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Statement by the Hon. **JOSE ERNESTO BUTTNER LIMPRICH**,  
Alternate Governor of the Bank for **PARAGUAY**,  
at the Joint Annual Discussion

**STATEMENT BY JOSE ERNESTO BUTTNER LIMPRICH,  
VICE-MINISTER OF ECONOMY OF PARAGUAY, REPRESENTING  
THE MINISTER OF FINANCE, MIGUEL ANGEL MAIDANA**

1. It is an honor for me to address these Annual Meetings of Governors of the World Bank Group and the International Monetary Fund on behalf of the people and government of Paraguay. Our most cordial greetings to you all.
2. I wish to thank the Chinese authorities for their kind and warm welcome and to congratulate them, and the management of the Bank and the Fund, for the excellent organization of this event.
3. Many countries in the world, mine included, have made considerable progress toward democracy and economic stabilization, and we are now focusing our efforts on firmly establishing conditions conducive to sustainable development while maintaining the full viability of the institutions of our republics. But we still face considerable challenges, such as the need for faster economic growth in some regions, greater equity, and better environmental management, all of which must be achieved without drawing attention away from the deepening and consolidation of democracy.
4. In political, economic, and social terms, the world we now live in is different from what it was in the recent past. Thus the role of international financial institutions must be solidly based on the principles of equity, partnership, and joint effort, so as to enable reform programs to become one of the pillars of broader development, beyond the purely economic sphere.
5. Allow me to share with you some key aspects of Paraguay's socioeconomic situation, particularly the progress made in consolidating democratic institutions under the current administration.

**Paraguay: economic and social situation**

6. In economic terms, GDP grew at an annual average rate of almost 4 percent between 1993 and 1995. Growth slowed in 1996 owing to a combination of factors, but is expected to once again reach the range of 4 percent this year.
7. As a result of policy coordination efforts—particularly financial and fiscal policies—and despite the difficulties facing the financial system, inflation declined steadily from 20.4 percent in 1993 to 8.2 percent in 1996, which is considered to be the lowest rate in the last three decades. In August this year, cumulative inflation stood at 5.3 percent.

8. Fiscal revenue in the last three years increased in real terms, owing to improved tax collection and timely adjustments in utility prices and rates. This made it possible to substantially increase the resources allocated primarily to education, health, and infrastructure projects. That notwithstanding, performance was good in the consolidated public sector, which accounted for 1.5 percent of GDP on average.

9. My country continues to follow a prudent borrowing policy, regularly meeting its international financial commitments and maintaining an optimum level of reserves.

10. Net international reserves increased by 52 percent between 1993 and 1996, reaching the equivalent of 11 percent of GDP in December last year, while the external debt grew by only 3 percent to 13.5 percent of GDP in December 1996.

11. The current government continues to steadfastly promote structural reform and state modernization, which led to the restructuring of much of our legal system. We already have laws against money laundering, a new central bank charter, a new general law on banks, an insurance law, a regulatory framework for the telecommunications sector, among other legislation.

12. Bills were submitted to congress on government financial management, capital market regulation, trademarks, patents and copyright, and bills to create a new retirement and pension system. A regulatory framework for water and sewerage and for electricity are in the final stages of preparation for submission to congress.

13. Throughout this process we faced problems in the financial system, but never abandoned our goal of stability, and have taken corrective measures.

14. We are committed to consolidating democracy, evidenced by the establishment of an independent judicial branch comprising a Supreme Court of Justice, a council governing high judicial offices, and a board responsible for the judicial indictment of senior members of the judiciary and electoral justice. All of this represents a major thrust in judicial reform and full respect for citizens' rights.

15. In the area of education, reforms are under way at all levels, as this is one of the present government's priorities and one of the pillars of development of any country.

16. At the end of last year, legislation was approved for creating a national health system, to broaden the coverage of preventive and therapeutic health care by better coordinating the efforts of the various institutions working in the sector. This reform aims at substantially reducing morbidity and mortality rates, particularly for mothers and children.

17. Now, after a term of four years marked by considerable progress, the results are good. Despite resistance, the economic, social, and political reality of Paraguay has changed and the

new order guarantees an institutional environment for the development of private initiative and investment incentives.

18. It is important for the Bretton Woods institutions to continue supporting state modernization, in order to maintain sustainable and equitable growth, create sound social and economic institutions, strengthen financial and capital markets in the region, and improve governance.

19. Poverty is undoubtedly the greatest threat to peace, democracy, and development. Poverty must be reduced if democracy is to be strengthened, hence the need to make accessible resources cheaper, to help consolidate economic and social reforms. We therefore urge this forum to be innovative in its quest for mechanisms to improve the timely availability of resources.

20. Clearly, solidarity among the inhabitants of one country helps overcome obstacles more easily. The same applies to regional and international relations. It is the responsibility of the advanced countries to contribute to the development of others with emerging economies, and the valuable assistance provided by traditional donors must be continued.

21. We are cognizant of the fact that environmental conservation is a priority, but it is a global one and, therefore, the technical and financial resources needed must come from the international community.

22. Lastly, I must point out that in all the reforms and policies we have been implementing to create an efficient and dynamic state, we have not lost sight of the fact that they are aimed at human beings and, therefore, must be socially and politically viable.

Thank you.