

BOARDS OF GOVERNORS • 1997 ANNUAL MEETINGS • HONG KONG, CHINA

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

INTERNATIONAL MONETARY FUND

Press Release No. 41

September 23 - 25, 1997

J

Statement by the Hon. **CHARLIE MCCREEVY, T.D.**,
Governor of the Bank and the Fund for **IRELAND**,
at the Joint Annual Discussion

**Address by Mr. Charlie McCreevy, TD, Minister for Finance
and
Governor for Ireland
at the
Annual Meetings of the IMF and World Bank
Hong Kong, 23-25 September, 1997**

The IMF and World Bank have done valuable work during the past year. Ireland particularly welcomes the advances made with a number of initiatives to help the less developed countries and their integration into the world economy. Regarding the economic situation, the World Economic Outlook makes encouraging reading but equally shows that policy makers face considerable challenges.

Irish Economy

The Irish economy has made impressive progress in recent years. This year is also proving very positive. GNP is likely to grow by about 6½ per cent with employment rising by about 4% and unemployment declining further. Investment continues to grow strongly. Inflation should average 1½% in 1997.

The longstanding policy stance which has brought about these results will be maintained.

Current Issues

I would like to comment on a number of issues relevant to the Fund and the Bank on which progress has been made since our last Annual Meeting

Economic and Monetary Union

I am particularly pleased to note the preparatory work that has been initiated in the IMF in relation to Economic and Monetary Union in the European Union. This major change to the European region's economic and monetary systems will have implications for the global economy and also for the relationship between the Fund and the European Union and its member States. I am very pleased to see the cooperative and mutually supportive manner in which the discussions between the Fund and the Union are being handled.

In the Union, preparation for this major project has been progressed in a major way--on both the policy and practical aspects--over the past twelve months. I am confident that EMU will be established in accordance with the Treaty timetable on January 1st 1999. It is clear too that Ireland will qualify for participation from the outset. There is every reason to believe that EMU will be characterised by a low inflation and low interest rate environment conducive to economic growth and sustainable employment creation.

SDR Allocation

We note with approval the agreement on the special one-time allocation of SDRs to bring total allocations to all members to a common benchmark of quota.

11th Quota Review

We warmly welcome the agreement to strengthen the financial base of the Fund to meet future challenges through the 11th review of quotas. A positive aspect of the agreement is that it will bring quotas more into line with relative positions in the world economy.

Liberalisation of Capital Markets

We fully agree with the concept of making the orderly liberalisation of capital movements one of the purposes of the Fund, and with extending the Fund's jurisdiction to capital movements.

Development Agenda

Turning to the development agenda, the Bank and the Fund are to be congratulated on the progress that has been made on the implementation of the HIPC Initiative. We very much welcome that decisions have been made on Uganda, Bolivia and Burkina Faso and that preliminary consideration of a group of other countries is well underway. This is no mean achievement, given the complexity of the problems affecting the indebted countries and the number and diversity of the players who are party to each decision.

We note the flexibility with which the initiative is being implemented. It is important that this flexibility be used to ensure that the maximum number of eligible countries benefit from the initiative, and as early as possible.

In any event, the initiative must offer a real exit from excessive debt to the countries concerned and allow them to regenerate their capacity for economic and social development.

In this context, Ireland welcomes the recent Internal Review of the ESAF, and looks forward to the completion of the ongoing external evaluation. Understanding the impact of structural adjustment, on social sector programmes in particular, is critical to implementing the ESAF in an optimal way.

Other issues

The new focus on good governance by the Bank and the Fund is appropriate and timely. This is necessary for the effective implementation of macroeconomic and development policies.

The volume of business now being transacted by MIGA is such that an increase in its resources will be necessary if the Agency is to meet increased demand for guarantees in coming years. We welcome the conclusions of the Development Committee that the immediate funding requirement be dealt with as soon as possible and the overall question of a capital increase be sorted out by the Spring meetings.

We would encourage the Bank in implementing its action programme to reduce barriers to private sector involvement in infrastructure in developing countries. Its sectoral and global experience, strong credit rating and financial capacity, long-standing partnerships with countries, and reputation as an honest broker equip the Bank to make a special contribution in this field.

In conclusion, I would like to congratulate both organisations for their efforts in the past year. The leadership, long-term orientation and strategic qualities shown by those in charge of both the Fund and the Bank augurs well for the future.