

BOARDS OF GOVERNORS ● 2000 ANNUAL MEETINGS ● PRAGUE, CZECH REPUBLIC

INTERNATIONAL MONETARY FUND

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

J

Press Release No. 24

September 26–28, 2000

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

**Statement by the Hon. Federico Zayas Chirife,
Governor of the Bank for Paraguay,
at the Joint Annual Discussion**

It is a very great pleasure and honor for me to address this gathering on behalf of the government of the Republic of Paraguay, at these 55th Annual Meetings of the International Monetary Fund and the World Bank.

We wish to express special thanks for the hospitality and facilities provided by the authorities of the Czech Republic and, in particular, of the beautiful, historic city of Prague, and for the efficiency and smooth organization of these annual meetings.

I have learned from studies carried out by the United Nations Development Programme (UNDP) that this year, 2000, GDP growth in the developed economies is expected to average 3.5 percent, compared with 2.7 percent in 1999, and that this trend is driving a global economic recovery of major proportions, especially as the United States will continue to lead economic growth worldwide, along with other developed regions of the world that have low rates of inflation and unemployment. The beneficial effects of this will undoubtedly be felt in varying degrees in the various regions and countries making up the world economic system.

It is predicted that in 2000, the Latin American economies will continue to face deterioration in their terms of trade and the reduction of capital flows that began in 1988. However, it is hoped that world economic trends and the pursuit of prudent policies will enable Latin America to end the year with growth of the order of 2.7 percent.

Paraguay is located in the heart of MERCOSUR between the two South American giants, Brazil and Argentina, which account for much of its intrazonal foreign trade. Following a recessionary process in the past three years, during which it experienced negative growth rates in overall GDP and an obvious decline in per capita output, it is estimated that for 2000 the country's overall economy will grow by about 2 percent, signaling the start of Paraguay's economic recovery, given the efforts of the government and the people to regain the levels of growth required for achieving the objectives of prosperity and poverty reduction. It is expected that the rate of inflation in 2000 will be in the single digits and that this trend will continue in 2001, with overall GDP projections of the order of 2.5-3 percent.

In the light of probable developments in the global economy and in Latin America, the prospects are encouraging. Even so, according to the authors of the *World Economic Outlook (2000)*, there are risks that should be taken into account, such as the current and fiscal account deficits in a number of developing countries, the U.S. trade deficit and Japan's budget deficit, the highly restrictive monetary policies of various

developed and developing countries, the sharp corrections occurring in the U.S. stock market and their impact worldwide, as well as the current dramatic rise in oil prices.

The rapid pace of globalization in the world economy poses an increasingly serious challenge to the ingenuity and creativity of the member countries of the Fund and the Bank, because at the same time—notwithstanding the benefits of globalization—according to the Joint Statement by Mr. Horst Köhler and Mr. James D. Wolfensohn in early 1999: “We live in a world with severe deprivation and inequality,” where “poverty is a threat to global security and welfare,” inasmuch as one fifth of the world’s population, according to studies, lives on less than a dollar a day, and “per capita incomes in some countries have been declining for decades.”

These poignant observations make it superfluous to comment on the vital importance of reaffirming the objectives of the Bretton Woods Institutions. In other words, member countries must be helped to develop their potential and the productivity of their resources, as a basis and cornerstone for sustainable economic development.

As a member country of the Fund and the Bank, Paraguay shares the general principles espoused by these institutions on the basis of more than 50 years’ experience, as well as their focus on the multidimensional facets of the sustainable growth and poverty reduction strategy, which places great emphasis on: “macroeconomic stability, open markets and a vibrant private sector; investment in resources (especially through basic health and education); good governance and sound institutions (free of corruption); protecting the environment and nurturing the natural resource base; respecting and preserving cultural heritage; an attractive climate for both domestic and foreign investors; and going beyond poverty to address the issues of empowerment and security.” Obviously, there is a great need for transparency in all administrative and operational actions, to ensure clarity and accountability with respect to roles and outcomes.

