bank and IMF

October 4-8, 1998

Mr. Chairman:

1. It is a privilege for me to address the participants in these Annual Meetings and to convey greetings from the people and new government of Paraguay. We would also like to join in welcoming the Republic of Palau.
2. My country has not been spared the effects of the global economic events of recent years. This has required a major effort to adopt domestic policies in a timely manner, so as to minimize the adverse impact on our economies while enabling us to find prompt responses to the nation's social problems.
3. The challenges involved in grappling with the recent financial crises, whose effects are spreading to the rest of the world, have had a major impact on the development of the smaller economies, which have had to make greater efforts to overcome their domestic problems as well. That is why it is important for these issues to be discussed at the annual meetings with all

member countries of the World Bank and IMF, in order to identify appropriate and timely solutions for the emerging economies, which are having to cope with the fallout from events unfolding elsewhere.

4. Accordingly, the core objective of Paraguay's new government, which took office on August 15, has been to achieve sustainable economic growth through development of the production base, grounded in competitiveness, as a means of ensuring social development for the people.

5. The government's strategy is therefore aimed at strengthening the macroeconomic environment based on a market economy and greater involvement of the private sector, considering that the government's efforts will focus on promoting the rationalization and reorientation of public expenditure.

6. With this in mind, we have decided to embrace the economic, social, and political challenges of improving our nation's fortunes by consolidating the reforms of our financial sector, deepening state reform, enhancing the transparency of government management, boosting productivity, and raising quality standards, with the aim of increasing national savings and exploiting the potential advantages that MERCOSUR offers.

7. Furthermore, our goal is to improve public services, broaden the coverage of social services, and ensure equal opportunities for the entire population, so as to embark on a course of sustained and sustainable development.

8. As part of this strategy, from the outset we adopted a policy of austerity in fiscal expenditure and, in the first 45 days of our administration, we reduced government outlays by 11 percent relative to the same period of 1997, while prioritizing education, health, infrastructure, and basic services.

9. With the aim of enhancing our performance in the area of tax collection, we are upgrading our tax supervision and audit mechanisms with a view to boosting tax revenue. In the early days of our administration, we successfully increased the tax yield by 10 percent in relation to the same period of 1997, notwithstanding a sizable reduction in import volumes.

10. The most important measures include the consolidation of education reform as the principal tool of development and poverty reduction. In addition, we have established a program of disease prevention and health promotion for the most vulnerable segments of society, focusing on high-risk, low-income groups.

11. To achieve the objectives which I have described, the current national government is awaiting parliamentary approval of a substantial package of economic, social, and social-security laws.

12. We have already enacted laws to prevent and punish unlawful acts associated with money or asset laundering, as well as trademark law, copyright, and safeguarding individual property rights. We have also introduced laws aimed at the promotion and reciprocal protection of investment, a law to govern the securities market, and the external audit law, in the interest of facilitating capital market efficiency and capital investment.

13. The national government is cracking down on money piracy and money laundering activities. The success of this policy is evidenced by the fact that 32.6 percent of all the assets seized between 1993 and August 15, 1998 can be attributed to the current administration.

14. With respect to modernization of the state, the national government is seeking to encourage capital investment in public enterprises by the private sector, with the aim of eliminating market distortions, increasing the production and supply of goods and services in an environment of competitiveness and efficiency.

15. In this context, the parliament is considering laws on the capitalization of the telecommunications enterprise and the regulatory framework governing the supply of drinking water and environmental sanitation. The parliament will shortly be examining the regulatory framework governing the generation, transmission, and distribution of electric power.

16. Also, the public sector banking reform will be deepened for the purpose of providing agents of production with efficient technical and financial assistance, by ensuring that financial

resources can be appropriately channeled through loan portfolios for the agricultural, industrial, and housing sectors.

17. Furthermore, we are encouraged by the efforts to review the principles of cooperation and collaboration between the World Bank and IMF, as a way to ensure coordinated and expeditious operations by both institutions in the socioeconomic and structural reform areas. Such action should make it possible to improve the supervision process and its results, facilitating an appropriate choice of priorities in lending programs, and enhancing the capacity to respond to the future crises that are liable to continue affecting the global economy.

18. In closing, we anticipate that these Annual Meetings will be successful in enhancing and improving the design, implementation, and evaluation of future socioeconomic policies.