THE WORLD BANK GROUP

December 1993

1993 ANNUAL MEETINGS OF THE BOARDS OF GOVERNORS

SUMMARY PROCEEDINGS

WASHINGTON, D.C.
SEPTEMBER 28–30, 1993

THE WORLD BANK GkOUP

1993 ANNUAL MEETINGS OF THE BOARDS OF GOVERNORS

SUMMARY PROCEEDINGS

WASHINGTON, D.C.
SEPTEMBER 28–30, 1993

INTRODUCTORY NOTE

The 1993 Annual Meetings of the Boards of Governors of the World Bank Group, which consists of the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), International Development Association (IDA), Multilateral Investment Guarantee Agency (MIGA) and International Centre for the Settlement of Investment Disputes (ICSID), held jointly with that of the International Monetary Fund, took place in Washington, D.C., September 28–30, 1993 (inclusive). The Honorable Iván Szabó, Governor for the Bank and the Fund for Hungary, served as Chairman.

The Summary Proceedings record in alphabetical order by member country, the texts of statements by Governors during the meetings, resolutions adopted by the Boards of Governors of the World Bank Group over the past year, reports and other documents relating to the meetings.

T. T. THAHANE
Vice President and Secretary
THE WORLD BANK GROUP

Washington, D.C.
December 1993

CONTENTS

	Page
Opening Greetings by Lloyd M. Bentsen Governor of the Bank and the Fund for the United States	1
Opening Address by the Chairman Iván Szabó Governor of the Bank and the Fund for Hungary	2
Annual Address by Lewis T. Preston President of the World Bank Group	8
Report by Rudolf Hommes Chairman of the Development Committee	13
Statements by Governors and Alternate Governors	15

	Page		Page
Armenia	15	Ireland	87
Australia	16	Israel	91
Austria	20	Italy	93
Bangladesh	22	Japan	96
Belgium	25	*Kiribati	101
*Belgium	28	Korea	103
*Bolivia	33	Lao People's Democratic Republic	105
Bulgaria	36	Latvia	107
Cambodia	39	Lebanon	111
Canada	41	Libya, Socialist People's Arab Jamahiriya	113
China, People's Republic of	44	Malaysia	117
Croatia, Republic of	47	Micronesia, Federated States of	119
*Dominica	51	Nepal	121
El Salvador	53	Netherlands	123
Fiji	56	New Zealand	126
*Finland	58	Nicaragua	129
France	62	Pakistan	133
Germany	64	Papua New Guinea	135
Greece	69	Paraguay	138
*Guinea	71	Philippines	142
India	77	Poland, Republic of	146
Indonesia	81	Portugal	148
Iran, Islamic Republic of	85		

---

* *Speaking on behalf of a group of countries.*

	Page		Page
*Qatar	149	Tonga	172
Russian Federation	154	Ukraine	173
Slovenia, Republic of	157	*United Arab Emirates	175
South Africa	161	United Kingdom	178
Spain	163	United States	183
Switzerland	166	Uzbekistan, Republic of	187
Thailand	169	Viet Nam	190

Concluding Remarks by Lewis T. Preston 192
Concluding Remarks by the Chairman Iván Szabó 194
Remarks by M. Saifur Rahman, Governor of the Bank
for Bangladesh 197

Documents of the Boards of Governors 198
Schedule of Meetings 199
Provisions Relating to the Conduct of the Meetings 199
Agendas 200

Joint Procedures Committee 201
Report I 202
Report III 204

MIGA Procedures Committee 206
Report I 207

Resolutions Adopted by the Board of Governors of the Bank
Between the 1992 and 1993 Annual Meetings 209
No. 479 ... Amendment of Board of Governors
Resolution No. 294 209
No. 480 ... Direct Remuneration of Executive Directors
and their Alternates 210

Resolutions Adopted by the Board of Governors of the Bank
at the 1993 Annual Meetings 211
No. 481 ... Financial Statements, Accountants' Report
and Administrative Budget 211
No. 482 ... Allocation of FY93 Net Income and Transfer
of Surplus 211

* *Speaking on behalf of a group of countries.*

Resolutions Adopted by the Board of Governors of the Bank
at the 1993 Annual Meetings 211
No. 481 ... Financial Statements, Accountants' Report
and Administrative Budget.......................... 211
No. 482 ... Allocation of FY93 Net Income and Transfer
of Surplus.. 211

Resolutions Adopted by the Board of Governors of the IFC
Between the 1992 and 1993 Annual Meetings 213
No. 194 ... Membership of the Republic of Estonia.............. 213
No. 195 ... Membership of the Republic of Tadjikistan 215
No. 196 ... 1992 Special Capital Increase 217
No. 197 ... Amendments to the Articles of Agreement
of the Corporation.................................. 218

Resolution Adopted by the Board of Governors of the IFC
at the 1993 Annual Meetings 219
No. 198 ... Financial Statements, Accountants' Report
and Administrative Budget.......................... 219

Resolutions Adopted by the Board of Governors of IDA
Between the 1992 and 1993 Annual Meetings 220
No. 173 ... Membership of the Republic of Marshall Islands..... 220
No. 174 ... Additions to Resources: Tenth Replenishment........ 222

Resolution Adopted by the Board of Governors of IDA
at the 1993 Annual Meetings 241
No. 175 ... Financial Statement, Accountants' Report
and Administrative Budget 241

Resolutions Adopted by the Council of Governors of MIGA
Between the 1992 and 1993 Annual Meetings 242
No. 41 ... Membership of Georgia.............................. 242
No. 42 ... Reclassification of Portugal 243
No. 43 ... Review of Allocation of Shares....................... 243
No. 44 ... Membership of Tajikistan 245
No. 45 ... Membership of the Federated States of Micronesia 245

Reports of the Executive Directors of the Bank 247
Amendment of Board of Governors Resolution No. 294 247
Allocation of FY93 Net Income and Transfer of Surplus 248

Report of the Board of Directors of IFC
Applications of the Former Soviet Republics for Membership in IFC, Special Increase in the Authorized Capital of IFC and Amendments to the Articles of Agreement of IFC 250

Report of the Executive Directors of IDA
Additions to Resources: Tenth Replenishment 264

Reports of the Board of Directors of MIGA
Reclassification of Portugal from a Category Two Country to a Category One Country 292
Review of Allocation of Shares 293

Accredited Members of Delegations at the 1993 Annual Meetings .. 296

Representatives of International Institutions 332

Executive Directors, Alternates and Advisers
IBRD, IFC, IDA 333

Directors and Alternates
MIGA 335

Officers of the Board of Governors and Joint Procedures Committee for 1993–94 336

Officers of the MIGA Council of Governors and Procedures Committee for 1993–94 337

OPENING GREETINGS BY LLOYD M. BENTSEN GOVERNOR OF THE BANK AND THE FUND FOR THE UNITED STATES

On behalf of President Clinton and the people of the United States, it is my honor and pleasure to welcome you to Washington for the 48th Annual Meetings of the World Bank and the International Monetary Fund.

I am looking forward to my opportunity to address you tomorrow because we face a time of profound change in the world's political and economic landscape. This is a critical time, and our response to change must be a positive one. We have already begun creating the environment in which we can achieve our economic goals.

First and foremost, we must rekindle world growth and reduce unacceptably high unemployment. The name of the game is jobs. It is our primary responsibility. We are moving in the right direction, but there is more we can do.

Second, we must continue to work for a more open trading system. Successful completion of the Uruguay Round this year is essential, but regional efforts such as NAFTA and our bilateral efforts to open markets in surplus countries can make an important contribution to expanding world trade.

Third, we must encourage emerging economies to maintain the momentum toward growth and lower inflation that many have achieved in recent years. It will be necessary for us to pay special attention to the poorest, most heavily indebted countries.

Fourth, we must assist the newly freed countries as they embark on the path of prosperity. Russia is the chief example, but there are new challenges in the Middle East, Southern Africa, and Southeast Asia.

These are important goals, and they will by no means be easy to achieve. We will have to have a creative and pragmatic approach, both as individual nations and collectively through these institutions. The World Bank and the International Monetary Fund have proven their ability as leaders, and we expect nothing less in the future.

Your work at these meetings will be important, and quite possibly decisive, in influencing the events which will determine our future.

OPENING ADDRESS BY THE CHAIRMAN
THE HONORABLE IVAN SZABO
GOVERNOR OF THE BANK AND THE FUND FOR HUNGARY

It is an honor and a pleasure for me to chair, on behalf of the Government of the Republic of Hungary, the Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund. I note with pride and satisfaction that this is the first time that a representative of a Central European country has been selected to chair these meetings.

I think that honor should be given to the efforts that have been made and results achieved by Hungary since 1990, following the first free election in 43 years. During this time, the legal and institutional framework for a social market economy has been established in our country, we have achieved significant success in privatization (in 1992, 45 percent of GDP was produced by private enterprise), and we have turned our exports from the collapsed COMECON markets to Europe, as a result of which 70 percent of our total exports are directed to OECD countries today. We are linked through a special association agreement with the European Community (EC) and we are confident that we shall join the EC as full members within this century.

It is a special pleasure to announce that, a few days before the Annual Meetings, a new stand-by arrangement was agreed by Hungary and the Fund, in acknowledgment of the economic results achieved by Hungary and of the path that is being followed.

I extend a warm welcome to each of you here today. I especially want to welcome those new member countries, the Republic of Tajikistan and the Federated States of Micronesia, that have joined the Fund and the World Bank since our last meeting. We look forward to cooperating with them in the years ahead.

Both the World Bank and the International Monetary Fund have made an immense journey since their foundation. In harmony with the intention of the founders, they have contributed greatly to creating or sustaining stability in certain countries and regions.

The journey has been impressive and the results achieved are significant, but, in some cases, regrettably, the recommended medicine did not bring about the patient's recovery. Alongside successful developments and excellent results, as shadow follows light, there are loans that are classified as bad debts retrospectively, the hopeless indebtedness of a large part of the world, and the increasing disparities between countries, nations, and continents.

But now, having started with a group of 29 states, the area of operations of the two giant financial institutions covers practically the whole globe.

With this universal membership comes the sure knowledge that the services of the Bretton Woods institutions are needed now more that ever and—with their global reach—can indeed be more effective. Today, the world faces a crisis of confidence, coupled with continuing concerns about the prolonged weakness of economic activity. Against this backdrop, international cooperation to achieve global economic growth and improvement in the quality of life for all is imperative.

The continued below-par growth performance of the world economy over the past year is disappointing, not only because of its high social costs, but also because of the risks such weakness entails for open trade relations, exchange market stability, structural reform efforts, and progress toward medium-term objectives and a brighter economic future for all.

The weak growth performance of most industrial countries is both surprising and perturbing: signs of recovery in the United States, Canada, and the United Kingdom are only tentative and gradual; most Western European countries are experiencing stagnation or decline; and even in Japan, the near-term prospects for a recovery have become more clouded. Output losses in the economies in transition, in the states of the former Soviet Union, and also in Hungary, while perhaps unavoidable, have proved to be more substantial and more difficult to reverse than anticipated. In contrast, the economic outlook for many developing countries, in particular in Asia, but also in many countries of the Middle East and some countries in the Western Hemisphere, has improved markedly; and the decline of many of the economies in sub-Saharan Africa at last appears to have been arrested. The success of the developing countries can only be seen as remarkable; and it points to the need for the industrial countries to do more to support the world economy in a way that is commensurate with their position in it.

In the extension of World Bank and Fund operations, as in extensive developments of any kind, answers must be found to new challenges, different in nature from any previous challenges. It is particularly so in the case of the collapsed Soviet empire, its states and nations, where managing the economic process is impossible by following the classical, or by now crystallized, recipes of twentieth century schools and, more important, where using economic devices only is just not the answer. Similar tendencies could be seen in other regions of the world, especially in former dictatorships where individuals and communities had been denied the experience of freedom.

What are we talking about, after all? The collapse of the Soviet empire—which lasted a few historical seconds—suggests to us that not only did the "living socialism" fall into an unresolvable crisis, but so also did the orthodoxy behind it—the Marxist-Leninist ideology. And it is not an accident, by any means; Marxism was based on the deterministic Newtonian view of the world generally accepted in the last century. This deterministic view has been revised by Einstein, the Copenhagen school, and, putting the dot on the "i," the Heisenberg views of the world featuring relativity and indeterminism. It was a tempting belief that the exclusive basis of society and the whole world is economy, and that philosophical persuasion, ethics, religion, politics, and arts all function as a superstructure on the economic foundation, but the history of my region has clearly showed that this picture is false.

I come from such a part of the world, from Central and Eastern Europe, where the people and nations have proved, over 40, or even 70, years, that to become accustomed to permanent economic difficulties—to a lower standard of living compared with richer countries of the world—is easier than to be denied the right to publicly declare one's faith and to speak in one's fatherland in his mother tongue. Today, people die more willingly in the name of their national and religious affiliations than for social reasons. It is enough to look at the former Yugoslavia and to the Georgia-Abkhaz and Armenia-Azerbaijan conflicts, but we get the same message from a large number of other regions of the world, with their national, ethnic, and religious tensions and problems.

Why did I raise these issues here today, in the opening speech of the Annual Meetings of the World Bank and the International Monetary Fund?

The reason is that they raise a fundamental question about the efficiency of our future economic activities—whether we shall be able to find *distinct solutions, based on the complex totality of life*, in our endeavor to manage the monetary problems of individual countries and regions. Of course, the nature of life is a complex system depending on numerous variables; nevertheless, three factors can no longer be ignored. Although world conferences address these issues one by one, it is difficult to find a path that could link the parallel planes.

The first two planes or aspects that I will refer to are sociology—in a broad context—and economy. I fully share Cardinal Joseph Ratzinger's views, presented in his maiden speech following his election to the chair of the late Andrei Sakharov by the French Academy, on the new dimensions of the interpretation of freedom following the dramatic events of the end of the century, the "smoking ruins," metaphorically speaking, of a large empire. He said that "freedom needs a moral content," that is, freedom only makes sense if it is directed to others, if it has a communal substance.

I understand and interpret freedom, proved by the reality of Central and Eastern Europe (and numerous other regions in the world), to mean that, if we cannot, beyond the realm of individual human rights, ensure and guarantee the recognition of certain defined collective rights, our efforts in finance and economy will bear no fruit. The goals of a given community (be it a nation, country, region, or continent) may not differ from the basic goals of the individuals who constitute that community—including the rational and transcendental goals. These basic goals of individuals can be different from region to region, and we have to avoid the belief of the European white colonialists between the sixteenth and twentieth centuries that the unification and advancement of the whole world could be achieved by forcing European habits, legal order, and political systems on peoples of different cultures and traditions.

Clearly, then, a case can be made for recognizing the diversity that prevails among and within countries in transition, given differences not only in economic conditions and structure, but also in cultural and institutional configurations. The Hungarian physicist Edward Teller summed up this diversity by observing that, after decades of subjugation under the former Soviet bloc, each of these countries is now entitled to commit its own mistakes.

On the one hand, pronounced differences among countries justify differentiation in the content and sequence of economic policies and reform measures, as well as in the extent and terms of financial assistance made available to each. In this regard, the international financial institutions deserve praise for their efforts to tailor economic programs and projects to specific conditions. Indeed, the Fund has been ready to support the so-called big-bang approach—consisting of macroeconomic adjustment coupled with a rich structural reform agenda, adopted by Hungary. Furthermore, the Fund's management should be congratulated for the initiative in launching the systemic transformation facility to address severe disruptions faced by some of these economies, in particular the states of the former Soviet Union. Similarly, the Bank—including notably IFC—has endeavored to tune its project and sectoral financing and technical assistance to specific country needs.

On the other hand, there are limits to the mistakes that each country can be permitted to make in either the economic or the noneconomic spheres. In the economic area, membership in the Fund and the General Agreement on Tariffs and Trade (GATT) imposes certain constraints on each country's macroeconomic policies as well as its exchange rate and trade regimes.

Both the Fund and the Bank have supported action to mitigate the adverse social impact of macroeconomic adjustment, price liberalization, and industrial reconstruction. Particular emphasis has been placed on replacing the wasteful and inefficient system of social protection fostered by the previous regime mainly through the subsidization of commodity prices and hidden unemployment in state enterprises, with targeted and explicit assistance to the needy. The Bank and the Fund have helped develop and streamline social insurance programs (old-age pensions and unemployment compensation, among others) that are suited to a market economy and are both socially adequate and financially sustainable over future generations. The latter is particularly difficult in countries, such as Bulgaria and Hungary, that have rapidly aging populations. Deplorable *health conditions* in a number of Central and Eastern European countries and in the states of the former Soviet Union require technical and financial resources on a much larger scale than those provided so far. This year, the Bank's World Development Report highlights the enormous costs to human life and economic development of the misallocation, inefficiency, and inequity that characterize these countries' health-care programs in particular. As the Report suggests, significant gains can be achieved through targeted low-cost public health measures and clinical services.

As I mentioned, there is a third aspect of the quality of life that we must not ignore, and that is *environmental protection* in all its complexity as it was discussed at the world conference last year in Rio de Janeiro. For us, accustomed as we are to rationalizing finances and economy, the dilemma is really difficult to resolve. It is very strongly implanted in us, it is in our blood, that we should measure the feasibility of investments according to annual balance sheets—that is, a very short time for a return on investment in the context of history. And now, here is an organization demanding long-term rationality more and more strongly and loudly, in spite of the fact that there is no accountancy system capable of accommodating projections and cost allocations for decades or even centuries ahead. But we cannot neglect this demand, although it seems a moral requirement rather than an economic rationale for a practicing economist, who, incidentally, carries the responsibility for his work toward many a generation to come. I bow to the wisdom of the Superior Court of India, which banned the operation of the smoke-emitting plants of the Taj Mahal. However, without trying to spoil the occasion, I would ask what do the human race and its financial institutions intend to do to solve the economic problems of people who have lost their basic living conditions as a result of measures like this one, taken to protect the irreplaceable treasures of mankind, be they for the protection of the Taj Mahal or Canadian forests, or for the reduction of exceptionally profitable freon gas sprays or carbon dioxide emissions.

The World Bank and the International Monetary Fund can be proud of their contribution to the initial stage of the reconstruction and market-oriented transformation of Central and Eastern Europe, and of the successor states of the former Soviet Union. Both institutions have displayed considerable imagination and flexibility in dealing with problems that are not always amenable to traditional treatment. The complex interaction between the conduct of macroeconomic policies and the institutional reform process, such as the restructuring and privatization of state enterprises, has at times been imponderable. Indeed, over the past three years, the Bank and Fund staffs, as well as the national authorities, have learned together from the experience of postsocialist countries. (Hungary's piecemeal reform measures taken between the late 1960s and the late 1980s provided a number of useful lessons.)

I must emphasize that transformation is far from complete even in my own country. However, most important, *we view import liberalization by developed countries as a key catalyst in the economic reconstruction of Central and Eastern Europe*. As stated by Prime Minister Antall at the European Democratic Union conference held in Budapest a couple of weeks ago, our major concern is that the dismantling of the Iron Curtain will be followed by the erection of an economic curtain by the West.

The main goal of the members of the World Bank and the Fund at the current juncture must be to devise and collectively pursue a global strategy aimed at bolstering confidence and strengthening the prospects for a durable noninflationary expansion of the world economy. Such a strategy must be based on the realization that, in an increasingly integrated world economy, national and global interests coincide. We must each of us "think globally, and act locally," in a mutually reinforcing effort to address the current challenges and opportunities in a cooperative framework.

This strategy should focus on five main areas in which international cooperation is essential.

First, there is a need for the industrial countries to coordinate their national economic policies more effectively. The domestic fiscal and monetary policies of one country can now influence developments in other countries more quickly and more directly that ever before. Questions regarding the sustainability of exchange rate policy, for example, encourage massive short-term speculative capital flows, as evidenced by the prolonged crisis in the European Monetary System over the past year. Enhanced consultation and cooperation among the industrial countries would yield substantial benefits not only for their own economies, but also for all participants in the global system.

Second, no effort should be spared to ensure the successful conclusion of the Uruguay Round in order to forestall protectionist pressures, to strengthen consumer and business confidence, and to increase world prosperity. The developing countries lose an estimated $100 billion in export revenues each year owing to trade barriers. Substantial progress has been achieved by the formerly centrally planned economies of Central and Eastern Europe in terms of macroeconomic stabilization and structural reform. However, these countries virtually depend on exports to industrial country markets to underpin the recovery of their domestic economy and to facilitate their full participation in the world economy. Inadequate access to industrial country markets, or delays in concluding the Uruguay Round, could therefore seriously jeopardize the prospects for success of the adjustment and reform efforts of these and other developing countries.

Third, the legacy of the debt crisis of the 1980s has not yet been fully dissipated. While some middle-income countries with heavy debt burdens have been relatively successful in restructuring their debt and in regaining market access, many low-income countries continue to be adversely affected by towering debt-to-export and debt-to-GNP ratios. I would like to mention, as characteristic of the data, that the budget deficit of Hungary, a country burdened with all the problems of transition, is lower than the loan-servicing charges for the given year. Continued financial support from international agencies and bilateral creditors is required to alleviate the debt burden, which in many countries has frustrated economic development and aggravated the effects of poverty.

Fourth, we must give new impetus to facilitating development of the private sector and substantially increasing flows of investment and technology. Our work must support the revitalization of the private economy worldwide and a reduction in those structural rigidities that restrain competition.

Fifth, the complex problems of designing policies that promote international cooperation and economic development and, at the same time, protect the environment remain high on the agenda.

These five issues embrace some of the most urgent problems facing the world economy today. They require strengthened international cooperation between governments and the international institutions we represent here today, the World Bank and the International Monetary Fund.

Let me wish all the participants good discussion and successful work.

ANNUAL ADDRESS BY LEWIS T. PRESTON PRESIDENT OF THE WORLD BANK GROUP

Introduction

Mr. Chairman, Governors, Ladies and Gentlemen: Welcome to Washington—and a special welcome to our new members who have joined since last year.

If you will allow me, I would like to begin on a personal note. As some of you may know, I have only recently returned from medical leave. I would like to take this opportunity to thank the many people who have conveyed to me their expressions of concern and friendship.

I am looking forward to working with all of you in the challenging years ahead.

The Increasing Pace of Change

When I spoke to you for the first time, in Bangkok, I emphasized global change: political, economic, and technological. The pace of change has accelerated since then—probably faster than anything we've known since the creation of the Bretton Woods institutions.

I'd like to return to the theme of change this morning—because I believe it holds great potential for the developing countries and for sustainable development. But success will depend on our capacity to respond quickly to change—and to manage it.

Anticipating change, of course, is never easy. The historic accord between Israel and the PLO, for example, could not have been foreseen—even a few months ago. Over the past year, however, the World Bank has been supporting the peace process in the Middle East through our economic work on the Occupied Territories. This work—summarized in the report we have just issued—provides a platform for launching an international effort in the West Bank and Gaza.

We are well prepared to invest in peace.

In South Africa too, over the last several years, the Bank has been working with all the parties involved to design a program that can address the country's most urgent needs. This program, obviously, is contingent on political change making development possible for all her people. As Mr. Mandela recently indicated, this is now happening—and the Bank is ready to move ahead.

Global Change and the Bank

These are just two examples of how recent changes have brought unprecedented challenge to the Bank.

More than twenty new members have joined us in the last two years. Assisting them has involved one of the greatest efforts in the Bank's history—including major redeployment and resource-mobilization exercises.

Operational work is now well advanced. Most of the increase in last year's lending program, for example, was in commitments to our newer members in the former Soviet Union and Eastern Europe.

Many other countries have also required increased support as they introduced a second generation of reforms aimed at creating more market-friendly systems. We were enjoined by you, our shareholders, to assist our new clients without reducing services to our existing membership. We have met that request.

We have also responded to a number of new issues. I mentioned our work in the Occupied Territories and South Africa. But we have also been seeking alternatives to nuclear power in Eastern Europe and Central Asia; coordinating the buy-back of commercial debt in Africa; and helping to restructure the Global Environment Facility.

All this has been done even as our core programs, aimed at reducing poverty, have been strengthened.

In responding to this changing demand, the Bank itself has changed—a subject to which I will return.

Major Elements of Change

The political effects of the end of the Cold War are only one element of the changes underway in our world. Global economic and financial relationships are also being transformed.

The developing countries have become a powerful force in the world economy. They are projected to contribute about one third of the growth in world GDP over the next five years.

Over the last five years, they have accounted for more than a quarter of the increase in global imports. Trade among the developing countries is growing rapidly. Their markets also represent the fastest-growing trade areas for many developed nations—including the United States.

This highlights the fundamental importance of NAFTA and, on a global scale, the fundamental importance of free trade. There should be no doubt that NAFTA holds great potential to boost wages and living standards for all parties concerned. The GATT agreement—by establishing clear and enforceable rules—will also lead to increased trade and prosperity for rich and poor nations alike. A successful NAFTA and a successful Uruguay Round, are absolutely essential if we are to take full advantage of these changing trade relationships.

Financial relationships too, are changing. Capital markets are integrating. Competition for resources is greater than ever before. A new degree of financial discipline and transparency is required at both the corporate and the national level.

Many developing countries which have implemented strong reforms have attracted substantial private flows. Foreign direct investment in the developing world increased by almost 60 percent over the last two years—bringing benefits of know-how, market access and technology.

As the pace of technological change accelerates, it will dramatically affect competitiveness across a wide range of sectors—and countries. The greatest rewards will go to those who show the greatest flexibility.

The Changing Development Universe

The forces of change have altered our view of the development universe. Thinking of developing countries as a single group was never an accurate concept. Today, it is completely irrelevant.

East Asia's remarkable performance over the last twenty-five years has positioned it to become the world's fourth major growth pole by the end of this decade. And change is creating further opportunities for progress. Vietnam, for example, has been making vigorous efforts to reform its economy—and the Bank has been working towards a resumption of lending there.

In Latin America—after a long period of crisis—reform has led to a turnaround. It has also led to a renewed inflow of private investment—almost $60 billion last year.

In Sub-Saharan Africa and South Asia, there are signs of progress in those countries which have maintained the momentum of reform. But even greater efforts must be made to fight persistently high levels of poverty.

In the former Soviet Union, the challenge is essentially one of reconstruction and redesign—not of development in the traditional sense. Constitutional uncertainties and civil strife have hampered both internal reform and the external assistance effort. There can be no lasting progress until those issues are resolved. But—provided they are—the region holds great potential.

As I mentioned earlier, the picture in the Middle East is changing almost as we speak. Again, many uncertainties remain. But there is now the prospect of real peace and real development.

This differentiated development universe has required a differentiated response from the Bank. In the middle-income nations of East Asia and Latin America, for example, the emphasis is on strengthening financial markets and rebuilding infrastructure. By contrast, in low-income Sub-Saharan Africa and South Asia, the focus—mainly through IDA lending—is on policy reforms and basic human needs.

Responding Quickly to Change

We must all adjust continuously to change.

We can see in the industrial countries the high costs of failing to adjust quickly enough: unsustainable budget deficits, exchange rate volatility, and high unemployment.

On the other hand, many developing countries have adjusted their policies in recent years. These changes will continue to bear fruit through the 1990s.

My message today is that they must persevere: the pace of reform must match the pace of change.

We have to focus on fundamentals.

Macroeconomic reforms which promote stability and growth are the first steps. But they are only the first steps. They must be underpinned by institutional and legal reforms; by financial sector reforms; and by a climate that encourages competition and investment.

Second, the private sector must be allowed to play its role as the primary engine of growth. From the transition in the former Soviet Union, to the development crisis in Africa, it's clear that only the private sector can deliver incomes and jobs on the scale required.

But—my third point—the private sector cannot do it alone. An efficient public sector is an essential partner: to invest in people; to provide safety nets for those in need; to support basic infrastructure and regulatory frameworks; and to enforce environmental protection. Without these, there can be no sustainable development.

My fourth point is people. The capacity for change depends, fundamentally, on human resources. Investment in people not only spurs growth, but also reduces poverty. In East Asia, consistent investment in education and health—combined with growth—has contributed to a reduction in poverty from 30 percent of the population in 1970 to just 10 percent today. If other regions could achieve a similar rate of progress, global poverty could be reduced by two-thirds within a generation.

But as well as investment in people, there must be participation by people—and that's my fifth point. Change has brought more information and openness to the world. It has also brought more participation to development—from NGOs, and even more importantly, from the people affected directly by development.

All of us—governments, donor agencies, international organizations—should welcome this change. Increased participation in development will increase the effectiveness of development.

A Changing World Bank

This brings me back to the question of change at the Bank. An increased emphasis on participation in the projects we finance is one of its features. Our new information policy will also help to expand participation. Furthermore, it will enhance the effectiveness of our work.

So too will the new steps we have taken to improve project implementation. Results on the ground are what count.

We have changed our organizational structure to reinforce our focus on poverty reduction. Changes in our lending program underscore this: our support for human resource development has tripled over the last three years; environmental projects have become the fastest growing segment of our portfolio; and a new generation of loans is focused on private sector development, complemented by the work of IFC and MIGA.

In short, the Bank has changed—and we will continue to change to meet the needs of our members. But the Bank's efforts to improve its development impact can only be as effective as the efforts taken by our borrowers. The international institutions can only help those who help themselves.

In the post-Cold War era, external assistance is being more closely scrutinized than ever before. Recipient countries must demonstrate the capacity to use aid effectively—through good policy and good governance—or, frankly, they risk losing it.

Conclusion: Perspective on Change and Development

Mr. Chairman: the Bretton Woods institutions are approaching their 50th anniversary. The business we are in—development—is a difficult one. We're all learning—and building on the lessons of experience.

The challenges remain formidable. Over a billion people live in absolute poverty—and this provides the fundamental perspective for our efforts.

At the same time, we should not lose sight of what has worked and what development has achieved. The past five decades have seen more progress in improving the human condition than any comparable period in history. Life expectancy has increased by 50 percent. Infant mortality has been halved. Per capita incomes have doubled.

The Bank and the Fund have played a vital role in the transformation of the last 50 years. We can play an equally important role in the future.

But to be successful, we need the support of all our partners in development—and of you, our shareholders.

REPORT BY RUDOLF HOMMES
CHAIRMAN OF THE DEVELOPMENT COMMITTEE

This is my first appearance here as Chairman of the Development Committee, in succession to my two immediate predecessors Alejandro Foxley of Chile and Ricardo Hausmann of Venezuela. This report deal with two meetings which they cnaired. I want to pay tribute to their distinguished work.

The common theme of the two meetings was the Committee's original mandate: the transfer of resources to developing countries. The subject is as topical today as when the Committee was founded almost 20 years ago. At the meeting in September 1992, the Committee discussed a very wide-ranging review prepared jointly by the Bank and the Fund. It covered in a single document all the forms of transfers, public and private, concessional and nonconcessional. This overview was intended to serve as introduction to more detailed work, in future meetings, on private, and later on official, flows. One important theme emerged from this first meeting: the need to place all these external flows into a wider context. As Mr. Foxley pointed out, something over 90 per cent of all investment in developing countries, taken in aggregate, is financed by domestic saving. Although our Committee is by its mandate supposed to concentrate on external flows, Finance Ministers, and all concerned with the development process, cannot afford to ignore the question of domestic savings.

This meeting also endorsed a set of legal guidelines, drawn up by the World Bank, designed to set out current best practice for countries that wish to attract foreign investment.

The second meeting this May, developed the theme of resource flows further, concentrating on private sector flows of all kinds—foreign direct investment, bond issues, bank finance and portfolio investment. The Committee did not attempt to lay down detailed guidelines for this purpose. In general, the Committee felt that if the macro-economic policies are right, and if the business environment is market-friendly, then domestic and foreign investment will flow naturally without the need for many positive incentives. They also recognized that in many places, both in source and in host countries, there are market imperfections that serve to deter the free flow of funds. Some of them result from institutional failures, some from lack of sufficient information. Many could be reduced or removed by appropriate action by member governments or by the international institutions. The Committee set in motion a series of detailed investigations of some of these impediments. In due course I hope that these individually small-scale reviews will add up to a useful package of measures to improve the flow of private capital to developing countries.

At the same meeting the Committee also discussed a progress report on the World Bank's Private Sector Development strategy. This was a useful complement to the papers on the encouragement of private investment flows.

Taken together, these two meetings covered an important segment of the total development finance field. In later meetings, including the one that took place on Monday, we are switching the emphasis to official flows, including the whole question of development effectiveness to which we shall turn in September. This is particularly timely following the recent decisions of the Bank's Executive Board about the Wapenhans Report. It will also enable us to look at ways of improving the uses of bilateral development assistance, following up the valuable work of the Development Assistance Committee of Organization of Economic Cooperation and Development.

In all of this work we have been greatly helped by the work done by the staffs of the World Bank and the International Monetary Fund, who prepare the main papers for our meetings. But I want to refer, in closing, to a useful innovation pioneered by my two predecessors, who first decided to commission supplementary papers from some of the other international organizations and from distinguished outside contributors. These have proved useful in amplifying and extending the material available to the Committee. I hope they will in due course lead to further innovative ideas for carrying forward our task.

STATEMENTS BY GOVERNORS AND ALTERNATE GOVERNORS

ARMENIA: HRANT A. BAGRATIAN

Governor of the Bank and the Fund

These are the second Annual Meetings of the World Bank and the Fund attended by the Republic of Armenia. During this past year, Armenia's GDP declined by approximately 30 percent. This followed a similar sharp decline in the previous year. The principal reason for this decline was the severe energy crisis. For example, power generation during the first eight months of 1993 was 4 billion kwm—only 67 percent of that in, comparable period in 1992. Again, this followed a similar decline in the previous year. Of a total installed capacity of 3,500 MW, 800 MW, representing the nuclear facility, was out of commission. Interruption of the transportation routes and dramatic increases in fuel prices were the other factors responsible for the energy crisis.

As a consequence of the energy crisis and the collapse of trade in the former Soviet Union, the standard of living declined dramatically for a fourth consecutive year. The per capita income declined from $4,471 in 1990 to around $780 in 1993. Disposable incomes barely cover basic food and minimal services, and lifetime savings are declining rapidly. The living conditions of the vulnerable groups are particularly severe, and the situation is intolerable for the refugees and victims of the 1988 earthquake who, after nearly five years, are still living in temporary, makeshift shelters, without any heat, water, or sanitation. Considering the severity of the winters in Armenia, provision of some heating to the population is one of the most pressing problems for the Government.

We are very grateful for the humanitarian assistance that we have received from UN organizations, the European Community, the Red Cross, Russia, the United States and others. We are also thankful for the investment and technical assistance provided by the World Bank and the European Bank for Reconstruction and Development. Such assistance during these difficult times is greatly appreciated.

Meanwhile, under the difficult economic conditions that I just described, the structural and institutional reforms have continued. The reforms have included completion of the agrarian reforms, total price liberalization, removal of all export restrictions and import quotas, and application of import tariffs for only a limited number of commodities, ranging from 5 percent to 20 percent of production value. A large-scale privatization program is scheduled to begin before the end of this year. Moreover, the organizational framework for a targeted social safety net has been created, and will be fully operational by this winter.

The reforms could have been more extensive, far reaching, and could have been implemented more quickly if there had been more effective assistance from the international financial institutions. After nearly two years of intensive discussions, and implementation of major reforms by the Government, the IMF has held back any financial assistance for economic stabilization. The World Bank, while it has provided very substantial analytical support in several sectors—for which we are grateful—nevertheless, is still hesitating to present an emergency earthquake loan to the Executive Board. This loan is mainly a humanitarian intervention to complete the unfurnished houses and other structures before this winter. The procurement processes have already been completed in accordance with Bank guidelines, but construction cannot begin because funding from the Bank is not available. Meanwhile, the construction season is passing quickly, and winter is approaching rapidly.

Clearly, this blending of political considerations with economic criteria by the international financial institutions reduces their effectiveness in providing economic assistance. For Armenia, lack of significant economic assistance during the past years has slowed the intensity of the reforms, particularly in the financial sector, which is imperative for successful macroeconomic management.

As I pointed out last year, the people of Armenia have endured much hardship in the hope of a better tomorrow, when peace will be restored to the region, and the benefits of the reforms will be realized by Armenia and its neighbors. The absence of significant foreign economic assistance during this difficult period of structural reforms and transition will slow down these processes to a point where the people will question the wisdom of the reforms and the sincerity of the Western economies in helping to improve conditions in Armenia and the region, and they will attempt to reverse the reforms and restore a variation of the old order.

AUSTRALIA: RALPH WILLIS

Governor of the Bank and the Fund

I would like to take this opportunity to welcome the new member states —including our near neighbor the Federated States of Micronesia—to the Bank and the Fund family.

The dramatic membership expansion in recent years is very much a reflection of the momentous changes that are taking place more broadly in world affairs. In Eastern and Central Europe, in the Middle East and in South Africa, great political events have transformed the landscape, even in the short time since our last Annual Meetings. In many instances, such as in Eastern Europe and the former Soviet Union, these developments are inextricably linked to the challenges associated with substantial and far-reaching economic adjustment. In addition, the recent peace treaty between Israel and the PLO, the political reform program in South Africa, and the reintegration of Viet Nam and Cambodia into the world economy, have significantly enhanced the prospects for economic growth and development in those regions.

In all cases, world political developments have brought with them important economic challenges and opportunities. Taking full advantage of these, and converting them to real gain, will depend importantly on our abilities to raise economic growth to a much higher and sustainable level, globally and in those regions. As we are all so painfully aware, world growth over the last year has been far too slow. In the major industrial economies, the immediate prospects remain weak. We must act to promote higher and sustainable growth in output and employment; to create a climate of confidence that will increase levels of investment and job creation.

Sound domestic macroeconomic policies remain the essential cornerstone of a sustainable increase in economic growth. All of us are confronted, in varying degrees, with the need to ensure a structurally sound fiscal position and to sustain the fight against inflation, thereby facilitating a permanent lowering of long-term interest rates and a stronger focus on productive investment.

The benefits of appropriately timed fiscal consolidation are evident in the Australian experience. Our success in winding back public sector debt during the mid to late 1980s allowed us the scope, more recently, to provide a necessary fillip to domestic activity. In similar vein, the recent fiscal and monetary measures undertaken by Japan are welcome—although, as the Fund has noted in its World Economic Outlook, there may well be scope for Japan to do more on the fiscal front and to deregulate its economy further.

Nevertheless, the desirability of achieving a better match between domestic saving and investment in some countries—and more generally of preserving fiscal policy flexibility—underscores the need to look to the medium-term sustainability of the stance of fiscal policy, and, in many countries, the emphasis must remain on medium-term fiscal consolidation if pressure is to be kept off interest rates, especially as the recovery strengthens. The recent adoption by the United States' authorities of a fiscal policy package aimed at a sustainable medium-term reduction in the fiscal deficit is particularly timely.

In Australia, commitment to reducing the federal budget deficit from its recession- induced levels of almost 4 percent of GDP this year to about 1 percent by 1996–97 is a central component of our medium-term strategy aimed at fostering growth, investment, and jobs.

In Europe, macroeconomic policy flexibility has recently been enhanced by the adoption of significantly widened exchange rate bands within the exchange rate mechanism. Sensible use of this enhanced flexibility to facilitate lower interest rates, in line with current historically low inflation rates and inflation expectations, would also contribute to the pace of recovery in world activity.

Experience both in Australia and elsewhere suggests that economic growth—alone will not fully address the social and economic challenges posed by the increasing numbers of long-term unemployed in most industrial countries. Enhancing the flexibility of labor markets is a crucial element of an employment growth policy. Innovative thinking is clearly needed in the design and implementation of labor market and social welfare policies, and in developing the role of vocational education. In Australia, we have initiated a major review of such policies, as have a number of other industrialized countries. In this context, we welcome the decision of the Group of Seven countries to hold a Jobs Conference later this year to look for new ways to generate new jobs.

But the key remains stronger economic growth—and the single most effective contribution governments can collectively make toward higher growth would be to successfully conclude the Uruguay Round this year. Failure to do so will retard recovery in the industrial economies; more importantly, it will reduce the long-term rate of world growth and will deny many in the developing world the chance to move out of poverty. As estimated by the World Bank and the OECD in their recently released joint report, successful Uruguay outcomes in agriculture and industrial products alone will provide a boost to the global economy of up to $213 billion by the year 2002, with the European Community (EC) being one of the major beneficiaries. The opportunity to do something for all our citizens cannot be foregone. The joint Uruguay Round statement issued by the Managing Director of the Fund, the President of the Bank, and the Director General of the GATT bluntly and succinctly sets out the issues at stake.

Growth in trade has been one of the key pillars of the postwar expansion in production and employment. A successful Uruguay Round is central to reinvigorating—and strengthening—the multilateral trading system, which must be done if the current pressures for change in the world economy are to be turned into higher living standards.

Change, with the tensions it brings, is never easy. Australia is one of a number of countries that have, in recent years, faced up to the economic and social challenges of unilaterally opening up their economies to international competition. We, like others, have recognized that the alternative—attempting to support living standards on the basis of subsidizing activity in inefficient domestic sectors—is, in fact, no option at all.

