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Statement by the Hon. **FEDERICO ANTONIO ZAYAS CHIRIFE**,
Governor of the Bank for **PARAGUAY**,
at the Joint Annual Discussion

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Mr. Chairman,
Distinguished Authorities,
Ladies and Gentlemen:

It gives me great pleasure to address you on behalf of the Republic of Paraguay at this Fifty-Fourth Joint Annual Meeting of the World Bank and the International Monetary Fund.

This is a particularly significant occasion for my country, as we wish to reaffirm here today that the Paraguayan people are committed to defending our Republic's democracy and its institutions and are willing to undertake a successful structural transformation of our society and national economy. This will only be possible, however, if we can count on the full cooperation of multilateral organizations and friendly nations around the world.

Viable reforms of economic systems require a climate of social, political, economic, and financial stability.

Paraguay managed to overcome a difficult challenge to its institutions as recently as six months ago, and must now face another major challenge: the reconstruction of our country, a task which our Government of National Unity has been focusing on since it took office. As the President of the Republic of Paraguay said at the recent United Nations General Assembly, "*the Government of National Unity today faces the dramatic challenge of rescuing Paraguay from its state of chronic economic stagnation and grave social inequality.*"

To gain a sense of my country's critical economic situation, consider that Paraguay's economy grew by 2.9 percent a year on average between 1990 and 1994, but by only 2.0 percent a year between 1995 and 1998. This clearly illustrates the slowdown in the Paraguayan economy, which is made worse by the natural population growth rate of over 2.5 percent a year on average recorded during the 1990s.

We are aware that Paraguay's economy must attain higher growth rates in the years ahead if it is to meet its social needs while maintaining political, economic, and financial stability.

Empirical evidence shows that those countries which have achieved economic success have done so in the context of free market systems, and, by generating sustained economic growth, have enabled large segments of the population to escape from poverty.

We therefore wish to express our support for the poverty reduction and sustained growth initiative. We believe, moreover, that options for reducing or offsetting the effects of barriers to free trade need to be explored, and we wish to voice our disapproval of the use of agricultural subsidies.

Our challenge in this process is to overcome the manifold constraints that are seriously complicating our efforts to improve the welfare of our people.

The Government of National Unity has taken an historic step by forming a Cabinet representing different political groups and by recently forging a consensus on a medium- and long-term economic program designed with the participation of representatives of the various political parties, thereby ensuring that the members of the National Congress are committed to its implementation.

Our government is striving to bring about a consensus on the pathways to reform and has reached agreement with the various political parties and the National Congress on a government program containing a substantial package of structural reform measures, which is in the process of being implemented.

My country's government has launched a frontal attack on corruption, as witnessed by the signing of a cooperation agreement with the World Bank and by tangible measures to combat smuggling and brand piracy, coordinated among the nation's various institutions with the support of the country's grassroots organizations.

A draft government banking reform law has been prepared, with a view to rationalizing the financial public sector and converting it into a unified, streamlined and efficient entity.

As regards government expenditure administration, and with a view to improving and making efficient use of Treasury resources, a draft financial administration law has been prepared, which seeks to modernize the current management of government expenditure and thereby establish more effective quality control over fiscal outlays.

Moreover, the financial crises that recently shook world markets have undoubtedly left their mark on our small, open economy. This makes it imperative for us to join in the efforts of the Bretton Woods institutions to design a new international financial architecture that will help developing countries strengthen their financial markets and ensure their proper integration into the globalized world.

Now that 54 years have elapsed since the creation of the Bretton Woods institutions, and as a representative of one of their founding countries, I wish to state my conviction that these institutions must endeavor to maintain their effectiveness and their relevance as they pursue their objectives.

We believe it essential that equity be included among the aims of the programs implemented and that the anticipated effects of international cooperation and partnership

should materialize in a more favorable climate, so that our people can—in the not-too-distant future—begin reaping the benefits of their efforts.

Adjustment programs must show their human face and must contain remedial social policies that mitigate societal differences.

We call for support and cooperation from multilateral organizations, in order to ensure the success of our economic revitalization and antipoverty programs, as such measures will be essential to strengthening our government's effort to sustain democracy.

In this context, we are heartened by the 1998 review of the Concordat, the purpose of which was to reconsider the principles of Bank-Fund cooperation and collaboration with a view to increasing the effectiveness of both institutions. The World Bank should be able to present us with various options for enabling it to maintain its financial capacity, in terms of the specific challenges facing its member countries, while safeguarding its net income.

Paraguay's present government has shouldered an immense historical responsibility, imposed by the heavy costs of the events in our country in March 1999 (*Marzo Paraguayo*). Furthermore, our government is committed to focusing its actions on implementing the structural reforms necessary to achieve sustained and sustainable economic growth through the development of a production framework based on competitiveness, with a view to fostering social progress for the Paraguayan people.

The role of the State will be to promote the rationalization and redirection of government expenditure toward social sectors, investment in infrastructure and the strengthening of the production sector.

Also, our government's responsibilities include achieving qualitative improvements in poverty analyses, making it possible to direct government expenditure toward the specific objective of improving the welfare of our people.

In closing, I urge you to appreciate our government's desire to have an open and structurally coherent economy—an economy in which our leadership is committed to facilitating the attainment of economic growth in an environment of freedom and democracy, while advocating the balanced and reciprocal liberalization of trade and finance, so that we can usher in the new millennium with zero-inflation growth, fiscal equilibrium, and a dynamic and competitive private sector that responds innovatively to the challenges of competitiveness, technology, and efficiency, for the sake of all those who inhabit our land and who yearn to live in peace and happiness.

Thank you very much.

September 29, 1999.