Here, I would like to state that we fully endorse the viewpoints expressed by the President of the World Bank Group, James D. Wolfensohn, who at the previous meetings made the following observations:

“Corruption is a daily fact of life as the poor try to access public services and make a living.”

“We have learned that the causes of financial crises and poverty are one and the same. Countries may come up with sound fiscal and monetary policy, but if they do not have good governance, if they do not confront the issue of corruption, if they do not have a complete legal system which protects human rights, property rights and contracts, which gives a framework for bankruptcy laws and a predictable tax system; if they do not have an open and regulated financial system and appropriate regulation and behavior that is transparent, their development is fundamentally flawed and will not last.”

These arguments, taken together, amply justify the implementation of transparency policies in all member countries of the Bretton Woods Institutions, the adoption of anti-corruption manuals and codes of transparency in economic and fiscal policy in the developing and developed worlds, and the Code of Good Practices on Monetary and Financial Policies.

The State reforms pursued by the government of Paraguay are designed to result in official policies and government directives which, as part of a broad-based effort, allow for transparent and systematic state administration, reduce uncertainty, enhance efficiency in meeting social demand, strengthen the production framework, and protect environmental equilibrium. To achieve these objectives, we require a regulatory state that guarantees the proper functioning of democracy and a market economy, regulates the delivery of services and the provision of public goods, creates an environment in which opportunity is accessible to all, promotes certainty as to the law, and fosters the establishment of macroeconomic stability.

We know that these overall objectives require specific goals for the various countries, which vary according to their respective scenarios and stages of development. This is why IMF and World Bank assistance in implementing the development policies of member countries requires a high degree of coordination and more effective backing in terms of technical and financial assistance.

One decade into its transition toward democracy, the Republic of Paraguay is still engaged in strenuous efforts to reform the country's production, economic, financial, and fiscal frameworks; moreover, it is seeking to overhaul its social structure, which bodes well for the future living standards of our people. The tradition of government paternalism, historically entrenched in our country's overall economic policy decisions, has changed.

We fully endorse the view that in the near and medium terms, the responsibilities currently shouldered by the Fund and Bank should be defined more broadly than in the past if these organizations are to fulfill their objectives; this in turn will mean a better quality of life for the inhabitants of the member countries. We also believe that governments should take up the challenge and commit themselves to designing and implementing policies that will ensure sustainable growth and reduce poverty.

The principles underlying this sustainable growth and poverty reduction strategy should be embraced by all member countries: developed countries, countries with average levels of development, and countries with the lowest levels of relative development. This approach will help make the challenges far more rewarding for all our countries.

With respect to the challenges facing member countries mentioned in the Joint Statement by the Managing Director of the IMF and the President of the World Bank, we trust that the proposals and recommendations pertaining to the responsibilities of the

developed countries can be carried out in full, while preserving the dynamism of their respective economies, thereby helping to achieve global economic growth that is truly beneficial to all nations of the world.

Accordingly, we look to the developed countries to:

- (1) **Open their markets:** “Especially for agricultural products and textiles, to developing countries. This would bring major benefits—greater than the benefits they receive from current levels of aid—to developing countries.”
- (2) **Provide more aid.** “Aid flows” from the developed countries “have declined sharply as a percentage of GDP.”
 - (2.1) “The record shows that aid works in countries that pursue good policies.”
 - (2.2) “Donors should increase the overall level of aid, and concentrate the increase on countries that pursue good policies.”
- (3) **Provide debt relief:** “The funding for debt relief is not yet fully assured. We urge our member governments to act to ensure that we are able to deliver debt relief” to the poor countries, and in particular, “the heavily indebted poor countries.”

These observations reflect the ideals and aspirations of a developing country that is striving to take its rightful place in the process of globalization and market integration—a country that is endeavoring to implement structural reforms and poverty reduction, and to provide a better future for its people through perseverance and consistent actions.