This lesson must not be lost on the major industrial countries.

Australia and the Cairns group have consistently argued for a balanced, comprehensive outcome to the Uruguay Round. It must be recognized that the Blair House accord itself represents a significant compromise for all parties. Further watering down of this accord is not acceptable. In this regard, Australia strongly supports the United States' forceful refusal to reopen negotiations on the accord. Australia will play its role in promoting a successful outcome within the deadline. The July Tokyo agreement of the quads was designed to generate real momentum in the Round negotiations—it now needs political regeneration, and we are encouraged by recent statements by Ambassador

Kantor and Sir Leon Britten reaffirming the commitment of the United States and EC to the December 15 deadline for completing the Round.

The contribution to growth of strong trade expansion has been evident in East Asia, the most dynamic region of the world. As a result, economic growth in the Asia Pacific area—which accounts for half of the world's economic activity—has consistently exceeded the world's growth rate since the 1960s, making the region a strong force for the world economy. The Asia Pacific region is forecast to continue growing more rapidly than the world average, and its share of world output will correspondingly increase. Within this region, the reduction in tensions and positive economic developments in Indochina are particularly welcome.

Australia is pleased to see the progress that has been made toward clearing the arrears of Viet Nam and Cambodia with the Fund, which is a precondition for finance from the Fund, as well as from the World Bank and the Asian Development Bank. Australia has participated in international support groups for these countries, which have introduced wide-ranging, market-based reforms in difficult economic circumstances. Their progress merits continued international support, including from the Bretton Woods institutions.

More generally, a fundamental part of economic success in the Asia Pacific region has been the extent to which the regional economies have been able to develop close trade and investment linkages. The Asia Pacific economic cooperation process—APEC—will build on these linkages. APEC, which grew from an Australian initiative, has developed as the pre-eminent regional economic grouping and will be an important force in promoting the continued dynamism of the region. The November meeting of APEC leaders in Seattle will help to build an Asia Pacific economic community and give political authority and weight to APEC.

In other parts of the world, the experience of economic adjustment and development is a mixed one. While the outlook for Asia is generally favorable, daunting problems of health, poverty, and adequate economic growth remain in many parts of the world. Sub-Saharan and southern Africa face chronic problems and will continue to require substantial Bank and Fund assistance. The recent agreement by the major negotiating parties in South Africa to proceed with the establishment of the Transitional Executive Council is a welcome development. Australia has joined with others in completely lifting economic and financial sanctions against South Africa and looks forward to the resumption of World Bank and IMF operations.

The role of the World Bank will be a vital element—as will that of the Fund—in helping establish sound economic and social policy frameworks in borrowing member countries. There is little doubt, however, that external assistance will yield significantly better results where governments are committed to sound macroeconomic stabilization and structural adjustment programs. Australia therefore believes that Bank and Fund assistance to developing countries and those in transition should place heavy emphasis on facilities that require such conditionality.

Application of the lessons of the Wapenhans Report is most important, and we endorse the follow-up actions recently taken by the Bank's Executive Board. The new approach, with its focus on portfolio management and country assistance strategies, should ensure significant improvements in the quality of the Bank's operations. We look forward to a reversal of recent declines in portfolio performance. The Bank's proposals to increase the flow of information on its activities to the public are also welcome and will increase public confidence in its work.

Confidence in the Bank and Fund will increase if these institutions are shown to be cost-effective and to provide good value for money. After several years of rapid expansion, the Bank and the Fund must now bring their administrative costs under much tighter control. We welcome President Preston's commitment to that objective.

In closing, I would like to stress again the central importance of the Uruguay Round. The positive measures taken by developing countries and the valuable work of the Bank and Fund will be diminished if we fail to take action now to liberalize world trade. The major players in the negotiation must not betray their trust to the developing countries—and, indeed, to consumers and taxpayers in their own countries—by capitulating to protected sectional interest groups.

I take this opportunity to wish the Bank and the Fund well in assisting members to meet the great challenges that lie ahead in the coming year.

AUSTRIA: FERDINAND LACIN

Governor of the Bank

This year's meetings are still marked by a disappointing performance of the world economy: in the industrial world, growth has receded further, contrary to what we expected last year. As a consequence, unemployment continues to worsen while previous gains in fiscal consolidation are being wiped out.

The fact that the economic interdependence of nations is stronger than ever before requires new cooperative strategies. No institution in the world would be better equipped to channel such efforts than the Bretton Woods institutions, given their truly universal membership, as well as their immense intellectual and financial power. This fact also carries a unique responsibility.

Austria welcomes the efforts by both institutions to meet their expanded role. Indeed, we may be closer than ever both to agreeing on a global strategy for growth and to providing tailor-made assistance to members in need. As Mr. Camdessus recently noted, in the medium to longer term, the most self-serving policy is not to protect one's economy, but to help the others grow; and there is no investment with a higher yield today than accelerating the integration into the global economy of transforming and developing countries alike.

More than usual, the task of formulating adequate macroeconomic policies is complicated by conflicting requirements. All leeway to support economi activity must be exploited while making sure that, over the medium term, stabilization efforts are not abandoned.

It is thus even more urgent to ensure that the contribution of structural policies to support growth and employment is being further explored. We still have reason to hope for the long-awaited completion of the Uruguay Round. Moreover, for the first time in postwar history, we are using our joint imagination in fighting unemployment. I would particularly like to refer to the European Community's Medium-Term Strategy for Growth, the parallel endeavor by the countries of the European Free Trade Association as well as the Jobs Conference recently announced by the U.S. Government. In this innovative line of thinking, I would also include the Fund's emphasis on the quality aspect of public budgets, in particular the worldwide economic gains of cuts in military spending.

In the transition economies, it will still take great efforts to get the transition process safely on track. Many reform countries have experienced cumulative income losses of one third to one half, a fact that carries serious social and political risks. Therefore, foreign support is needed and Austria contributes more than proportionately. However, the magnitude of the task points to an increased involvement of multilateral institutions. Again, it is not only the financial strength but also the technical expertise of the Bretton Woods institutions that is called upon. The institutions' involvement in the Joint Vienna Institute can be regarded as a particularly effective contribution to institution building.

Turning to the developing countries, an increasing number of Asian countries can be seen as success stories. Latin America, by and large, has been able to overcome the long stagnation that followed the outbreak of the debt crisis, but its further progress will, among other things, depend on whether the welfare gains can be spread to larger parts of the population. Sub-Saharan Africa, by contrast, has, as a whole, not yet succeeded in breaking the vicious cycle of poverty and stagnation. A comprehensive development strategy for this region will have to include substantial debt relief.

I share the view that a new SDR allocation is called for, both on economic and on equity grounds: on economic grounds, because it would be of great help to many developing as well as transition countries; on equity grounds, because the new members of the Fund—and most of the transition countries are among them—have not received any SDRs yet.

It is also urgent to come to a conclusion on the extension of the enhanced structural adjustment facility, based on broad donor support. Moreover, timely commencement of IDA-10 is required to support the adjustment process in low-income countries.

The central role that the Bank and the Fund play is also reflected in heightened public attention. Particularly the Bank has recently taken up the challenge and has improved access to information for those affected by its projects. In this context, I also would like to encourage the Bank to continue its efforts to improve its portfolio performance.

Finally, I would like to thank Sir William Ryrie for his guidance in expanding IFC's role as a promoter of foreign direct investment.

BANGLADESH: M. SAIFUR RAHMAN

Governor of the Bank

It is a privilege for me to have the opportunity to be with you in this prestigious forum for the third year in a row. Since the last meetings, many new members have joined the World Bank Group and the International Monetary Fund, making the Bretton Woods institutions truly universal. I join my colleagues in extending warm felicitations to all new members.

I am confident that our deliberations in these meetings will yield tangible results in the pursuit of our common goal of socioeconomic development of the developing member countries. The Bretton Woods institutions, during their operation of over four decades, have provided a critical input of resources and know-how and assisted us in developing policies relevant to our needs. I take this opportunity to express my sincere thanks to the Bank President and the Fund Managing Director under whose able leadership the Bank and the Fund have become vibrant institutions.

We are meeting at a time of uncertainties in the global economic and political scenario. Most developed industrial countries are in the persistent grip of economic stagnation and high unemployment with concomitant sociopolitical instability. The scars of recent turbulence in the financial market have not yet healed; the Uruguay Round multilateral trade negotiations have yet to reach a happy culmination. Despite having undertaken painful and politically difficult macroeconomic reform and structural adjustment programs, many developing countries are not yet economically better off because the expected growth in investment, both domestic and foreign, has not yet occurred. The adverse terms of trade, particularly of commodities, have further exacerbated developing countries' trade gap.

Over the past three years, we in Bangladesh have repositioned our productive resources in the expectation of export-led growth. In rapid succession we have established macroeconomic stability, deregulated the financial sector, liberalized imports, adopted a flexible exchange rate policy, and strengthened institutions for export promotion. We have sent clear signals that, in the interest of increasing economy-wide efficiency, the Government will get out of activities that the competitive markets do best. The Industrial Policy has been further liberalized to allow private investment from home and abroad in the telecommunications, power and energy, and minerals sector. The legal framework affecting private sector activities is being reformed. A Securities and Exchange Commission has been established as part of the capital market development program. The role of the Board of Investment has been changed from a regulatory to a promotional one. A program for planned privatization has been drawn up, and a Privatization Board is implementing it. We have already achieved a great deal of success in increasing public savings. The contribution of public savings to our total annual development budget has risen to one third from a negative position in 1990–91. Development outlays have increased and now focus more on poverty reduction and human resource development.

We are systematically deregulating the economy from restrictive bureaucratic constraints. Reform of public administration is a priority, and a commission has been set up for this purpose. We have taken positive steps to reform and modernize our legal system—particularly in the areas of banking, finance, commerce, capital markets, and taxation. Relevant institutions, laws, and regulations are being reviewed and modernized. With the process of liberalization, the need for accountability and transparency in commercial and financial transactions, and a strong regulatory system for the protection of the rights of the investors, is felt to be critical, and hence steps are being taken to strengthen the regulatory and auditing framework to enforce accountability and transparency in public affairs.

Developed manpower is the most essential agent of growth. Hence we are investing more in people by increasing the share of public investment on education, health, and family welfare. The recently introduced Food for Education Program, for example, will link targeted income transfers with human resource development. To carry good governance to the grassroots level, we are strengthening local government institutions. This will allow the people to participate effectively in the national development process. Nongovernment organizations and private institutions, too, are today playing a more positive and constructive role in areas of human resource development—particularly women in development—and productive employment for the urban and rural poor and in bringing women into the mainstream of socioeconomic life. These measures are doubtless deepening and broadening the reform and renewal of our economy and society.

It would be pertinent to say that bringing about reform in a tradition-ridden developing country is not an easy task to accomplish. Reform is a painful process. Even some of the highly efficient and developed economies are finding the task difficult. The complexity and sociopolitical dimensions of a reform program have to be understood. It must be structured and modified in the context of a country's sociopolitical milieu and circumstances. In implementing reforms we have to be mindful of their impact upon the least advantaged segment of society and, within our means, build a social safety net for them. The social and financial cost, particularly in its initial phase, is indeed considerable and forging a political consensus on its essential facets is perhaps even more difficult.

While there is widespread agreement about the objective and goals for reform, strategies and paths vary. Further, the cost of reform and the disruptions associated with reform are vastly different across countries. In some cases, reform has led to immediate, sustained, and rapid economic growth. In other cases, reform has come with serious economic difficulties including marked declines in international trade, GDP, and industrial production. While the goal is not in question, these differences in reform experiences raise questions about standard nondiscriminatory strategies. To the extent reform can be made less costly in economic and political terms, the pace of reform is likely to be greater.

For the poorest countries in particular, with continuing population growth and with large segments of their populations near minimum levels of consumption, reform programs that entail several years of economic stagnation inflict a huge social cost. In the absence of growth, the cost of such programs to the poorest segments of society in these countries cannot be lessened effectively merely by giveaway safety net programs. Recognizing this, we have to undertake short- and medium-term programs that are low in capital intensity but high in use of labor and local resources so that jobs and income of the poor are protected until higher growth is achieved.

It is indeed disappointing that lack of buoyancy in the world economy is inhibiting export-led growth at the expected rate in our country. For the third year in a row, growth in world output will be lower than expected. Furthermore, the linkage between growth in world output and export-led growth in developing countries is becoming weaker as the Uruguay Round remains deadlocked.

Slow growth in the world economy has been traced to the lack of the required degree of stringency and consistency in economic and financial policies of the industrial countries who together account for over three fourths of world output. Structural budget deficits in the leading industrial countries range between 2 percent and 5 percent of GDP. This constitutes a serious drain on world savings, which is also preventing long-term interest rates from returning to more sensible levels. We are encouraged that industrial countries have renewed their commitment to a cooperative growth strategy. We urge the Fund to play an active role in improving policy coordination between the OECD countries. We also urge that this be complemented by an immediate conclusion of the Uruguay Round so that global trade can come out of the shadows of protectionism.

In this context, we note with concern that, in real terms, official development assistance has declined from its 1990 peak by over 3 percent and, particularly, that the combined net transfer from the IBRD and IDA continues to remain negative. Such a discouraging aid outlook, combined with an unfavorable trade climate, is unsettling for low-income developing countries like

Bangladesh. While on this subject, I must point out that increases in aid conditionalities and unrelated cross-conditionalities and increased recourse to cofinancing arrangements are causing implementation delays and cost overruns. These problems are being further compounded by lack of sensitivity to the country's sociopolitical setting. We urge the Bank to give more attention to country specificity while drawing up projects and programs. Further, emphasis should be put more on the substance of the projects than on abstract compliance with individual covenants.

We firmly believe that development, democracy, rule of law, and human rights are interrelated, and one cannot be guaranteed without the others. In this context, we are heartened by the Bank's reiteration of its commitment to a sustainable reduction in poverty. We commend the Bank for the timely review of its portfolio to see whether the overarching goal of delivering development to the people is being achieved. It is gratifying that the Bank has initiated swift follow-up actions on the recommendations of the Wapenhans Report. The decision to appoint a Task Force on Cofinancing as a follow-up to the Wapenhans Task Force was timely.

We note with interest that IFC is playing an important role in countries benefiting from the recent upsurge in nonofficial capital flows. We would like it to play a similar role in the low-income countries that are committed to private sector development. In many such countries, as we know from our own experience, the shyness of the private sector is inhibiting investment growth. IFC, following its charter, should play a more active role in promoting investment in such countries.

Finally, I would like to mention with satisfaction that cooperation between the Government of Bangladesh and the Bank and the Fund is excellent. I would like to reaffirm that despite the difficulties posed by uncertain and inhospitable global conditions, we are confident in our belief that the path we have chosen with the help of the Bretton Woods institutions is the right one. I deem it our collective responsibility, and indeed an obligation of all the member countries, to extend our full cooperation and support to enable these institutions to play a more positive and effective role in the transformation of the world economy.

BELGIUM: PHILIPPE MAYSTADT

Governor of the Bank

During the past few days, we have reconfirmed our commitment to the principles defended by the Bretton Woods institutions as the foundation for the restoration of solid economic growth throughout the world. I recall in particular the emphasis on:

—the need for a cooperative strategy to re-establish the conditions for sustained global expansion;

—the importance of greater labor market flexibility, particularly in Europe, as a means of improving our economic performance in terms of job creation;
—the urgent need for a clear message regarding the liberalization of international trade, in order to re-establish investor confidence and promote job creation at the global level.

Belgium fully subscribes to these principles and to the appeal made to us yesterday by the Managing Director of the Fund when he urged us to apply them with determination. However, I should like to add a few brief considerations to each of these three points, to ensure that the remedies prescribed produce the desired results.

My first observation concerns the cooperative strategy for sustained global expansion, the central topic of discussion at the last two Interim Committee meetings. I am in full agreement with the principal conclusion reached on this point, namely, that the success of the strategy will depend on each country's willingness to implement the requisite stabilization programs and domestic reforms. This is a golden rule, observed successfully for several years by a large number of developing countries and by several of the formerly planned economies that are now resolutely engaged in the process of transition. But *is it really sufficient for each country to independently adopt the appropriate domestic measures when the aim is to arrive at a satisfactory result on a global scale?* In other words, is it sufficient for there to be a global agreement on objectives if each nation is trying to achieve them by relying on domestic policies alone?

I should like to pay tribute to Robert Triffin, who died this year at the age of 81, by recalling an opinion he expressed in 1957, when he said that the fundamental dilemma affecting international economic relations in the twentieth century is that of the inadequacy of the individual-nation approach as a framework for political decisions and their administrative execution in an interdependent world.

Interdependence has continued to evolve since that time. In particular, interdependence among the principal currency zones has increased considerably, chiefly as a result of integration of the financial markets, and we have all been aware of the speed with which those markets can shift substantial amounts from one currency to another.

Thus the dilemma referred to by Robert Triffin is now more pertinent than ever: we need a sufficiently solid framework of cooperation, particularly where monetary matters are concerned, to reconcile our individual sovereignties with the interdependent world in which we live. This framework naturally cannot be conceived as a one-size-fits-all model. It will need to be adjusted in order to be as relevant as possible to the objectives and specific situations of each group of partners. For the countries of the former Soviet Union, cooperation agreements will be needed to protect their reform efforts from the effects of the current destabilization of their monetary and trade relations. It is essential that those countries be able to maintain adequate trade relations among themselves. To this end, it might be helpful to set up some sort of "payments union."

Having opted for a single-market system as a means of jointly achieving their economic goals, the members of the European Community need to go one step further by adopting a single currency and thereby consolidating their commitment to a growth model based on inflation control and safe from competitive depreciation. *In our view, a single currency is the essential complement to the single market.* In ratifying the Maastricht Treaty, member countries have opted in favor of a strong and united Community, capable of facing the new political and economic challenges on the basis of shared sovereignty, particularly where monetary matters are concerned. The abandonment or postponement of this ambitious project would have a negative impact, not only within the Community itself, but also in other parts of the world toward which we have a particular responsibility.

It is the task of the International Monetary Fund to assist its members by providing frank advice regarding the conditions to be met so that these cooperation models can produce the desired effects in terms of a contribution to more stable economic and monetary relations throughout the world. Furthermore, given its universal orientation, the Fund is urged to issue systematic statements on the adequacy of exchange relations among the principal currency areas and on the essential principles of cooperation that will ensure that those relations are more favorable to the sustained global expansion of investments and of international trade.

I now come to a second general observation concerning the problem of unemployment, namely, that it is essential to look at all measures that may be implemented at the national level to promote job creation. The IMF staff is quite right to emphasize the importance of labor market flexibility and the need for active policies in the areas of support and of training. The Belgian Government would certainly welcome the introduction of reforms at this level, but it also believes that *only a significant reduction in labor costs, with the consequent modification of the relative prices of factors of production, would be able to improve the employment component of economic growth within the Community.* We are convinced that unemployment in the Community is partly the result of the very high wage costs that the European enterprises have to bear.

The high level of labor costs in Europe in relation to the rest of the world is mainly explained by the fact that financing of the social protection systems in the majority of the EC member countries at present relies to a very large extent on withholdings from wages. As a result, a move to reduce labor costs would necessarily involve reforming the mode of financing of the social protection systems, to reduce the burden it presently imposes on labor costs as compared with the other factors of production.

Since most of the member countries of the European Community share this view, we are convinced that a community strategy is called for in order to attack Europe's unemployment problem. If a labor cost reduction effort is to have any significant impact in terms of job creation, it has to be on a grand scale. In the absence of an agreement at the Community level, it would be difficult for most member countries to find unilaterally the alternative financing that would enable them to reduce labor costs sufficiently to create the conditions for a significant reduction in unemployment.

My third observation concerns the need for a speedy conclusion to the Uruguay Round. We subscribe without reservation to the unanimous view of the Interim Committee, and the Belgian Chairman of the Community is sparing no effort to achieve the compromise essential to concluding an agreement by the end of the year. We are convinced that such an agreement would be one of the most positive signals that we could give in order to improve economic prospects in the coming years.

However, *we trust that as progress is made toward freedom of trade, progress will also be made in the area of human freedom.* We trust that participation in new trade agreements will be accompanied by an effective commitment to other international accords, such as those concluded under the auspices of the International Labor Organization and relating, inter alia, to female labor, child labor, and forced labor.

The link between these two concerns could perhaps be forged by including in the GATT agreements what might be termed "social covenants," as long as such an expression were not misconstrued. This would in no way mean that all those countries engaging in international trade must have already achieved a level of social protection identical to that prevailing in our countries. This would not make sense, and it would be extremely unfair to the developing countries. But it would mean that those countries wishing to share in the benefits resulting from trade liberalization and the development of international trade must at the same time agree to respect the most elementary rights of their workers, both male and female, as defined in international accords.

BELGIUM: PHILIPPE MAYSTADT

Governor of the Bank

(on behalf of the Member States of the European Communities)

As Belgium currently holds the presidency of the Council of the European Communities, I have the privilege of addressing you on behalf of the Community's twelve member states.

I welcome the countries that have joined the Bretton Woods institutions since our last meeting: Croatia, the Czech Republic, the former Yugoslav Republic of Macedonia, the Federated States of Micronesia, the Slovak Republic, Slovenia, and Tajikistan.

The present situation of the major industrial countries, taken as a group, is characterized by low growth and rising unemployment. However, the world economic outlook for the medium term is less gloomy.

Several initiatives have been undertaken by the major industrial economies in order to improve economic growth prospects. The European Community (EC) has launched the Edinburgh growth initiative, reinforced at the Copenhagen summit, aimed at stimulating the European economy. Once the multiyear fiscal package in the United States is fully implemented, we are confident that the modest economic recovery that is taking place will hold more firmly. The fiscal stimulus package of the Japanese authorities, when implemented, will go some way toward supporting the resumption of domestic demand, conducive to the reduction of the external imbalances of that country.

Fiscal consolidation is now under way in a number of countries that needed it most, and persistence with firm budgetary measures in European countries and in North America should lead to a further fall in long-term interest rates, stimulate capital formation, and productivity growth, and restore confidence in the economic future.

Looked at as a whole, the European Community slid into a recession during the second half of last year. The Community finds itself with an unbalanced policy mix and severe structural problems. Weak activity has led to deteriorating budget balances, and the average general government budget deficit for the Community is expected to exceed 6 percent of GDP this year. Short- and long-term interest rates, although they have eased significantly over the past year, are still high in real terms considering the present cyclical position of many member states. As a result, unemployment, already high, is increasing rapidly. Improved labor market efficiency and a return to noninflationary growth will be needed to address this problem effectively.

The adjustment in the exchange rate mechanism (ERM) during 1992 and the first half of 1993 was partly due to deterioration of the competitive positions of some member states and to differences in their cyclical positions. Although the difficulties in the ERM were mainly due to failures to attune policies and policy mixes sufficiently to the goal of price stability, even the countries with sound fundamentals had to defend their parities.

In July, after a period of relative stability, speculation again emerged against several ERM currencies. To speculative capital movements that were exceptional in size and kind, the ministers and central bank governors of the member states at first responded by reasserting their belief that the current parity grid was justified by the fundamental economic situation in their countries, and finally, on August 2, decided on a temporary widening of the fluctuation margins of the participating currencies to 15 percent on either side of their bilateral central parities. Members also reaffirmed their commitment to implementation of the Treaty on European Union and to the procedures and criteria for economic convergence in preparation for realizing economic and monetary union (EMU).

The Community's present unfavorable economic situation should improve in the coming months. While it is not yet clear when the recovery will occur or how strong it will be, the latest forecasts suggest that the beginnings of the recovery for the Community as a whole should be visible by the end of this year. Several developments, both economic and institutional, will help improve the economic situation and restore the confidence of economic agents.

First, the inflation outlook has improved, owing partly to the short-term economic weakening and partly to monetary and fiscal actions and wage-moderation policies. This has improved the prospects for a further lowering of interest rates, which will, in turn, help the recovery.

Second, member states are still determined to meet the convergence criteria stipulated in the Treaty by implementing their own convergence programs, which will be systematically monitored and updated. The Treaty calls for an assessment of the convergence of the member states' economies before the end of the year.

Third, the Community is committed to addressing the structural rigidities that are major obstacles to growth and employment creation. The Edinburgh growth initiative, supplemented by the conclusion of the Copenhagen summit, aims at stimulating the European economy to help it overcome the present unfavorable cyclical position, and at tackling structural rigidities.

This initiative consists of a comprehensive package of measures that aim at increasing investment programs in the member states and at strengthening the EC's action in the fields of infrastructure, transport, energy, telecommunications, environment, and support to the small- and medium-sized enterprises (SMEs).

The European Council has also underlined the importance of a rapid implementation of the Community's 161 billion ECU structural program for the period of 1993–99. This program is essential for achieving cohesion, as well as for growth and employment creation, not only in the less favorable areas of the Community but throughout the EC.

The European Investment Fund is designed to facilitate investments in trans-European networks, as well as projects by SMEs, and should become operational by the end of the year with the offering of loan guarantees.

Furthermore, the European Council has invited the Commission to submit a White Paper on the medium-term strategy for growth, competitiveness, and employment for its December meeting. The member states have already submitted their own views on this matter. Particular attention will be directed to the labor market, training, research and development, and the environment. The section on the labor market will analyze such aspects as the lack of market flexibility, labor taxation, and the cost of social protection schemes. The principles of these schemes, which have been built up over long periods, are not called into question in these troubled times, but their efficiency will be closely scrutinized as will their impact on European enterprises, which face increasing competition from countries with lower labor costs.

The ratification of the Maastricht Treaty is now in progress. Stage 2 of the EMU process is scheduled to begin on January 1, 1994. The necessary preparations are in hand for setting up, on that date, a European Monetary Institute, which will be the embryo of the European Central Bank to be established in Stage 3.

Work is progress on the secondary legislation needed before the start of the second stage. Under this legislation, the financing of fiscal deficits by central banks or through privileged access to financial institutions will be prohibited, and the new procedure to avoid excessive fiscal deficits will take effect on January 1, 1994. Moreover, by the end of the year, the Community will undertake an in-depth assessment of the progress it has made with regard to economic and monetary convergence, and for the first time establish guidelines for the economic policies of the member states and of the Community as a whole. In several of our member states, the central bank autonomy required for passing to Stage 3 has already been achieved, while, in others, legislation to that effect is being processed.

All these actions by the European Community to improve its economic performance should also contribute to global economic recovery. Furthermore, negotiations are taking place with Austria, Finland, Sweden, and Norway with a view to realizing the first enlargement of the European Union by January 1, 1995.

The Community has also concluded agreements with several associated countries in Central and Eastern Europe. It also plans to develop existing trade and cooperation agreements concluded with the Baltic states into free trade agreements. Partnership agreements are being negotiated with Russia and several other countries of the former Soviet Union. The Community will continue to devote a significant part of its budgetary resources to actions in those countries, notably through the PHARE and TACIS programs.

On the eve of renegotiating part of the Lomé agreement with the African, Caribbean, and Pacific States, the Community reaffirms its commitment to maintain close ties with these countries within the existing cooperation framework, and will continue to provide assistance to them under appropriate conditions. In addition, the Community is determined to contribute to the development of world trade by lowering tariffs and trade barriers. It will continue to play an active and constructive role in the Uruguay Round negotiations with a view to achieving a durable and balanced global agreement by the end of the year. Early agreement on a global package is indeed urgent. It will lead to an expansion of international trade and will thus be one of the keys to promoting economic growth and job creation in Europe and the world.

As its membership has increased, the IMF has also seen its role and functions strengthened or enlarged in all areas: surveillance; financial balance of payments support for macroeconomic stabilization, structural adjustment, or systemic transformation; and technical assistance. At this juncture, in view of the integration of the world's economy and its financial markets, it seems particularly important for the Fund to pay greater attention to the policy interactions of its member countries.

The member states of the Community welcome the major involvement of the Bretton Woods institutions in Central and Eastern Europe as well as in the former Soviet Union. We note with satisfaction the conclusion of several agreements with the Fund under the new systemic transformation facility and hope that, where it is not yet the case, they will pave the way toward more traditional agreements with the Fund through the full implementation of macroeconomic stabilization programs and structural reforms by the countries concerned. We stress the importance of maintaining regional trade and building up trade with Western Europe and the rest of the world.

The region is also one of the major beneficiaries of both World Bank transfers of resources and of World Bank nonfinancial assistance. This underlines the necessity for close cooperation between the Fund, the Bank, and all the donors involved.

We also attach great importance to the renewal or replacement of the enhanced structural adjustment facility (ESAF). We urge the IMF to complete its work on the ESAF issue by the end of November 1993.

The Ninth General Review of Quotas has given the Fund the financial resources to carry out its many duties. On the issue of the long-term global need for international reserves, the Fund Executive Board recently re-examined the question of an SDR allocation.

We have reviewed the work done so far on this subject. Noting that the majority required for a positive decision has not yet been reached, we invite the Board to continue working on this issue.

We also note with concern the dramatic decline that has occurred in the share of World Bank financing to sub-Saharan Africa. Although this is partly due to circumstances beyond the Bank's control, we hope the situation will be redressed in fiscal year 1994, especially as far as IDA commitments are concerned. In this respect we welcome the effectiveness of the IDA-10 advance contributions on the first of July, as well as the continued high priority for Africa under IDA-10.

We emphasize the crucial importance of a successful completion of the replenishment negotiations on the Global Environment Facility. This would greatly facilitate developing countries' efforts to achieve economic growth in a manner that is sustainable from a global point of view.

Finally, we urge the countries that are in arrears to the Fund to make their best efforts to regularize their positions as soon as possible.

To conclude, Mr. Chairman, with the assistance of the devoted staff of the Bretton Woods institutions, the member states of the EC hope to enhance the international policy coordination process in all the areas I have mentioned. This process will allow the timely correction of imbalances and inadequate policy mixes and pave the way for a more stable international monetary system, thereby strengthening confidence and bolstering economic activity and employment.

BOLIVIA: FERNANDO ILLANES DE LA RIVA

Governor of the Bank
(on behalf of the Latin American and Caribbean Governors of the Bank)

It is a great honor for me to address you on behalf of Latin America and the Caribbean region. This meeting is particularly significant because it takes place at a time when our region is formulating new strategies to overcome centuries-old problems. In some cases, remarkable success has been achieved, while in others the process is only just beginning. But there are a number of common elements, which it is both appropriate and necessary to identify.

The 1990s

Latin America and the Caribbean marked their entry into the 1990s by initiating a process of economic recovery. The various reforms have started to bear fruit, stimulating the growth of private investment, the return of capital, and inflows of external financial resources, although, given the external debt-service burden, the net volume of those resources is small. The opening up of the region's financial markets and the low interest rates prevailing in the industrial countries have also facilitated capital inflows from abroad.

However, growth in our countries has faced a permanent obstacle in the form of deteriorating terms of trade, the result of the ongoing slump in commodity and raw materials prices. Prices of certain products have declined in real terms to the lowest levels ever recorded, hampering the region's export activities. In 1991, for the first time in over five years and despite an increase in volume, the total value of Latin American exports was down. The continued world depression is an indication that the situation has not improved, giving justifiable cause for alarm.

We are also aware that with the present-day interdependence among nations, any attempt to achieve sustained growth on the basis of isolated decisions would end in disaster. It is essential that policy decisions be made at the global level. When economic adjustments are unevenly applied, the least-developed countries are the ones that suffer most, and an inequitable situation results.

Likewise, the absence of clear signals for changing protectionist practices and ensuring greater liberalization of international trade, reflected in the stalled Uruguay Round negotiations, is the cause of distorted trade relations among nations.

For these and other reasons, considerable discouragement has been spreading throughout our nations. It seems to many of us that the greater our effort the further we are from achieving our goal of well-being for all. Although several of our countries have succeeded in getting their macroeconomic accounts out of the red, the growth rate, beyond mere statistics, has not achieved the dynamism required to meet the most urgent social needs.

The Challenges of Today

Because of the high levels of poverty in Latin America, combined with the social problems generated by external phenomena, which have a particularly serious impact on certain productive sectors, much higher levels of growth are required than those so far recorded.

A serious problem in most of our countries is the acute poverty afflicting the largest segments of society. If we add to this the structural weaknesses that have resulted in failure to correct the inequities of income distribution, which have produced an invidious spectrum of privileges, it will be clear that the major challenge facing Latin America and the Caribbean is to achieve sustainable economic growth with social equity. Prompt action is therefore essential to ensure that our structural reforms include measures to improve equality of opportunity and bring about a more equitable distribution of wealth.

Neglect is the common denominator of large segments of the population, who live in deplorable conditions of health and nutrition and have little access to education. As a result, they have few opportunities to improve their income, and they do not foresee a much more encouraging future for their children. This produces a vicious circle that tends to reproduce poverty and to accentuate economic and social differences.

This situation makes it impossible to sustain growth over the long term and can lead to deep social conflicts that will in turn bring about yet another stage of political and economic instability. In short, we will have thrown away all the sacrifices we have made if we do not place radical social transformation at the top of our list of tasks to be performed.

In these difficult times, with the old utopias collapsing around us, we are faced with the unavoidable challenge of redefining the functions of government. The process of modernization is intended to assign to the public sector its true role. We must cease to regard the government as the owner and producer of goods and services, a concept that has suffocated individual creative capacity. Rather, it should be viewed as a policymaking and regulatory body, capable of empowering the various components of society to generate wealth and create sources of employment while wielding greater authority where the enforcement of legislation is concerned.

Another major objective is to consolidate and refine the democratic mechanisms for social participation by the people.

Bolivia's Program

Bolivia is addressing this meeting after 18 years, at the very time when a new government has just taken office. The Government is endowed with a clear mandate and a firm will to implement a creative and ambitious program of action designed to engage the country in economic development with social equity.

We have made considerable progress in the political and economic arenas. In 1982, Bolivia became a democracy once again, and in 1985, we began to stabilize our economy and initiated structural reform, with the aim of finding a permanent and irreversible solution to the circumstances under which our country has labored for centuries.

Despite all that has been achieved, it has been difficult to attain the desired level of dynamism in our growth process. We are facing pressing issues related to unemployment, low wages, education, health, the rural situation, and the grave moral and institutional crisis now confronting the Government.

To discharge the mandate deriving from the unquestionable popular support for the plan of President Gonzalo Sanchez de Lozada, we have been able to draw on the cumulative experience of many of us who initiated change eight years ago. This has enabled us to define our objectives with greater precision and to acquire the necessary instruments to face up to the present challenges with greater chances of success.

The first measure to be tackled as part of this mandate is the radical reform of the Executive Branch, the first step toward modernization. This reform will have three major thrusts: economic development, human development, and sustainable development.

Economic policy is based on a commitment to preserve stability and substantially increase investment resources through capitalization of the public enterprises. Over more than half a century, the Bolivian Government accumulated a large number of enterprises, which, unfortunately, have only benefited a small group of bureaucrats and politicians. With a view to allowing the people to reclaim those benefits, it is proposed to return the ownership and profits of the enterprises to their original and legitimate owners: the citizens. This process will be facilitated through a capital increase, open on equal terms to foreign and domestic investors, who will also be entrusted with management and equity participation. The best guarantee for private capital will be to link it with the Bolivians themselves, who have an interest in obtaining a substantial return on their investment.

We are upheld by the conviction that poverty is totally unfair as well as uneconomic. Our approach to designing and implementing our policy is based on the indissoluble link between economic and social aspects. Accordingly, attention to human capital is defined as a national priority. We propose to increase substantially the resources allocated to public education and health, and we give our commitment that we will take all necessary measures to ensure that those resources are efficiently used.

In our view, the only way to discharge this commitment is to encourage the population to participate in the design and implementation of social policy. The community represents an untapped source of practical knowledge that will be of help in identifying the services required and in supervising their implementation. Because of the wide gulf separating city life and life in the countryside, our program contains a special section devoted to the rural sector.

The third key element is the recovery and sustainable conservation of renewable natural resources, the basis of all productive activities. The preservation of water, flora, and fauna is a prerequisite for the improvement of our long-term productive capacity. Our approach combines the urgent need for greater resources to finance development-oriented policies with measures to ensure the rational use of our common heritage.

We are confident that we are now on the right road to progress and well-being for all. And in this venture, we recognize the importance of the finance institutions, not simply as providers of resources in response to the insatiable demand of governments but also as our companions-in-arms in the battle to overcome the structural conditions of poverty.

Likewise, it would be wrong to think that the rusty chains of underdevelopment can be broken overnight. The fruits of adjustment and reform policies take considerable time to mature, too long, in most cases, given the urgency of our people's needs.

Moreover, the social cost entailed in coping with reality is presenting us with problems. In this area, we have to act with imagination and a true sense of equity. This is the time to ask for the largest possible volume of resources, on concessional and highly flexible terms, in particular for the less-developed countries. Assistance from the World Bank Group is essential if we are to follow the course now before us. While recognizing the institution's efficient performance, we believe that the efforts being made are still inadequate to overcome the region's high levels of poverty.

We would also like to mention that promoting trade is crucial to our region. On this point, we believe that the North American Free Trade Agreement (NAFTA) opens up promising prospects.

On behalf of Latin America and the Caribbean, I would like to reiterate my conviction that we are now at a crucial point in time, facing the tremendous challenge of crossing over the threshold of the next millennium into a more harmonious world. We believe that our hopes are well founded when we envision a world where greater justice abounds, a world in which we can confidently lead our people along the true path to happiness and to a place where the values of solidarity and liberty are upheld.

BULGARIA: TODOR YORDANOV VULCHEV

Governor of the Fund

The Bulgarian delegation is glad to welcome the numerous new member states of the World Bank and the International Monetary Fund and to wish them fruitful cooperation and economic prosperity.

Three years after the beginning of the reforms in Eastern and Central Europe, politicians, businesses, international organizations, and the public at large have overcome the illusion of a fast and easy transition to a market economy and have finally realized the enormous complexity of the process.

The countries in this part of the world still share similar problems, but the diversification is steadily increasing. It stems from the different conditions and factors that impact these countries, and the approach of the international financial institutions should be appropriately diversified.

A case in point is the particularly adverse impact of the events in the former Yugoslavia on the countries in southeastern Europe.

So far, Bulgaria has managed to maintain its position as a stable and reliable partner in southeastern Europe and has actively started market-based reforms. Prices were liberalized, as were the money and foreign exchange markets. Though quite high, inflation is under control. The foreign exchange regime is liberal. Parliament has adopted the major economic laws. Approximately one half of the arable land and the retail trade businesses are in the hands of private farmers and traders. The implementation of a mass privatization program is pending, as is the solution to the problem of bad debts.

There is no doubt that economic reforms are going ahead, even if progress is slower than we would like it to be, especially in the areas of privatization and tax system reform. There are important domestic reasons for this, such as frequent change of governments, certain political tension, and meager efficiency of the new democratic institutions. At the same time, it should be noted that Bulgaria has been very heavily affected by external events and factors out of its control, such as the trade and economic sanctions against the former Yugoslavia, pursuant to Resolution 820 of the UN Security Council, which Bulgaria strictly observes. The former Yugoslavia is our neighbor to the west and the embargo has practically severed our shortest and most important routes to our western trading partners. Even the international waterway along the Danube is not safe and is, on occasion, blocked completely. Bulgaria has been left physically and geographically isolated from the West. Observing delivery times is difficult and transportation of fresh agricultural products is practically impossible.

Losses from the embargo are estimated at hundreds of millions and even billions of U.S. dollars. The embargo played an important role in reducing Bulgarian exports and changed our 1992 trade surplus into a deficit in 1993, thus resulting in a further drop in our business performance and reducing our foreign exchange reserves.

Since the beginning of the reforms, Bulgaria has been faced with the task of overcoming its excessive commitments (over 60 percent of our imports and exports) to the former Soviet Union. The events in this country—frequent changes in governmental institutions, high inflation, and uncertainty of settlements—further reduced our trade turnover with the former Soviet republics. Bulgaria has the production capacities and the products needed to provide for the basic needs of the former Soviet republics' population, but exports are hindered by the lack of reliable payment mechanisms. The idea of creating an East European payment system or an ECU payment system with the participation of Western banks has proved impracticable.

In 1993, Bulgaria suffered the worst drought in the past 60 years. We would not want to overstate its importance, since many countries sustain natural calamities, but only note, that throughout this winter Bulgaria will have to import considerable quantities of agricultural products. It will cost us several million dollars and will be at the expense of our scarce foreign exchange reserves.

As you see, this year the transition to a market economy is being carried out in difficult conditions. Under these circumstances, fulfillment of all commitments and all indicators specified in our Letters of Intent and Development presented to the Fund and the World Bank is practically impossible. Unfortunately, what comes next is that the international financial institutions with which we cooperate most will effectively put us in a kind of financial isolation or, figuratively speaking, they will impose an embargo on us. As a result, we will be isolated from all sources of financial support. Certainly, we could survive even under conditions of isolation, but the social, political, and economic costs would be too high.

We would not like the international financial institutions to change their rules and principles for our sake, but we hope that greater flexibility might be expressed.

The targets are, of course, important, and they should be achieved, but the more important thing for this country and its people is to sustain the reform effort toward a market economy, democracy, stabilization, and growth. If the nonfulfillment of some targets or some transitory delay in the course of reform would deprive us of the support of the international financial institutions, we would face ever more intractable problems.

Our relations with the European Community and the bank-creditors within the London Club are proceeding along similar lines. Bulgaria signed an Association Agreement with the European Community which was greeted with admiration in the country, although it will take years before we see its tangible effects. Nevertheless, the interim agreement on trade and trade-related matters has not come into force because of some disagreements between the member countries—disagreements which are by no means related to Bulgaria. Thus, there are some obstacles hindering our exports to the European Community countries at a moment when Western markets are of growing importance to us.

As a result of the persistent efforts of the Bulgarian Government, on July 2, 1993 the Committee on the Sanctions against Yugoslavia (Serbia and Montenegro) to the Security Council of the UN approved a separate recommendation regarding Bulgaria that acknowledged its specific economic problems and urged all countries, international organizations, and financial institutions to render urgent assistance. So far our country has not received adequate assistance and support to solve its pressing financial, economic, and social problems. The serious losses and damages [illegible]d the delay of the economic reform could be partially compensated by [illegible]ucing the debt burden with the official creditors of Bulgaria and by reaching an agreement on the debt- and debt-service-reduction package with the private creditors. The fundamental issue for a quick resolution the London Club is to recognize the financial constraints of Bulgaria and its capacity to service its debt.

Finally, we would mention that we hope the financial community will invest funds to solve the transportation problems in southeastern Europe. Not only the East-West ways are important but also the North-South axis, which seems to be neglected to a certain extent. Steps are already being taken to provide a transportation connection between the Mediterranean and the Baltic Sea. Such considerable investments exceed our present capacity and they are needed in the short term. These investments have a positive effect not only on the Balkans, but also on Europe and the region as a whole, and they should be accelerated.

At a time when the countries of Central and Eastern Europe are undergoing deep reforms, the international cooperation and limited support provided by the international financial community are more necessary than ever.

CAMBODIA: SAM RAINSY

Governor of the Bank

It is a great pleasure and an honor for me to represent Cambodia at the Annual Meetings of the World Bank and the International Monetary Fund, here in Washington, D.C.

Cambodia has returned to the international arena after a lengthy absence of twenty years, due to wars, genocide, foreign occupation, and unprecedented political turmoil. The renewal of our official links with the international community marks the commencement of a new era of opportunity for Cambodia and its people.

This new era has just started. It has been marked by a notable achievement of the United Nations—the election organized in May this year. This has led to the drafting and adoption of a new constitutional monarchy. Last Friday, September the 24th, Prince Norodom Sihanouk has acceded to the throne. He has promulgated the constitution and appointed the First and Second Prime Ministers to form the Royal Government of Cambodia.

Our reentry into the international arena comes at a difficult time for the world economy marked by slower-than-expected growth. Mr. Camdessus, the Managing Director of the Fund, pointed out, in his press conference last week, that a weaker estimated growth in the industrialized nations of only 1.1 percent in 1993 means a reduced world growth of only 2.2 percent. And this figure is only possible because of the Asian nations' growth of 6 percent. He is rightly urging measures to stimulate growth in those slower-growing economies.

In Cambodia we are starting from a very low base. Due to the past destruction, Cambodia is today a dilapidated, disjointed, and exhausted country. This is why, by all international standards, Cambodia is one of the world's poorest nations. Nevertheless, we expect our GDP to grow by 5 percent in 1993, and faster in 1994 to 7 percent or 8 percent.

In this perspective, since the May elections, Cambodia has confirmed its irrevocable passage from a centrally planned to a market economy. The Government has launched a vast program of reform designed to put the administrative structure of government and management methods in line with the mechanism of a market economy. A macroeconomic stabilization policy has been recently implemented that has already reduced inflation dramatically. The 93 percent inflation over the first six months was reversed to a negative 10 percent over the last three months thanks to a sharp reduction in the budget deficit. We have now stopped printing money to finance the deficit.

Budget revenues have dramatically increased over the last few months. From an average of 12 billion riels per month up to June, they reached 16 billion riels in July and 22 billion riels in August. For the first time in many years, such revenues permit the Government to meet its payroll. It can cover its most urgent current expenditures. For the rest of our current needs, we count on international financial assistance for a further limited period.

We are pursuing an active policy toward the improvement of public finances thanks to new fiscal and customs measures and a better control of the expenditures. For the first time in many years, we are preparing a real budget along rigorous and rational lines for 1994. With the appropriate technical assistance, we are setting up a legal framework for economic activities. We are also streamlining and modernizing our administration in order to reduce bureaucracy and increase efficiency. One of our major priorities is the development of human resources.

I want to thank the staff members of the Bank and the Fund who have worked with me and my colleagues in Cambodia to produce the Memorandum on Economic and Financial Policies that has established immediate monetary and fiscal objectives and set the scene for the medium term. This work will help Cambodia gain access to Fund resources from the systemic transformation facility (STF). This renewed access to Fund resources is only possible because of the invaluable assistance of our support group, whose contributions together with our own slender resources have enabled us to clear our arrears with the Fund.

Later this week I shall be negotiating the terms and conditions of, and concluding the agreement for a major IDA loan. The loan will provide resources to meet the immediate balance of payments needs and provide funding for projects in many important sectors of the economy.

Three weeks ago in Paris, members of the International Committee for the Reconstruction of Cambodia (ICORC) added almost $120 million to pledges made in Tokyo in June 1992. I thank the numerous ICORC national contributors, the UN organizations, the World Bank, and our regional development institution, the Asian Development Bank, for the earlier and additional pledges.

The Royal Government of Cambodia relies on our National Committee for Rehabilitation and Development, for coordinating with appropriate technical assistance all program and project activities to avoid unnecessary duplication of donor efforts and expedite the effective use of funds already committed.

I conclude with the sincere good wishes of the Cambodian delegation for the success of these Annual Meetings and with the hope that a revival in world economic growth will help Cambodia and other developing countries to enjoy sustained future growth.

CANADA: C. SCOTT CLARK

Alternate Governor of the Fund

It is a privilege for me to address the Annual Meetings of the World Bank and the International Monetary Fund. Let me first join others in welcoming our newest members. I know we have a very full agenda so I will keep my remarks brief and focus primarily on policy issues facing the Bank and the Fund.

Policy Directions for the Fund

We all share a strong self-interest in the smooth functioning of the international economy. Greater integration of goods, services, and capital markets, and the expansion of our membership in recent years, have increased the complexity of the oversight task this entails. In the current environment, the multilateral surveillance function of the IMF has an ever-growing importance. As the Managing Director of the Fund stressed in his opening address, a major challenge for the Fund is to help its larger members understand the longer-term consequences of policy actions and balance their domestic considerations and broader international implications. The mark of success in this area will be a more cooperative and effective growth strategy.

Turning to specific policy issues, perhaps the most pressing on the Fund agenda is the successor to the enhanced structural adjustment facility (ESAF). The ESAF was created to support low-income members that need special assistance to access Fund resources on a timely basis. Evidence to date suggests it has done this job well. Loans on concessional terms have allowed many low-income countries to strengthen their economies while maintaining sound debt-management policies.

As we all know, the resources initially provided to the ESAF are now nearly fully committed. We believe it is imperative that arrangements be made to continue the ESAF's valuable work. Canada stands ready to contribute to such arrangements as soon as an agreement on equitable burden sharing can be reached.

As the Managing Director noted in his remarks, the Fund has also discussed a new SDR allocation. In our view, such an allocation is neither appropriate nor necessary at this time. We see no convincing evidence of a shortage in global liquidity. More importantly, we believe that countries that pursue sound economic policies are able to attract the financing they need. For this reason, we believe that the resources currently available to the Fund through its regular facilities and the new systemic transformation facility (STF) are broadly adequate.

In grappling with the challenges facing countries in transition, the Fund has demonstrated considerable ingenuity in the establishment of the STF. The challenge ahead is to make it work. In this context, it is incumbent on us to keep its objectives firmly in mind.

The STF was established to provide financial support to former centrally planned economies embarking on aggressive programs of economic reform entailing the adoption of market principles. The reforms supported by the STF are designed to bring a country to the position where it can negotiate a full-fledged stand-by arrangement with the IMF. A reform program must be comprehensive and pursued on a sustained basis. Not only do "on-again, off-again" policies provide no permanent benefits, but they also act to undermine the credibility of the whole reform effort. Experience has taught us that, in the pursuit of economic reforms, half measures are little better than no measures at all.

A credible reform package must have at its core the restoration of macroeconomic stability. This requires that budget deficits be brought under control and the expansion of credit moderated. It also requires an aggressive program of structural reforms. For many countries, the early restructuring and privatization of state enterprises has become a touchstone for the reform process. However, parallel progress on price liberalization, trade reform, financial sector reform, and the development of a professional civil service are also key, if nascent private sectors are to grow and flourish. While none of this is easy in practice, there is no other way. The hard lesson is that attempts to "buy time" and delay reforms only make the process of reform that much more difficult in the long run.

It is also worth reminding ourselves that the primary responsibility for transforming former centrally planned economies into well-functioning market economies does not lie with Western governments, nor with the international financial institutions, but with the countries themselves. They bear the main burden of this transformation, but also reap the largest rewards from its success. External assistance can only be effective when it reinforces a sound domestic reform program. Indeed, external assistance in the presence of severe macroeconomic imbalances simply contributes to capital flight.

Policy Directions for the Bank

Let me now turn to World Bank issues. Looking back over the past year, I am encouraged by the progress that the Bank has made in transforming itself into a more open and transparent institution. The recent decision to broaden its policy on the disclosure of information is a case in point. Development is a complex business that is easily misunderstood. Making more information available to the public about the Bank's activities helps minimize such misunderstandings and, ultimately, can increase the confidence of all parties involved.

I am also encouraged by the Bank's recent efforts to ensure greater local participation in the design and implementation of projects, particularly those that affect the poor. It is critical that the Bank embrace participatory development and the other key recommendations of the Wapenhans Task Force. The Action Plan, which was recently approved by the Bank's Executive Board, should go some distance toward improving portfolio performance and increasing the effectiveness of the Bank's lending operations. To be effective, however, these actions need to be implemented consistently throughout the institution.

For many donor governments, growing pressure on aid budgets has become a fact of life. My own view is that international institutions have been relatively slow to recognize this fact. Although the Bank and the Fund are beginning to adapt to this new reality, considerably more needs to be done. In the future, our institutions will need to exercise greater control over the cost of their own administration. I am encouraged by the assurances we have received from President Preston that next year's World Bank budget will start from a more reasonable base than previous exercises. We expect to see the same approach to budgeting at the Fund as well.

Cost control is essential if the Bretton Woods institutions are to retain the confidence of their members. Increased attention to administrative efficiencies can free up resources for other uses, particularly for the poorest members through transfers to IDA at the Bank, or to the ESAF at the Fund.

The International Trading System

The challenge of improving global economic performance adds greater urgency to the need for a successful conclusion of the Uruguay Round. As both President Preston and Managing Director Camdessus have stated, "trade comes first." At this stage, it would be tragic if we were unable to resolve our differences. The benefits that would flow from lower trade barriers and improved access to global markets are readily evident. While a failure of the Uruguay Round would hurt everyone, it would be a particularly bitter blow to those countries that have pursued ambitious adjustment programs and liberalized their economies in order to benefit from global trading opportunities.

In addition to the Uruguay Round, I should report that Canada has passed legislation authorizing ratification of the North America Free Trade Agreement, or NAFTA. As with our early free trade agreement with the United States, our objective in NAFTA is to establish a building block for greater international cooperation and a more open world trading system, not to create an inward-looking trading arrangement.

In line with this, NAFTA does not add barriers to trade with other countries. Under the current CARIBCAN arrangement, for example, 98 percent of exports from the Commonwealth Caribbean enter Canada duty-free. This will not change. As such, NAFTA remains fully consistent with the principles that underlie the General Agreement on Tariffs and Trade.

Concluding Remarks

Next year will mark the fiftieth anniversary of the Bretton Woods institutions. Certainly, no one doubts the profoundly positive influence that these institutions have had on the world in which we live. They have tackled some of the most intractable problems facing the international system with flexibility and creativity. In the coming year, we will all be reflecting on this contribution and considering how we might enhance our efforts to strengthen global prosperity.

PEOPLE'S REPUBLIC OF CHINA: LIU ZHONGLI

Governor of the Bank

I am very pleased to attend the 1993 World Bank and International Monetary Fund Annual Meetings. First of all, please allow me, in the name of the Chinese delegation, to extend our sincere congratulations to you on your assuming the chairmanship. We are confident that under your leadership the meetings will be a great success.

The present-day world finds itself in a transitional period marked by bipolarization giving way to multipolarization. The ending of the cold war, however, has not brought about the hoped-for peace and prosperity to the world. Since 1990, the growth rate of the world economy has slowed down noticeably; the economic recovery of developed countries remains lackluster; the economic performance of developing countries is mixed; and the incidence of their poverty continues to be appalling.

Experience demonstrates that, in order for developing countries to achieve sustainable development, an external environment conducive to such development is necessary to complement their own efforts. At present, however, many developing countries are still in a very difficult situation, due to the sluggish growth of the world economy, the deadlock of the Uruguay Round, the increasing scarcity of resources, and intensifying trade protectionism. All this calls for serious concern by the international community.

Peace and development are the two major issues confronting the world today. Without economic development, peace could hardly be sustained. All countries, developed and developing, after all, live on the same planet, Earth. The economic difficulties of developing countries not only impede their development, but will ultimately also affect the interests of developed countries. Therefore, the international community should give equal importance to the issues of peace and development. We agree with the President's assessment of the grim external environment faced by the developing countries. We call on the developed countries to make more efforts to roll back trade protectionism, to increase development and environmental assistance, and to reduce restrictions on technology transfers, among others, so as to help revitalize the economies of the world, especially those of the developing countries.

The Chinese Government all along has held the view that international cooperation should be based on the principle of equality and mutual benefit and that people of different countries should be allowed to choose their own model of development in light of their specific country situation. Among nations, there snould be the spirit of seeking common ground while reserving differences. We are against the attachment of political conditions to economic assistance.

Faced as they are with various challenges, there is still a long way to go for developing countries to wipe out poverty. It is true that in recent years through their own efforts, and with the help of the international community, some developing countries have achieved substantial progress. However, the estimation of the economic development of developing countries should be realistic. Like most developing countries, China still has a very low income level. Although the Chinese economy has made considerable headway and the size of the national economy as a whole has expanded considerably thanks to the reform policy, per capita indexes of the overall economy remain very low, reflecting the fact that China is still a developing nation with a vast area, a large population, and sharp regional disparities. There are still a large number of people living in poverty, and poverty reduction continues to be a priority on the development agenda of our Government. Therefore, we hope to continue cooperating closely with the international financial institutions, in our efforts to further attack poverty and promote economic and social development.

At present, the developing countries, which account for the majority of the world's population, are making strenuous efforts to develop their national economies. They need the sincere cooperation and substantive support of the international community. It is our hope that the World Bank will continue to play its unique role in assisting the developing countries. We also hope that IDA-10 will become effective as soon as possible. And we look forward to seeing the third replenishment of the Special Program of Assistance effort reaching a satisfactory conclusion.

The IMF's enhanced structural adjustment facility (ESAF) has played a positive role in supporting the adjustment program of the low-income countries, some of which have achieved progress in stabilizing their economies and promoting reform. We are pleased to note that the majority of the industrial nations has reached agreement on the continuation of ESAF and hope that these countries will soon make a concrete commitment. We continue to support strongly the proposal of a new SDR allocation and would like to call on those countries which disagree to respond to the reasonable request of the majority of the member countries and reconsider their position, with a view to finding a satisfactory solution at the earliest possible date.

It has been fifteen years since China adopted the program of reform and opening to the outside world, and great success has been achieved. The national economy has been growing continuously, and the benefits of the rapid growth are being harvested by the Chinese people, whose living standards have improved rapidly. The measures taken by the Chinese Government to deepen reform and promote development have the firm support of our people. Today, China is enjoying social and political stability and economic growth. The policies of reform and opening to the outside world have taken root in the hearts of the Chinese people and thus cannot be reversed.

While the economic trends in China look favorable, some foreign friends are concerned about the overheating of the Chinese economy, as well as the sustainability of the current pace of growth. This concern of our friends is understandable. During the first half of this year, some problems surfaced in the Chinese economy, such as an excessive expansion of investment, disorder in the financial sector, accumulation of inflationary pressures, and the widening disparities among regions. Fundamentally speaking, these problems are the result of the conflicts and frictions between the two systems at a time when the defects of the old one are yet to be completely eliminated and the merits of the new one are still to be brought fully into play. The Chinese Government has been fully cognizant of all these problems and believes that these problems, which cropped up during the process of rapid growth, are still within manageable limits. Since June of this year, we have adopted a package of measures designed to strengthen macroeconomic management. This package was not meant to introduce overall economic austerity, but to further our efforts to undertake economic structural adjustment, the aim of which is to ensure that the economy develops in a healthy, steady, and sustainable manner. We have already seen preliminary results of these measures and expect to see more of them in the coming months.

The long-term solution to the above-mentioned problems lies in the acceleration and further deepening of the reform of the economic system. China is now moving actively ahead with reforming the economic system in the context of establishing a socialist market economy.

Maintaining macroeconomic stability is the key to the success of reform policy. Bearing in mind past experience, the Chinese Government will pay more attention to macroeconomic management in order to achieve a rapid and coordinated economic growth. To this end, the relationship between centralization and decentralization needs to be addressed properly; adequate attention should be given to the social and institutional issues during the reform; and infrastructure development must be effectively strengthened to reduce the bottlenecks which would otherwise hinder reform and development.

Not long ago, we made some efforts to put the financial sector in order, with a view to laying a sound basis for financial system reform. Our goal is to establish a central bank and a regulatory system empowered to implement independently the monetary policies under the leadership of the State Council, a financial, institutional set-up in which directed and commercial lending will be separated, with the state commercial banks as the backbone coexisting with other financial institutions. This would establish an open and unified financial market system with fair competition and effective management.

In the area of fiscal and taxation system reform, we will: establish a taxation system, with a VAT as the core, to promote equitable distribution and fair competition; institute a tax-apportionment system between the central and local governments so as to enhance the macromanagement capability of the Government; unify the tax rates on domestic enterprises, while stepping up tax collection in accordance with the law; and put into practice a budget system that will separate current expenditures from capital outlays, in order to control strictly the budget deficit.

Another priority of China's economic reform effort will be that of state-owned enterprise reform which will focus on the separation of ownership and management, with a view to gradually establishing a modern enterprise system. The state will only exercise its ownership function over the enterprises. Efforts are being made to transform the state-owned enterprises into independent economic entities through a shareholding system, enterprise mergers, and enterprise groups. In addition, we will also adopt measures to push forward complementary reforms in other areas, including investment, foreign trade, foreign exchange, social security, housing, labor and wage system, etc.

The transition from a centrally planned economy to a market-based economy is a complex and difficult process. It is even more challenging and, indeed, unprecedented, to try to establish a market economy within the framework of a socialist country. The Chinese Government is well aware of the inevitable difficulties and problems ahead. But we firmly believe that, through the common efforts of our people, difficulties and problems can be overcome, and, in the process, the 1.2 billion Chinese people shall benefit from a constantly improving living standard.

Reform has integrated the Chinese economy ever more closely with the world economy. The development of the Chinese economy needs the development of the world economy, which, in turn, will be helped by the development of the former. China is willing to strengthen its cooperation with other countries, as well as with the international financial institutions on the basis of equity and mutual benefit. And we shall, as always, endeavor to make our due contribution to world peace and development.

REPUBLIC OF CROATIA: PERO JURKOVIC

Governor of the Fund

It is my great honor and privilege to address these Annual Meetings of the Boards of Governors of the World Bank and the International Monetary Fund.

As you all know, Croatia is a newly independent and sovereign country. Therefore, first of all, I would like to sincerely thank you for accepting Croatia as a full-fledged member of those two vital international financial institutions. Second, I would like to express my gratitude to our hosts for their warm hospitality and for the admirable organization of these Meetings.

World economic circumstances are still marked by obstacles and weaknesses. In spite of a slight recovery in overall economic activity, high unemployment and sluggish growth in many parts of the world (as in most industrial countries, Europe, and Africa) remain a fact of daily life. Therefore, greater cooperation and coordination in policy actions to lay foundations for sustainable and noninflationary world economic development are indispensable. Both the Fund and the World Bank can play instrumental roles in the world development process. This is especially true when speaking about the creation of the global monetary order. The Fund's role in strengthening surveillance of macroeconomic policies in general, and especially the exchange rate policies of its member countries, must be particularly stressed.

In the last couple of years, we have witnessed not only historical political changes, especially in Europe, but also a decisive policy effort to transform centrally planned economies into market-oriented ones. The creation of more than twenty new independent countries has obviously put a lot of new pressure on the Fund and the World Bank. But the Fund has responded swiftly to these new challenges, first, by extending its standard operations (stand-by arrangements, ESAF, etc.) to transforming economies and newly formed countries, and second, by introducing other instruments, such as the systemic transformation facility (STF). Training activities and technical assistance offered by the Fund represent a vital part of the Fund's role in creating the new monetary order, particularly for new member countries. Macroeconomic stability, structural reforms, and privatization represent the necessary conditions for successful transformation. International cooperation, and active support by the Fund and the World Bank Group, seems vital for sustaining the momentum of reforms in economies in transition.

The Croatian Economic Situation

Croatia today belongs to a group of economies in transition. Immediately after its independence, Croatia undertook activities to become a member of international financial institutions. As already pointed out, Croatia became a member of the Fund on December 14, 1992, as a successor to the former Socialist Federal Republic of Yugoslavia. On the same basis, Croatia became a member of the World Bank on February 25, 1993.

Unfortunately, the breakup of the former Yugoslavia resulted in open aggression on Croatia. This aggression substantially aggravated the already difficult economic situation. Like other former socialist countries during the 1980s, Croatia went through a decade of stagnation. As a result of war and the decomposition of the former Yugoslavia, the gross social product (GSP) declined to no more than half its value in 1990. War damages alone are estimated to be more than double the GSP in 1992 (or more than $20 billion). Risk-averse service industries, like tourism and transportation, which are considered comparative advantages for the Croatian economy, were hit particularly hard. One has to point out that the Croatian population increased substantially in a very short time due to the inflow of more than 500,000 displaced persons and refugees, half of whom came from Bosnia and Herzegovina. In spite of international humananitarian help, they represent a very heavy burden on the social safety net. About one third of Croatia's territory is still occupied.

It is no surprise that macroeconomic imbalances are prevalent. The unemployment rate almost doubled from 9 percent in 1990 to a very high 17.2 percent today. The fall in real wages was equally dramatic: today they are less than half their prewar level. Very high inflation, in the range of 25 percent to 30 percent per month in the last year, remains one of the largest problems and greatest threats to economic reforms.

Therefore, stabilization policies are both warranted and necessary. I would like to point out that in December 1992 the Croatian Parliament approved an outline of the stabilization program. Its content and spirit have been highly praised by Fund staff. The main objectives of the stabilization program include free prices, a liberal external regime including competitive exchange rates, fiscal restraint, and restrictive monetary policies. These measures should be combined with structural policies supporting the program. Due to the continuing aggression on Croatia, occupation of its territory, and a large number of refugees, the full and comprehensive implementation of the program has been temporarily postponed, although major changes aimed primarily at curbing inflation will be introduced very soon.

Although current developments in the Croatian economy do not look very favorable, the medium-term prospects are much more encouraging. The Croatian economy has always been relatively open and liberal. Last year, in spite of an unfavorable environment, the external sector equaled the value of GSP.

Relations with the Fund and the World Bank

Numerous missions of the Fund and the World Bank have visited Croatia. The Fund's staff report for the 1993 Article IV consultation and the technical assistance missions particularly stand out. Indeed, we are very grateful for all the sincere efforts of the staffs of the Fund and the Bank in helping Croatia. Unfortunately, no financial agreement has been reached so far.

In spite of all the present economic difficulties, positive results deserve to be pointed out: The legal framework will be completed by the end of this year. Foreign exchange reserves of the National Bank rose from virtually zero at the beginning of 1992 to almost $500 million today. Important changes were introduced in monetary policy. The abolition of selective credits, competitive exchange rate policy (the external sector remained relatively strong), and the increased financial discipline of banks are but a few of them. Being aware of the dangers of rising inflation, the National Bank has recently implemented substantive packages of new restrictive measures aimed at curbing the rise in base money. Those acts will ensure efficient control over the monetary effects of foreign exchange transactions.

But strain on monetary policies remains strong. Large loss-making entities (such as shipbuilding, public enterprises, the health fund, etc.) that are still not privatized exert strong pressure on banks to extend new loans. Banks, with their nonperforming loans rising in turn look toward the central bank for fresh money. Financial constraints and structural policies obviously are without alternatives. Reforming the banking sector (especially by speeding up the process of privatizing banks) is still a task in front of us.

In its current activities, the Government has been taking some additional steps toward the necessary reduction of expenditures, such as wages, welfare, pensions, and public company loses. The introduction of a more adequate organization and functioning of the public finance system is proceeding in connection with the adoption of the new fiscal policy. Activities are focused on enforcing stricter control and collection of taxes, fees, and other revenues.

Today, in addition to transition problems, which are common to all countries moving toward a market economy, the Republic of Croatia is facing large economic and human consequences of war damages. This double and simultaneous task of stabilizing and restructuring its economy represents an enormous task for Croatia. Foreign help is necessary. Therefore, we intend to pursue the policy of cooperative and active membership not only in the Fund but in other international financial institutions as well. A stand-by arrangement with the Fund would have multiple benefits for the Croatian economy. First, it would mean very much needed financial help. Second, it would be a clear signal to other creditors and would be catalytic for investment in Croatia. Third, it would greatly facilitate current negotiations with official and private creditors. Without substantial foreign investment, the restructuring of our economy will be much slower than warranted. From our side, we can promise to be more decisive in regulating and meeting our foreign financial obligations. The same is true for the removal of some foreign exchange restrictions. Close cooperation with the Fund on technical assistance, policy design, and policy implementation remains very high on our agenda.

Croatia has assumed all the responsibilities of membership in the Fund and the World Bank. It has regularly serviced all old debts and commitments and has also contributed to the increase of their capital. At the same time, expectations that the very same institutions would be the first to become actively involved in meeting the urgent reconstruction, development, and social requirements of Croatia have been fulfilled to a very limited extent, mainly in the form of preliminary technical expertise and fact-finding missions.

What, in our view, is of utmost importance is the fact that Croatia has a clear goal of where it is heading. Taking into consideration the sensitive geopolitical environment, Croatia's policy priorities are directed toward achieving peace, stability, and prosperity in the region as a whole. Realistic expectations of the resources that could be mobilized indicate that Croatia would not need large amounts of new money during the program period. But, as already pointed out, initial and prompt support from the Fund and the Bank would be very helpful.

The road to a market economy is much longer and more winding than previously expected. Combined with the challenges of the present situation in Croatia, namely, the consequences of the aggression on Croatia, this task looks very distant. But, "An obstacle is something you see when you take your eyes off the goal." Therefore, we are confident about the final outcome of our decisions and efforts.

DOMINICA: MARY EUGENIA CHARLES

Governor of the Fund

(on behalf of the Joint Caribbean Group)

I have the honor to speak on behalf of the members of the Caribbean Community and Common Market, namely, Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

The general prospects facing the global economy are somewhat subdued judging from a number of very pertinent factors. First, growth in the Western industrial countries has been sluggish at best, with short-term prospects not being particularly encouraging. Unemployment has become a very serious problem with over 30 million people being out of work in the OECD countries. In addition, fiscal deficits still persist and current account imbalances continue to be experienced by many countries. Another area of concern is the currency instability in Europe which has persisted since September 1992 and placed severe strain on the exchange rate mechanism.

This scenario is not very encouraging as there does not seem to be any member of the Group of Seven that can serve as a locomotive for pulling the global economy out of recession.

The great need for assistance by the countries of the former Soviet Union and the Eastern bloc is a further dampening factor on global events.

It is against this backdrop that the countries of CARICOM, on whose behalf I speak, recognize the need for strong and sensitive leadership in resuscitating the international economy so that there can be increased flows to the developing world and the opening up of markets in the industrial countries to the products—both commodity and manufactured—of developing countries.

These are important questions that must be asked of the international community and the Bretton Woods institutions, as many countries, including those in the Caribbean, subject themselves to rigorous adjustment programs and make sacrifices and yet see no benefits in terms of increased flows. In fact it is quite the opposite, as there are significant reflows to the international financial institutions from our region and many others in the developing world.

The question of debt to multilateral institutions has to be squarely faced and mechanisms have to be designed to give genuine relief to debtor countries while preserving the financial integrity of the institutions.

Concerning debt to bilateral creditors, we continue to believe that more far-reaching debt-reduction solutions are required to deal with debt of low-income and lower-middle income countries. We note the United Kingdom's recent proposal to increase the level of debt and debt-service reduction under Trinidad terms. In this regard, we urge creditors to move decisively toward a reduction of the *stock* of debt for eligible countries.

In light of the need to complement reforms with increased resource flows, we are concerned about the slow progress made with regard to the establishment of a successor facility to the enhanced structural adjustment facility (ESAF). We therefore urge that prompt action be taken on this front in order to ensure continued concessional financial assistance from the Fund in the post-ESAF period.

The Caribbean countries once again support the call for a new SDR allocation. We feel that this is urgently needed and call on industrial countries opposed to an allocation to rethink their position.

On the question of trade, the Caribbean region supports a speedy completion of the Uruguay Round but is very concerned that transitional arrangements should be put in place for countries that structurally are unable to comply with the new regime in the short run.

We strongly support the Global Environment Facility (GEF) which we hope will address environmental issues not of our own making but which affect us; we also hope that the GEF will address issues of immediate concern to us like solid and liquid waste disposal and protection of our marine environment, which is of vital concern to us particularly in light of the importance of the tourist industry to small island states.

In our part of the world, we have been cooperating for many years with the IMF, the World Bank, the Inter-American Development Bank, and the donor community through the Consultative Group for Caribbean Economic Development (CGCED). In light of the new emphasis in the World Bank as a result of the Wapenhans report, we call for a strengthening of the CGCED to improve the delivery systems of aid to the region.

Finally, we in the region are committed to strong macroeconomic performances, balanced sectoral growth, and an effective public service. We support the efforts of the private sector in our development thrust. We also place great emphasis on human resource development in our development strategies.

We believe that each country must make efforts on its own behalf, but, in an increasingly interdependent world, the efforts of others, particularly the industrial countries, are important for a successful approach to development. We call upon the Bretton Woods institutions to supply strong and positive leadership in bringing the global economy back on track and promoting the cause of development for the have-nots of the world.

EL SALVADOR: MIRNA LIEVANO DE MARQUES
Governor of the Bank

On behalf of the Government of El Salvador, I would like to take this opportunity to thank the international financial community for supporting our efforts to consolidate peace and democracy in El Salvador.

As we have mentioned on previous occasions, President Cristiani began his administration in 1989 with three basic aims in view: achieving peace, regaining economic growth, and fighting poverty.

Over the course of the last four years, we have kept this forum apprised of our most significant political, economic, and social achievements. This forum was at our side when we took office with aspirations to achieve peace, as it was again later in January 1992 with the signing of the peace accords, which marked the end of the armed conflict and the commencement of efforts to achieve national reconstruction.

It is our hope that this process will at last come to fruition with the forthcoming elections for president, deputies, and mayors scheduled for next March—the first elections to involve participation by the entire political spectrum in El Salvador.

In mid-1989 the Government began implementing the 1989–94 Economic and Social Development Plan, designed to reduce the existing macroeconomic disequilibria while laying the groundwork for sustained economic growth, greater prosperity, and a better quality of life for all members of society, particularly those living in extreme poverty. Of the principal measures implemented to date, which were supported by programs with the International Monetary Fund and the World Bank, we might mention:

—Privatization of state-owned banks and the initiation of privatization of other publicly owned enterprises.

—Elimination of price controls, liberalization of interest rates, and the unification and liberalization of the exchange rate.

—Elimination of most quantitative restrictions on foreign trade, the substantial reduction of tariff dispersion, abolition of the state coffee and sugar monopolies, and El Salvador's entry into the General Agreement on Tariffs and Trade.

—Reform of the tax system, including the introduction of the value-added tax, adjustments to the rates charged by public utilities, and rationalization of public expenditure.

—Initiation of reform of the central government, with particular reference to the budget system, the government procurement system, and the customs system.

All of these measures have been accompanied by compensatory programs and projects intended to soften the impact that the stabilization and economic adjustment programs would have on the general public (and particularly on the most vulnerable members of society). The compensatory social policies have focused on the provision of basic services, with emphasis on the construction and rehabilitation of the basic social infrastructure, and with particular reference to those communities in extreme poverty. The principal programs have included preventive health and nutrition, education and school lunches, day-care facilities, water supply and sanitation, assistance for microenterprises, and the opening of community banks. In addition, a social investment fund has been established with the aim of providing an expeditious response to the most pressing needs of groups in extreme poverty.

In addition, work has begun, with assistance from the World Bank, on implementing the program for rehabilitating the social sectors, which is designed to strengthen the Ministries of Health and Education and to improve the quality and coverage of services they provide, as well as the program for restructuring the Ministry of Agriculture.

In the first three years that the Government was in office, GDP grew by an average of 3.8 percent a year compared with 1.5 percent during the preceding five-year period. GDP is expected to increase by approximately 5 percent in 1993. Investment, both public and private, has increased remarkably. Although the fiscal deficit after grants fell from 4.2 percent of GDP in 1989 to 2.5 percent in 1991, it increased to 4.1 percent of GDP in 1992 on account of the increase in public spending entailed by the peace accords, the drastic decrease in coffee export tax revenue, and the drought, which caused financial problems for the electricity company. The goal is to reduce this deficit by 25 percent in 1993. It is hoped that inflation, which reached 23.5 percent at the end of 1989, can be reduced to about 12 percent by the end of this year. The balance of payments has also recorded an improvement for three consecutive years, making it possible for arrears in external payments to be eliminated as of 1991 and for international reserves to be accumulated by the Central Reserve Bank. However, the trade balance has recorded further deterioration on account of the process of economic liberalization and the greater buoyancy of productive activity.

Despite these achievements, El Salvador still has formidable challenges to contend with. First, it is necessary to expedite the implementation of the national reconstruction program and to proceed further with the democratic reforms, including the strengthening of the judiciary and the Office of the Human Rights Attorney, and with the consolidation of the new National Civil Police.

Second, it is necessary to reduce the lingering macroeconomic disequilibria. Third, it is important to strengthen the market economy, competition, and consumer protection while pursuing industrial restructuring and technological progress. Fourth, it is vital for El Salvador to become more fully integrated into the international economy in conjunction with our regional neighbors. Fifth, it is essential to protect the environment. Sixth, programs aimed at overcoming poverty should be pursued and intensified. And finally, the state needs to be modernized.

We are aware that the public sector will continue to represent one of the greatest obstacles to meeting these challenges successfully.

Accordingly, the Government is implementing a public sector modernization program, the primary aims of which are to modify and substantially improve the conduct of economic and social policies by enhancing the efficiency and effectiveness of public sector operations while promoting full participation by civil society in the conduct of these policies. This program is being supported in part by the World Bank through a second structural adjustment loan that was recently approved.

This program will include efforts to:

—Strengthen the strategic management capability of the central government, by reforming its institutions and simplifying and rationalizing its operations and procedures.

—Improve the quality and allocation of human resources.

—Improve the mobilization, allocation, and utilization of financial resources by means of a new system of integrated financial administration; and improve fiscal administration with the aim of boosting the collection of revenue.

—Decentralize the implementation of public policies by strengthening the management capacity of municipal governments by placing them within a new framework together with the operations of central government and the efforts of civil society.

—Transfer the provision of certain services to the private sector, and pursue privatization.

—Rationalize and modernize government regulations in order to enable the productive sector to develop more efficiently.

However, additional financial assistance will be required to implement all the reforms proposed in the modernization plan, which will eventually form a crucial part of the agenda for the forthcoming administration. This additional assistance could take the form of a sector loan for public sector reform, which could be supported by the World Bank.

In spite of all the difficulties, which are a matter of record, the Government of El Salvador over the last four years has proven its commitment and political willingness to implement a far-reaching economic reform program, assisted by two structural adjustment loans from the World Bank. To further consolidate the reforms implemented since June 1989, we are currently preparing a draft economic and social program for the next Government.

Allow me, if I may, to end on a personal note. This will be the last time that I participate in this forum as the representative of President Cristiani's

Government. The last four years have been a time of intensive activity, in which we have had to contend with numerous problems; however, as we depart, we can take some satisfaction in leaving behind a country in peacetime, experiencing full economic recovery, with greater opportunities for all Salvadorans to reap the benefits of economic growth. Many of these achievements would have not have been possible without the resolute support of the World Bank and the International Monetary Fund since the beginning of our time in office.

FIJI: PAUL F. MANUELI
Governor of the Bank

On behalf of the Republic of Fiji, it gives me great honor to address the 1993 Annual Meetings of the World Bank Group and the International Monetary Fund. I would also like to gratefully acknowledge the excellent arrangements and preparations made by the Fund and the Bank staffs for these meetings. May I also take the opportunity to extend a warm welcome to all the new members of the Bretton Woods institutions.

In the past three years, global growth prospects frequently have been revised downward and, while this is realistic, it is noteworthy that the principal cause of these rather dismal prospects is the lack of growth in the industrial countries. While there are some encouraging signs of recovery in the United States and the United Kingdom, the recessions in continental Europe and Japan are expected to persist. The industrial countries, therefore, need to earnestly pursue a coordinated policy agenda of fiscal consolidation, an interest rate structure conducive to investment, and structural reforms, particularly of the labor market.

Against this backdrop of hesitant and uneven recovery in the industrial countries, the global economy has been supported by the strong performances of developing countries. The successes of developing countries are built on the firm foundation of an outward-looking policy, with trade liberalization as one of its central themes. This cooperative action has led to the significant growth in trade among developing countries. Unfortunately, this liberal trading stance has not been reciprocated by the industrial countries. Instead, it is disappointing to see the sentiment of protectionism gaining popularity in response to sagging economic activity and persistent unemployment. Such a trend should be strongly resisted and reversed. International trade is the backbone of sustained world economic growth and the GATT framework should be an integral component, promoting the spirit of multilateralism and supervising the ground rules of the game. We appeal, once again, to the major trading partners to demonstrate political leadership in bringing the Uruguay Round negotiations to a successful conclusion by year end. The momentum and confidence that will be lost if this deadline is not met may take years to rebuild.

Moreover, the adjustment efforts of developing countries cannot be sustained without access to financial resources. With the integration of the former centrally planned economies, the higher demand for liquidity is not matched by a concomitant rise in supply. The fiscal imbalances in industrial countries are squeezing the availability of official development assistance. While access to international capital markets by developing countries is slowly improving, access alone is not enough—the supply of capital must be adequate and on properly structured terms. Under the circumstances, there is a clear need for a new SDR allocation to supplement global resources and international liquidity. In addition, the absence of a new allocation will deny the SDR its potential role as the principal reserve asset envisaged by the Fund's Articles of Agreement. We therefore support the Managing Director's proposal for an allocation of SDR 36 million over the next four years.

We also welcome the timely introduction of the systemic transformation facility in response to the daunting challenges facing the former centrally planned economies. Furthermore, we are encouraged by the consensus to establish a successor to the enhanced structural adjustment facility (ESAF). While we would have preferred funding the ESAF successor from the General Resources Account, we could agree to the enlargement of the existing ESAF Trust structure and also agree with the Managing Director that the interest rate should remain unchanged. We urge potential contributors to immediately pledge sufficient resources to the facility to enable low-income countries to continue, without disruption, their adjustment programs. In this regard, we welcome the agreement of donor countries to the IDA-10 Replenishment of SDR 13 billion.

Let me now turn to the debt problems of developing countries. Thanks to the assistance of the Bretton Woods institutions and the support of the Paris Club, including the recent conclusion of the "enhanced Toronto terms" and the Trinidad terms, the debt problem no longer poses a threat to the international financial institutions. However, the debt problem is by no means over and it continues to constrain the economic expansion of these countries. Rescheduling alone is not enough. In our view, a more durable debt solution is one that is linked to the fundamental issue of affordability, while front-loading the reduction in the stock of debt should provide added thrust to the efforts of developing countries to shed forever their debt burden. Of course, these countries need to adopt a supportive macroeconomic environment. In this context, adequate provisions should also be given to countries such as Fiji that have, through prudent economic management, continued to fulfill all their debt obligations.

Furthermore, the developing countries need a stable exchange rate environment to maximize their contribution to world economic growth. We have watched with concern the crisis in the exchange rate mechanism (ERM). It brings home to us the important principles that economic fundamentals should underpin developments in foreign exchange markets and that convergence is a prerequisite for stability in a common fixed exchange area like the ERM. The global integration of capital markets creates the threat that volatility in exchange rates will have more unstable, wider, and more rapid ramifications throughout the world. The Fund's supervisory role, therefore, becomes crucial, and we welcome the Fund's enhanced surveillance procedures. But, at the same time, we encourage the Fund to shorten its response time and to adopt a proactive surveillance stance to avoid exchange market crisis.

Finally, I wish to take this opportunity to highlight some recent economic developments in Fiji. The parliamentary election, held in May last year, completed the return to normalcy of the political situation in the country. Despite the depressed international economic environment, Fiji has recorded positive growth rates since 1989, with a modest 2.8 percent growth achieved in 1992. The outward-looking policy initiated in 1988 has enhanced the potential of the country to graduate to a higher growth path. This strategy has been complemented by a package including, among other things, tax incentives for exports, the reduction and standardization of tariffs, taxation reforms, and the decentralization of the labor market. While we are fully aware of the magnitude of the problems that still need to be addressed, we are glad to report that this export-oriented stance has, so far, strongly supported the diversification efforts of the country, with significant output gains in the manufacturing sector.

We wish to conclude by expressing our satisfaction with the operations of the Bretton Woods institutions and our full endorsement of their policies. We are grateful to the Bank and the Fund for their past and ongoing assistance to the country. We look forward to the successful completion of the Bank's project aimed at strengthening all levels of the education system in Fiji, and the timely implementation of the privatization policy currently being reviewed.

FINLAND: IIRO VIINANEN

Governor of the Bank

(on behalf of the Bank Nordic Countries)

On behalf of the five Nordic countries—Denmark, Finland, Iceland, Norway, and Sweden—I want to extend a warm welcome to the new members of the Bank.

I would like to start by welcoming the success reached in the Middle East peace talks and the ensuing signing of the Declaration of Principle by the Israelis and the Palestinians. There is now an urgent need to consolidate and strengthen this process of conciliation by building the social and physical infrastructure and to revitalize economic activity in the region. The Nordic countries are prepared to assist the parties in this effort. The Nordic countries welcome the Bank's prompt response to this great challenge by undertaking comprehensive analytic work and by setting up a trust fund for pre-investment studies. This would enable the Bank to take on an important role in the assistance to the occupied territories. The Nordic countries encourage the Bank to examine the possibility of financing investments in the occupied territories, without jeopardizing other high-priority Bank work.

Economic recession has been plaguing the world economy for some time now. Many industrial economies, including my own, are facing large public sector deficits, which affect their ability to increase official flows.

At the same time, global challenges are mounting. Mass poverty prevails in large parts of the developing world, not least in Africa. The implementation of Agenda 21 will require large amounts of financing. Natural and man-made disasters are proliferating, thus adding to the need for humanitarian and other external assistance. At the same time, countries in Central and Eastern Europe are going through a process of painful, yet crucial, economic, social, and political transformation, also calling for support The external financing needs of Central and Eastern Europe must, however, be met in tandem with the needs of poor developing countries, not at their expense.

The World Bank, with its primary objective of poverty reduction, has clear responsibilities to its entire membership. And the regional diversification of development challenges points to the need for more diverse strategies and tools on the part of the Bank. It must be able to assist middle-income countries to use efficiently the increased private capital flows. This inflow will in turn make it easier to channel official concessional flows to the poorest countries committed to reform. These countries still lack the basic social and physical infrastructure, which has to be built with the assistance of the Bank.

Stable economic and political progress in the countries in transition is crucial for peaceful development in Europe and the whole world. These countries' own resources, human as well as physical, must be the prime instrument for this effort. But foreign private financing will also have to play a major role. Therefore, obstacles to such increased flows should be urgently removed. Crucial for both domestic and foreign private entrepreneurship is the creation of an enabling environment. The development of transparent and predictable legal, financial, and institutional systems is necessary in order to create confidence in the business community and among foreign investors. Systemic reforms and financing, therefore, go hand in hand.

The Bank has a critical role to play in assisting in the formulation of appropriate structural reforms. Under the chairmanship of the Bank, the consultative group process has been launched for many countries of the former Soviet Union to help coordinate the efforts of bilateral and multilateral donors. The Nordic countries are active partners in this process and are able to provide valuable experience gained through our own assistance efforts. In the case of very large countries, such as Russia, small pilot projects can be used regionally and be replicated elsewhere. I believe that here lies a larger scope for cooperation between our countries and the Bank than hitherto utilized.

Poverty is still the main development challenge ahead of us. It is understood more and more clearly that poverty is not only a problem of the poor. As poverty is strongly linked with population growth, environmental degradation, and, more and more often, with civil strife as well as with the problem of refugees, it has become a problem of all humankind. Economic growth and stability of any society is a prerequisite for poverty reduction.

More has to be done also with regard to the burning issue of population growth. Population issues have to be addressed taking into account all their social, economic, ethical, and cultural linkages. It is of particular importance to improve the economic security, health, and educational status of women in order to slow down population growth. The Nordic countries believe that the International Conference on Population and Development to be held in Cairo next year could be a turning point toward achieving a balance between population and natural resources as well as a definition of rights and responsibilities in this field.

The Bank has been showing how to maximize the poverty reduction effect of economic reforms. Environmental concerns should by now be integrated into any national program. To address the global environmental problems, it is vital that the negotiations on the restructured Global Environment Facility and its replenishment be concluded by the end of this year or soon thereafter.

Another necessary condition to improve living conditions in the developing countries is to address the health situation. In the Bank's latest World Development Report it is shown that health policies have to be linked with economic programs; not only does better performance of the economy facilitate improvement in the health situation, but healthier people also contribute to economic growth. The Nordic countries look forward to proposals from the Bank on how to implement the recommendations of the Report. An interesting finding is that education of girls is one of the most effective health policies. This demonstrates the importance of gender issues as an integral part of all development efforts.

These are only a few of the resource demands ahead of us. How shall we cope with this equation of increasing demands and scarce resources? We have witnessed an unfortunate tendency to place the burden on the international financial institutions like the Bank and the Fund alone. It is obvious that concessional flows, bilateral and multilateral, are not adequate to cope with the global financing needs.

The International Development Association (IDA) is the main channel of official concessional financing. It must be guaranteed adequate resources to perform its tasks. I urge all donors to make every effort toward a prompt ratification of the agreement on the Tenth Replenishment. It is also of paramount importance to look freshly into the financing of IDA in spite of tight budgets and cuts in development assistance in many donor countries. A fair burden sharing is central to safeguard IDA also in a more long-term perspective.

The Bank itself has a crucial role to play in other than the poorest countries with its traditional lending instruments, policy advice, and technical assistance. This role is enhanced by the Bank's catalytic effect on private flows such as export credits. It is, after all, from private businesses and private capital markets that the bulk of the resources must come.

Private flows are needed urgently, in particular as they can directly contribute to the creation of the export-earning capacity of the recipient countries. And it is through foreign trade that both developing countries and countries in transition can create new wealth, provided of course that these countries are guaranteed market access in the industrial countries.

The importance of a well-functioning multilateral trading system, and thereby a predictable trading environment, cannot be repeated too often. This is particularly the case for countries undergoing a process of development, be they in Europe, Africa, or elsewhere. Apart from the badly needed impetus for the world economy, this is one of the most compelling reasons why it is so crucial to finalize the Uruguay Round this year.

Both private and official funds should be channeled and used efficiently and effectively. Funds channeled through aid budgets must have as large a catalytic effect as possible in the form of, inter alia, innovative cofinancing arrangements with private businesses and guarantees for borrowing in the capital markets. Grant funds should be concentrated on those most in need, with the grant element diminishing with the recipient's increased ability to pay.

The rate of success of development programs and projects must also be improved. In this connection, the Bank has been one of the forerunners. We appreciate the frank and self-critical Wapenhans Report commissioned by Mr. Preston, the President of the Bank, and endorse the action plan to improve the performance of the Bank's projects and programs. Effective implementation of projects deserves equal importance as the preparation and approval of new loans. It is important that all Bank staff gear up for this thinking. Recent Board decisions on a more open policy for disclosure of information and on establishing an inspection function are also important steps in the follow-up.

Not only are improvements in donor practices needed, but also in recipient countries' own performances. This includes success in the implementation of economic reforms as well as what has been labeled as governance issues. Here the key words are accountability, transparency, and legal framework. It is vital that each development program and project is truly "owned" by the government concerned. This has also become a necessary prerequisite for sustained public support for development assistance in the donor countries.

In conclusion, needs are many but means are few. Moreover, a whole series of requirements needs to be satisfied in order to mobilize the scarce resources. We must be able to find and avail ourselves of the comparative advantages of each player in the development arena in order to maximize the impact of the multilateral system. I believe we are moving in the right direction, but still much remains to be done.

FRANCE: EDMOND ALPHANDERY
Governor of the Fund

Since our last meeting in Washington, the world has undergone considerable change. The new political situation and economic changes that have occurred must be reflected in the objectives pursued by the Bretton Woods institutions. The arguments and recommendations presented by the President of the World Bank and the Managing Director of the IMF here today have clearly outlined the path that must be followed by the international community.

The growth of the world economy appears to be on a firmer footing. There is a strong recovery, particularly in developing countries, a development that we warmly welcome. The situation of industrial countries, however, is mixed. Some are in recession, while others are experiencing sluggish growth. Overall, however, the outlook is uncertain, since, in many countries, the confidence of both households and businesses is still very shaky. In this context, three issues require particular attention today: exchange rate regimes, public finances, and international trade.

On the first point, the crisis of the European Monetary System this summer culminated in a widening of the bands, which succeeded in thwarting speculation. However, the aim of this enlargement was not to change the economic policy stance of its members. This is indeed the case for France. The four major components of our economic policy remain as valid as they were before August 2: to promote a revival of growth through measures to strengthen the competitiveness of our economy; to maintain exchange rate stability in Europe and maintain the balance of the major economic aggregates, which are the guarantees of sustainable growth and successful functioning of the single market; to broaden the convergence of policies and economies within the European Community (EC), where we have not, perhaps, done enough, and which was perhaps one of the reasons for the currency crisis in July; and, to implement the necessary structural reforms without which the unemployment problem cannot be successfully addressed.

As to the second point, public finances, confidence will depend on the efforts we shall make to reduce fiscal deficits that absorb too large a share of our economies' resources. In all our countries, the control of fiscal deficits is essential to restore confidence and lay the basis for a fall in long-term interest rates without losing the precious ground gained in the fight against inflation.

Finally, I would like to say a word on world trade. France, whose economy is, as you know, very open to the outside world, as is that of its partners in the EC, is acutely aware of the impact of trade on economic growth. This is why we attach great importance to the speediest possible conclusion of the GATT negotiations on the basis of a global and balanced agreement, respecting the interest of all parties.

Since last year, when the Bretton Woods institutions became truly universal by opening their doors to the countries of the former Soviet Union and to

Switzerland, the Eastern European countries have continued their move toward democracy and market reform.

The Bretton Woods institutions have made every effort to meet these new challenges. An excellent example and model has been afforded by the IMF, with its remarkably prompt action in preparing and establishing the new systemic transformation facility. My hope is that the governments of countries benefiting from this facility will continue to implement reform programs, enabling them to respond to this exceptional financial effort of the international community and make it fully effective.

However, I also believe that we must take great care to prevent other forms of exclusion from hampering the successful actions of our institutions. I am thinking particularly of Viet Nam and Cambodia, and I am very happy to see that they have now regained their rightful place within our institutions. France, as you know, made every effort to ensure their readmission, as we are convinced, in light of positive regional developments, that the efforts being made by those two countries and their ongoing reform programs deserved the full support of the international community. This is why France initiated and organized the support group process in favor of these two nations.

But the fact that the Fund and the World Bank have expanded their geographic reach must not cause them to lose interest in the developing countries, in particular the very poorest nations such as those of sub-Saharan Africa. The IMF needs to continue to have a concessional window available to its poorest members and to help finance their adjustment efforts.

For this reason, I feel it is essential to decide on a successor to the enhanced structural adjustment facility without delay. France has already expressed its willingness to participate in the establishment of such a successor facility and is prepared to contribute 15 percent, or over F 5 billion, in the form of loans at market rates and to make a contribution to the pledge and subsidy facilities. I call upon all countries to work for a speedy outcome of this process.

For their part, the countries involved must undertake to conclude agreements with the Fund. France encourages them to do so and will support them with bilateral aid. This is the point I made in Abidjan to the countries of the French franc area.

But the most striking problem is that of the poorest countries. France will never let them down. They have not yet started on the road to balanced and sustainable growth. Nevertheless, although they may not always achieve the results we expect of them, it is imperative that we keep up our assistance to those countries, since without it they will never cast off the shackles of extreme poverty.

Finally, with the dangers of inflation subsiding throughout the world, I believe that we must consider the possibility of a substantial new SDR allocation, particularly to accommodate the new members of the international financial community. On this issue, the Managing Director of the IMF knows that he has my country's full support.

With the changing face of the world economy, it is more necessary than ever to strengthen international cooperation. The Bretton Woods institutions have a key role to play in this area. France has always called for assistance and solidarity among peoples. This is why the Bretton Woods institutions know that, more than ever, they can rely on France's unwavering support.

GERMANY: HELMUT SCHLESINGER
Governor of the Fund

Annual Meetings as an Opportunity for Stocktaking and Discussion

The Annual Meetings of the World Bank and the Fund provide us with a forum for the critical assessment of global economic developments, for weighing up opportunities and risks, and for debating the appropriate economic and monetary policy responses.

They provide the opportunity for looking beyond the restricted horizon of day-to-day events and considering the issues on the agenda in a longer-term perspective.

Problems are Familiar

The great tasks and the economic problem areas that we are called upon to address are well known.

—The expectation that the industrial countries would emerge rapidly from their period of economic weakness has proved overly optimistic, though that will only affect the time horizon.

—High unemployment in the developed economies is a major cause for concern. We observe that there is growth without new jobs, but we know that we need growth that creates more jobs. It is politically unacceptable that a substantial share of our population does not participate in the productive processes.

—Notwithstanding the welcome progress made in some countries, political and economic transformation in many states of Central and Eastern Europe is proceeding only slowly, and results actually achieved are called into question by new political uncertainties. Removing the shackles of planned economies, reforming the legacy of inefficient structures, and creating a legal system which safeguards private property and supports entrepreneurial spirit has proved more arduous than we had originally thought. This is a familiar experience for us, having already encountered many such obstacles in eastern Germany.

—In the developing countries, the situation is equally complex. In particular, the situation of many countries in Africa still gives cause for concern. We cannot rest satisfied when faced with declining real incomes, economic destitution, substantial deficits in education and inadequate health care.

Some Encouraging Trends

Yet, despite these pressing problems, there are some encouraging developments.

—There has been worldwide progress on curbing inflation.

—Budgetary discipline and structural reform are recognized as priority requirements, and there are signs of improvement here also in countries which cannot be considered rich.

—After the turbulences in European exchange markets, the situation has stabilized with the temporary widening of exchange rate mechanism bands agreed at the start of August.

—Those countries in Central and Eastern Europe that made an early start on credible reforms, opened their economies to international competi and promptly took the correct steps toward adjustment have since m appreciable progress. There are exemplary stabilization success in the Baltic states and the Czech Republic.

—Many developing countries have resolutely tackled and in part resolved their economic problems and have even transformed themselves into locomotives for economic development and growth in their regions and worldwide.

With a few exceptions, market-oriented structures increasingly prevail worldwide.

Encouraging Growth without Neglecting the Medium-Term Perspective

Despite all the remaining problems, there are quite good prospects that economic stagnation will soon be overcome in industrial countries which until recently experienced recessionary tendencies.

There is no uncertainty as to the strategy that must be pursued in this situation: with credible, confidence-building policies we must create the necessary conditions to promote sustained, noninflationary growth and to overcome unemployment. The room for maneuver in fiscal and monetary policy, where it shows up, can be used to stimulate economic activity while taking the medium-term requirements of fiscal consolidation and price stability into account.

Many of the structural problems facing us today are the outcome of decisions that were geared excessively to the short term. Consequently, it would be wrong to limit the current economic policy debate in the industrial countries exclusively to the objective of maximizing short-term growth. While it is vital for us to stimulate global economic activity, I must stress that we should not do so at the cost of neglecting inflationary risks and underestimating the potential for erosion of confidence.

We must take unequivocal decisions today to secure fiscal consolidation in the medium term. In many countries, social welfare systems making excessive demands on economic and financial resources are threatening to undermine fiscal stability. They also have demotivating effects on the active part of the population. Ways must be found to cut back their excessive growth without damaging the legitimate interests of the truly needy. Making labor markets more flexible and ensuring adequate pay differentials will contribute toward the more effective use of available human resources and the creation of useful employment opportunities.

Germany's Economic, Fiscal, and Monetary Policy

German economic policy strives to reconcile the need for growth in the short term with the medium-term requirements of consolidation and structural adjustment. Our multistage growth and consolidation strategy aims at bringing about progressively an appreciable reduction in the fiscal deficit over the next few years. Added to this are structural reforms designed in particular to make the labor market more flexible, to reorganize the social welfare system, to eliminate investment disincentives by improving the pattern of corporate taxation, and to bring about further privatization and deregulation.

Thanks to this comprehensive economic policy strategy, Germany will be able to hold its own even in the face of tougher international competition. Protectionist attitudes would make it more difficult to overcome adjustment and restructuring problems in the longer run. The liberal German approach with regard to the international exchange of goods, services, and capital remains unchanged.

When assessing the German situation from the outside it is easily forgotten that the "Iron Curtain," which until a few years ago divided the world, ran right through the middle of Germany. Bridging the gap of more than forty years which separated two totally different political and economic systems has never been and will never be a task to be shouldered lightly.

In view of this exceptional challenge, it is important that the Bundesbank's monetary policy, which is aimed at achieving price stability, and the medium-term growth and consolidation strategy of the Federal Government have succeeded in maintaining the confidence in the deutsche mark. One important consequence is the reduction of long-term interest rates to historically low levels and a relatively stable exchange rate of the deutsche mark over the whole period since 1990.

In the same period, the scope for a monetary policy of gradually declining short-term rates has been extended and has been used. The historically low level of medium- and long-term interest rates in Germany supports the restructuring process, which is in full swing; it supports activity in the construction sector, which has become a particularly dynamic factor in the economy; it also diminishes the interest burden of the public sector. This has only been possible thanks to the determined stabilization policy of the Bundesbank.

International Cooperation Necessary

Despite the essential efforts of each individual country to "keep its own house in order," we will only be able to deal effectively with the problems confronting us if we combine forces and work closely together in the pursuit of joint solutions. As the central pillars of international monetary and development policy cooperation, the IMF and the World Bank are symbols of the international community's will to cooperate.

Yet the member countries of the Bretton Woods institutions must ensure that each of these bodies is able to perform its specific roles. We readily acknowledge that the leading industrial countries bear a special responsibility in this respect.

Developments in the Near East, too, are being watched with great hope. The World Bank will also have a special role to play here; it has already submitted an aid program of $3 billion for the occupied territories. The measures proposed under the program will improve the economic situation of the occupied territories, thus making an important contribution to supporting and securing the peace process in the Near East. The World Bank is rightly concentrating its activities on infrastructure projects, which, in turn, will create the conditions for private investment, the true driving force behind growth and prosperity.

Besides the World Bank's activities in the Near East, I feel that the Bank's special role in enhancing the quality of the projects it finances deserves particular mention. In the Wapenhans Report, and by putting the recommendations of that report into practice, the Bank has set standards for other development banks that are also generally applicable.

Trade

With increasingly interdependent and globalized markets, it now makes even less sense for a country to attempt to take action in isolation in the area of foreign trade. There is growing pressure for cooperation. All parties are now called upon to demonstrate their firm resolve to come to agreed solutions. This holds true, first and above all, for the Uruguay Round. The successful and early conclusion of negotiations is both a matter of the utmost priority and a measure of the credibility and effectiveness of our cooperation.

Unrestricted access to markets, the free exchange of goods, and improvements in the international division of labor are essential conditions for increasing prosperity for all. Specific interests, impressively stage-managed by well-organized groups, must not be allowed to stand in the way of this gain in prosperity for the whole world.

Environment

Environmental protection is another area in which progress can be made only through joint action.

We all know the earth does not belong to us—we are only holding it in trust for our children. We must act rapidly and specifically to implement the environmental protection commitments undertaken last year in Rio. All countries must use their policies and their resources to achieve lasting development in the interests of both present and future generations.

The World Bank's Global Environment Facility (GEF) is of particular importance in this respect. The present negotiations on restructuring and replenishing the GEF should therefore be brought to an early conclusion.

Newly Independent States

It is not surprising that the reform course in Russia and other successor states does not proceed along a straight line and that time and time again it faces political counterforces. Nevertheless, continuation of the reform course is the only way to ensure a better future for the peoples affected; it must therefore continue to receive support from the West.

The Western countries have reached an early agreement at the Economic Summit in Munich on the overall framework for comprehensive cooperation and concrete "help for self-help" to underpin the necessary reforms. The broadly based offer of assistance from the West has in the meantime progressively been given practical effect. Commitments are being implemented as soon as the necessary prerequisites are met.

Much remains to be done. But all assistance from the West can only be an offer to support one's own endeavors to achieve economic and political reform. The assistance offered cannot take effect without significant efforts on the part of Russia and the other newly independent states.

It is particularly important for the authorities of these states to cooperate closely with the IMF. Some Eastern European countries demonstrate that the process of structural transformation can proceed without strong inflationary tendencies. It is not necessary to be a rich country in order to achieve and maintain stability. In fact, without monetary stability and budgetary discipline, the great reforms will not be carried through successfully.

IMF and World Bank at the Center of Cooperation

All countries must contribute toward improving the present and safeguarding future development. At the center of this cooperation are the international organizations, especially the IMF and the World Bank. They deserve our full support for their task of promoting the developing countries' own efforts, of giving help for self-help through stabilization programs and development assistance.

The appreciable progress made on overcoming the debt problems of many developing countries is evidence of the effectiveness of these organizations and of the debt strategy jointly endorsed and implemented by all concerned. Economic stabilization, structural reform to unleash market forces, and worldwide free trade are still the principal requirements for integrating the developing countries, the countries of Central and Eastern Europe and the former Soviet Union more effectively on a free-market basis into the global framework, thus giving them the opportunity of themselves generating the foreign exchange they so urgently need to develop their economies.

The IMF and the World Bank provide indispensable forums for the coordination of the required policies. They are also indispensable for the effective use and monitoring of funds raised on a multilateral basis. I wish the management of both institutions and their sister organizations best success in their endeavors, which are so important for the world economy.

GREECE: PETROS DOUKAS

Governor of the Bank

The main challenge confronting us today is to restore sustained economic growth in the world economy. Widespread uncertainties still surround the resumption of economic activity in the leading industrial countries. The persistence of high fiscal deficits in a number of countries puts pressure on interest rates and absorbs global savings while undermining exchange rate stability and world growth. In this respect, the recent deficit reduction packages in the United States and in Germany are important steps in the right direction. Growth and employment prospects would be enhanced by a more coordinated policy implementation in industrial countries, by greater flexibility in labor markets, and by a rapid conclusion of the Uruguay Round.

It is encouraging that many developing countries in Asia and Latin America have attained high rates of growth, despite weak global economic activity. Their impressive economic performance underscores the benefits of sustained stabilization and reform efforts involving fiscal consolidation and the reinforcement of market forces. Similarly, in several of the countries in transition to market economies there are promising signs that output is responding to market reforms and to a stable macroeconomic environment. The growing recognition of the benefits of disciplined financial policies and reliance on market forces enhances the capability of the world economy to generate growth and jobs.

In Europe, economic activity remains weak and unemployment continues to rise. Though attributed partly to cyclical developments, there is a risk that the increase in unemployment would prove difficult to reverse in the absence of structural reforms. Following the unprecedented turmoil in the exchange rate mechanism (ERM) over the past year, the decision to widen temporarily the fluctuation bands provides scope for a gradual easing of interest rates consistent with market expectations and with the commitment to price stability. This would support economic recovery in Europe and help resolve the policy dilemmas that contributed to exchange market pressures. An early return to narrow bands during stage II of the economic and monetary union (EMU), due to begin next January, should be avoided before the necessary conditions for the smooth functioning of the ERM have been re-established. The requirement for stability is not narrow fluctuation bands. It is sustained convergence efforts and a strong commitment to policy coordination. Indeed, a return to the previous narrow bands is not a prerequisite for the eventual move to a single currency, a commitment whose importance cannot be overstated. No other monetary arrangement can offer the stability associated with a single currency.

The Greek economy has started to converge with the rest of the European Community (EC). Following the unsustainable buildup of public debt in the 1980s, the fiscal deficit was halved over the past three years through expenditure control and discretionary tax measures. Discipline and transparency were restored in the broader public sector. The social security system was reformed to ensure its long-term financial viability; tight limits were imposed on the wage bills of public enterprises and entities; tax evasion has been reduced through computerization and cross checking of information and through measures to increase voluntary compliance; and primary fiscal surpluses have emerged since 1992 for the first time in decades, while public spending has shifted toward growth-supporting priorities, including infrastructure investment.

In parallel, important progress has been achieved in structural reforms aimed at improving the functioning of markets. Price and exchange controls have been lifted, the financial system has been liberalized, and regulations stifling competition have been removed. Income tax rates were cut to levels that are among the lowest in industrial countries; distortionary taxes on banking transactions were eliminated to reduce borrowing costs; and the legal framework governing capital markets and the banking system has been revamped. Most state-owned enterprises in the industrial sector have now been privatized, and the framework has been created for private sector participation in sectors that have traditionally been public monopolies, such as energy and telecommunications. Private sector funding and operation of large projects, including the new Athens airport, have been secured. Privatization of public utilities, which is critical for the success of the reform program, has, however, run into intractable opposition by special interest groups.

These policies have met with considerable success. Sound financial policies have improved the external position and inflation performance. Foreign exchange reserves have been rebuilt; the exchange rate has been strengthened; and market confidence has been restored. At the same time, structural reforms have improved efficiency and growth prospects. The recovery of economic activity, though moderate, is well under way. Although fiscal imbalances have severely limited the scope for countercyclical fiscal measures, growth has consistently exceeded the EC average while the inflation differential has narrowed. Over the past three years, we have thus converged with our EC partners in both nominal and real terms. Greece is now in a much stronger position to reap the benefits of the single market and to participate in EMU.

But despite recent progress, the recovery remains fragile. Given the high degree of integration of the EC economy, Greece's high public debt and the weak international economy create significant risks. Any policy reversal would undermine confidence and threaten the progress that has been achieved. We thus recognize that the fiscal consolidation and structural reform efforts under way need to be sustained over a number of years so as to achieve stability and a lasting improvement in living standards. It is essential to build on and reinforce the recent positive trends that offer the basis for sustained growth.

But efforts of individual countries are not enough. An essential contribution to improving economic prospects worldwide would be the reinforcement of the multilateral trading system and renewed efforts to further liberalize international trade. We have been struggling for seven years to bring the Uruguay Round to a successful conclusion. Failure to conclude the Round this year will result in trade disputes and undermine the prospects for sustained economic recovery worldwide. Trade is a vital lifeline to better economic performance, especially for economies in transition. It would indeed be a sad paradox if these countries, having implemented bold structural reforms, should now be forced into defensive actions by a failure of industrial countries to allow freer access to Western markets.

GUINEA: SORIBA KABA

Governor of the Fund

(on behalf of the African Governors)

Introduction

On behalf of my fellow African Governors, I would like to welcome the new members in the Bretton Woods institutions since our last meeting in September 1992. We wish them every success in their efforts to integrate their economies into the world economy. We welcome the historic breakthrough in the Middle East and hope also that the agreements reached will result in a lasting peace.

Overall Economic Performance

Contrary to expectations, the acceleration in the recovery of the world economy did not materialize in 1992, principally on account of continued weakness in economic activity in the industrial countries and the prolonged recession in the countries of the former Soviet Union and in Eastern Europe. While the economies of most developing countries have shown some resilience to the weakness of economic activity in the industrial countries, unprecedented drought, civil wars, and the collapse of primary commodity prices, among other factors, have adversely affected the economic and financial performance of the African countries. As a result, output growth slowed down considerably from 1.5 percent in 1991 to 0.9 percent in 1992, leading to a further decline in real per capita GDP for the third consecutive year. Moreover, reflecting the continued erosion in the value of our exports and the poor economic performance recorded over the years, Africa's share in world trade dwindled to just over 2 percent in 1992 from an average of 4 percent over the decade 1975–84.

Adjustment and Developmental Assistance

It is worrisome to note that at a time when our export earnings are declining, financial flows to Africa have begun a downward trend, largely because the attention of the donor community has been shifting to other regions. This development is reinforcing the perception of an increased economic and financial marginalization of our continent. This perceived marginalization should not be allowed to continue. It can be reversed if bilateral donors, multilateral institutions, and African countries come together to adopt a whole new approach to developmental assistance.

We are aware of the fact that the primary responsibility for creating the appropriate domestic environment for the resumption of sustainable growth and for the reduction of poverty lies with African countries individually and collectively. As the political reforms under way in many of our countries take hold, the sociopolitical environment should stabilize, and transparency and efficiency in resource allocation should increase. However, it should be stressed that these political reforms are not without their share of difficulties and costs. In many countries, they have led to serious disruptions in the functioning of existing institutions and, in some others, to a paralysis of the economic apparatus.

Notwithstanding these difficulties, the majority of African countries are pursuing macroeconomic stabilization and structural reform programs. As an indication of the general acceptance of the need to adjust, several African countries are currently implementing adjustment programs supported by the Bretton Woods institutions. Some of these countries have achieved external viability, and others have made important progress toward the attainment of this objective. However, a few others, although keenly determined to address their economic and financial difficulties, cannot avail themselves of the support of the Bretton Woods institutions because of their overdue financial obligations to these institutions, a manifestation of the severe external payments difficulties confronting these countries. We would therefore urge these institutions to show understanding and flexibility in dealing with them.

While our countries are committed to shouldering their responsibilities in improving the domestic environment and in correcting their economic and financial imbalances, it should be recognized that their efforts are being frustrated by adverse exogenous factors that are beyond their control. Indeed, the adverse impact of the sharp deterioration in terms of trade and of the heavy debt burden, to name just two, on the economic and financial performance of our countries cannot be overemphasized.

In our view, the donor community should refocus its assistance and work more closely with recipient countries to make such assistance more efficient and better targeted. Lessons should be learned from the errors of the past to help minimize the incidence of failed projects. External resources, which would complement our domestic resource mobilization efforts, should be directed to improving the infrastructural networks and the human resources in line with our own priorities. Given the importance that we attach to economic integration among our countries, as outlined in the treaty establishing the African Economic Community, and the efforts that we are making toward effective regional arrangements, increased attention should be paid to reviving and establishing projects cast in a regional context.

Uruguay Round

Bilateral donors could make a great contribution toward supporting our adjustment efforts by securing a successful conclusion of the Uruguay Round of trade negotiations, thereby ensuring freer access of our products to their markets. As we have stated on previous occasions, trade is better than aid. The decline in our share of world trade needs to be reversed, and it is incumbent on bilateral donors to help in this endeavor. While we strongly urge that the Uruguay Round negotiations be rapidly concluded, we cannot ignore the fact that a number of African countries may suffer in the short term as a result. The Bretton Woods institutions should assess the resultant losses of earnings and the transitional compensatory measures that would need to be taken to enable these countries to adjust to the new situation that would arise following conclusion of the ongoing discussions.

The Debt Problem

The debt burden continues to hamper the prospects for economic growth in most African countries. While recognizing the efforts of the international financial community to alleviate the debt of African countries, recent experience has shown that more remains to be done. The adoption and implementation of the Trinidad terms or of arrangements that go beyond current debt-relief schemes are absolutely essential if stabilization and structural adjustment programs in low-income countries are to work. A recent IMF study has shown that the successive rescheduling operations undertaken so far under the aegis of the Paris Club have, beyond temporary short-term relief, added to the debt burden of our countries. It is, therefore, of paramount importance that the issue of the stock of debt be fully addressed; and in order to bring outstanding debt more in line with the payments capacity of these countries, an outright reduction of such debt should be granted. We, therefore, wish to impress upon the international financial community the need to pursue the Pronk proposal aimed at the cancellation of the stock of debt of the low-income countries in Africa. Special measures similar to those applied to Poland should be considered for the middle-income countries. Finally, strong support should be given to the heavily indebted African countries that have continued to meet their debt-service obligations despite unfavorable economic and financial situations.

Resource Flows

ESAF Successor

We have been very much encouraged by the role that the Fund has played in our countries through the structural adjustment facility (SAF) and the enhanced structural adjustment facility (ESAF). Given that the financial conditions of the SAF and the ESAF are more in line with the debt-servicing capacity of the low-income countries, these two facilities have been instrumental in improving the medium-term prospects for the countries that have availed themselves of SAF/ESAF resources. As indicated above, a few African countries have strengthened their external position, and some others have made important progress toward this objective following successful implementation of SAF/ESAF-supported adjustment programs. It will be crucial for the Fund to maintain its ability to provide this concessional assistance to help eligible countries build on the progress already made and to encourage others to embark on comprehensive growth-oriented programs. In this regard, we are pleased with the overwhelming support by the Interim Committee for the establishment of an ESAF successor by the end of November 1993. The progress made by the Executive Board in considering this issue is noteworthy, and we hope that the donor community will provide the necessary financial support to ensure that the target date of end-November 1993 is met. Here, we wish to draw attention to the paramount importance of attaching a contingency mechanism to the successor facility to protect programs from exogenous adverse developments.

Resumption of SDR Allocation

In view of the very low level of the reserve holdings of the great majority of the membership, the very high cost of own reserves, and the disruptive effects that the continued reserve stringencies will have on the international monetary system, we firmly believe that the conditions for a resumption of SDR allocations have been largely met. The resumption of SDR allocations, which is long overdue, will enable the Fund to reduce the burden on member countries of acquiring and holding reserves as well as contribute to making the SDR the principal reserve asset in the international monetary system.

Private Flows

Over the past ten years, we in Africa have adopted measures, as indicated earlier, to create a stable economic and sociopolitical environment favorable for foreign investment. These include opening all sectors of economic activity to foreign investors through the adoption of more favorable investment codes. However, these efforts have yielded mixed results. Thus, we invite the IFC and MIGA to be more involved in our countries and to help us design action programs, including the development of capital markets, that would facilitate foreign investment flows to Africa.

Special Program of Assistance (SPA) for Sub-Saharan Africa

We trust that development needs in other parts of the world will not distract the attention of donors from the necessity of making a special effort to assist our countries. We are gratified by the contribution made by the World Bank to the mobilization of resources for Africa, particularly through the SPA and through the International Development Association (IDA). The SPA, whose third phase (SPA3), covering the three years 1994–96, was approved in June 1993, is an eloquent demonstration of the effective role that the World Bank can continue to play in coordinating assistance and mobilizing resources.

IDA-10

We are pleased to note the conclusion of the discussions on the Tenth Replenishment of IDA (IDA-10). We urge the donor countries to conduct the ratification process in such a way that there is no interruption in commitments. We welcome the decision of the IDA Deputies to maintain sub-Saharan Africa's share of IDA-10 resources at 45–50 percent. However, we are disappointed that the total amount of the replenishment was not larger in real terms than that of IDA-9, given the increase in the number of eligible countries and the fact that IDA remains the principal source of financing for these countries.

Portfolio Management

We welcome Mr. Preston's initiative in creating a task force to examine the quality of the Bank's portfolio. The report, known as the Wapenhans Report, is reassuring. Overall, the Bank's portfolio is satisfactory. The report's recommendations are very useful in that they offer prospects for upgrading the status of the portfolio from good to excellent. This will lead to an acceleration of disbursements and an increase in the World Bank's volume of commitments.

We share the view expressed in the report concerning the need to reinforce a country's sense of ownership of its projects. To improve project quality at entry, the leadership role should be left to the borrowers, with the national project-executing agencies more closely involved. It is thus essential that all elements necessary to the success of a project and all obstacles to be overcome during its implementation be understood from the very outset. Nevertheless, the desire to improve quality at entry should not hold up project processing.

Human Resource Development

We note the increasing importance that the World Bank accords to human resource development, and, above all, the fact that it is making this a component of its poverty-reduction strategy. Like the World Bank, we believe that the demographic issue is a key element in poverty-reduction programs. Several of our countries have adopted policies designed to control population growth, but so far little has been achieved because of the rigidities inherent in our societies and the lack of adequate health facilities. We appeal to the international community to support our human resource development programs, in particular to arrest the spread of the AIDS scourge, which could bring to nought all the efforts made so far to achieve our countries' economic and social development.

In this context, we welcome the Bank's decision to seek improvements in the organization of its technical assistance activities, in terms of objectives, financing, and coordination with other donors. To this end, we are pleased to learn of the Bank's intention to support programs designed to help the African countries acquire local financial and economic management capacities. An action plan needs to be drawn up to promote the more widespread utilization of African professionals or local consultants. We hope that this new approach will be fully shared by the donor community, and that we shall start to see more intensive use of African consultants in the preparation of economic and social development programs.

Poverty Reduction

We are, therefore, particularly gratified to note that the Bretton Woods institutions have recognized the need to include human resource development and environmental impact on the poor in the programs they support and have agreed also to integrate safety nets into the various reform programs in consultation with individual countries. However, we regret that the results of these efforts have so far been disappointing. We, therefore, call upon the World Bank to help us organize an international conference on poverty in Africa, much in line with the appeal made by the Honorable Minister Daniel Kablan Duncan during the Development Committee's spring meeting.

Agriculture

Agriculture remains the central pivot around which all poverty-reduction programs must turn. We welcome the Bank's recent strategy for agricultural development in sub-Saharan Africa. We feel, however, that this should be followed by preparation of a specific action program. We support the idea that appropriate policies and incentives will make it possible to increase farmers' incomes, improve farm performance, and encourage private sector development. Nevertheless, decisive participation by the rural communities will only be achieved if appropriate technologies are effectively transferred to them and if they are provided with appropriate social and health infrastructures. In addition, if Africa's small farmers are to be justly compensated for their efforts, we believe that it sc the industrial countries to contribute more to set international trade on an equitable footing and to reduce or abolish subsidies they grant to certain agricultural subsectors.

Research is an important component of any agricultural strategy. We are counting on the international community to assist us by providing adequate support for the Special Program for African Agricultural Research (SPAAR) and the Consultative Group on International Agricultural Research (CGIAR). This assistance will ensure the desired efficiency in the areas of agricultural research in Africa, natural resource management, and environmental protection.

It is our belief that agricultural extension and research programs should be promoted and developed with the aim of establishing increased food security for our communities. The drought and famine afflicting many of our countries in 1992 pointed to the urgent need to establish food security systems and appropriate mechanisms for responding promptly to exceptional situations, thereby saving thousands of lives and alleviating human suffering.

Conclusion

In conclusion, we know that we must, above all, rely upon ourselves to take up the challenge of reversing Africa's economic decline. We are determined to meet this challenge, specifically through the implementation of stabilization and structural adjustment programs and through improved project execution. The support of the international community is, however, indispensable. The adoption and implementation of the Trinidad terms, or of arrangements that go beyond current debt-relief schemes have become a matter of urgency. Moreover, the strengthening of our project execution and economic and financial management capacities requires the adoption of a new approach to technical assistance, such as that recommended by the World Bank. Lastly, we need the international community's support to mobilize sufficient resources to enable us to achieve growth performance that will enable us to alleviate poverty in our countries. We invite the donor community to support our proposal to organize an international conference on poverty in Africa as soon as possible.

INDIA: MANMOHAN SINGH

Governor of the Bank and the Fund

I would like to join my fellow Governors in welcoming the new members—the Czech Republic, the Slovak Republic, Croatia, Slovenia, Tajikistan, the former Yugoslav Republic of Macedonia, and the Federated States of Micronesia. The Bank and Fund have now become truly universal institutions. This is reflected in the expanded Board of Governors, which now has a truly global responsibility to discharge.

Today, we confront an unusually complex global economic situation in which adverse trends are mixed with real reasons for hope.

On the negative side, world economic growth has remained stalled at around 2 percent for the fourth year in succession. Growth of industrial economies has been even slower and has fueled protectionist pressures in these economies. In the transition economies of Eastern Europe and the former Soviet Union, output has fallen for the fourth year in a row. Most African countries have suffered another year of decline in living standards, as painful adjustment programs have failed to elicit significant supply responses and the inexorable decline in commodity prices has exacted a heavy toll on real incomes. Many developing countries remain burdened with high levels of external debt, and flows of official development assistance have stagnated. Indeed, net transfers have been negative. The outlook for world trade remains clouded in uncertainty on the outcome of the long drawn-out Uruguay Round of Multilateral Trade Negotiations. These adverse features of the global economic situation are real, and we risk underestimating them only at our peril.

Yet I believe there is another side to the global picture that offers grounds for hope—but only if the international community acts boldly and cooperatively to implement a well-coordinated package of progressive policy initiatives. The rapid growth of Asian economies and the more recent turnaround in economic performance in many Latin American nations highlights the possibilities for better global economic performance through fuller exploitation of the untapped growth potential of the developing world and the economies in transition. For their part, developing countries and transition economies are engaged in far-reaching structural reforms aimed at stimulating greater efficiency, investment, and growth. We are at a rare opportune juncture when international initiatives to promote a more favorable external environment will yield large payoffs not only for these countries, but also for the world at large. In the industrial countries, which continue to account for a preponderant share of world output and trade, there are clear signs of a basis for sustained recovery. Inflation is at a historical low; interest rates continue to fall; and the international banking system has adjusted to the problems created by the debt crisis On a wider canvas, the age of superpower confrontation is behind us, and many stubborn regional conflicts are being resolved peacefully through negotiations. The progress being made in the Middle East peace process and the triumph of human dignity and democracy in South Africa give rise to exciting new opportunities.

All this holds out promise of a more prosperous future. But the promise can be realized only through wise and decisive actions by the international community.

First, for the global economy to prosper, industrial countries must effectively coordinate their macroeconomic, financial, and trade policies to generate sustained noninflationary growth of output and productive employment. In this endeavor the IMF should play a pivotal role through effective surveillance of economic policies and outcomes in these countries.

Second, if the sweeping reforms of economic policy under way in developing countries and transition economies are to yield their full promise, access to world markets through an open nondiscriminatory, multilateral trading system is absolutely critical. The Uruguay Round of trade negotiations must be speedily brought to a balanced and successful conclusion, paying particular attention to the needs of developing countries. In the eight years since the negotiations began, most developing countries have undertaken far-reaching, *unilateral* steps to open their economies. It would be tragic for these countries, and the world at large, if their demonstrated commitment to an open trading regime is frustrated by any failure at the Uruguay Round. The global economy cannot afford such a dismal prospect.

Third, the greater openness of so many developing countries and the integration of formerly centrally planned economies into the world trading system clearly adds to the demand for international reserves. To help meet this demand, the international community should speedily agree to the IMF Managing Director's proposal for a fresh allocation of SDR 36 billion. Any misgivings about inflationary consequences of such a modest allocation are obviously misplaced in today's context of historically low inflation rates.

Fourth, the far-reaching reforms of policy under way in developing and transition countries call for enhanced levels of financial support from the donor community, in general, and the multilateral financial institutions, in particular. The overall flow of official development assistance must be increased and its growth sustained at an adequate rate. It is especially important to accelerate the flow of concessional assistance to low-income countries to supplement their own efforts to alleviate poverty and to help fund long-gestating investments in physical infrastructure and human resource development, which cannot be financed on normal commercial terms. More specifically, speedy action is necessary to put in place a successor to the enhanced structural adjustment facility of the IMF (which expires this November) and to complete the ratification process for the IDA-10 agreement. For the severely indebted low-income countries, greater flows of concessional assistance need to be complemented by generous and flexible debt-reduction packages.

Fifth, we must learn from the decade-long experience with adjustment programs in dozens of developing countries and implement four key lessons:

(i) Adequate and timely flow of concessional assistance is a prerequisite for the success of adjustment programs;
(ii) Reform must be bold and decisive, but experience has also demonstrated the slowness of the supply response in developing countries, especially in low-income nations, where infrastructure is weak, savings are low, and private sectors are underdeveloped. We must therefore be realistic in phasing the reform and realistic in expectations in the short run.
(iii) Reform and adjustment efforts must be designed to minimize the burden on the poorest and most vulnerable sections of society. A successful program has to be framed around the basic vision of improving the living standards of the common man.
(iv) Above all, experience has shown that for successful adjustment, programs must command wide acceptance *within* the country and be rooted in accepted national priorities, concerns, and aspirations of the broad mass of its people. Without the necessary consensus, reform programs cannot be sustained.

Let me now say a few words about our own record of reform and adjustment. Two years ago, when India faced an unprecedented economic crisis, my Government launched a far-reaching program of macroeconomic stabilization and structural reform. We sharply cut our fiscal deficit, overhauled our foreign trade and payments regime, swept away bureaucratic controls on industry, and introduced a new foreign investment policy and a new program to widen the social safety net. We have also initiated reform in many other areas including taxation, banking, and capital markets. I am happy to report that the initial fruits of our efforts have fully justified the sweep of our reform program. Inflation has been brought down from 17 percent to 7 percent. Foreign currency reserves have climbed from around $1 billion two years ago to $7.5 billion today. Overall real GDP growth, which had fallen to about 1 percent in 1991–92, recovered to 4 percent last year and is expected to be about 5 percent this year. Exports are responding to the new policies and grew by 28 percent in U.S. dollar terms in the first four months of the current financial year. Foreign investors are also beginning to respond. We have now ratified the Multilateral Investment Guarantee Agency (MIGA) Convention and look forward to participating in MIGA as a full member.

We fully recognize that our program of economic reform has a long way to go, and we can brook no complacency. But the tangible achievements in the first two years have given us confidence to persevere determinedly on the arduous path of economic reform. I must also record our deep and sincere appreciation of the strong support and understanding extended to us over the past two years by the international community and especially by the Bretton Woods institutions under their wise and far-sighted leaders.

In the past few years, the world has changed beyond recognition. The cold war has ended, age-old regional conflicts have been peacefully resolved, and for the first time in decades the prospects for truly global economic and social cooperation are bright. Developments in science and technology have opened up new vistas of opportunity for mankind. The conquest of hunger, ill health, and illiteracy is a feasible goal of human endeavor provided we pool the knowledge and resources now at the disposal of the world community. Tomorrow's world must also hold the promise of economic security not only for the richest quarter of the world's population, but also for the poorer three fourths. It is this vision of global brotherhood, concern, and cooperation that must determine the future agenda of the Bretton Woods institutions. The fiftieth anniversary of these institutions is almost upon us, and they must reassert their original mandate as pacesetters in mankind's quest for prosperity and global economic security.

INDONESIA: MAR'IE MUHAMMAD

Governor of the Bank

I am pleased to have this opportunity to briefly address you on a number of important issues that affect not only the development prospects of Indonesia and Asia, but of all countries throughout the world.

We have witnessed momentous political changes over the past few year that will have a strong impact on economic issues. Undoubtedly, the end of the cold war and of East-West confrontation will benefit all of us over the long term. The immediate impact, however, has been the emergence of economic and political conflicts involving trade, access to capital, and ethnic conflict. These issues are not new, but they have now come to the fore.

The situation is compounded by the apparent inability of the major economic powers—the United States, Japan, and Europe—to reach a consensus on a number of vitally important economic issues. Of great importance for all of us is the continued inability of the world's leading economic nations to regain the path of dynamic and sustained economic growth. And, despite statements of intent and support, it appears that much remains to be done before the current round of the negotiations of the General Agreement on Tariffs and Trade (GATT) can be successfully concluded, taking into account the different needs of the developed and developing countries.

The industrial countries, whose contribution to the global economy still forms half of the world's economic output (according to the IMF's May 1993 World Economic Outlook), remain either mired in a stubborn recession or are experiencing a weak recovery. By contrast, the 1992 increase in dollar output of Asia, South America, and the rest of the developing countries was larger that of North America, the European Community, and Japan together. Again this year the forecast is for more rapid growth in the developing economies that in the developed economies.

In effect, the developing world, especially countries in Asia and Latin America, has become the locomotive for the global economy. Consider, for example, the record of the countries of the Association of South East Asian Nations (ASEAN), which have performed remarkably well over the past decade. Growth in these countries has averaged about 5 percent a year compared with 3 percent annual growth for the member countries of the Organization for Economic Cooperation and Development (OECD). Underpinning this growth is macroeconomic stability, as shown by inflation rates that averaged only 3 percent a year, combined with high levels of savings and investment. Gross domestic investment as a share of GDP averaged 33 percent for the ASEAN countries compared with just 22 percent for the OECD countries. Much of this investment has gone into education, new infrastructure, and other productivity enhancements, laying the foundation for future growth.

But we must ask ourselves—how long can the dynamic developing countries be the engines of growth for the global economy? Can rapid growth in the developing countries be maintained without a resurgence of growth in the industrial countries?

Although sound domestic policies are the prime determinant of the economic future of any country, I firmly believe that, without a sustained economic recovery in the industrial countries, the process of attaining rapid growth in the developing countries will be extremely difficult. The continued weak economic performance of the industrial countries reduces not only the capital available to support development efforts in asia, Africa, Latin America, and manufactured commodities. Without access to capital and without the opportunity to export to a growing market, the prospects for continued development are dim.

Much of the success of Indonesia, and of the rapidly growing developing economies, has been due to sound macroeconomic policies supported by appropriate structural reform measures together with an increasing reliance on international trade. Despite the growing awareness of many developing countries that a more open economy is needed for growth, it is discouraging to note that progress on removing global trade barriers has slowed over the past four years.

It is indeed ironic that while Indonesia and many developing countries have taken to heart the lessons of trade deregulation, so that today these countries are more open to trade and investment than in any time in recent history, the industrial countries have increased their trade restrictions (Lawrence H. Summers and Vinod Thomas, "Recent Lessons of Development," *The World Bank Research Observer*, Vol. 8 (July 1993), p. 246). Moreover, the existing GATT structure did not address certain key aspects of international trade, such as trade in services, which are only now being considered. In this regard it is important to recognize the special needs of developing countries, whose service sector is still small and fragile although growing rapidly. Negotiations to conclude the Uruguay Round continue, and successfully conclude the Uruguay Round.

Although multilateral trade is perhaps the most important tool for achieving rapid economic growth, regional trading arrangements can be a significant adjunct. While some see the emergence of regional trading arrangements as a move away from multilateral trade and a response to the frustration of achieving more open markets under the GATT, there is no reason to fear the growth of regional trading arrangements if they are structures so as to ensure that trade creation outweighs trade diversion.

The ASEAN countries, marked by strong growth and increasing intra-regional trade, are in the process of creating the ASEAN Free Trade Area (AFTA). Our intention is to lower tariffs on most goods to 5 percent or less within 12 to 15 years. This goal is not only in line with AFTA policies but reflects Indonesia's own strong commitment to a more open trading regime. Our goal is trade creation, increased competition, and increased consumer choices. In the past, when the ASEAN economies were heavily dependent on basic small. But today, rapid industrialization and the diversification and expansion of ASEAN exports have set the stage for more dynamic gains from AFTA.

Although the use of natural resources on a sustainable basis remains important for Indonesia's development, the potential trading opportunities that will be created under AFTA will allow us to benefit from economies of scale while further developing our comparative advantage. Moreover, we have designed a system that will attract investment to a market of almost 350 million people. Indonesia remains committed to lowering trade barriers for all trading partners, in line with the AFTA agreement and consistent with the spirit of the GATT.

Another pressing issue facing the international community is the continuing debt problem of a large number of low-income countries. Indonesia itself has a substantial external debt, but our sound economic policies and debt management have enabled us to service our debt fully. Let me reaffirm to the international financial community Indonesia's commitment to continue with its prudent macroeconomic policies and management and its unwavering commitment to fully honor all its international financial obligations. Our concern is with the debt problems of those 50 low-income, highly indebted developing countries that remain most seriously afflicted by the crisis.

In this regard, I would like to quote from president Soeharto's *Message to the Leaders of the Group of Seven* given in Tokyo on July 5 of this year. He said

> ...the Non-Aligned Movement would wish to stress the necessity for a coordinated approach, involving debtor and creditor countries as well as financial institutions in alleviating this debt burden in a way that would...allow recovery and continued growth in the developing countries. The recent...debt-reduction schemes are to be welcomed, but they are still far from adequate.

It is true in the ten years since the beginning of the debt crisis, and in the four years since the Brady initiative was launched, some progress has been made in resolving the debt problems of the developing countries. But most of the benefits have accrued to a group of ten middle-income debtor nations. In some circles, there is a perception that the debt crisis is largely over. Such optimism, however, is premature for many heavily indebted countries, especially the severely indebted low-and lower-middle-income countries of Africa, Latin America, and Asia, for whom the debt crisis remains a major obstacle to restoring sustainable economic recovery and growth.

Let me restate the areas requiring urgent action that were identified by President Soeharto in his memorandum to the Group of Seven:

—Decisive reduction of bilateral debt and debt service to eliminate accumulated arrears of principal and interest and to prevent such arrears from building up in the future;

—A realistic and systematic approach to the growing burden of multilateral debt and debt service; and

—Continued meaningful reductions in the level of commercial debt and debt service.

It is important that these three categories of debt be tackled simultaneously. Although for many countries, *commercial bank debt* is no longer the most significant problem, for others the commercial debt burden remains large. The World Bank's Debt Reduction Facility, which makes resources available to countries eligible under the International Development Association (IDA) to buy back commercial bank debt, is a promising new initiative to address this problem. We hope that this facility can be widely used.

Multilateral debts take a increasing percentage of debt-service payments. New initiatives on sustainable *bilateral and multilateral debt* relief are needed because, in most instance, the measures to date have not been sufficient.

As was noted in President Soeharto's memorandum, it is vitally important that we recognize the links between debt relief, economic growth, and new resource flows. In this respect I would add that to ensure that debt relief and new resource flows result in economic growth, it is essential that the developing countries continue with their efforts to formulate, and successfully implement, sound macroeconomic policies. Such efforts need to be grounded in the development of sound government institutions, by policies that encourage private foreign and domestic investment, and by a strong sustained effort to mobilize domestic resources.

Within this framework, debt relief, combined with new resource flows, can lead to renewed economic growth. Hence, it is important that debt relief and new financial assistance be negotiated simultaneously as integral components of a comprehensive external financial package. These measures are required so that the severely indebted developing countries can achieve a return to economic growth and restore creditworthiness. this, in turn, will stimulate foreign direct investment and other private capital flows essential to maintaining long-term economic viability.

Let me state again that Indonesia itself, while concerned about the debt problem of the most severely indebted low-income countries, remains totally committed to fully discharging it own debt-service obligations At the same time, we note that the successful resolution of the debt crisis is in the interest of developing and developed countries alike. As I noted above, the continued growth of the developing countries depends very much on the world economic environment. The interrelated issues of external debt, market access, resource flows, and conditionalities are of vital importance for the developing countries. Effective solutions to these issues can be found only through meaningful dialogue and cooperation between the developing and the industrial countries, based on a recognition of genuine interdependence and shared responsibility, with the positions of each side clearly presented, elaborated, and rationally discussed and negotiated.

I would like to take note of the new information policy recently approved by the World Bank's Executive Directors. We welcome this new policy to the extent that it will increase local participation and enhance the Bank's effectiveness. We also believe that it may serve the important purpose of mobilizing support for development assistance policies in the donor countries. However, we hope that, in implementing this policy of greater transparency, the Bank will bear in mind the need to respect those elements of confidentiality that are an essential part of the client relationship between the Bank and its borrowers.

Let me conclude by expressing the appreciation of the Government of Indonesia to the World Bank and the International Monetary Fund for the sustained support they have given to Indonesia's development efforts. The contributions of the World Bank and the International Monetary Fund to our development efforts have been important. But the contribution cannot be measured only by its dollar value. We also receive insights into our own development problems from our dialogue with the staffs of both institutions, who also bring to us a global perspective on development issues and experiences. We look forward to continued support and further constructive dialogue with the Bank and the IMF, for our mutual benefit.

ISLAMIC REPUBLIC OF IRAN: MOHSEN NOURBAKHSH

Governor of the Bank

Let me begin by welcoming the new members to the Bretton Woods institutions and wish them success in their development efforts.

All available evidence, including that of the World Economic Outlook, suggests that the world economy has entered a new era in which the developing countries are fast becoming crucial contributors to global prosperity. With about 10 percent annual growth in imports, the developing countries can now directly affect the prospects for growth in the industrial world. The rapid expansion of developing country markets in recent years has been one of the very few elements of dynamism in the world economy that, if properly nurtured, could spell the difference between the resumption of growth and continued stagnation in the world economy.

The industrial countries have long advocated that developing countries must, with responsible economic policies, strive to become equal partners in the development of a prosperous world economy. At this juncture, it is particularly important that the industrial countries not lose sight of this vision at a time when the developing countries have unilaterally painfully adjusted, restructured, and reformed their economies and liberalized their trade and exchange systems with the expectation of a supportive global international trade and financial system. There are a number of steps that need to be taken to buttress the strength of the world economy.

The first is a successful completion of the Uruguay Round of trade negotiations. I will not elaborate on the risks that threaten the proper functioning of world trade should these negotiations fail; suffice it to say, to many developing countries that have adopted an outward-looking strategy and have pinned their hopes on the emergence of an open and fair multilateral trading system, the continuing impasse in the Uruguay Round negotiations has been profoundly disappointing.

Second, means have to be found to enhance developing country access to international capital markets in order to strengthen their productive capacity and to allow continuation of structural reforms. Clearly, the recent increase in private capital flows to developing countries is welcome, but these flows have been concentrated in a few countries. Ways must be found for other countries to benefit from these flows. The role of the international financial institutions is crucial in channeling these resources to these countries. It is also important that the traditional sources of program-based concessional lending by the Bretton Woods institutions be strengthened. We fully support the creation of an ESAF successor facility and the replenishment of IDA, and we hope that the ESAF successor facility is fully funded and operational before the year's end. There is also a need for a new SDR allocation to reduce the enormous pressure on the reserves of many developing countries, and we strongly support the valiant efforts of the Managing Director of the Fund in this direction.

Third, international cooperation is needed not only in the area of economic policy formulation but also in the creation of an environment conducive to greater mobilization of resources. In this regard, world financial resources would be greatly enhanced if the major countries would take the leadership to reduce their own military expenditures and aggressively move to lower various regional tensions in order to allow the developing countries the opportunity to realize savings in this area as well.

Fourth, significant efforts must be made to focus attention on the economic problems of Africa. While we highly appreciate and commend the efforts of Mr. Camdessus and Mr. Preston in calling the attention of the world financial community to the plight of Africa, we encourage them to be particularly vigilant in preserving the Bretton Woods institutions' solidarity with that continent and to continue to provide an effective platform from which Africa can proceed to engage the wider global community.

As to recent economic developments in my own country, we have continued our reconstruction efforts while pursuing economic adjustment and reform. Thus, the fiscal deficit was reduced from 51 percent of the total budget in 1988/89 to 6.7 percent in 1992/93. For this year, we have enacted a balanced budget law and we expect no deficit at all. In the monetary area we have eliminated liquidity overhang, removed credit ceilings, and liberalized the rate of return structure. Moreover, the exchange rates were unified a year ahead of schedule, and the trade and exchange system was fully liberalized. As a result, non-oil exports have increased by 70 percent a year over the past four years and economic growth has averaged 8.1 percent during the same period.

I would like to take this opportunity to make a few remarks to clarify my country's policies.

After the war and despite the fact that the UN has officially declared that the Islamic Republic of Iran was aggressed against and that the war was imposed upon it, to date no attempt has been made by the international community either to help Iran to obtain compensation for the devastation caused by the war or to provide any assistance in the reconstruction efforts. Even under these conditions, when our people have tried to undertake reconstruction by relying on themselves while simultaneously helping to maintain peace and stability in the region, all sorts of baseless allegations are being manufactured to distort the real image of our country. Among these unfounded accusations are that Iran is expanding its military expenditures and attempting to obtain weapons of mass destruction to destabilize the region.

One very important source of saving in our economy has been a substantial reduction in military expenditures. In the past two years this spending has been reduced by 7 percent, from 21 percent to 14 percent of the budget. The data provided by internationally reputed sources, such as SIPRI of Stockholm, show that Iran's total military expenditures were 1.5 percent in 1990, compared with the average of 8.1 percent for the region. The International Atomic Energy Commission has also repeatedly verified that all research activities in Iran in the field of atomic energy are for peaceful purposes. As a signatory to the convention on nonproliferation of chemical weapons, Iran has no intention of obtaining weapons of mass destruction. As evidence of willful malice, however, over the past two months, considerable misinformation was spread regarding allegations that a Chinese ship was carrying prohibited chemical raw materials to Iran for the purpose of producing chemical weapons. Inspection of that ship proved these allegations to be totally baseless.

Given the very sensitive nature of conditions in the Middle East and based on pragmatic analyses, my country believes that all activities that cause instability in the region should be stopped. It firmly advocates the principle that the destructive competition in military spending should be replaced by expansion in economic cooperation. As I have said, Iran has already substantially reduced its military expenditures and, by continuing economic reforms to ensure sustainable growth, the Islamic Republic of Iran intends to play a significant role in the economic development of the region in an atmosphere of friendship and cooperation.

IRELAND: BERTIE AHERN

Governor of the Bank and the Fund

Year after year we all declare from this platform that the key to prosperity is balanced economic growth and good social conditions. We know full well that this requires active coordination on a global basis and particularly among the large and wealthier countries. We look to groups in positions of influence such as the Group of Seven to provide the lead. There has been insufficient direction or coordination in recent times. Disparities between rich and poor have widened.

Since the beginning of the 1990s the continuing pattern in the developed world, with some exceptions, has been slow growth, recession, and rising unemployment. The main industrial countries have failed to respond adequately to this. From a European perspective the past year in particular has been overshadowed by tensions in the currency markets, high real interest rates, and little or no growth.

Last year I expressed the hope that the GATT negotiations might be concluded by year's end. Deadlines have passed and, while there are still considerable difficulties, the prospects of a final breakthrough have improved. An early and successful conclusion to the Uruguay Round would be the single most important action on policy that could be taken to stimulate recovery. We all know this. We need a greater sense of vision, courage, and a willingness all round to achieve success.

Within the European Community there has been an active, but so far insufficient response to the recessionary conditions. There is a new emphasis on growth and employment. Coordinated programs of development have been initiated. This reflects the deep concern and frustration that the momentum for growth has been lost and that unemployment is moving toward record levels. There is also a timely appreciation that persistent high interest rates have had a very negative impact on the whole European economy.

Employment

We tend to link growth and employment as a matter of course. Growth creates jobs but it creates many fewer jobs than before because of the impact of technology. The balance between capital and labor has shifted decisively. We have come to a point where we can no longer offer adequate answers to unemployment. For some of us this has already become a crisis and, a few years down the road, it may well be the foremost global economic problem. Employment is bound up with human dignity and human development; without a job in today's world many people feel they lack identity. Sooner or later we must address this problem at a global level and look for comprehensive solutions.

There are some positive developments. There has been a continuing easing of inflation in most industrial and developing countries. The debt problem remains unduly severe for some low-income African countries in particular, but for most of the middle-income developing countries it is essentially under control. The prospects for a number of developing countries appear brighter than they have for some time, following successful adjustment programs. However, the outlook remains quite uncertain in the industrial countries, and growth projections have been scaled back again recently. For Europe in particular, the indications are that little or no improvement will take place in the short term. Once confidence is diminished, the attitude of depression spreads rapidly, sometimes well beyond what is justified, and it can be very difficult to refocus attention on growth.

In Europe, the credibility of the European Monetary System has been tested severely. We have come through a very difficult monetary crisis. There are lessons for everybody from this experience. The most important lesson, I believe, is that weaknesses in the international monetary system can only be addressed properly at the global level. The paramount objective of monetary policy is price stability. This is the only solid base for sustained growth in the longer term. A stable global system is of vital importance for smaller countries. Otherwise, conflicting national priorities will tend to create continuing tensions; in these circumstances the smaller countries are usually left in a vulnerable and exposed position. The unprecedented growth in market volumes and the greater exposure to international capital flows can be a source of new tensions for the monetary authorities. While I am not suggesting a return to a regime of capital controls, nevertheless this explosion of mobile capital may require substantial adjustments to regulatory conditions in due course.

The transition to a market economy in Central and Eastern Europe continues to be difficult, as we had anticipated. The area has inherited unprecedented problems. There are, however, some notable successes, and small-scale businesses appear to be thriving in some areas. However, the overall picture for those states that comprised the former Soviet Union is still very bleak. The successful transformation of this region will pay large dividends for the entire world community in time. In the meantime, we must not forget that the developed world has a clear obligation to support the process of transition actively.

Poverty

The number of people living in poverty continues to increase; over 1 billion people can be classified as essentially destitute. This is appalling. Rhetoric about economic and social progress will continue to have little meaning if we cannot make some rapid headway on this problem. The World Bank has raised its profile in relation to poverty. Reduction in poverty is now seen as a benchmark for measuring performance, and I welcome this. The role and influence of the nongovernmental organizations have been expanding and reflect their merit and achievements. I share their conviction that active participation of local communities in their own development is essential. The agreement on IDA-10 is a significant development in international cooperation. The negotiations were difficult, as a number of countries, preoccupied with their own domestic problems, were reluctant to increase aid. In addition to its basic contribution, Ireland will provide a supplementary contribution to IDA-10. We are now taking the necessary steps toward ratification of the agreement.

Concessional lending is vital, in sub-Saharan Africa in particular. For this region the debt crisis continues to be a crushing burden. It spends four times as much on debt servicing as it does on health expenditure. It is difficult for those of us who live in the developed world to appreciate what this means in human terms. It is time to formulate a debt-relief package for this region and the other poorest regions at least in line with the Trinidad terms.

The most abundant asset that the poor countries have is the labor supply. It has been demonstrated again and again that, if this is used efficiently in conjunction with access to education and health care, considerable progress is possible. These countries need labor-intensive economic growth that will generate employment and income for the poor. They must also show more urgency in dealing with domestic mismanagement which has contributed to the decline in economic growth.

In this context I welcome the greater awareness of the economic and social costs of excessive military expenditures in several developing countries. I am pleased that such expenditure will be one of the factors taken into account in determining lending levels under IDA-10. Up to 5 percent of the world's GDP is spent on military needs. This is obscene, particularly as so many people must live in abject poverty, and military activity intensifies poverty. The world, it seems, is still quite apathetic about this and will continue to tolerate situations where military expenditures crowd out essential social spending.

Environment

We now know that economic progress cannot be sustained over an extended period, if it is not in harmony with the environment. There is still a need for greater awareness of environmental issues, especially in poorer countries where other priorities make it difficult to take a long-term view. It is a fact of life that environmental considerations usually add to investment and operating costs; consequently, there is a certain reluctance at times to do all that is needed. The environment is a universal concern, and we have a common interest in protecting it. I want to pay tribute to the work of the World Bank in keeping the environment high on the agenda.

The Irish economy has been affected adversely by the persistent weakness of the international economy. The monetary crisis and the continuing recessionary conditions in Europe have been particularly difficult for us. However, we continue to sustain a growth level well ahead of the European average. This is essentially due to our strong competitive position. Inflation is low, interest rates have come down much more quickly than we had anticipated earlier this year, and we have a strong positive balance of payments. The main problem for us is unemployment. Now that this issue is a priority for Europe as a whole, we feel more confident than before that a strong, concerted effort will be made to bring about a worthwhile improvement.

In conclusion, I want to acknowledge once again the work being done by the International Monetary Fund and the World Bank. There are lessons to be learned from the recent European experience that have consequences for the international monetary system as a whole. There are undoubted problems to be addressed in the conduct of markets in the new climate of capital liberalization. On the development side, there is still a great need for more coordination and global solidarity on many issues. The IMF and the World Bank are the vehicles through which we make progress together. We must give them our fullest support.

ISRAEL: AVRAHAM B. SHOCHAT
Governor of the Fund

I am very pleased to address these meetings of the World Bank Group and the International Monetary Fund. As a Minister of the State of Israel, it gives me the opportunity to talk about the exciting events in the Middle East peace process.

We, in Israel and the Middle East, are living in exciting times. The walls of hatred around Israel are falling. In this, the birthplace of three great religions, where three continents meet, the chances for peace are better than ever before. This century may bring an end to the Arab-Israeli conflict. The Israel-Palestinian agreement signals a departure from the past for the sake of a better future.

We, in Israel, were able to generate economic growth, in spite of the conflict. Our neighbors now realize that, in today's world, a prosperous future is an important part of peoples' legitimate aspirations. Whereas before we fought over a piece of land, today we are committed to jointly making our region a showcase of economic cooperation.

Israel will have to make painful sacrifices. We are ready to take risks for peace. Our economy will have to pay a high price, but in the end, the fruits of peace will be worth it. To ensure success, the international community must mobilize. We will need economic and political support. Israel looks to the world community for understanding, since those who are against peace have not yet been disarmed. The World Bank has a major role to play, and its excellent study on the economies of the West Bank and Gaza will promote the direction those economies should take.

Today, regional conflicts are the main threat to international peace. The key to the solution of many of these conflicts is economic cooperation and mutual interest in regional development. In areas of tension, the solution may be in the hands of the economic powers: with their help in creating trade links with all sides in a conflict, they can bring about reconciliation.

The core issues today are economic ones. International cooperation, therefore, must be based on the ideas of market economics and free trade. This focus on economic relations means that economic disputes are damaging to the international system.

Today, most countries want to copy the industrial nations. Export-led growth and free trade are the keys to economic development. Free trade is seen as the engine of growth, and this policy choice leads to domestic economic reforms. Free trade not only helps growth, it encourages international stability and cooperation.

Fears over the future of the Uruguay Round of the GATT have created uncertainty. The Round has gone on three years longer than planned. Its success is still uncertain and its failure cannot be allowed. The major economies must cooperate. Only cooperation and coordination can help the world economy. Economic disputes and trade wars threaten global economic growth. Failure to reach agreement may affect more than world growth. The Round's success will add over $120 billion permanently to world income. The Group of Seven's Tokyo summit agreements recognized this.

Small states find themselves caught between the major trading blocs. We depend on an open and working world economy. Small countries are like small companies in a national economy: we are not big enough to gain from economies of scale. We, therefore, have to depend on innovation, technology, and business skills. We play an important part in the production process. We complement the economic powers more than we compete with them. Israel, in particular, has much to contribute. In return, we need market access to support our economic progress and stability.

Israel has free trade agreements with the United States, the European Community, and the European Free Trade Association. Still, we want the Uruguay Round to work. Adding new areas to the GATT, such as trade in services, will benefit everyone. Every shock to the GATT hurts small nations, which depend on export markets. Despite our free trade agreements and the delays in the completion of the Uruguay Round, Israel has unilaterally taken trade liberalization steps, regardless of the short-term costs.

The changing world has created a chance for peace—a chance that Israel has jumped at. The process has gained momentum, and within this framework there is an important role for multinational companies to help us succeed. They must see that not only does political stability promote economic growth, but economic activity helps the forces seeking political solutions.

Israel offers large companies the perfect location in which to invest. We have a skilled, educated, and multilingual labor force, an advanced infrastructure, and a developed economy. As peace comes nearer, Israel will be the place in which to be based. Already, many companies have understood this. Non-economic reasons, like the Arab boycott, should be set aside. The interest and assistance of the industrial nations are also needed to help develop the region. For the sake of international stability, they will also need to open their economies to trade with the Middle East. They, too, must fight the Arab boycott since it contradicts the GATT's principles and harms the region's future.

With peace, Israel's democratic, economically advanced society will contribute to regional stability.

Israel must carry on with its economic reforms to fully benefit from peace. Our economy has had to carry the weight of a large defense bill, and, in the past, defense costs led to government deficits. For security reasons, the Government was too involved in the running of the economy, and we built up a large military industry. In all these areas we are changing.

We are preparing for peace. The reforms in our economy and our reordering of priorities show this. We are liberalizing and deregulating our economy. The absorption of half a million new immigrants since 1989 has given us an added push. Only through reforms and economic growth will we be able to absorb the million immigrants who will have arrived by the end of the 1990s.

In 1992, our GDP grew by 6.6 percent. Our per capita GDP stands at $13,000. Inflation has been reduced to 10 percent. Exports grew by 15 percent and imports by 11 percent. At the same time, unemployment is dropping to 10 percent. As part of the reforms, we have brought the government deficit down to 3 percent of GDP. At the same time, we have reduced the tax burden on companies and individuals to European levels. Subsidies have been cut or abolished, and we have begun the process of privatization.

Our changes in the capital markets have been significant. We are committed to ending the few currency controls still in place. We are opening our banking system to greater competition. We want foreign companies to enter our market and be able to compete. By 1997, the sum of $7.1 billion will have been invested in infrastructure. Public and private investment will reach over $40 billion. This year, investment will increase by 20 percent over last year.

Israel is an example of what a state can do, and of the problems they can face. Our economic achievements have made political risk possible. Our continued success is important to all. We have chosen the accepted path for economic growth. In return, we expect our progress to be encouraged. We will be a test case: if the trading blocs do not assist us, then others will not follow our path. In this new world, we must be led by the vision of peace and global markets. Free trade and economic coordination and cooperation will act as engines for world growth.

Had I given this speech only one month ago, I would have ended it here. But I feel that the historical events that have occurred in the Middle East require some additional words.

We have the chance to transform the Middle East from a region ridden with religious strife and rivalry, into a showcase of cooperation. This region, rich in talent, pride, and ancient traditions, has proven in the past that it can bring great advances to humanity. Here at the junction of three continents, at the meeting place of great cultures and religions, we can create a new center for growth and prosperity. We have within our grasp the chance to incorporate the economies of the region into the mainstream of the international economy. For this, we seek the international community's support in assisting the Palestinians and the forces in the region that support the peace process.

ITALY: PIERO BARUCCI

Governor of the Fund

Allow me first of all to welcome the new members of the World Bank and the International Monetary Fund, Croatia, the Czech Republic, the former

Yugoslav Republic of Macedonia, the Federated States of Micronesia, the Slovak Republic, Slovenia and Tajikistan.

Weak growth in the industrial countries still persists. The peripheral areas of the Northern Hemisphere, notably some countries in the Far East, show signs of vitality. Among the most advanced market economies, growth is lower than anticipated in the United Kingdom and the United States and disturbingly negative in Europe as a whole.

Low growth, high unemployment, a deterioration in public finances, an excess of productive capacity—these are the main features of a phase in the European economy in which the bright aspect is the low rate of inflation.

The crisis of the exchange rate mechanism (ERM) has contributed to worsening the economic situation in Europe. The duration of the crisis and the recurrence of turbulences have given rise to an increase in interest rates in several countries and sizable adjustments in the old parities. More specifically, nominal interest rates in some European countries have not declined along with the decline in inflation and economic activity. Real interest rates are still too high compared with growth rates in the different European countries.

Italy has experienced all of these problems. Some specific features make recovery in our country particularly difficult. Unemployment is within the European average; economic growth is positive, but close to zero; and the ongoing restructuring of some industrial groups is producing local tensions locally in some labor markets.

The depreciation of the lira has allowed vigorous growth of Italian exports. Strong government action has produced an incomes policy without precedent in Italy, and the weaker lira has not translated itself into any increase in inflation. However, the crises of the lira of September 1992 produced a dramatic peak in interest rates and, as a consequence, weighed heavily on the servicing of the public debt. The latter, undoubtedly too high, has limited the scope for government action to stimulate public demand.

The turning point for economic and budgetary policy in Italy occurred in the late-summer of 1992 with significant results. The outcome of public finances for 1993 will be satisfactory. For the first time in many years, the public debtor borrowing requirement (PSBR) will be lower than that of the previous year. The primary surplus will be sizable for the second year, after more than twenty years of primary deficits. These results were obtained in spite of the adverse effects of the economic cycle.

In 1993, fiscal policy has been particularly severe. The positive effects on the budget have been enhanced by accompanying legislation curbing the increases in health expenditures, social security and public employment. A re-shaping of local public finances has also started.

The incomes policy is having positive effects on enterprises. A new and effective privatization policy is also being implemented. The government program aims at putting on the market several important Italian companies operating in the fields of energy, communications, banking, insurance, machine tools, and food products. Foreign investors have been active and are welcome to participate in the program. The tw most important recent sales had foreign buyers.

The present Government, which came into power at the beginning of May, has continued and has, in some cases, enhanced the policies laid down by the previous Government. The leadership of President Ciampi—a former Governor of the central bank—assures strength and coherence to a Government made up n inly of nonmembers of the Parliament, well known for their professional activity.

The markets have welcomed both the program and the actions of the new Government. The domestic and international credibility of the current political leadership has been strengthened. In particular, interest rates on government securities have decreased dramatically, at a faster pace than interest rates in Europe. That decrease has affected both short-term and long-term maturities. The fall in yields on certain bond issues has exceeded 400 basic points since the beginning of the year.

The stock exchange has made a widespread recovery. Both quotations and the value of exchanges are constantly growing. Around mid-August, a record volume in the Milan Stock Exchange was reached. Foreign capital has recently flowed back into Italian monetary and financial markets.

The budget bill for 1994, just approved by the Government, aims at strengthening the credibility of Italy's economic and financial policies. The Government has dedicated a great deal of time and energy to designing a finance bill for 1994 that will help to loosen the clamps of the recession and, at the same time, to keep unaltered the path to fiscal improvement. While including significant measures to help economic recovery, the bill also aims at improving the efficiency of public administration, reducing waste in the national health service, and reshaping social security. The target is to obtain a PSBR for 1994 lower than for 1993 and a slightly higher primary surplus.

The Italian Government's willingness to consolidate public finances is beyond question. Equally determined and irreversible is its decision to contribute to monetary and political union in Europe. The noble concept of European unification is regularly put into question, any time the economic situation is adverse. It is happening once again, today.

Italy is convinced of the opposite. This is the right time to vigorously relaunch the process of the unification of Europe.

As regards the ERM, the Italian Government has already formulated a set of rules to revitalize it: joint action in fixing the exchange rate parities; jointly changing those parities when they are no longer in line with the fundamentals of the various countries; and jointly defending them when necessary.

We are all striving to overcome a crisis in the world economy whose causes are not completely clear to us, but the means available to us are limited. In this context, we wish to reaffirm Italy's strong support for the roles of the

International Monetary Fund and of the World Bank in assisting developing countries and formerly centrally planned economies.

In a time of difficulty, the role and meaning of international economic cooperation are often subjected to scrutiny by public opinion. Questions are asked, such as: "Do we really need international cooperation?" "Why should our country be subject to other constraints in addition to those imposed by the national Government?"

Italy does not belong to that choir. On the contrary, we are determined to strengthen the role of the institutions of international economic and monetary cooperation.

JAPAN: YASUSHI MIENO

Alternate Governor of the Bank and the Fund

It is my great pleasure to be able to address you today at this year's Annual Meetings of the World Bank and the International Monetary Fund.

First, I would like to express a warm welcome to the countries that have joined the Bank and the Fund since our last Annual Meetings. Next year marks the fiftieth anniversary of the Bretton Woods conference. That historic conference was attended by 45 countries. Today, we have 178 member countries attending the Annual Meetings, which shows that the Bank and the Fund have become universal organizations with the participation of virtually every country in the world. With this growth, the Bank and the Fund have taken on increasingly important responsibilities, and these Annual Meetings, attended by the Governors of all the member countries, have become even more significant.

I would also like to take this opportunity to express my appreciation for the historical progress that has recently been made between the Israeli and the Palestinian peoples toward peace in the Middle East. A donor meeting will be held in the near future during which assistance policy within the international framework will be discussed. I am pleased to announce Japan's intention to extend about $200 million in assistance to the Palestinians over the next two years. I highly appreciate the role the Bank has been playing in the process of the Middle East peace talks.

For Global Economic Recovery

Turning to the issues before us, I would first like to speak of the world economy and Japanese economic policy.

The world economy has experienced slower-than-average growth over the last four years, and there are, as the World Economic Outlook of the Fund has pointed out, still uncertain aspects about the process of recovery.

In many of the industrial countries especially, there is concern about the weakening of public confidence, and those economies are faced with persistently high levels of structural unemployment that is not a result of cyclical developments.

Given this economic situation, I believe it is essential, if our countries are to achieve sustained and noninflationary growth and if we are to revitalize the world economy, that we seek to enhance confidence through prudent macroeconomic policies based on not only short-term considerations but also on medium-term perspectives.

In particular, in implementing macroeconomic policies, it seems essential that we seek to promote sound fiscal positions by reducing our fiscal deficits and that we retain flexibility in fiscal policy in view of the rapid aging of the populations of most of the industrial countries. This would also lead to a reduction in long-term interest rates, which, in turn, would have a favorable impact on public confidence.

Macroeconomic policies alone are not sufficient to reduce structural unemployment. We need to make an even more determined effort to deal with the implementation of structural policies, including especially policies to improve the functioning of our labor markets.

After a long period of growth, the Japanese economy entered an adjustment period exacerbated by the so-called bubble's collapse and has been sluggish ever since. Despite its stringent fiscal position, the Government responded to this situation with a comprehensive economic package in August—a budget for fiscal year 1993 that paid due attention to promoting economic recovery—and a package of economic policy measures in April. The goal of this economic policy management has been to respond quickly and appropriately to economic conditions.

Thanks in part to these economic initiatives, the worst is arguably over for the Japanese economy. However, there is still concern about the possible impact of the recent, rapid appreciation of the yen, and we cannot take any full-scale economic recovery for granted. We are well aware of the importance of revitalizing the economy and stimulating domestic demand, and we are making every effort to vigorously and steadfastly implement to maximum effect the April 1993 economic package.

In addition, on September 16, the Government adopted the New Package of Economic Measures providing for a wide range of measures to deal with the difficult economic conditions confronting the people, including those suffering from the appreciation of the yen, as well as natural disasters, in addition to deregulation, and the pass-through of the benefits of the yen appreciation to the general public.

Moreover, a panel has been established to lock into reforms in Japan's socioeconomic structure in the medium- to long-term frame and to have its conclusions ready by the end of the year.

Likewise, the Tax Council is undertaking a comprehensive study of the fundamental reform of the tax structure, with the aims of achieving a balanced structure of taxation on income, consumption, and assets and adjusting the imbalance between direct and indirect taxes.

On the monetary side, the Bank of Japan cut the official discount rate, on September 21, by ¾ of 1 percentage point to a record low of 1.75 percent.

Following a series of reductions in the official discount rate, market interest rates had already been considerably lower. We expect that the latest discount rate cut will further accelerate the effect of monetary easing spread throughout the economy.

With the effect of the steadfast implementation of these measures reinforcing the impact of previously taken policies, which is expected to be substantial, I believe these initiatives will facilitate the achievement of sustained growth led by domestic demand. This, in turn, will have a favorable impact on reducing the current account surplus and contribute to the global economic recovery.

Currency Market Stability

Next I would like to turn to currency market issues. The yen has appreciated by approximately 20 percent against the dollar since the start of the year, and considerable concern has been expressed that this rapid appreciation might dampen Japanese efforts to achieve sustained economic growth. At the same time, the recent currency unrest in Europe has had a considerable impact on Japanese and other currency markets. It is now twenty years since the world moved to floating exchange rates.

Although we have made determined efforts over the last two decades to maintain a degree of stability in currency markets, there have been occasions, as can be seen in the events since last year's Annual Meetings, when the markets have exhibited marked instability because of speculative pressures. This has made us aware once more of the need for stability in the exchange rates of the major currencies. To this end, Japan believes it is essential that the leading countries pursue cooperation in implementing sound macroeconomic policies and that we cooperate closely in exchange markets.

Support for the Developing Countries

Next, I would like to speak of the need for support for the developing countries. Although it is most gratifying that the developing countries as a whole have recently achieved steady growth, it should also be noted that the disparities among regions have become more pronounced and that poverty reduction still remains one of the highest priorities for development policy.

Continuous and tenacious support for the developing countries is crucial if sustainable world economic growth is to be achieved. It goes without saying that the industrial countries' assistance cannot be truly effective unless the developing countries execute sound macroeconomic policies, promote structural adjustment, and make other bootstrap efforts. These steps, in turn, imply a need for steady efforts to promote human resource development as well as institution building conducive to these bootstrap efforts.

Assistance to the developing countries has long been one of the main pillars of Japanese efforts to contribute to the international community, and it is significant that Prime Minister Hosokawa's first policy speech to the Diet included a ringing declaration that Japan is determined to make a contribution to the international community in full awareness of its international position and responsibilities.

Currently, the funds necessary for economic development in many developing countries remain insufficient. Even in the developing countries that have made relatively steady progress, there is a great demand for funds for the environment, infrastructure improvements, and other purposes. Japanese official development assistance (ODA), including yen loans from the Overseas Economic Cooperation Fund, and non-ODA, such as untied loans from the Export-Import Bank of Japan, are, I believe, very important both as financial flows, as a means of official financial cooperation, and as a catalyst for the inflow of private sector capital to the developing countries. Realizing this, Japan announced the Funds for Development initiative in June, through which a total of $120 billion is intended to be provided over the next five years, including both ODA and non-ODA funds.

Cofinancing with the Bank and the Fund is one of the features of this initiative. The Export-Import Bank of Japan, which extends loans in parallel with the extended Fund facility at present, intends to start parallel lending with a certain type of IMF stand-by arrangement to provide support in the initial stages of the economic structural adjustment process. We are also working to accelerate cofinancing with the World Bank by drawing upon its experience and expertise in order to provide appropriate and timely support for infrastructural improvement and environmental programs it initiates.

It is essential for the developing countries to have sufficient new money. Bearing this in mind, Japan believes that we should be cautious about official debt relief because it has a negative effect on the additional inflow of new money.

To support the assistance of the Fund, the Bank, and the other multilateral development banks to developing countries, we need to ensure adequate capital resources for these institutions. Given how difficult it is for the low-income countries to find access to private capital markets, it was most significant that agreement was reached late last year on the Tenth Replenishment (IDA-10) of $18 billion for the International Development Association, the main channel for concessional capital. Japan took an active part in these negotiations and agreed to provide about $3.6 billion of the total amount.

It is essential that we work to enhance capital resources of regional development banks according to their financial needs. The Asian Development Bank's Fourth General Capital Increase (GCI-IV) is especially urgent. Capital increases are also needed for the Inter-American Development Bank and the African Development Fund.

Given the approaching cutoff date of November 1993 for the current ESAF, we have to expedite our discussion of the successor facility, so that the Fund can continue to support comprehensively the macroeconomic adjustment initiatives and the structural reform efforts of the low-income developing countries.

Now that a consensus to use an extended ESAF trust structure has been reached, contribution from the broadest possible circle of countries is urgently required as it was in the case of the current facility. I want to take this opportunity to state to you that Japan, having contributed a significant share of the total amount contributed for the current ESAF, is ready to contribute a comparable share to the successor facility as well. Having said this, I would like to invite broad commitments from potential contributors and expect the very best efforts by the IMF Managing Director.

The global environment issue remains very important. The Global Environment Facility established under the Bank's initiative should continue to play a central role in this area.

I think, in drawing up development strategies for developing countries, it is useful for multilateral development banks to analyze the experiences of the countries and regions that have succeeded in achieving economic growth and improving their income distributions. From this point of view, I believe that the Bank's recent report, *The East Asian Miracle*, is a most appropriate piece of research.

Supporting the Transition to Market Economies

As regards support for the former centrally planned economies, I believe the international community should continue to support these countries' efforts to shift to market economies.

In this connection, I very much welcome the fact that the Fund has established the systemic transformation facility (STF) in consideration of these countries' special conditions, and I think it bodes very well for the future that the Kyrgyz Republic and other countries are engaged in vigorous reform efforts with policy advice from the Fund and are making use of the STF.

Major progress has been made in the international framework for support for Russia since the Annual Meetings last year, with the agreement on the rescheduling of its official debts in April, the adoption of a comprehensive support package at the Joint Ministerial Meeting in Tokyo of the Group of Seven on Assistance to the Russian Federation, the agreement at the July Tokyo economic summit on a special privatization and restructuring program, and other developments. The Bank has played a central role in providing support for privatization and other structural adjustment reforms.

The support for Russia is to be provided in ways that complement its self-help efforts and is to be phased with the progress of the reforms. We hope that this support will be extended smoothly in line with progress in reform and appropriate policy implementation by Russia.

At the same time, we must not forget the importance of reforms in countries other than Russia. I am, for example, glad to see that serious efforts continue to be made in the formerly planned economies of Viet Nam, Cambodia, Mongolia, and the Lao People's Democratic Republic to shift to market economies. I also welcome the fact that financial assistance by international financial institutions, including under the STF, is being strengthened along with the bilateral assistance framework being formulated by donor countries. Japan intends to continue to take positive initiatives to support these countries' efforts, including by serving as co-chair of the donors' meetings.

Toward a More Open Trading System

Finally, I would like to say a few words about trade. Efforts to maintain and strengthen the multilateral system of free trade and to turn back protectionist tendencies are prerequisites, to expanding world trade and achieving global economic growth. Japan has been actively participating in the Uruguay Round negotiations, and we believe it is essential that the negotiations be successfully concluded by the end of the year. Achieving substantial results in these Uruguay Round negotiations is crucial to maintaining the multilateral system of free trade, and I suspect that a successful Uruguay Round can also contribute to deterring undue attention to bilateral trade imbalances.

There have also been moves for regional integration in the Asia-Pacific region as economic ties there have grown stronger. We believe that it is important to continue the dialogue while maintaining this region's openness to extraregional partners and intend to contribute along these lines. Whatever the region, we believe that regional integration must work to complement the multilateral system of free trade and to promote global trade as a whole.

Conclusion

With the end of the cold war, the world is moving to a fully integrated economy based on market mechanisms, and we are looking for new global paradigms. Against this background, it is incumbent upon all of us—industrial countries, former centrally planned economies, and developing economies alike—to pursue prudent macroeconomic policies in order to achieve the sound development of the world economy.

Closely monitoring world economic conditions, the Bank and the Fund have a central responsibility for supporting and encouraging sound policy efforts by all member countries based upon free market principles and for resolving the many problems facing the world economy. Aware of its international standing and responsibilities, Japan intends to continue to support the Bank and the Fund vigorously in their ambitious efforts to contribute to resolving our shared global problems.

KIRIBATI: TAOMATI IUTA

Governor of the Fund
(on behalf of Kiribati, Marshall Islands,
Solomon Islands, Vanuatu, and Western Samoa)

I am extremely happy to have this opportunity to address for the first time these very important Annual Meetings of the Boards of Governors of the

World Bank and the International Monetary Fund. It is a very important gathering because both the Fund and the Bank are now recognized as truly worldwide institutions, and they are helping to deal with a number of global problems.

On behalf of the Governors of the Solomon Islands, Western Samoa, Vanuatu, and the Marshall Islands, together with all members of the delegations, may I, once again, welcome the new members—Tajikistan and, of course, our Pacific neighbor, the Federated States of Micronesia.

It is very encouraging to hear that net total aid flows to developing countries from the industrial countries have reached a record level of over $120 billion. Unfortunately, flows from official development assistance sources only have declined and are likely to continue to decline in the immediate future. This will not be helpful for most of the small member countries in the Pacific, given their greater resource limitations, economic vulnerability, and dependency on foreign aid for financing their development programs.

In the case of Kiribati itself, over 90 percent of the development budget is financed from external grants and soft loans. For some of the island countries, natural disasters are becoming an annual event and are certainly very unpredictable. For these reasons, we will encourage all the development partners in our part of the world to undertake plans similar to those of Japan and the World Bank to develop financial and technical assistance packages on an appropriate scale that are relevant for addressing the specific problems of each country.

The projected decline in external grants to developing countries would probably mean that the level of grants for technical assistance would also decline. Members of my constituency are or will be implementing adjustment programs and sound macroeconomic policies that are crucial for sustaining the economic development of the islands. In order to implement the programs successfully, we will require a lot of well-designed technical assistance to formulate and establish the necessary legal and administrative requirements, which, at this stage, are lacking in most of the islands. The majority of our technical assistance needs should focus on capacity and institution-building efforts and increased support of human investment, in particular toward better health and education.

In the past, most consultancy activities and appraisal missions by the institutions have tended to leave the recipient country after completing the studies. They believed that it is the responsibility of the recipient countries to implement the recommendations of the consultants. With limited (domestic) funds and technical capability, our countries would benefit a lot more if the Fund and the Bank would also provide a technical assistance program that concentrates on the implementation of the recommendations with a view to achieving sustainability and self-reliance over the long term. We are very grateful that this approach has been informally adopted and urge that it become a formal part of future technical assistance schemes from the institutions to our part of the world. We are ready to assume our responsibilities on this basis, and we welcome the Bank's increased emphasis on the quality of its assistance to member countries.

We welcome the World Bank Group's renewed efforts to assist our region and are very grateful that the Bank has completed the economic and the various sector studies for our region. There remains a need to do similar studies in other important sectors, and we urge the Bank to undertake them as a matter of priority. The studies that we have now, such as those on the education and health sectors, contain urgent recommendations, and implementing them is one area where the Bank's technical assistance would be very beneficial.

The international outlook remains subdued, but, as others have noted, the industrial countries could do much for themselves, as well as for the rest of the world, by using what scope there is to reduce interest rates further. As small open economies, we are affected by what happens in the rest of the world. We have all benefited from the opening up of the world economy in the postwar period. The signs of renewed protectionism are therefore very disturbing. We are particularly concerned that the Uruguay Round has still not reached any conclusion. We believe that we can gain a lot from world trade that is free from unnecessary tariff and nontariff barriers. Most of us have few commodities for export and any restrictions will affect their competitiveness on the international market and will have a great impact on the returns we will receive. We can only hope that the parties concerned will "make the right choice" at the December meeting, which will be a fruitful one for all of us.

In conclusion, may I join the previous Governors in congratulating you on your appointment as Chairman of this year's Meetings and in wishing you very successful Meetings.

KOREA: JAE-HYONG HONG

Governor of the Bank and the Fund

Challenges for the World Economy

I would like to start my speech by drawing your attention to the four major challenges that the world economy is facing today.

First, the prospect of economic recovery in the industrial countries remains uncertain. This continuing recession has not only caused stagnation in the growth of world trade, but has also dampened the growth prospects for the world economy. The recession is a cause for particular concern because it might weaken the reform efforts in the countries in transition. We must also remember that protectionism usually emerges in such a time of recession.

Second, today's world economy is in turmoil with pressure from two opposite movements: progress toward globalization and free trade, on the one hand, and setbacks to regionalism and protectionism, on the other. Because there is still no sign of a successful conclusion to the Uruguay Round, some industrial countries may be more inclined to resort to bilateral arrangements to solve trade issues. Moreover, regional trade arrangements that claim to stand for trade liberalization appear to stand for contradictory messages.

Third, some industrially advanced countries appear to be restricting trade, claiming environmental reasons, or setting environmental standards too stringently for the developing countries. If these trends coalesce, a new type of protectionism will emerge that will reduce world trade and actually further aggravate environmental problems.

Fourth, in the course of their transition to market economies, the states of the former Soviet Union are still confronted with severe difficulties, such as price instability and output reductions.

How to Address These Challenges

Since the Second World War, the world has worked together to overcome the numerous economic challenges presented to it. I believe that today's challenges are equally surmountable. In this respect, I highly praise the Declaration on Cooperation for Sustained Global Expansion that was adopted last April and reaffirmed by the Interim Committee three days ago.

As for addressing these problems, let me begin by saying that the industrial countries should endeavor in the short term to boost their economies. In the medium term, they should substantially reduce their fiscal deficits, thus establishing a foundation for sustained world economic growth. In connection with these goals, I would like to commend highly the effort that the IMF has recently made to strengthen its surveillance over these developments.

Second, I strongly hope that the Uruguay Round will be concluded this year so as to secure free trade and help the recovery of the sluggish world economy. I believe that at this particular juncture an early agreement is more important than a perfect agreement.

Third, with respect to global environmental issues, I believe it is most important to recognize the problem from a transborder perspective. In addition, environmental matters should be addressed not through trade sanctions but through effective transfers of financial resources and technologies. On this occasion, I would like to praise the World Bank for its recent efforts to address such global environmental issues.

Fourth, for a successful transition to a market economy, the states of the former Soviet Union must endeavor to stabilize their current political and economic situation. Furthermore, continuous financial and technical assistance and the expansion of trade must be provided by the international community to bolster their reform efforts.

The Korean Economy

As for the Korean economy, Korea is making its best efforts to advance its economic system and to contribute to the efforts of the international community in overcoming the current challenges facing it.

Internally, the Government has stimulated the private sector through broad deregulation and, externally, has vigorously pursued internationalization and market opening, especially in the financial sector. In June, the comprehensive Financial Liberalization and Market Opening Plan was announced in close consultation with the Fund and the World Bank. Encompassed in the Plan are interest rate deregulation, transformation to an indirect monetary control system, and foreign exchange and capital account liberalization.

Furthermore, in August, a bold and sweeping implementation of the real name financial transaction system was introduced to root out financial irregularities in all sectors of the economy. Although the immediate effect of this system might be tough on the economy, Korea is willing to take strong medicine now for the sake of long-term benefits.

In expanding our market opening, Korea is actively taking part in recent discussions emerging in the Asia-Pacific region, and is planning to join the OECD by 1996. Joining the OECD, in particular, will provide momentum to liberalize capital movements, which will contribute to our economy's internationalization.

In regard to economic cooperation with the developing countries, Korea will further activate the Economic Development Cooperation Fund through substantial replenishments .

Moreover, an area of recently increasing concern has been the agenda for the global environment, an issue Korea has been addressing actively. Therefore, we plan to contribute to the Global Environment Facility, which will play a major role in tackling global environmental problems.

Concluding Remarks

Today's world economy is interlinked more than ever before, and this trend is expected only to increase. In this intricate web of economies, the economic success of one country at the sacrifice of another cannot be sustained, and one country's economic success indirectly raises the welfare of another. In this respect, I urge all member countries of the Bank and the Fund to resist the pressure of certain national interests and to join efforts in meeting the global challenges we are all facing today.

Last but not least, I would like to welcome the delegations from those countries that have newly joined the Bretton Woods institutions and express my deep gratitude to the Joint Secretariat and its staff for their fine arrangements of the Annual Meetings.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: KHAMXAY SOUPHANOUVONG

Governor of the Bank

The delegation of the Lao People's Democratic Republic is pleased and very honored to attend the forty-eighth joint Annual Meetings of the World

Bank Group and the International Monetary Fund. On behalf of the Government of the Lao People's Democratic Republic, we wish to convey warm greetings to the Chairman of these meetings, to the President of the World Bank Group, to the Managing Director of the Fund, and to the Governors and Delegates of all member countries. We join fellow Governors in welcoming new members of the two institutions. On this occasion, we would also like to thank the host country for its warm hospitality.

The 1993 Annual Meetings are being held at a time when the current global economic growth situation has been slower than expected. The prospect of the Uruguay Round remains uncertain. With the uneven growth among the regions, regional economic integration and formation of regional blocs have intensified. Such a situation has impeded the structural adjustment and exports of developing countries. In addition, the foreign debt of those countries has gradually increased. The gap between the rich and the poor countries is still growing. We hope that the industrial countries will demonstrate greater willingness to work for common development and to break expeditiously the deadlock of the Uruguay Round, so as to pave the way for a smooth development of world trade and revitalize the global economy.

We support the Bank's strategic priorities, especially on poverty reduction, human resources development, the use of natural resources, and environmental sustainability. However, recipients of International Development Association (IDA) assistance need uninterrupted support. IDA's performance over the last decades has indeed proved that its assistance to the low-income countries in their economic development is highly effective. Therefore, we strongly urge the World Bank and the donor countries to continue their efforts to speed up the ratification process for the Tenth Replenishment of IDA. We furthermore are looking forward to seeing a consensus on the ESAF issue.

We believe that investing in development is not solely for economic growth purposes, but overcoming poverty must be the overarching goal of economic development. In line with such an understanding, from now to the year 2000, while focusing on infrastructure investment and export development, the Lao Government has also explored larger investment projects to tap the huge potential in natural resources of the country's central region. First of all, we will focus during the next five to seven years on hydropower investment, which would be a big potential source of electricity for the neighborhood region. At the same time, to develop further trade activities, investment in infrastructure will also be made, for instance, transit roads from the Lao People's Democratic Republic to other countries in the region. To exploit efficiently natural resources, focus will moreover be put on agro-forestry processing investments. Another important concern of our Government is the protection of the environment, particularly the tropical forest, which might affect the utilization of the lower Mekong River basin. Our Government also views highly human resources development and the social sphere in order to improve the living conditions of the people.

The continued assistance of the World Bank and the Fund constitutes a significant source of funds for our country, and has actively contributed to the development and the economic reform in the Lao People's Democratic Republic. The implementation of structural and adjustment programs has indeed contributed to a preliminary success of economic reforms in our country. This has been illustrated by the increase in GNP of 7.2 percent in 1992, up from 4 percent during the previous year. The inflation rate is at present 7 percent, down from 76 percent at the end of 1989. Foreign exchange rates remain stable. The deficit of the balance of payments has also been reduced.

Apart from fundamental achievements attained on the macroeconomic front, the Lao Government has also paid attention to social security policy and social safety nets. In parallel with the administrative reform and retrenchment of civil servants, we have established measures to increase salaries of civil servants. We have also promoted the poor small producers in rural areas by providing them with reasonable financial support. Funds for social insurance and other allowance funds have also been created.

We agree with the report on adjustment experiences in low-income countries, which indicates that macroeconomic stability depends not only on economic reforms, but is also a function of the external environment, such as the favorable world economic climate, external finance support, and the expansion of external trade. We, therefore, call on industrial countries to provide flexible policy on trade toward developing countries, as well as the necessary funds.

In the future, we do hope that the World Bank and the Fund will continue to further provide financial support for our strategic socioeconomic development plan from now until the year 2000. We are ready to discuss lending programs with the World Bank for the period 1993–96 as well as the implementation of the ESAF arrangement with the Fund for the period 1993–95.

In line with the consistent policy of expanding foreign economic relations, we believe that international financial institutions, international organizations, and donor countries should continue to increase their cooperation by providing grant funds, concessional loans, and technical assistance and by promoting foreign investment and creating trade opportunities with our country.

In conclusion, we wish this meeting every success and are looking forward to increased support from the World Bank Group and the Fund.

LATVIA: OJARS KEHRIS

Governor of the Bank

(on behalf of the Joint Baltic Group)

I am very pleased to have this opportunity as the first representative from the Republic of Latvia, and as the second from the Joint Baltic Group, to address you on this important occasion. We are very grateful for the support of the international community in the struggle to regain our independence, as well as for the economic assistance we have received in the rebuilding process.

The transition from a centrally planned economy to a market economy requires structural changes. A natural consequence of these changes is that inefficient and unnecessary sectors decrease. This leads to a production decline. Yet, the extent of the decline in economic activity in the three countries in recent years may not be known by many of you. In 1990–92, according to World Bank statistics, the cumulative GDP decline in the former Soviet Union was a little less than 30 percent, but it was significantly greater in the three Baltic countries. In Latvia, the decline reached 49 percent, in Lithuania 47 percent, and in Estonia 34 percent. While many unproductive enterprises oriented to the Soviet system in all three countries have not yet been closed, and official unemployment statistics remain surprisingly low (although real rates may be as high as 10–20 percent), the standard of living for many people has plunged precipitously. There have been rapid increases in the cost of housing and basic utilities, the overall level of prices rising roughly tenfold in all three countries in 1992, which has impoverished most fixed-income recipients. In Latvia, for example, about one quarter of the population receives a monthly pension of 15 lats ($24 at the current exchange rate). Over the past two years, the average daily calorie intake in Latvia has fallen by approximately one thousand, possibly more for some of the elderly. This necessitates well-worked-out social safety net programs with special attention paid to differentiation and care targeted to the most needy. We look forward to sharing the World Bank's experience in assisting various nations across the world with the design of appropriate social security programs.

The most important precondition for the transition to a normal market economy is a successful macroeconomic stabilization program, involving control over the money supply process as well as governmental budgets. A great deal of progress in this area has taken place during the first two years of regained Baltic independence. The Estonian kroon (EEK) was introduced on June 20, 1992 in a modified currency board form, with a full backing of the monetary base by foreign exchange reserves at the rate of EEK 8=DM 1. Despite a dramatic decline in output, the fiscal accounts of general government recorded a surplus of 4.7 percent of GDP in 1991, and 1.7 percent in 1992. The Latvian ruble (LVR) was introduced as a supplementary and temporary currency on May 7, 1992, but the LVR became the only legal tender in Latvia as of July 20, 1992. While it traded at par with the Russian ruble initially, the monetary authorities in Latvia were quite successful in limiting the growth of the monetary base—much more so than in Russia. By the end of the year, 1 U.S. dollar was trading for 175–80 LVR in Riga, but for approximately 400 Russian rubles in Moscow. As inflationary pressures subsided, the Bank of Latvia introduced the new national currency, the lats, in March 1993, at a conversion ratio of Ls 1=LVR 200. Since the LVR had appreciated against the U.S. dollar in the first quarter, one lats was worth approximately $1.50 at the time of its introduction, but currently has appreciated a bit further ($1.60 in mid-September). Lithuania also introduced a temporary coupon (talonas) in May 1992, and made it the only legal tender in October 1992. On June 25, 1993, the litas was introduced, and the Lithuanian authorities have succeeded in stabilizing the exchange rate of the national currency against the U.S. dollar. Price liberalization, which we have largely completed, leads to large-scale inflation—over 1,000 percent for all three Baltic states. After this phase, inflation rates in all three countries have fallen below a two-digit monthly rate; this was achieved in all three countries by July. The three countries have chosen different paths to currency reform but have all been successful and now have practically convertible currencies.

In addition to tight monetary and fiscal policies, economic development requires institutional and structural reforms, primarily privatization and trade promotion. All Baltic countries have far-reaching privatization programs. Privatization in Lithuania is proceeding quite successfully—the privatization of the housing sector is actually completed; by the beginning of next year, over half of all agricultural land will belong to private owners, and about 40 percent of the state capital that is intended to be privatized has been transformed to private ownership. Quite a few entities have been auctioned to foreign investors; Philip Morris won the tender for Klaipeda State Tobacco Company and intends to invest about $40 million. Negotiations are taking place regarding the Audejas Stock Company, the Lietuva Hotel, and Kaunas Confectionery Joint Stock Company. Currently, there are 2,658 joint ventures and foreign capital enterprises registered in Lithuania. The first phase of the privatization program will be completed by August 1994. The Republic of Lithuania has received a loan from the World Bank in the amount of $60 million, of which approximately one half has been disbursed: $45 million has been allocated to the energy sector; $6 million to agriculture; and $6 million to health care. Cofinancing by the Japanese Ex-Im Bank has been approved. An IMF loan of $80.4 million is being used to form and maintain the hard currency reserve of Lithuania, and a $46 million loan for the energy sector from the European Bank for Reconstruction and Development has recently been approved. Projects under preparation include power rehabilitation, enterprise financial restructuring, the Klaipeda environment project, and agricultural and social sector projects.

In Estonia, the government is committed to restitute or compensate all owners of property in Estonia before 1940 (including their descendants). By February 1993, 211,000 restitution claims had been filed and only 9,400 had been settled. In August 1992, a comprehensive privatization bill was passed, and the Estonian Privatization Office was established. In November and December 1992, an auction of 38 large enterprises was widely advertised internationally, and some 110 bids were received by December 22, 1992. However, some legal issues regarding restitution claims and liabilities had not been resolved, and the evaluation of the bids took longer than initially envisaged. In June 1993, a revised version was enacted, and the Estonian Privatization Agency is working to resolve the remaining issues. In 1993, approximately 100 large enterprises are currently being offered for bids, accounting for more than 20 percent of all state firms. A World Bank rehabilitation loan of $30 million is providing finance for imports in the energy, agriculture, transport, and health sectors. Additional financing by the Japanese Ex-Im Bank has been agreed upon. Projects under preparation include district heating/conservation (mainly in Talinn, Tartu, and Parnu), enterprise financial restructuring, agriculture sector reform, health, and the Haapsalu and Matsalu Bays Environment Project.

In Latvia, privatization in trade, services, and agriculture has been proceeding quite rapidly, although restitution issues are also a problem. Large state enterprises are being managed by a special privatization fund, and a voucher-certificate program is presently being created. In early 1992, the Government prepared an initial list of about 50 priority investment projects to be financed directly, by government-guaranteed foreign credits, or by joint ventures. To date, foreign private investments have been modest. A $45 million rehabilitation loan from the World Bank became effective in October 1992, with grant financing of advisors by the Government of Sweden. Cofinancing by the Japanese Ex-Im Bank is under consideration. About half of this amount has been committed, and about one third has been disbursed. A somewhat larger amount (ECU 40 million) from the Group of Twenty-Four countries is currently being allocated, along with a 30.8 million ECU loan for the energy sector. Various donor country governments operate bilateral assistance programs, and several drawings totaling SDR 54.9 million have been made against Latvia's IMF tranche. Projects under preparation cover agriculture, district heating and power rehabilitation, social protection, enterprise financial restructuring, and the Liepaja Environment Project.

The three Baltic countries are now completing their first stand-by arrangements with the Fund and have met the criteria established to make all drawings under the new arrangements. Furthermore, follow-up programs for the next 18 months are practically in place for all three. Technical assistance and policy advice provided to them over the past year has been invaluable.

Previously, 90–95 percent of trade from the Baltic states was controlled through Moscow. Of course, this has changed now. During the past two years, the percentage of total exports going to Western markets has risen significantly. The three Baltic countries are extending efforts to develop regional cooperation. A significant step in this direction was the signing of the free trade agreement on September 13. Special work groups have been formed to develop agricultural product market cooperation and cooperation in the field of energy. Energy policy is an example of possible World Bank assistance extended to a mutually coordinated Baltic project.

Nevertheless, the population of all three Baltic countries together represents a mere 9 million and the internal regional markets are thus small. We do have free trade agreements with individual countries of the European Free Trade Association, but still many countries impose large trade barriers to our products. We appreciate the assistance of the international community and gratefully look forward to further economic, and especially technical, assistance. We welcome international investment, for which we are committed to providing a hospitable environment so that the many investment opportunities in the Baltics can be explored without hesitation by international investors. But primarily, the assistance we need most is the opportunity to help ourselves by freely competing with our products and services.

We, the three Baltic countries, have as a goal integration with the Common Market and Western economic structures and expansion of our trade relations with the developing nations. We also wish to preserve good and mutually beneficial trade relations with Russia and the countries of the former Soviet Union. This goal is hampered by the presence of Russian troops on our national territories. We salute the departure of the Russian armed forces from Lithuania and look forward to their withdrawal from Estonia and Latvia as well. This is an urgent matter, and we believe it is in the interests of the entire world community.

The Baltic nations look forward to a brighter future with confidence and express their sincere gratitude for the support of the international community.

LEBANON: FUAD A. B. SINIORA

Governor of the Bank

It is indeed an honor and a great pleasure to address you today on behalf of Lebanon, a country that has suffered devastating and dehumanizing wars on its soil, but succeeded, through the tenacity and perseverance of its people, in resurrecting itself and joining, once again, the peaceful nations of this world. Today our people are bound more than ever to their independence and democratic institutions and are firmly committed to the concept of coexistence and collective living, as well as to a comprehensive, just, and lasting peace in the Middle East.

Lebanon, since its independence in 1943, has always assumed a leading role in the Arab world as it evolved into the business, financial, and tourist center of the region. The advanced educational system and the strong connection with the West bestowed on Lebanon a comparative advantage as an indispensable intermediary between Arab countries and the rest of the world.

However, it is Lebanon's misfortune that the regional political problems occurring during the early 1970s were manifested in the internal web of the country. Consequently, between 1975 and 1990, as the world progressed, Lebanon suffered from instability and violent conflict. War damage to infrastructure and physical assets is estimated at $25 billion, with none of the principal sectors emerging from the war unscathed. As a result of these wars, effective control over the budget was lacking, particularly from the mid-1980s onward, which entailed spiraling domestic demand pressures and inflation together with rapid and sustained depreciation of the Lebanese pound. Most significantly, and to the dismay of all Lebanese and many of our friends in the international community, a distorted image of Lebanon was projected to the world, and the word "Lebanization" entered the English vocabulary.

Fortunately, the basis for a peaceful settlement to the conflict was provided by the 1989 Taif Accord for national reconciliation. Since then, the Government's most important accomplishment has been the restoration and enhancement of the internal political and security stability in the country. The Lebanese security forces are once more reunited, and the militia groups have been successfully dissolved and disarmed. At last, law and order have been re-established.

The restoration of peace and security and the formation of a new and credible government in October 1992, following the first parliamentary elections in almost twenty years, fostered renewed confidence, especially since the country began to operate as a coherent state. Nonetheless, as you are all aware, a legacy of 17 years of war and macroeconomic imbalances poses an extremely daunting challenge that requires clarity of mind and purpose, a strong commitment, and stubborn perseverance. In this regard, the Lebanese Government is firmly committed to the reconstruction and rehabilitation of the Lebanese economy with particular emphasis on infrastructural development.

Upon taking office the present Government succeeded in restoring a sense of confidence in the economic management of the country and in the Lebanese pound, as the cycle of exchange rate depreciation and inflation was broken. This was reflected in the sizable inflow of capital and, more specifically, in the appreciation of the Lebanese pound.

While welcoming these positive economic developments, we recognize fully that these gains need to be consolidated and built upon so as to ensure their sustainability. With this in mind, the present Government adopted several measures aimed at containing and reducing the drain on public resources through public expenditure control and enhancement of revenue collection. To date, the results of these efforts have been very encouraging.

In framing fiscal policy, however, the Government is striving to achieve a delicate balance between deficit reduction and the preservation of price and exchange rate stability on the one hand and the regeneration of economic activity on the other. It is thus preparing a reconstruction and public investment program that, over a ten-year period, will require about $10 billion. This program represents our vision for the future and aims at rehabilitating and expanding the destroyed infrastructure and productive capacity so as to enable Lebanon to regain and build upon its previous role in the region. Currently we are focusing on an initial three-year investment program that will begin to lay the foundations of a smooth-functioning economy.

Indeed, we recognize fully that the objective of restoring economic prosperity and achieving rapid and sustained economic growth hinges, crucially, on our ability to mobilize private sector resources, both Lebanese and international, toward domestic private investment. In this context it is essential to recall that despite many years of successive wars on Lebanese soil, Lebanon has never wavered from meeting its obligations and honoring its external commitments. Most significantly, Lebanon has retained the sanctity of its liberal and free economic system characterized by an open trade and exchange system, full currency convertibility, a highly deregulated production structure, and sacrosanct respect for private property.

In sum, we in Lebanon have placed our hopes on the abilities of our people both at home and abroad and the capabilities of our private institutions to shoulder the main burden of rebuilding our country. However, the needs that have evolved over a long period of chaos are far greater than what we can hope to mobilize from the Lebanese alone. Consequently, we look to our friends in the international community to support and assist us in overcoming the daunting challenge confronting us. History has taught us that it is only through the collective mobilization of internal and external resources and support that a country torn by war can hope to rebuild. Here, I note with appreciation the statement made on behalf of the Arab Governors of the World Bank and the International Monetary Fund and by the Ministers of the Group of Twenty-Four on International Monetary Affairs calling on the international financial community to support Lebanon's reconstruction and rehabilitation efforts.

Today, as we awake from our prolonged nightmare, we observe sadly that the process of fragmentation, disintegration and destruction has spread throughout many parts of the world. To all the people that are suffering this undeserved plight, let me assure you that the Lebanese understand fully what you are going through and sympathize greatly with your current misfortune. However, we in Lebanon also know that the will of life ultimately triumphs over wars and that nations fragmented by conflicts emerge stronger, unanimous, and more capable of rebuilding. Through our own efforts in Lebanon, as well as through the assistance of the international financial community, let us all hope that the word Lebanization will from now on be used to describe reintegration, coexistence, and nation building.

SOCIALIST PEOPLE'S LYBIAN ARAB JAMAHIRIYA: MOHAMED A. BAIT EL MAL

Governor of the Bank

On behalf of the delegation of the Great Jamahiriya, I am pleased to congratulate you, Mr. Chairman, on your selection to preside over the Board of Governors this year. I would also like to convey my best wishes for your success in chairing these meetings and attaining positive results that will be of benefit to all peoples of the world through the various programs and policies implemented by the Bretton Woods institutions. It is also my pleasure to welcome the new members of the Bank and the Fund.

The world economy is still weak, and no improvement is expected before 1994. This is due, in particular, to weak growth rates in the industrial countries, attributable to their economic policies and the lack of policy coordination among them, and to the budget deficits in some industrial countries and the policies pursued to address them. As a result, the developing countries have been, to a great extent, adversely affected; although some of them have achieved reasonable growth rates, their standards of living have deteriorated, especially in Africa.

The policies followed by the industrial countries have an impact on all countries of the world, especially on developing countries. It is, therefore, necessary for the former to reconsider their policy stance in order to achieve reasonable growth rates that could have a positive impact on developing countries and on the economic prosperity of the world. In this regard, the role of the IMF in the policy coordination process among industrial countries and in the monitoring of their economic indicators is to be emphasized.

We pointed out at the 1992 Annual Meetings the adverse effects of the industrial countries' trade barriers affecting exports from developing countries, and the serious consequences thereof, leading to sharp decreases in the developing countries' foreign exchange revenues and to the loss of valuable resources for their economies. This, in turn, has led to a deterioration in their economic and social development programs, and to an increase in their external indebtedness. Moreover, these barriers have been intensified through taxes and fees on imports from developing countries, as evidenced by attempts to levy a so-called carbon tax.

The Libyan delegation would like once again to point out the adverse effects of such policies, which harm not only the developing countries but also the industrial countries themselves. In our view, these barriers to world trade should be eliminated, including the proposed taxation of oil imports by industrial countries. We also urge these countries to open their markets to exports from developing countries, in particular to raw materials, in order to achieve an integrated world economy and the prosperity of all countries. In this regard, it is essential to reach an early conclusion of the Uruguay Round.

The development of the international trade and payments system requires an increase in international liquidity. The Libyan delegation therefore affirms the crucial importance of a new SDR allocation and urges the opposing countries to align themselves on this issue with the majority of Fund members. We support the proposal by the Managing Director to allocate SDR 36 billion for the period 1992–96, and that the distribution of these reserves should be reconsidered, taking into account the interests of the developing countries, including those of Eastern Europe.

The Arab people of the Jamahiriya are still suffering from coercive measures imposed by the UN Security Council in the context of the so-called

Lockerbie crisis, and from other measures previously imposed by a superpower, resulting in an economic blockade of the Great Jamahiriya since 1986. The coercive measures imposed by the UN Security Council include an embargo on air travel to and from the Jamahiriya, which has had serious adverse effects on all activities in Libya. Among these are the following:

1. On the human level:

—It has been impossible to deal with some 8,525 cases of serious diseases that cannot be locally treated: heart disease, kidney transplants, detached retinas, brain surgery and neurosurgery, bone marrow transplants, and various forms of cancer.

—Among these serious cases, 230 people have died during overland travel to airports in neighboring countries.

—Roughly 200 infants and more than 50 mothers have died in childbirth, a problem attributable to delays in receiving specific drugs imported by special order.

—Difficulties and complications in receiving and stocking all kinds of serums, vaccines, blood products, and materials used in testing for the AIDS virus, all of which require deep-freezing during transportation.

—The death of 157 persons in the crash of a domestic Libyan flight, resulting from the lack of spare parts.

2. On the economic level:

Implementation of the air embargo has severely damaged the Libyan economy. The losses incurred by the various economic sectors are estimated at about $2.4 billion, affecting mainly agriculture, livestock, transportation, and communications.

The pressures exerted by some major countries on the Jamahiriya through the Security Council, in the context of the so-called Lockerbie issue, is nothing but a case of the Security Council applying a double standard to some countries, including the Jamahiriya. But the Jamahiriya has never threatened world peace and security, and indeed unwilling and unable to do so. Libya is a small developing country endeavoring to develop its economy and use its resources for development purposes, in addition to supporting and providing loans to friendly and Arab countries for the same purposes. It is noteworthy that the Jamahiriya's lending to 36 countries has totaled $3.5 billion, despite the fact that these resources are needed domestically for development projects.

The Great Jamahiriya has indicated its readiness to cooperate with the Secretary-General of the United Nations and other parties to implement Security Council Resolution 731. However, this offer has been rejected by those who now seek to force an escalation and to impose additional sanctions. In fact, those parties are threatening the international community; they would take unilateral action, and reach oppressive decisions, in the event the Security Council and the United Nations failed to respond to their wishes. On the other hand, many popular, governmental, regional, and international organizations are calling upon the United Nations to repeal the sanctions imposed upon the Jamahiriya and to resolve the conflict through dialogue and cooperation.

The threat to apply economic and financial sanctions against the Jamahiriya and to freeze its reserve funds is a clear violation of the IMF Articles of Agreement, which prohibit member states from taking any restrictive measures that impede international payments and the normal flow of goods and services, especially when the currency of the country or countries taking or requesting such restrictive measures is an international reserve currency.

The draft resolution that those countries intend to submit to the Security Council is, in fact, overwhelming evidence of their disrespect for international law, conventions, and traditions. Regarding financial matters, the draft resolution calls for a freezing of all funds and other financial assets directly or indirectly owned or administered by the Libyan Government, or by Libyan public authorities or any other Libyan entity. The resolution's purpose is to ensure that no funds or other financial assets can be disposed of, directly or indirectly, by Libyan nationals or residents, including any commercial or industrial undertaking or any public project directly or indirectly owned or operated by the Libyan Government or public authorities, or any other entity owned or supervised by the Libyan Government, or any person known to be a representative of the Libyan Government. Furthermore, these countries states have gone too far in violating basic human rights, which they claim to advocate and support, and which they have endorsed in the past. If adopted, the draft resolution's eighth paragraph would call upon all countries to take the necessary steps to bar any claim by the Libyan Government or public authorities, or by a Libyan national or any other Libyan entity, or by any person acting as an intermediary in respect of any contract, transaction, or commercial operation impaired pursuant to the measures imposed by the resolution or related resolutions. Is this the justice, or the human rights, protected by the international community as represented by the United Nations and its institutions?

By a 1986 Executive Order, the United States froze all Libyan financial assets within its territory. However, it did not succeed in imposing its will on other countries, or even on the subsidiaries of its own corporations and banks abroad. On the contrary, the international financial community refused to adhere to this unlawful decision, and the courts have refused to take any action of the kind. As a result, Libya's financial assets remained intact all over the world.

Now the United States, supported by the United Kingdom and France—whose courts and other institutions have refused to go along with the unilateral U.S. decision—is again seeking through the Security Council to force the international community and financial institutions to go along with the unilateral step taken by Executive Order in 1986. The draft resolution before the Security Council does not affect U.S. financial institutions and interests;

rather, it fosters them, and threatens international financial institutions and interests, subjecting them to the foreign policy of a single country. To a great extent, the draft resolution is the opposite of international cooperation: it complicates financial procedures, is an impediment to financial flows and transactions, and imposes on individual countries resolutions that they did not approve.

Such a course of action is unacceptable. It behooves financial institutions to voice their opinions on this issue and to oppose this draft resolution, or even its consideration. The countries in question should resolve their conflicts with the Jamahiriya within the framework of the United Nations Charter, i.e., through negotiation and intermediation and ultimately through the International Court of Justice.

Individual actions should meet with individual punishment or reward. Political actions should be restricted, in their effect, to the political arena, while legal matters should be decided by the International Court of Justice. But financial matters and the free exchange of funds and goods should be dealt with separately.

The people of the Great Jamahiriya appeal to you to take the appropriate measures to resolve the economic, financial, and monetary problems which beset us and other peoples as well. These problems must be solved in order to achieve the security and prosperity of all peoples the world over, and to overcome poverty, illiteracy, and disease.

MALAYSIA: ANWAR IBRAHIM
Governor of the Bank and the Fund

When we met here last year, the world economy was under the long shadow of recession. Although there were expectations—robust economic growth in East Asia and a mild recovery in the United States—these had been offset by the worsening situation in some countries belonging to the Organization for Economic Cooperation and Development. Indeed, notwithstanding the problems of the developing countries, the main responsibility for strengthening world economic growth now lies with the industrial countries. As long as the industrial countries fail to pursue more balanced macroeconomic policies, they will be a major destabilizing force in the world economy.

Economic recession has raised the specter of unprecedentedly massive unemployment in the industrial countries. Such extensive unemployment will be a fertile ground for growing protectionist interests, racism, and strong anti-foreign sentiments. We are, therefore, anxious to see the Group of Seven implement speedily and effectively the pledges they have made to increase macroeconomic policy coordination among themselves to expedite economic recovery.

It has been recognized that the resilience of the East Asian economies in adopting appropriate macroeconomic adjustment measures—privatization and general economic reforms—has been the foundation for sustaining economic growth with stability. Implementing these structural adjustment measures and appropriate macroeconomic stabilization policies requires some degree of persistence and courage.

The conclusion of the Uruguay Round of multilateral negotiations to liberalize trade is essential for the growth of the world economy and crucial for the development process in the South. We all hope that the Uruguay Round will be concluded by the end of this year and not delayed by any insistence on additions or changes in the draft agreement.

Many middle- and low-income countries that are making slow progress in their development efforts require not only markets for their exports but also continued support from the international community, in terms of financial and technical assistance and the transfer of technology. We, therefore, welcome the establishment, earlier this year, of the systemic transformation facility to help the urgent needs of countries in transition. While this effort is commendable, the International Monetary Fund must ensure that the facility is also extended to all member countries experiencing similar difficulties. Equal opportunity for access to this facility should be the guiding principle.

We are also pleased to note the progress made toward resolving the debt problems of middle-income countries following the implementation of structural adjustment and reform programs, with the support of the Fund and the World Bank. However, we are concerned that the debt situations of many low-income and a number of lower-middle-income countries remain severe, despite concessional rescheduling terms offered by their creditors. We suggest that the terms be made more flexible, according to the debtor's capacity to pay. Creditors should also provide further debt reduction to a number of countries to help reduce their debt payments to manageable levels.

During the last year there was a net increase in resource flows, much of which constituted private flows. However, these flows were concentrated among a small number of countries. The budget cuts from donor countries resulted in the reduction of official development assistance, which is now stagnating at a level well below the internationally agreed target of 0.7 percent of donor GNP. Yet the necessity for aid is now greater than ever before. We hope all members strongly support the speedy ratification of the Tenth Replenishment of the International Development Association. We are also equally concerned over the decision by the Fund to adopt the purchasing power parity (PPP) concept for the purpose of aggregating individual country output. No developing country deserving of financial assistance should be disqualified simply on the basis of PPP income. We, therefore, urge greater transparency in the use of the PPP concept.

Ensuring the success and improving the development impact of the Bank's current projects and loans is as important as giving out new facilities. Thus, I would like to congratulate the Bank, and in particular its President, for initiating the bold actions called for by the Wapenhans Report to improve the effectiveness of the Bank portfolio management and to ensure greater accountability by the Bank.

The Bank has continued to play a very important role in supporting developing countries moving toward market-oriented economies. The Bank is again called to play its part for the people of Palestine and South Africa. With respect to Palestine, we need to translate the peace agreement into a framework that would fulfill the hopes, ideals, and aspirations of the Palestinian people.

We support the call for a successor to the enhanced structural adjustment facility (ESAF). The continuing need for the Fund's concessional financing is clearly evident, not only to sustain ongoing programs under ESAF, but also to support new reform efforts of low-income countries that have yet to benefit from ESAF and are currently in arrears to the Fund.

Finally, we also support the call for a modest allocation of SDRs during the remainder of the Sixth Basic Period and a post-allocation redistribution of SDRs. This is to enable low-income developing countries to reach appropriate levels of international reserves to meet their liquidity requirements. Such an allocation will not be inflationary but will facilitate the structural adjustment being undertaken by many developing countries.

No one should dispute our common resolve to achieve democracy, honor human rights, and protect the environment. But what is resented is a condescending approach to some countries preaching these ideals as a new kind of theology. We have also to accept the need to enhance and translate these ideals in all societies. But we have to accept a multitude of social, economic, and political problems encountered by different countries with equal urgency. The extent of the resentment among many developing countries is shown by the continuing debates on aid conditionality and structural adjustment, which are viewed as an attempt to impose a set of new beliefs. Some degree of flexibility is surely required in the design and timing of the implementation of adjustment policies. Similarly, countries should not feel inhibited from expressing their views because of their near total dependence on the Fund and the World Bank.

Our concern with economic growth should not, however, lead us to forget that there is a deep-seated and abiding human concern with equity. Growth with equity can ensure the stability that we are all striving for. Our concern with growth must, therefore, be matched with a continuing concern with justice.

FEDERATED STATES OF MICRONESIA: ALOYSIUS J. TUUTH

Governor of the Bank

The delegation from the Federated States of Micronesia is very proud to be here with you today to attend our very first joint Annual Meetings as full members. Even though the place of Micronesia in the global community of development finance is quite modest, we're pleased to note that the chairs for our delegates are the same size as those for other member countries. Apparently they are not affected by SDR quota calculations.

It is a distinct honor to convey my country's sincere appreciation for that full measure of devotion provided by so many among you who have labored to make the Fund and the World Bank Group what they are today.

Many of our wisest leaders in Micronesia adopted a cautious approach to the membership process. Now that it is completed, our nation's IMF and World Bank memberships have been transformed from a ten year old dream to a reality.

The Federated States of Micronesia is a large country—somewhat larger than India—but with the ratio of land to water reversed!

It is north of the equator, so while we're on the best of terms with our neighboring South Pacific island nations, a more accurate geographical label for us is central Pacific. In fact, Micronesia is very central, being roughly equidistant from Honolulu, Tokyo, Hong Kong, and Sydney.

For those of you who have never seen Micronesia, please accept this as my personal invitation. Please come and visit.

Micronesians are a friendly people—some say the second friendliest on earth. We always have a smile for you, whether you're "just passing through", or have come for a nice long rest.

Recently, Argentina established diplomatic relations with the Federated States of Micronesia, bringing the list to 37 nations. Ambassadors from the Commonwealth of Australia, the People's Republic of China, and, of course, the United States are in residence.

Literacy rates approach 90 percent for both men and women, and our population is bilingual. English is the second, but single most widely understood, language.

As a developing nation, we still suffer from an unfavorable balance of trade, so we look forward to working with other member nations of these august financial institutions to improve our export position at the earliest possible date. As for fiscal management, you may be interested to know that the Micronesian Government always balances its budget. As a matter of law, a deficit is not permitted.

Yet life in Micronesia is not completely worry free. We worry about energy prices. We worry about spending our development money wisely. We worry that we may have too many people working in government.

Like any nation we dream of having a self-reliant and self-sustaining economy. As we learn more about the kinds of assistance that the Fund and the World Bank Group can provide, our belief that such a dream is achievable is reinforced. Nor do the policy reform ideas go unnoticed.

Micronesia's economic assistance relationship with the United States is undergoing adjustment. Assistance is being phased out before our market economy is fully phased in. Privatization efforts are under active consideration, and we know we will need better infrastructure to support the growth potential of our private sector. We are hopeful that better education and health services will, in time, produce an educated and healthy labor force.

We know we have a lot to learn, and much to improve, and we are probably going to make many of the same mistakes that some have made before us. With the assistance and guidance of the Fund and the World Bank Group, perhaps we won't have to repeat every last one of them.

NEPAL: MAHESH ACHARYA

Governor of the Bank

It is indeed an honor and privilege for me to represent Nepal at the Annual Meetings of the World Bank Group and the International Monetary Fund. I wish to join the previous speakers in extending a warm welcome to our new members and look forward to a flourishing partnership with them.

A year has passed since our last meetings in Washington, but the much-awaited economic recovery among industrial countries remains weak and clouded. The anemic recovery and subdued demand in the major industrial countries are having adverse effects on the economies of the developing countries at a time when many of them are implementing far-reaching structural adjustment policy.

Countries that have embarked on economic changes are keen to see a strengthened multilateral trading system. But factors beyond their control appear to be hindering the realization of this dream. Therefore, the Uruguay Round negotiations of the General Agreement on Tariffs and Trade (GATT) should be completed as soon as possible. Failure of this could mean deterioration in the global trading system resulting to a growing tide of protectionism that could ultimately derail the reform process in developing countries.

Since the last Bank and Fund Annual Meetings, Nepal has taken several restructuring and adjustment measures. Great strides have been made in the macroeconomic policy regime. The Government has been successful in giving the economy a new dimension with fundamental changes in the macroeconomic environment. We are committed to establishing a market-based economy. We have adopted industrial policy that encourages private sector investment. Trade and tariff policies have been fully liberalized. The financial sector has been relieved of the burden of state control. A comprehensive tax reform agenda has been initiated, and vigorous steps are being taken to improve public expenditure.

The dual exchange rate system has been unified, full convertibility has been introduced in the current account, import licensing has been abolished, and the privatization of public enterprises has been proceeding rapidly. Three state-owned enterprises have already been privatized, and many more are slated for privatization this year. To expedite this process, a privatization bill has been passed by the Parliament. The domestic airline market has been deregulated, and a number of new private financial institutions have just been born. In addition, the downsizing of the public sector bureaucracy has been followed by a new legal framework to bolster the confidence of the civil service and improve bureaucratic performance. The Government is continuing to urge the private sector to assume more responsibility in the task of nation building, and the confidence level of the business community has been greatly elevated.

These reform efforts have started bearing fruit. Inflation is down to a single digit. External sector exports have increased, and the current account deficit has declined significantly, resulting in a favorable balance of payments.

Despite these achievements, our work is far from done. The majority of our population lives in abject poverty, and it is incumbent on us to pursue poverty-alleviation measures that will raise their living standards. In this context, we believe that investments, especially in the social sector, are essential. We have therefore begun the prioritization of development projects to ensure adequate resources to core and social sector projects. We believe that investment in health, education, and rural infrastructure will pay off in the longer term, even though initially it requires substantial investment of a recurrent nature.

Although we have embarked on the path of reform and effective public resource management, it is imperative for us to check government profligacy. At the same time, we should not forget that developing countries suffer from the inbuilt profligacy of the wrong project design. There are examples of past investments in development projects that turned out to be unsustainable, wasting scarce resources and casting doubt on the seriousness of such efforts. This is an issue that needs careful attention from all sides. Regarding technical assistance also, it is time to develop a new paradigm that is acceptable to all.

We have to move from a world of donor-driven technical assistance to one that is driven by demand in the spirit of our philosophy of market orientation. In this context, the Bank needs to listen to and examine the merits of indigenous ways of managing and restructuring institutions. Without such preparedness on the part of the Bank and other donors, the issue of sustainability will remain as it is today—fraught with difficulties and devoid of substance. I would therefore like to urge the Bank to pay increasing attention to the sustainability of projects, improved quality in project design, and implementation.

The attainment of our development goal, however, is severely limited by the shortage of power in the country. This explains the Government's decision to proceed with a major hydroelectric project in the Arun River valley that is capable of transforming our development prospects. The construction period presents a number of macroeconomic and administrative challenges for which the continued close cooperation and involvement of the Bank and the Fund to ensure a coherent macroeconomic framework are welcome.

The economic adjustment programs that we initiated have evolved gradually. We have now moved beyond the issues of stabilization and fiscal balance to an agenda on sectoral policies consistent with our macroeconomic framework. At this juncture, we feel that the foundation for reform has been laid, and our focus should be on the pace of change—a pace that needs to conform with the socioeconomic environment of the country.

We are committed to economic reform, but the reform process involves adjustments—economic, social, and political—that need to be viewed with pragmatism. Times are hard for the people of Nepal, and economic adjustments are never very easy or politically palatable. We ask that you recognize these constraints and assist us in creating social safety nets that will allow the reform process to be sustained. The process of economic reform often reminds me of going through a dark tunnel: we want to ensure that the tunnel effect does not become part of our social psyche and that the light of hope and optimism does appear at the end of the tunnel.

Try as we may to pursue this effort at nation building, there are situations that leave us helpless. In July 1993, Nepal experienced devastating floods and landslides that caused the loss of over a thousand lives and left many people homeless. In addition, there was severe damage to major crops as well as to infrastructure, in particular, to a key hydroelectric facility, irrigation facilities, important roads, and bridges. During this time of natural calamity, friendly countries and international communities extended their full support to us. I take this opportunity to express my sincere appreciation and gratitude to all of them for the generous help accorded to Nepal during these difficult times.

This natural catastrophe, however, will not derail our reforms. We intend to rehabilitate infrastructure over time, within an overall framework of fiscal and monetary prudence. Our overall economic objectives and strategy will remain unaltered, and the comprehensive structural reform program will continue.

Finally, I extend our sincere appreciation to the Bank and the Fund and to their staffs for their continuing support of our development efforts.

NETHERLANDS: WIM KOK

Governor of the Bank

The world faces huge challenges. Mounting unemployment, strained international trade relations, continuing poverty in low-income countries and stagnating reforms in some countries in transition are the most urgent issues to be resolved.

A common strategy to create the conditions for sustainable development, growth, and employment needs three pillars: first, cooperation and policy coordination between all countries in a multilateral setting; second, a stable macroeconomic framework to bolster confidence and reduce uncertainty; and third, structural adjustment to make it easier to absorb shocks, even those of a monetary nature.

Macroeconomic stability requires a return to fiscal health. Current budgetary trends—particularly in most countries of Europe—are unsustainable. If we want to create a strong basis for a lasting reduction of real long-term interest rates, a reduction of debts and deficits is indispensable.

The need for sound budgets is all the greater because of future pension liabilities and environmental burdens. If adjustment policies are neglected, the burden will be shifted to future generations. Now that many developing countries and countries in transition are faced with the need for environmentally sustainable development, industrial countries should stand ready to support this process through bilateral and multilateral aid programs. A successful completion of the negotiations on the replenishment and institutional restructuring of the Global Environment Fund is essential. Environmental sustainability may never be regarded as a luxury that we cannot afford. It is the lack of sustainability that we cannot afford.

A shift of taxation from labor to the use of depletable resources and polluting activities would contribute to attaining sustainability. Welcome side effects would be a higher demand for labor and a stimulus for innovation. International agreement on the introduction of a CO_2/energy tax, as being considered within the European Community (EC), would be an important step forward.

The rise in unemployment is a threat to economic and social stability and a waste of human resources. Powerful and combined efforts are needed to stop this process. In the EC, a so-called White Paper on employment growth and competitiveness is being prepared. The first main element is a bold investment program: a shift from consumption to investment in infrastructure and environment. The second is education and training. The third is a better functioning of the labor market to increase job opportunities, especially for newcomers and lower-skilled workers. In addition, there is a need for a restructuring of social security mechanisms to focus better on the people who are most in need.

Within the EC, conditions must be created for a credible return to exchange rate stability. We have learned again that it is not easy to maintain exchange rate stability, certainly not with differences in cyclical position and fiscal imbalances. But it is certainly possible, provided the right attitude and the will to stick to the rules of the game are there.

It is clear that trade is an engine for growth, employment, and development. It fuels innovation and productivity. Focusing on sectional interests and bilateral imbalances risks a downward slide into managed trade and a loss of prosperity. The Uruguay Round is now in its final stages. A failure would mark the decline of the multilateral trade system. History would not look kindly on us. The negotiations should be pursued with maximum dedication. All efforts should be focused on bringing this Round to a successful conclusion. The joint statement of Messrs. Camdessus, Preston, and Sutherland should be endorsed by all of us.

Courageous structural measures, including market opening, have been implemented by a growing number of developing countries. For the group as a whole the results are impressive. Their continued rapid economic expansion highlights their crucial contribution to global economic prosperity. Successful developing countries have invested in human resources, achieved macroeconomic stability, and allowed market forces to play their part. High rates of domestic saving have proved to be of cardinal importance. We urge the international financial institutions to deepen their understanding of the impact of these processes on poverty, employment, and the environment.

Many heavily indebted low-income countries still face enormous economic and social hardship. Adequate support from the International Monetary Fund and the World Bank remains essential. The Netherlands favors an ESAF successor and is willing to contribute to the interest subsidy account. In the poorest countries, undiminished concessional assistance is needed. The budgetary problems of the industrial countries do not justify cutting back on crucial international transfers. I wholeheartedly welcome the enhanced concessions by the Paris Club, as well as the exit arrangement for countries that have properly implemented IMF programs and Paris Club arrangements.

The developing countries themselves have the responsibility to create the framework in which stabilization and structural adjustment programs can take hold. Externally imposed conditionality cannot substitute for this. Good governance is both a precondition for and an integral element of successful adjustment. The lack of basic health services for vast parts of the population is a structural bottleneck. Governments of many developing countries should be aware of the fact that the future of their country depends on the health, education, and participation of all people, not only of the happy few.

The key role for structural reforms, particularly the restructuring and privatization of state-owned enterprises, is also apparent in the countries in transition. Governments have an important part to play: they must create the framework for fair competition and provide social safety nets and social services such as education and health care. The vigorous pursuit of reform by the countries themselves is crucial to success. The international community must play its part by opening its markets and by providing technical and financial support.

Major political developments give us hope for the future. First: the historic peace agreement between Israel and the PLO. The partners themselves face a major challenge now, but the donor community should step in generously. The World Bank with its unrivaled experience should play the leading role in coordinating the efforts to support development and prosperity in the region. Second: the process toward real democracy and freedom in South Africa. We applaud the progress being made in the process of constitutional reform and democratization. Opening up within will lead to a reopening of the rest of the world to South Africa itself.

All together there is reason for hope, but we have a heavy agenda for the coming years: bringing rising structural unemployment to a halt, strengthening cooperation in a multilateral setting, and concluding the most ambitious trade agreement ever. Let us do what we can—each of us—to make decisive progress on these counts as a forceful contribution to sustainability, development, social justice, and our common future in one world.

NEW ZEALAND: MURRAY J. HORN

Governor of the Bank

Over the past two years, the poor performance of the international economy has highlighted the fundamental necessity of maintaining good rates of economic growth. Indeed, one of the most important lessons from our recent experience is the need for governments and international agencies to be committed to the development and enhancement of conditions for sustainable economic growth.

Growth is a necessary condition for ensuring greater economic security, in terms both of raising incomes and improving employment opportunities. In the current global environment, it is also timely to remember that strong growth makes it easier to maintain the momentum for greater economic openness; domestic policy reform; and economic, social, and environmental development. In this sense, it is self-reinforcing. That is not to say that the reforms necessary to secure growth should await favorable world trading conditions; they should not.

These are issues that New Zealand has, unavoidably, had to confront in a very direct way. After decades of poor performance, we were simply left with very few alternatives other than comprehensive policy reform. Just ten years ago we were probably the most overregulated and underperforming economy in the Organization for Economic Cooperation and Development (OECD). Our experience offers some salient lessons for other economies.

The first lesson is that establishing an environment conducive to growth has entailed two distinct phases. The first of these was macroeconomic stabilization and a dramatic liberalization of product, labor, and capital markets. The necessity and motivation for these reforms will no doubt be well understood. However, it needs to be emphasized that "one-off" liberalization is not sufficient in itself to ensure growth. To reinforce these reforms has required a second policy phase—the establishment of a comprehensive and ongoing economic strategy package to maintain the focus of policy squarely on a "growth-friendly" environment.

In the case of New Zealand, there are four key components to such a strategy: pursuing stable and balanced macroeconomic policies; building stronger international linkages; promoting a more competitive enterprise economy; and pursuing a more highly skilled work force.

It is important that the elements of the strategy interact in a mutually reinforcing way to foster economic growth. For example, by reducing the degree of uncertainty about future prices, taxes, and interest rates, stable and balanced macroeconomic policies improve the incentives and ability of investors to identify profitable investment opportunities. In particular, when combined with greater international openness, they increase the likelihood of high-quality foreign investment. This in turn can be an important source of new technology, innovation, and trade linkages.

The second lesson concerns the management of government itself. Better economic outcomes depend on more than just the performance of the business sector. They depend equally on the performance of the public sector. Put simply, a prerequisite for good economic management is good government management. There are several aspects to this: corporatization of government trading activities, privatization of commercial enterprises, and reform of the core public sector. In this regard, New Zealand has focused particular attention on instituting public sector management and financial reforms. These measures have undoubtedly improved the efficiency of the public sector as well as the quality of expenditure decisions. Perhaps more important, they have also increased the accountability of public sector agencies.

The Government has also recognized that "bottom-up" pressures on fiscal decision making should be reinforced by "top-down" pressures. In a major new policy initiative, the Government has introduced legislation that will require it to regularly make public an explicit fiscal strategy. This strategy will include its medium- and long-term objectives. The Government must also make explicit the implications of its fiscal stance in terms of aggregate expenditure, taxation, and debt levels over the following ten years. This approach increases the transparency of fiscal policy actions and raises public awareness of the need for sound financial performance by government. It constantly reminds decision makers of the need to maintain a medium-term focus. Too often fiscal decision making is distracted by short-term pressures.

The third lesson is that, while the gains from reform are substantial, they will not always be made easily or quickly. Too often institutions and individuals promoting reform have been inclined to oversell the immediacy of the benefits. Although a faster transition may have been possible, it has taken almost a decade of substantive reform in New Zealand for widespread benefits to emerge, and the path of growth has required substantial economic and social adjustment.

Our experience is that there are no easy options. Meaningful change requires both persistence and a commitment to tackle the "hard" issues: industrial protection, agricultural subsidies, labor market rigidity, and welfare reform.

There is often a major question as to whether reform is worth it. Unequivocally the results in New Zealand speak for themselves. Despite being a small trading nation with a predominantly agricultural export base, we have weathered the international recession well. Indeed, New Zealand now has one of the fastest growing growth rates in the OECD, underpinned by a very strong export performance and combined with one of the lowest inflation rates. Both the budget and current account deficits are improving, and gains are flowing through into stronger investment and employment. More important, for the first time in over twenty years, all the signs indicate that the recovery in performance will be a lasting one, and this is reflected in business and consumer confidence.

Clearly both the Fund and the Bank have a key role to play in encouraging and supporting economic policies that are conducive to growth. There are two aspects to this role. The first is to promote international coordination and the effective monitoring of country economic developments. The second is the pursuit of financial and technical assistance programs that will enhance macroeconomic stabilization, competitiveness, growth, and increased opportunities for the disadvantaged.

It is particularly important that development and structural adjustment assistance be framed, in terms not only of providing financial resources, but also of advice and practical support in favor of sound fiscal and monetary policies and open and efficient markets. When lending institutions are contributing financial resources, it is crucial that they ensure that such assistance is targeted to the areas of greatest need and effectiveness. This message is reinforced when the international financial institutions exhibit tight budgetary discipline.

Finally, international financial institutions must continue to play a leading role in achieving and supporting stronger international trade and investment linkages. In the case of trade, increasing attention is being given to bilateral and regional trading arrangements, including managed trade arrangements. This reflects frustration over the shortcomings of existing multilateral trading arrangements and the difficulty in bringing the Uruguay Round of multilateral negotiations to a successful conclusion. The absence of a completion to the negotiations is a major stumbling block to world trade and growth prospects.

It is quite legitimate for developing nations to question the point of liberalization if their export potential is subsequently held back by the failure of wealthy nations to agree on reducing trade barriers. Again, New Zealand offers a lesson. We have unilaterally removed agricultural subsidies, abolished import quotas, and reduced tariffs. The results are unambiguously positive—a more efficient, competitive, and innovative export sector.

It is all too easy to blame others for the failure to bring the Uruguay Round to a conclusion. We all have a responsibility to ensure that it is concluded successfully because we all stand to benefit from the liberalized trading environment that will result. But political courage and commitment will be needed to put aside narrow sectoral interests and weigh up the overall benefit of the package across all sectors.

These negotiations offer a far wider and deeper range of gains for the world economy than any previous Round. But if the Round is not concluded this year, there is a real likelihood that it will collapse and these gains will be lost. I would therefore urge you all to support the completion of the Round this year.

NICARAGUA: JOSE EVENOR TABOADA ARANA

Governor of the Fund

On April 25, 1990, Violeta de Chamorro assumed office as President of Nicaragua. The country and the international community knew that the task of rescuing Nicaragua from the deep crisis in which it was mired was going to be exceptionally complex and difficult. What was impossible for anyone to determine was precisely how complex, costly, and slow the execution of this task would be.

It was an experience without precedent in the world: grappling at the same time with immense tasks that no other people had been obliged to tackle simultaneously. First, there was postwar reconstruction and the reconciliation of Nicaraguan families sundered by more than ten years of military conflict. Second, there was the building of democracy and of the constitutional state. Third, there was the transition from a state-controlled economy—overregulated and centralized, with major distortions and hyperinflation—to a market economy, with stability and growth. In brief, the aim was to achieve the radical transformation of an economic and political system, starting from a state of poverty and a society polarized by war.

It is hard to distill into a few words the extraordinary difficulties of seeking to carry out this threefold task at one and the same time. Much has been accomplished, but still more remains to be done. I will try first to summarize briefly where we started and where we are and will then discuss some topics we believe need to be considered if we are to continue making progress.

The successes achieved to date are due chiefly to a clear policy of reconciliation and dialogue pursued by the Government of our President, Violeta de Chamorro; to the great capacity for sacrifice and the optimism of our people; and to the generous international support received.

Transition from War to Peace

Between 1978 and 1990, Nicaragua lived through two domestic wars, separated by a short spell of relative peace. The wars left 5 percent of the population dead or wounded and 0.4 percent disabled; the combatants on both sides added up to 8 percent of the economically active population, and about 7 percent of that population worked to support the war.

The damage to the economy caused by so many years of war, together with the destruction of the civil and productive infrastructure, is most extensive and warrants a special large-scale reconstruction plan similar to those put into effect in other countries in a postwar phase.

Today the civil war is over. The 22,000 members of the former Nicaraguan resistance have been demobilized. The army has been cut back to 15 percent of the size it was in April 1990. Financing the demobilization of so many persons under arms, facilitating their reincorporation into civil life, helping with their rehabilitation and with national reconciliation, and asking them to exercise patience so as to give democracy a chance and allow the economic and political transformation of the system to take place have been undertakings whose cost exceeds the country's capacity and involves complications that are not immediately apparent.

Building Democracy

Nicaragua began its life as a democracy in 1990. A new political and social system is being built. In this new environment, the corrective stabilization and adjustment measures needed to rescue the economy from the crisis it is in are being implemented, while, at the same time, the human rights and freedoms of the citizens are being fully observed. Such measures conflict at times with the expectations of a people who presumed the change of government and of system would bring about a swift improvement in their economic situation. This conflict complicates the transition and fuels violent manifestations of discontent among the masses.

Transition to a Market Economy

In the 1980s, Nicaragua's economy was largely controlled by the state and was, to a large extent, centrally planned. State enterprises handled all foreign trade; the state completely controlled the financial and insurance system and also a significant proportion of domestic trade.

Today, trade is free and in the hands of the private sector. The state no longer participates in foreign trade. The state-run financial system has been replaced by a system in which 3 state banks, 7 private banks, and 13 totally private exchange houses are operating.

Seventy-two percent of the enterprises nationalized in the past decade have been privatized and the privatization of the rest is proceeding swiftly. The state and its enterprises have let surplus personnel go. Privatization has meant significant gains for the state because these enterprises operated at sizable losses that the state had to make good.

As for properties confiscated by the previous Government, those of all types have been handed back when the Government was able to do so, and progress is being made with the issuance of compensation bonds to former owners whose properties cannot be restored to them.

Economic Recovery

In 1992 the decline of GDP over the past eight years was reversed and 0.7 percent growth was posted. This growth is very modest in comparison with that achieved by other economies in the early stages of transition, but adverse exogenous factors must also be taken into account: three years of drought followed by floods in 1993, combined with abysmally low international prices for our chief products. Considering the fall in GDP since 1978 and the increase in population, per capita income for Nicaraguans has dropped to pre-1950 levels.

Hyperinflation

Hyperinflation reached a record level of 33,657 percent in 1988 and in 1990 inflation was still running at 13,940 percent, the longest period of hyperinflation in world economic history. By December 1992 inflation had been brought down to 3.4 percent, and today, following a cumulative devaluation of 23.5 percent since January, inflation is not more than 22 percent.

Public Finances

In 1990 the total deficit amounted to 17.2 percent of GDP. Today, this deficit is just 4 percent. The current account deficit in 1990 was 15.2 percent of GDP, which was turned into a 3.8 percent surplus in 1993. These two figures clearly show the magnitude of the effort the country has been making.

Social Sector

In order to improve the Nicaraguan people's living conditions and to mitigate the effects of adjustment in a context of limited resources, the Government is implementing a social agenda with the immediate objectives of increasing the efficiency of the provision of basic services (health, education, and social infrastructure); meeting the needs of the poorest and most vulnerable segments of the population (children in difficult circumstances, the disabled, and those lacking basic services); and supporting the productive sectors that are without access to the market's social mechanisms (credit, technical assistance, etc.). The execution of special programs is effected through the Ministry of Social Action and the Emergency Social Investment Fund.

The Government will continue strengthening the social security system because it is not only right from a human standpoint but is also necessary for preserving democracy in an impoverished society with an exceptionally high level of unemployment. Of total public expenditure in 1993, 46.6 percent is allocated to the social sector, the highest percentage in our history.

External Sector

The situation of the Nicaraguan external sector is very difficult because of the large trade deficit, the size of the country's external debt, and its complete dependence on international cooperation.

I will refer here only to the external debt inherited from the preceding government, which was in excess of $11 billion, the second-highest per capita level in the world and equivalent to six times Nicaragua's GDP. The per capita debt was $2,750, which was more than six times the per capita income figure. This debt is equivalent to more than 45 times our annual exports. The countries listed as the most heavily indebted have on average a debt volume equivalent to 1.1 times their GDP and 4 times the value of their exports.

In the last three years, Nicaragua has allocated more than 60 percent of all liquid resources received from external sources, both loans and grants, to paying off this debt. Despite all these efforts, no realistic solution has yet been found to this huge external debt.

The Future

Nicaragua's adjustment has been dramatic, and stabilization has been most successful, but important tasks still remain. However, the high social costs associated with economic transformation are stressing the nation, and the urgency and importance of accelerating economic growth are becoming increasingly evident. And while the positive effects of stabilization are appreciated and there is consensus regarding the direction of adjustment, the necessity of introducing some measure of flexibility into the structural adjustment program, to suit it to the causes of the crisis and to Nicaraguan reality, is also recognized.

External Debt

The external debt, which we have been partially servicing only since 1991, has reached unsustainable levels. Without a prompt and radical solution to the inherited debt, including forgiveness of 95 percent, on average, of the total stock, Nicaragua's recovery will be all the more difficult.

Adjustment of Main Economic Policies

We consider it necessary to agree with our friends in the international cooperative institutions and multilateral agencies on some adjustments that will enable us to align our economic program more closely on the realities of our situation and on the difficulties inherent in the threefold transition we referred to at the beginning of this statement. In particular, we emphasize the need to adapt the pace of fiscal adjustment, tariff reduction, and the liberalization of the financial system to our circumstances.

External Cooperation

We reiterate our gratitude for the external cooperation so generously extended to our people by friendly countries, private organizations, and the multilateral agencies. Without this assistance, we would have been unable to achieve the successes posted so far. Assuming that we are able to obtain an appreciable reduction in the amount of the debt, if we are to meet the cost of the threefold transition and also grow, the present levels of assistance will have to be maintained, with the addition of $200 million a year exclusively for economic reactivation and strengthening of the social security system.

Especially important to the achievement of this goal is increasing the participation of the multilateral financing agencies. We recognize the cooperation furnished to Nicaragua. However, substantial additional contributions are required from these institutions, in order to obtain significant net resource flows that complement the country's own efforts and those of bilateral cooperation.

Formalization of the ESAF Arrangement

We have been holding talks with the IMF authorities with a view to negotiating an enhanced structural adjustment facility arrangement. We are in agreement on the essence of the goals to be achieved, but we still have to reconcile the magnitude of certain of these goals and how quickly they are to be achieved. We trust we will be able to resolve these points shortly in line with the possibilities of our situation. We have done a lot. We want to continue moving ahead. But the magnitude and pace have to be consistent with our possibilities.

Disbursement of other resources from multilateral and bilateral institutions, which are essential for maintaining the considerable advances that we, in conjunction with the international community, have been able to post to date, is subject to conclusion of this arrangement.

Conclusion

We reiterate our faith in the private sector as the motor for development; in the growth of exports as the essential factor for achieving self-sufficiency; and in free enterprise, free competition, and the opening of international markets. We are convinced that we are moving in the right direction. But we also believe that to ensure the success of the threefold transition that Nicaragua has to make, we must adjust the speed with which we pursue the goals to the hard facts of our circumstances and the social cost of each measure.

In conclusion, allow me, on behalf of our President, Violeta Barrios de Chamorro, her Government, and the people of Nicaragua, to reiterate our firm commitment to the building of democracy, a lasting peace, observance of human rights, a market economy, and a better world for all. To accomplish these goals, we must continue to rely on the steadfast support of your governments, your peoples, and your institutions.

PAKISTAN: SYED BABAR ALI

Governor of the Bank

It is a special honor for me to represent Pakistan at this year's Annual Meetings of the World Bank Group and the International Monetary Fund. I join other Governors in welcoming the new members in a progression that moves our two institutions toward true universality.

The world economy continues to be characterized by sluggish growth. As the IMF's recent World Economic Outlook notes, 1993 is the fourth consecutive year of below-average growth. This has led to a disturbing rise in protectionist sentiment. The repeated delays in reaching an agreement on the Uruguay Round, and the growing preference for regional trading blocs, are discouraging developing countries from pursuing strategies directed toward yielding open economies.

We, in Pakistan, have moved toward a more stable market economy: price controls have been removed; the system of external trade and payments has been liberalized; the restrictive import list has been cleansed; a number of capital and current account transactions have been liberalized with a view to achieving convertibility; and the structure of public finance has been improved through the introduction of a general sales tax and the removal of exemptions from direct and indirect taxes. For the first time in Pakistan's history, we have imposed a wealth tax and an income tax on agriculture. On the expenditure side, defense spending has been cut by 1 percent of GDP, and the size of the federal government has been reduced.

None of these steps will, however, yield the benefits that are hoped for, unless the external environment becomes less hostile. On our part, we can liberalize the trade regime, as we have done already; we can lower the rates of our import tariffs, as we are continuing to do; and we can open our economy completely, making it more competitive and market based. All this will not, however, improve our balance of trade; nor will market benefits accrue to us, unless the industrial countries also follow the norms of the market economy and dismantle the protectionist barriers that they have built. The irony lies in the quota restrictions and trade barriers that have been imposed to protect the most affluent countries against some of the most poor. If protectionist measures continue, the ability of developing countries to pursue outward-oriented strategies would be seriously weakened. It would undermine the credibility of international institutions like the World Bank and the Fund and would make it more difficult to mobilize the necessary domestic political support for reforms.

Pakistan has been successful in attracting growing amounts of non-debt-creating portfolio and direct investment inflows. In this regard, I must applaud the role that the International Finance Corporation (IFC) has played in Pakistan. During the last fiscal year, IFC financed seven projects with an investment of $130 million. IFC's continued and strong presence in infrastructure building will, I am sure, provide confidence and comfort to investors, who have already responded to the Government's liberalization efforts. Nevertheless, our need for official development assistance (ODA) is expected to remain substantial. We are concerned that net bilateral ODA fell sharply in 1992 and continues to languish at a level about 1/3 of 1 percent of the GNP of industrial countries. It is roughly one half of the UN target of 0.7 percent. ESAF assistance and IDA credits have played a key role in supporting reform policies and in extending concessional support for the poorest countries. We urge faster progress toward building a consensus on the funding modalities of an ESAF successor. It is imperative to ensure continuity of these operations. We regret the decrease in lending volume, but very much hope that concessionality of this facility will be maintained. We would urge a similar rapid conclusion of IDA-10.

At this time, we need all the instruments that are available. Here I refer to the pressing need for a fresh allocation of SDRs. The stabilization and reform efforts of many countries are being constrained by inadequate levels of reserves. To expect them to build up reserves through a compression in domestic demand and in net imports, at a time of weak activity in industrial countries, would defeat any strategy for sustainable world economic recovery.

Finally, I wish to thank the international community for being cognizant of the fact that the caretaker Government of Prime Minister Moeen Qureshi, which I have the honor to represent here, took office 70 days ago, in response to a political deadlock in the country; and that during this very short period, it tried to lay the foundations of sustained growth and financial stability. Both the IMF and the World Bank have applauded us for this. We thank them for it, and for their support of the measures we have taken to reinforce the elements of good governance, which we shall hand over to the administration that will be formed immediately after the elections we are holding one week from now. We shall not be in office to taste the fruits of our endeavor. But fruition there shall be. And that shall have been our greatest reward.

PAPUA NEW GUINEA: JULIUS CHAN
Governor of the Bank

It is with great pleasure that I make this statement on behalf of the independent state of Papua New Guinea. I join with other countries in congratulating the organizers on the usual efficient arrangements they have made for the Meetings and also for the wonderful hospitality that has been provided.

I should like to focus my statement initially on the difficulties being experienced by small trading nations such as Papua New Guinea as a result of the protracted world recession. I shall then go on to develop the view that both the Bank and the Fund could be doing more to assist the smaller trading nations through the development of more innovative and efficient responses to meet the needs of the times.

Papua New Guinea is blessed with abundant resources and, as a result, is doing better than many smaller nations in these difficult times. Recent economic growth has been strong at 9.5 percent in 1991 and 9 percent in 1992 and is likely to exceed 10 percent in 1993. Much of the growth has been driven by new gold and oil production. Inflation was contained to 4.3 percent in 1992 and, to date, is running at levels below this for 1993.

The monetary aggregates are stable, with the total money supply growing by 12.5 percent in 1992, and similar growth anticipated for this year. The recent growth of private credit has been modest. A phased reduction of almost 5 percentage points in interest rates has occurred in the past year and should decline not only more, but faster.

The external accounts are at a comfortable level, with the current account being in considerable surplus for over 15 months now, since oil exports first came on stream. In annual terms, the current account surplus is about

10 percent of GDP. While foreign reserves have not yet accumulated significantly, there has been a very marked reduction in the private and public debt over the past year. The ratio of outstanding total private and public debt to GDP is expected to fall from 80 percent in 1992 to below 60 percent by the end of 1993.

However, to some extent, these sound and, indeed, relatively impressive economic indicators mask the difficulties that have been imposed on Papua New Guinea as a result of the current sluggishness in the world economy. On the export side, Papua New Guinea is principally a trader of commodities and, in this regard, is in a similar position to many other producers that have been confronted by an extended period of weak demand and very low commodity prices. Papua New Guinea is mainly affected by the collapse in oil prices but has long been disadvantaged by low prices for coffee, cocoa, copra, and palm oil. Our only bright spots in 1993 have been some modest improvements in the prices of gold, timber, and coffee, but even these upturns now seem to be proving short-lived.

While the current world situation has not led to any foreign exchange crises for Papua New Guinea, as it has for many other countries, the effects have, nevertheless, been severe. With most of our population employed in rural areas, the depressing effects on productive employment generation and on domestic production, trade, and commerce have been severe. The Government has endeavored to offset adverse price movements by providing some support to growers in the short term. This, of course, involves a high cost to the national budget but is necessary to keep the 90 percent of our population living in rural areas in active rural development instead of migrating to the cities. Our national budget has been particularly disadvantaged by the collapse in oil prices, weak copper prices, and, despite some improvement in 1993, the general long-term weakness in the price of gold. To some extent, we have been giving away our scarce nonrenewable resources at very low returns to the people of Papua New Guinea.

The revenue effects of these international circumstances have been severe and have left small nations with difficult choices between cutting government goods and services, raising taxes at a difficult and inappropriate time, or widening fiscal deficits and increasing public borrowing. Our own fiscal deficit rose from 1.2 percent of GDP in 1989 to 5.6 percent of GDP in 1992—a level that we deemed to be excessive and unsustainable over the medium term.

Papua New Guinea has had a fine record of prudent and sound macroeconomic management over the years. The Government continues to believe in strict fiscal discipline, including the running of responsible fiscal deficits and the attainment of budgeted expenditure levels. We are conscious of our medium- to long-term objectives and plan to realign our macroeconomic parameters over this time horizon. We are constantly engaged in reducing our fiscal gap. This process commenced in 1993 and further reductions are planned for 1994 and beyond.

Partly because the policies and procedures of the Fund and the Bank are quite unsuited to such nations as Papua New Guinea, most of our external financing this year is being provided from commercial banking sources. Because we manage our affairs responsibly and are not in any immediate crisis, the programs of the International Monetary Fund are essentially of no use to our immediate needs. This is not to suggest that emergency assistance from the Fund was not welcome in more difficult times, especially in 1989 at the time of closure of our large gold and copper mine at Bougainville.

What we would like to see from the Fund is an increased emphasis on longer-term financing programs that are available not only to those who, for mismanagement or other reasons, find themselves in a state of crisis. We would like to see those in the low- and middle-income categories, who manage their affairs soundly, be given greater access to Fund resources over a medium-term framework.

With regard to the Bank, in recent years we have unfortunately been drawing less and less on Bank resources, despite an ever-increasing need for long-term development capital to build our physical and social infrastructure. It is partly a question of price. Because of long delays in appraisal and implementation and the approach to interest rate setting, Bank financing is currently relatively expensive in relation to alternatives in the marketplace. However, price is not the major issue. Of greater concern is the question of organizational and administrative capacity within the Bank to deal with smaller countries such as Papua New Guinea. Even those projects that do eventually get off the ground are frequently not well designed for Pacific Island conditions and thus are very slow in implementation. A number are never implemented at all.

Papua New Guinea's 1993 Consultative Group Meeting, which, as usual, was chaired by the Bank, focused on issues of slow implementation within Papua New Guinea. All faults are certainly not confined to the Bank alone. Numerous areas for improvement were identified within our own public sector and with other major donors. We are hopeful that the dialogue with the Bank over implementation problems, which commenced at the Consultative Group Meeting in May of this year, can be intensified.

For its part, the state has moved rapidly since May, with the reorganization of its Planning Division and the finalization of the separate Implementation and Monitoring Division virtually completed. We want to reverse recent negative trends in disbursements by the Bank. Without rapid movement on the part of the Bank to adapt its management approaches to the realities of absorptive capacities within Papua New Guinea, a continued decline in the utilization of Bank resources can be anticipated. This is not an outcome that Papua New Guinea relishes, and we will be working very hard with the Bank in the future to help it improve its disbursement record.

While, fortunately, Papua New Guinea's strong external outlook will enable it to attract external commercial lenders, this is an option we would prefer to use in moderation. Other smaller nations, particularly many in the South

Pacific, with low resource endowments are even more dependent on the multilateral institutions tailoring their programs more specifically to local needs and capacities. We thus make our usual annual plea for greater regional presence and understanding on the part of the Bank.

On a broader note, the Fund and, to a lesser extent, the Bank could be of most benefit to countries such as Papua New Guinea by facilitating the speed of international recovery. As noted by many other speakers, this could be facilitated by a speedier resolution of the Uruguay Round of the GATT. It could also be helped by the application of more honest action and less procrastination on protection issues by many of the leading higher-income countries. Improved performances of the German, Japanese, and U.S. economies will also be needed.

Despite the difficult environment in which all countries currently operate, we remain essentially optimistic about the long-term prospects in Papua New Guinea, especially if the world recovery occurs in a way that will improve prices for our resources. We are working hard to attract long-term development financing to allow our economic diversification through a substantial growth in efficient value added within Papua New Guinea. We will continue to work closely with the Bank and the Fund to improve efficient management and to work our way through current difficulties. There is an urgent need for both the Bank and the Fund to develop positive and practical programs of assistance in the future that will be of greater relevance to smaller low- and middle-income countries.

I once again thank the organizers and all other Governors for their contributions. I have no doubt that positive deliberations will, in time, result in tangible benefits for our constituents.

PARAGUAY: CRISPINIANO SANDOVAL

Governor of the Bank

(on behalf of the Latin American and Caribbean Governors of the Fund)

I consider it a great honor to address the joint meetings of the Boards of Governors of the World Bank and the International Monetary Fund, on behalf of the nations of Latin America and the Caribbean, in order to offer some thoughts on current developments in the world economy from the perspective of our region in general, and of my own country, Paraguay, in particular.

These meetings are once again taking place against a backdrop of historic changes in the international political arena, whose ultimate implications, although they still cannot be precisely evaluated in view of the dynamic nature of the changes in question, have nonetheless had major economic repercussions. I am referring in particular to the end of the cold war, the consequent transformation of the centrally planned economies, and the practically universal acceptance among developing countries of the desirability of conducting their policies along market economy lines—to wit, the "silent revolution" described by the Managing Director of the IMF, which has led to the execution of numerous economic adjustment programs and structural reforms.

These changes have gone hand in hand with new developments in the international economy, chief among them the increasing global integration, rapid technological innovations, and greater interdependence among the various regions of the world. Now more than ever, these developments call for consensus-based, global solutions that transcend traditional political barriers.

Latin America has been at the forefront of these changes. The profound and prolonged crisis of the 1980s, known as the "lost decade," led to a reappraisal of economic strategy in Latin America while ushering in an era of democratic transition in a number of countries in the region.

This process resulted in a fundamental shift in economic policies and the dawning of a new era in the region's economic history. Although there are important differences among the various countries, it may be said that, in general terms, the new economic paradigm encompasses outward-looking policies, the private sector as the engine of economic growth, and the public sector as a regulatory authority focusing on serving social and infrastructure-related needs, all against a backdrop of market economies.

It follows that this period has been characterized by the adoption of more prudent fiscal and monetary policies, export promotion, the reduction of restrictions on and regulations governing economic activity, the privatization of public enterprises, and reforms in the areas of taxation, finance, customs, and social insurance systems. This period has also seen the rise of a number of regional integration initiatives based on the principles of a multilateral system of open and competitive trade.

These reforms have not been easy, nor have they been free of social costs. Nonetheless, we are gratified to observe that positive results have been recorded in terms of the resumption of growth in Latin America, the substantial reduction of inflation in many countries, and the consolidation of the external sector. Since 1991, growth in Latin America has exceeded the average growth of the world economy by a considerable margin.

In addition, there have been sizable inflows of private capital into the region, which have enabled private investment to increase above the levels determined by domestic saving and external indebtedness, and which have contributed to economic growth in the region.

In certain countries, capital flows have been so intense that they have led to a variety of economic policy responses, including tolerance of an appreciation in the real exchange rate, the adoption of disincentive measures in respect of speculative capital, such as increasing the reserve requirement on foreign currency deposits, raising taxes on foreign currency loans, and sterilized intervention on exchange markets.

In spite of the promising results of the structural adjustment and reform programs, we are fully aware that the success of the economic initiatives in

Latin America is inextricably linked, inter alia, to the international economic climate. As such, we view with great concern the persistent stagnation of world economic growth, as a result of the recession in Western Europe and Japan, and the very modest revival of economic activity in North America and the United Kingdom.

One consequence of this state of affairs has been the steady decline in the terms of trade of countries exporting commodities, as well as the reduction of employment in a number of regions of the world, particularly Western Europe, which has recorded a high rate of structural unemployment for over a decade now. Unfortunately, this deterioration in labor conditions in Western Europe and elsewhere has fostered domestic pressures that favor a return to protectionism, which ignores the beneficial role of free trade, international competition, and market integration in promoting world economic growth.

In this context, Latin America regards a prompt and successful conclusion of the Uruguay Round of the GATT as essential to the proper functioning of the international economy. We enthusiastically welcome the public stand taken by the World Bank and the IMF in support of this view with the aim of promoting the systemic benefits of integration, which considerably outweigh its adverse effects upon specific sectors in individual countries over the short term. We believe that the opportunity created by the recent partial agreement on market access among the Group of Seven countries in Tokyo should not be wasted. Accordingly, we urge the industrial nations to reach rapid agreement on the urgent need to eliminate agricultural subsidies—which do a great deal of harm to the world economy in general and to developing countries in particular—so that the Uruguay Round can at last be brought to a successful conclusion.

In addition, the problem of external debt persists in certain heavily indebted countries of Latin America in spite of the progress achieved overall in recent years. In such cases, the provision of more extensive and sustained financial assistance is clearly called for, in the context of adjustment programs, in negotiations with both official creditors and private banks. Furthermore, greater flexibility and fungibility in the use of Bank and Fund resources intended for debt-reduction operations will help to bring forth a definitive solution to this serious problem.

The international economic environment has a decisive influence on efforts to promote reforms that have been under way in the developing countries, including the lowest-income countries. It is regrettable that for this latter group of countries, in spite of the implementation of structural reforms and strict financial policies with technical and financial assistance from the World Bank and the IMF, the results in terms of renewed economic growth have not been satisfactory.

That is why it is important for the World Bank and the IMF to persevere with their efforts to assist this group of countries, coming under the headings of the International Development Association and the enhanced structural adjustment facility (ESAF), respectively. In order to encourage complementary action by these institutions, we urge the international donor community to take more rapid steps to ensure the Tenth Replenishment of the International Development Association and to reach agreement on the financing for the ESAF successor facility, given the consensus that appears to have emerged on its institutional characteristics.

In addition, the end of the cold war, which I mentioned earlier, and the concomitant process of reform in the formerly centrally planned economies have generated challenges unprecedented in contemporary economic history. Never before had an economic bloc unleashed a process of reform on such a scale and in such an adverse external environment, caused by world economic conditions and the problems associated with the collapse of the region's trading system.

It should come as no surprise that these nations are facing enormous economic, political, and social obstacles. Accordingly, it is clear that the execution of prudent financial policies, ensuring a reasonable degree of price stability, is a prerequisite—although not sufficient in and of itself—for ensuring the success of these reforms. At the same time, the international community must face up to its responsibilities by assisting these countries' efforts with appropriate and expeditious financing, in recognition of the systemic nature of such efforts. However, we should not overlook the fact that there are countries in our region, such as Nicaragua, that are experiencing an equally delicate transformation and that also require the support of the international community.

Both the World Bank and the IMF are uniquely well qualified to assist this process by providing financial resources and technical assistance. In fact, the recent increase in World Bank disbursements to Eastern Europe and the nations of the former Soviet Union, as well as the IMF's transfers to the same region through its traditional facilities, and the recently created systemic transformation facility attest to growing involvement on the part of these institutions.

However, it would be most unfortunate if, at a time when many countries are in a particularly vulnerable position, their assistance were to be given at the expense of aid to other regions of the world. By the same token, it is important to remember that the resources of these institutions cannot take the place of bilateral flows from the traditional international donor community.

Given the financial needs of the countries in transition and of the other developing countries that are implementing economic reform programs, as well as the severe fiscal constraints facing several donor countries, we support a modest allocation of SDR 36 billion for the remainder of the Sixth Basic Period, 1993–96. We believe that this allocation would not have inflationary consequences, in view of the estimated demand for international reserves for the following years.

At the same time, a new SDR allocation would help to strengthen the position of the SDR as a reserve asset within the international monetary system, in accordance with Article XXII of the IMF's Articles of Agreement. Moreover, we also favor the introduction of a redistributive mechanism subsequent to the allocation that would, however, be strictly based on sovereign decisions by the member countries involved.

Before finishing, I should like to offer some observations on my own country, Paraguay. Beginning in 1989, Paraguay launched a process of political and economic liberalization. The transition to democracy, after nearly four decades of authoritarian government, took a new turn on August 15, 1993 with the inauguration of the first civilian president, Juan Carlos Wasmosy, to have emerged from direct, democratic elections in Paraguay's history as a republic.

On the economic side, the current administration has adopted a strategy based on the principles of market economics, the maintenance of stability through the pursuit of prudent financial policies, and integration of Paraguay's economy into that of the region and of the world at large. This strategy is being complemented by a range of structural reforms, including, in particular, the reform of the financial system, the privatization of public enterprises, and the modernization of the state apparatus.

In common with many Latin American countries, we are aware of the constraints upon the state's capacity to act, even as we see society's demands increase. Accordingly, it is necessary to achieve a clear definition of the public sector's role in regulating economic activity and within economic activity itself. As such, it is the private sector that should act as the principal engine of economic growth, and it should have the state's actions as a complement to its productive efforts.

Engaged as we are in this undertaking, which is ultimately intended to improve living conditions for all Paraguayans and to consolidate the democratic process in Paraguay, we trust that we can count on the steadfast and catalytic support of the World Bank and the IMF. We are mindful of the wealth of experience that these institutions have acquired over time and in nearly every corner of the globe.

PHILIPPINES: ERNEST C. LEUNG

Governor of the Bank

I join other Governors in welcoming the new members of the World Bank and the International Monetary Fund. The universal character of our Bretton Woods institutions has been enriched by the accession of new states in quest of a change to more democratic and market-oriented systems. Such transformation clearly merits support. The initiatives taken in providing special assistance to these states reflect well on the flexibility of our institutions to respond to unusual circumstances.

Yet the challenges remain and are constantly being redefined by new realities.

The long-awaited recovery from the downturn of global activity has yet to be achieved. Major industrial countries remain mired in low growth, and the road to recovery has been stalled by the persistence of macroeconomic imbalances. However, more robust recovery has been noted, although only in a handful of industrial countries. There is a glimmer of hope for the rest, which have started to take the bull by the horns. Recent experience shows conclusive evidence that, indeed, countries that reversed their imbalances decisively were the first to lift the gloom of recession from their backyards.

Despite the setbacks and the continuing poor state of the global economy, the bonds of interdependence among nations are constantly being forged. For the global economy to improve, a global cooperative effort is essential. Unfortunately, the ongoing collaborative efforts to liberalize trade that will help global recovery have been entangled at the negotiating tables.

The completion of the Uruguay Round, vital to the continued growth in world trade, remains unresolved. The absence of progress has induced countries to move toward regional economic blocs. Although regional blocs in the past were a stepping stone to greater liberalization in the rest of the world, current trends may fall down a slippery slope, discriminating against those outside the blocs. We should not allow this to happen.

Extra efforts must be made by participating countries in unanimously drawing the Uruguay Round negotiations to a close. Failure to do so will nullify all the work and negotiations undertaken to liberalize trade. If this comes to pass, the world will lose another impulse for growth. To safeguard against such an event, we have to pull together to shift out of inward-looking policies toward outward, growth-oriented ones.

The bright picture on the economic horizon is Asia. The dynamism of the region continues to grow at the fastest rate in the world, buoyed by strong export performance.

While rapid growth was initially concentrated in a handful of countries, there are indications that this is spreading to neighboring countries as well. Following the example of the initial wave of export dragons, Asian countries have started to deregulate, privatize, and liberalize their economies. They have maintained a favorable macroeconomic environment, keeping a tight watch on their fiscal deficits and liquidity levels. They have focused on improving their infrastructure support. These measures have resulted in a torrent of investments onto their shores and, with these investments, soaring exports and rapid growth.

Indeed, we can learn valuable lessons from the Asian experience. But these lessons do not come with free lunches similar to the ones that we have during these Annual Meetings. These lessons require sacrifices on our part.

The most obvious is allowing our industries to feel the competitive pressure of the outside world. While the short-term effects are negative for employment and growth, the longer-term effects on the economy are significant. Opening up the economy is usually met with strong opposition from vested sectors, which hook their interests on "nationalist" arguments. It takes persuasive powers to explain to our people that the setbacks are temporary, that there are industries or sectors where we could be competitive, and that only if we focus our efforts on these sectors may we join the list of rapidly growing economies.

Further, we may need to introduce safety nets to make the landing less painful. We may have to do some delicate balancing act because safety nets, if overdone, could worsen our fiscal position, which must be strong if macroeconomic stability is to be achieved.

The economic restructuring being implemented in Asia is matched only by the ongoing transformation of formerly centrally planned economies. We agree that growing interdependence should reach out and extend toward countries that, by reason of politics and ideologies, have closed their economies in the past. In order to facilitate their transition, both financial and technical support must be readily available for them if they should seek it.

But the resources available for these global economic transformations are limited and we, developing countries, have to compete more fiercely for our share of the pie. It may be wrong to shift resources from one group of economies to another just because they have not used these facilities in the past. No group of countries should be denied the opportunity to avail themselves of development funds. But to satisfy the growing demand for these funds, drastic action is needed on the part of surplus countries to beef up the loanable funds of these institutions. Recent reports of the World Bank do not yet show a marked shift of its facilities to these new users. But if nothing is done about the resource base of the bilateral and multilateral institutions, the financing requirements of these countries will exceed available funds and could delay the implementation of global economic reforms.

It would be unsound and unfair to fund the needs of Ivan from the pockets of Juan, especially since Juan has hardly recovered. This is what we risk doing by keeping interest charges on Bank loans on the current pool of borrowers to fund or cover the risks of lending to new borrowers.

Despite the not-too-optimistic outlook for the world economy, the Philippines continues to implement restructural reforms needed to make our economy globally competitive. Except for a short list, we have removed most of our quantitative restrictions. We continue to implement tariff reductions, liberalize foreign exchange transactions, and open up our economy to foreign investments. We have privatized or abolished 75 government corporations and reprivatized 293 nonperforming private sector assets that were transferred to the Government during the difficult times in the mid-1980s. We have also enacted a law to set up a new central monetary authority that is capable of effective liquidity management. Despite the absence of an economic program with the IMF, we have maintained our public sector deficit at manageable magnitudes and our liquidity within prudent levels. As a matter of fact, we have ended two consecutive years with our consolidated fiscal deficit well below our targets.

As a result of these efforts, interest rates have plunged to about 11 percent from over 20 percent two years ago. Inflation has been trimmed to 4.6 percent (based on the GNP deflator) from double-digit levels more than a year ago. But economic growth is slow in coming. It took three years of negative or minimal growth before our economy moved up by 3.5 percent in the second quarter this year.

A power crisis has delayed our economic recovery. We have taken some drastic action to eradicate this problem. One strategy we employed was to get the private sector to invest in power projects through the Build-Operate-Transfer (BOT) scheme. As of mid-August 1993, BOT projects are operational, with a capacity of 263 megawatts, and more projects will become operational soon. At the same time, we continue to develop the potential of geothermal energy, which is plentiful in our part of the world. By the end of this year, brownouts will be minimized to tolerable levels, and by mid-1994 we expect to solve the power problem once and for all.

But major reforms will still need to be implemented. The remaining quantitative restrictions have to be dismantled, and tariff rates will have to be further cut. Reforms in energy pricing, domestic capital market development, and internal taxation are needed. More privatization and further opening up to foreign investments should be done. Reforms have to be decisively and quickly pursued. In addition, our aging and obsolete infrastructure has to be modernized through broader private sector participation. The government bureaucracy has to be streamlined because deregulation and decentralization have made certain government offices unnecessary.

Things have improved in the Philippines since we attended this forum a year ago. A bond to cooperate has been sealed between the executive branch and the legislative branch of government and the private sector. In an economic summit earlier this month, the two branches of government and the private sector sealed a social compact on the major policy measures to restructure the economy. Moreover, political stability, combined with a "just and honorable" peace with military rebels, insurgents, and the southern secessionists, has provided a peaceful background for growth and change in the Philippine economy. In an environment where disparate social forces join together to solve the ills that confront them, the likelihood for success is greater. Dialogues could resolve conflicting viewpoints. Compromises could be forged. In the end, things get done.

With these reforms, we expect the Philippines to participate more actively in the dynamism of growth in our part of the world. And with Asia showing in very concrete terms what needs to be done to post rapid industrial advances, the rest of the world cannot be far behind.

We hope that our trade negotiators will finally untangle the knots that have kept the Uruguay Round from conclusion and that the multilateral financial institutions will be ready to provide support as countries adopt economic reforms. We should not let pass a historic opportunity to make global economic transformation succeed.

THE REPUBLIC OF POLAND: HANNA GRONKIEWICZ-WALTZ

Governor of the Bank

It is an honor for me to address this Joint Annual Discussion of the Boards of Governors of the World Bank and the International Monetary Fund. I would like to welcome the new members who joined us since the last Annual Meetings. Many of them are countries in transition. It is indeed encouraging that the number of countries undertaking the transformation from a planned economy to a market economy is increasing so dramatically.

In the last few years, one of the most important phenomena of the world economy has been the transformation of economic and political systems in the former socialist countries. As you are well aware, Poland has been one of the leaders of these changes from the beginning. It was very challenging to deal simultaneously with both political and economic changes, as two sides of the same coin.

There is no doubt that, in the short run, it would be much easier to deal with the economic reforms, having a strong government that is less dependent on a constantly changing political environment. However, we believe that the most important ingredient of economic transformation is the support of the population, who must be able to understand and accept both the transition itself and its usually enormous social costs. In Poland, we have found that this process requires a lot of time and effort, which is typical of any mass process of historic dimensions.

We have tried to achieve this goal through frequent local and national elections. Within the last four years, we have had three parliamentary elections, with a fifth government to be appointed soon. The last election took place only a few days ago. Although frequent changes are undoubtedly a costly aspect of the learning process, at the same time we believe that elections—and public discussions associated with them—will help the Polish population to gain faster and better understanding of economic and social changes.

Poland has been fortunate because these political changes have not had a substantial, negative impact on economic performance. Structural and institutional changes that have taken place during the transformation are already so deeply rooted in Poland that I believe the reforms are no longer in grave danger. The scale of some processes might change to some extent, but both the existence and the direction of economic reforms in Poland will proceed in the future as they have in the past.

Poland seems to have reached a path of sustained growth, with clearly reduced inflation. It should be stressed that the acceleration of economic growth is being associated with—and is probably the result of—a rapid growth of the private sector. Its share is already higher than two thirds of total employment and half of GDP. Inflation is decelerating as projected by the Government and the central bank, and growth is proving to be stronger than expected. In 1993, the GDP is expected to grow by more than 4 percent and inflation by approximately 34 percent.

The major economic difficulty we have been facing recently is the trade balance deficit. External factors have played an important role in aggravating problems with Polish exports. Nontariff barriers in Western markets, in the member countries of the organization for Economic Cooperation and Development (OECD) in particular, have proved to be a major obstacle to some of Poland's most competitive exports, already affected by the slowdown in economic activity in Western Europe. However, we have to stress that unless access to markets in the industrial countries is relaxed, economic recovery in the countries in transition will be slow and their debt reduction will be problematic.

The Polish authorities are giving high priority to normalizing relations with all our external creditors, and we are glad to see some progress in the negotiations with our commercial bank creditors on debt- and debt-service-reduction operation.

We are glad to see that the Polish economic program is supported by the International Monetary Fund under stand-by arrangements, as discussed by the Executive Directors two weeks ago. We appreciate the World Bank's support of our attempts to improve our economic performance. Because we are interested in increasing the effectiveness of resources supplied by the Bank, we welcome the Bank's initiative to manage its portfolio on an overall country basis rather than simply on a project-by-project basis. We are fairly confident that this approach will enable us to improve the effectiveness of the Bank's loans to Poland. What lessons follow from this briefly outlined experience of the Polish transition process?

First, I would like to repeat the important findings unveiled a year ago at this podium by my colleague, Polish Minister of Finance Jerzy Osiatyński. He said that the countries undergoing the process of transformation should not be misled by macroeconomic success, such as a balanced budget, in the early stages of the reforms. Rather, they should concentrate on structural and institutional reforms.

Second, economic reforms in countries in transition should be associated with the growing participation of the population in elaborating policy—economic reform is usually a painful social process. In the long run, it proves to be beneficial, although in the short run, the more frequent changes of the government may cause more inconvenience.

Third, enormous restructuring efforts in the economies in transition cannot be separated from the economic restructuring process in the OECD countries. If this process is not followed in both groups of countries, the efforts of the countries in transition cannot yield fully satisfactory results. These countries have already paid a high price in the form of enormous declines in their economic growth and consumption and of dramatic growth of the unemployment rate. Now we can observe a greater tendency in the OECD countries to use trade barriers to protect their domestic jobs. Are we sure this is the right example to be followed in the future by the countries in transition?

PORTUGAL: J. BRAGA DE MACEDO

Governor of the Bank

Let me begin by welcoming the new members of the Bretton Woods institutions. The World Bank and the Fund are now truly global organizations that provide us all a unique opportunity to exchange ideas and to build a consensus on how to manage our economies and how to cope with the present difficulties.

Examples of structural problems with global significance can be found in many parts of the world. This morning we have already heard a fascinating account from Central and Eastern Europe. Here I would like to highlight current policy challenges in Western Europe and Africa.

The present situation in the European economic area is a matter for concern. It is characterized by negative growth, rising unemployment, and deteriorating competitiveness. Indeed, the European model of economic development is challenged at the very moment when former command economies and developing countries are increasingly attracted to it. The reasons for the present situation are to be found in an unbalanced policy mix and enduring rigidities in factor prices for labor, capital, and natural resources. A number of steps are being taken that should improve the prospects for a stable and sustainable recovery throughout Europe.

First, the determination of the 12 member states of the European Community (EC) to meet convergence criteria for economic and monetary union should help restore confidence. Second, with the slowdown in economic activity and the success in wage moderation, the inflation outlook has improved, paving the way for a less restrictive stance in monetary policy and for a decline in interest rates—that is, for financial rental—or moderation. Third and foremost, structural rigidities are being tackled. It is now acknowledged that the European model of economic development has allowed competitiveness to deteriorate and does not create sufficient employment per unit of output growth. We need to consider what changes should be made in the European model to restore employment competitiveness and growth. This is a very far-reaching issue, and we need to discuss and compare our national experiences, and also to learn from the experience of non-EC countries. Last year, I summarized Portugal's medium-term development strategy. Let me add today that we are persevering in our convergence efforts now that the escudo is a fully convertible currency.

Turning to the African continent, and specifically to the sub-Saharan region, we can only be concerned with the decline in the share of World Bank financing to these countries at a time when the difficulties facing them are increasing. I hope the decline will be reversed next year, and I welcome the continued high priority for Africa under IDA-10. I would like to suggest that the present situation calls not only for a strengthening of the existing forms of assistance, but also for new forms of policy cooperation that would complement and support the present instruments.

Most of these countries now recognize the social benefits of an open market economy with free competition, and they are engaged in a process of deregulation, restructuring, and liberalization. They also show a political willingness to further regional integration. We could assist their efforts by encouraging the setting up of a regional multilateral surveillance mechanism with particular emphasis on monetary stability, along the lines of policy cooperation championed by the Bretton Woods institutions and the European Commission. A proposal for such a scheme has been discussed with the five Portuguese-speaking countries of Africa, and it has been welcomed. Its implementation would help African countries to build the institutional structure of a market economy, leading to a more favorable investment climate and a surge in African private initiative. Above all, it would foster the convergence of their economies toward strong and balanced growth.

These two examples point to the need for structural reforms. Let me conclude by saying that structural reforms are essential to restore stable and sustainable growth in the world economy. They are difficult to implement, and they require time to succeed. This is why we all need the continuous support of the Bretton Woods institutions and the forum for policy cooperation they provide. Policy cooperation is the key—as it was nearly fifty years ago, when the Bank and the Fund were established at a famous conference at the Hotel Mount Washington.

QATAR: ABDULLAH KHALED AL-ATTIYAH

Governor of the Bank and the Fund
(on behalf of the Arab Governors)

It is a great honor for me to be addressing you on behalf of the Arab Governors of the World Bank and the International Monetary Fund. Please allow me first to join the Governors who have already expressed their congratulations to you on your election as Chairman of the Boards of Governors for this year, and to welcome the new members who have joined the two institutions.

The world economy is currently undergoing a crisis, the most important characteristic of which has been the continued weakness that has harmed economic growth foı more than three years. There are no signs at present of any significant improvement in performance in 1994. This is due to the weak economic recovery in the major industrial countries which have transcended the recent period of stagnation, the expectation of continued economic stagnation in Europe in general, extending beyond the end of this year, and the lack of any encouraging evidence that Japan has surmounted the slowdown that has characterized its economic performance for about two years. Moreover, there are no positive signs of a successful conclusion of the Uruguay Round in the near future. Although many developing countries have, in 1993, maintained high rates of growth for the fourth consecutive year, nothing indicates that they will be able to sustain such performance and to reap the benefits of their strenuous adjustment efforts so long as they continue to be faced with unfavorable external factors.

This critical period, in our view, makes it imperative that the industrial countries embark without delay on restoring confidence in the private sector, and rekindle noninflationary growth through the adoption of more balanced financial and monetary policies. This requires, in particular, the adoption by most of those countries of medium-term programs aimed at reducing their fiscal deficits, in conjunction with lowering short-term interest rates, especially in Europe. The industrial countries should also reform their structural and industrial policies, which impede the optimum distribution of production and frustrate the efforts of the developing to increase and diversify their exports in keeping with their comparative advantage. Moreover, the industrial countries must act as urgently as possible to introduce reforms in their labor markets so as to improve their efficiency and their ability to respond to technological change and to supply-and-demand indicators. This should be done in such a manner as to provide a radical solution to the problem of unemployment, which has become chronic in many of those countries and has led to political pressures for the imposition of protectionist measures, in addition to inducing losses in production and placing excessive burdens on budgets.

There is no question but that international economic cooperation has grown far more important over the years as a result of the growing economic interdependence among the various countries of the world. This, in turn, has attached a special significance to the process of economic policy coordination at the international level, in particular among the major industrial countries given the great impact of their policies on the path of the world economy. This process of coordination, however, has regrettably fallen short of achieving the level needed to face the challenges brought about by the accelerating political and economic developments in the international arena in recent few years. The Fund can play a vital role in enhancing the coordination process if it is given the opportunity to expand the scope of its participation in it. Indeed, the IMF, with its international character and its distinctive expertise, is in a unique position to take on such a role. In our view, it is important that the Fund be given the opportunity to expand its role in the coordination process. It is also important that the Fund continue to enhance its surveillance role in the industrial countries.

Economic performance in many developing countries has continued to improve in 1993, as a result of their perseverance with adjustment and reform, the easing of their debt burden through debt and debt-service reduction on the one hand, and the decline of international interest rates on the other. The continuing economic growth in the developing world has played a positive, vital role in driving the world economy during the period of recession that prevailed in most of the industrial countries. We should not forget, however, that other developing countries are still suffering from tremendous difficulties. In this regard, I refer in particular to the low-income countries of Africa, where standards of living have continued to deteriorate, and where indebtedness requires radical treatment involving the reduction of their debts in proportions that exceed what has been provided so far. In this respect, it is also noteworthy that the efforts made by a number of the lower middle-income countries to restore their creditworthiness are still being hampered by the heavy cost of foreign indebtedness. Therefore, we once again call upon the Paris Club to implement the provisions in this regard of the Munich Summit Declaration of the Group of Seven countries. While still on the issues of the foreign indebtedness and financing of the developing countries, I must point to the importance of the international community's giving due attention to the financing needs of those developing countries which, despite their heavy debts, have not rescheduled and continue to service their debts. I would also like to commend the move of some industrial counties toward improving the financing environment for those countries that have restored or are about to restore their creditworthiness. It is important that the industrial countries exert more effort in this area. I would like to underscore the need to reconsider the Basle criteria of capital adequacy, which would discriminate against developing countries with high credit standings.

We welcome the success achieved in a number of developing countries in the area of economic adjustment and structural reform, as evidenced by significant improvement in domestic saving and inflows of private capital. In this regard, it is important to bolster the opportunities of the developing countries which have succeeded in attracting private capital to benefit from this source of financing in order to increase investment and production through adopting somewhat flexible monetary policies. There is evidence that the monetary expansion resulting from such inflows is but a reflection of spontaneous foreign financing for vital investments, and that it will not lead to inflationary pressures.

The success of economic adjustment and structural reform programs supported by the Bank and Fund in achieving their objectives depends on a number of factors which are well known and need not be enumerated here. However, I would like to underscore the extremely great emphasis that should be placed, in the design and appraisal of these programs, on the special objective circumstances of each individual developing country, and the need for greater account to be taken of the political, legal, and legislative frameworks within which economic decisions are taken and implemented. The political and social dimensions of such decisions should also be taken into consideration, with due attention paid to the assistance needed to address the negative impact of austerity measures, through the introduction and financing of social safety nets. I would also like to stress the need for the Bank and the Fund to adopt more selective approaches as regards the measures required for the programs they support. This can be achieved through the preparation of an order of priorities based on linking the corrective measures with the basic objectives of the adjustment process, so as to avoid overburdening the developing countries, administratively and technically.

The repeated failure to reach a successful conclusion of the Uruguay Round is but a reflection of the weakness of international economic cooperation at this time. It is paradoxical that the failure to reach agreements to conclude the Round has occurred even as many developing countries have been opening their markets through economic adjustment programs supported by the Bank and Fund. We are concerned that the potential failure of the Uruguay Round might ultimately lead to increased protectionism in trade blocs in the absence of an effective multilateral trade system. We call upon the industrial countries to remove the protectionist barriers, particularly nontariff barriers, which have increased over the past decade. The continued practice of high sectoral subsidies provided by industrial country governments is of great concern to us since this practice, along with the protectionist measures in general, would impede the efforts of the developing and the former centrally planned countries aimed at export diversification and growth. We call upon the industrial countries to limit the protectionist trends which have proliferated with the growth and spread of unemployment in many of those countries, on the pretext that this crisis has resulted from the unequal competition between producers in the developing world and the industrial countries. This explanation of the causes of and remedies for unemployment is not, in the main, based on objective arguments; it also disregards the fact that such claims of inequality are based on considerations which discount the positive impact of rapid growth in the economic performance of the developing world on employment demand in the industrial countries. In our view, there is an urgent need to open the markets of the industrial countries to developing country exports, in a more positive way. It is also necessary to introduce an adequate framework for dealing with the problem of migrant labor in the industrial countries.

Many Arab countries have made great efforts to achieve financial stability and reform many times during the past decade. A number of those countries are still implementing economic and structural adjustment programs supported by the Bank and the Fund. We call upon the Bretton Woods institutions to provide more support for those efforts, and more resources in response to the needs of the Arab countries for technical assistance, including those countries that do not receive financial resources from the two institutions. In this respect, I wish to commend the resumption of support to Lebanon's development bank and the increased activity of the IFC in the Arab countries during the current year. While on the subject of the Arab countries, I should mention the vast economic openness prevailing in many of them, especially in the areas of trade, investment, and capital movements, as well as the generous financial support extended by the Arab oil exporting countries to other developing countries, which has continued at levels far exceeding, in terms of GDP, the levels of development assistance extended by the industrial countries. This has occurred despite the decline in their oil revenues and their increased need for financing as a result of the Gulf crisis. It is unfortunate that while the oil production and pricing policies in the oil exporting countries have been aimed over the years at stabilizing world markets, the industrial countries continue to adopt tax and protectionist policies which discriminate against oil and the petroleum product exports of the Arab countries.

We still believe, as previously noted by the Arab Governors, that all countries, and in particular the major currency countries, should build confidence in the international monetary system and ensure its sound performance. We call upon the Fund to reconsider its policy of approving restrictive measures taken under the pretext of national security requirements.

In closing, I would like briefly to address a number of additional issues pertaining to the Bank and the Fund.

As to the Bank, we welcome the 1993 increase in the lending and investments of the World Bank group. This was the result of the Bank's increased operations in the republics of the former Soviet Union and in Eastern and Central Europe. We also welcome the efforts made to improve the implementation of Bank projects and the new trend of achieving tangible results as regards development in the borrowing countries. In this connection, we wish to stress the need for corresponding increases in the loans and credits extended by the Bank group. Moreover, in connection with the World Bank's decision to provide more information to the public on its projects and policies, I wish to stress the importance of the borrowing countries' agreement to provide such information in a manner that is consistent with their systems and circumstances.

I would like further to stress the need to keep Bank projects from being exposed to pressures from foreign parties, particularly in the preliminary stages of project preparation.

As for the Fund, I would like to express the support of the Arab countries for a new SDR allocation. We urge the member countries still opposing this measure to join the overwhelming majority of members who support it. I wish also to stress the urgent need to establish a concessional financing program as a successor to the ESAF. Finally, we welcome the IMF's introduction of the financial mechanism to support economic transformation, and the agreement that the opportunity to take advantage of the resources of this program not be limited to the countries of the former Soviet Union. Hence I would like to underscore the need for the Fund's work in other parts of the world to be characterized by flexibility comparable to that shown in dealing with the needs of economic transition. In the same context, the IMF should adapt its various financing programs in such a way as to make them more readily and effectively responsive to the needs of adjustment and development in the developing countries.

RUSSIAN FEDERATION: ALEKSANDR N. SHOKHIN

Governor of the Bank and the Fund

I would like to start by comparing the present discussion with that of the previous Annual Meetings. Regarding the issues of growth of industrial and developing countries, today we have the same concerns that we had a year ago. While the continuing recession was the theme of last year's discussion, today it is the downward revision of the projections for growth in the industrial countries. While last year's Annual Meetings were preceded by turmoil in the European exchange rate mechanism (ERM), a year later an even deeper crisis in the ERM has erupted. The good news relating to this group of issues is also not new. It is the steady and even strengthening economic growth of the developing countries, despite the continuing recession in the industrial world—the phenomenon that a year ago was considered paradoxical.

It looks like this year we are approaching a consensus regarding the reasons for the persistence of the recession. The first is the chronic problem of fiscal imbalances in most industrial countries, which severely constrains the possibility of fiscal stimulus. I welcome the growing awareness of this problem in Western Europe and North America. In a number of countries, fiscal-reduction measures have either already been adopted or are under consideration.

The second factor hindering the macroeconomic policy response to the recession has been the rigidities of the ERM. The additional flexibility on the monetary side—recently introduced in response to the latest crisis in the mechanism—is broadly expected to produce a positive effect on the prospects of economic growth in countries that are participants in the ERM and in the larger perspective of the world economy.

The last, but not least, reason for the protracted recession is the high level of labor market rigidities in the industrial countries. I believe that comprehensive labor market reform is the key instrument for addressing the typical "triangle of problems" for the industrial countries—economic recession, high unemployment, and fiscal imbalances.

It is rather worrisome that quite the opposite approach to addressing this set of problems is still popular—not on the path of economic liberalization, but by means of strengthening the economic rigidities. It is proposed in terms of this approach that, instead of dismantling internal barriers whose existence is the obstacle to flexibility and efficiency, external barriers be built against goods from the developing countries and countries in transition. These barriers do not benefit the populations of the industrial countries—they only benefit the inefficient producers. They do not help to preserve jobs in the industrial countries even in the medium-term perspective—they undermine countries' competitiveness and, consequently, lead to economic decline and a reduction in the number of available jobs. The adverse effects of these barriers are especially harmful now, when, according to the latest World Economic Outlook, the developing countries are becoming the engine of growth for the world economy. The Uruguay Round talks have reached a critical phase, and I truly believe that their successful conclusion could be a major factor of world economic growth. The failure of the Uruguay Round at this stage could produce grave results for the world economy.

As regards the former centrally planned economies, the situation has become even more heterogeneous. On the one hand, there are countries in which the general economic situation has strengthened—the Czech Republic being a prime example. There are also countries, Poland in particular, where, after a serious decline in production, an upturn is now evident.

On the other hand, there is a group of countries in which the economic situation has deteriorated during the past year—most of them being countries that comprised the former Soviet Union. Ukraine, where we can already observe the first stage of hyperinflation, is probably the most vivid example.

The successes or failures of each country were certainly determined by their individual mixes of favorable and unfavorable circumstances. However, the experience accumulated in the area of market-oriented transformations allows us to be certain of at least two conclusions. First, that macroeconomic stabilization is a necessary precondition for the resumption of economic growth and for the fruitfulness of the structural reforms. Second, that the major factor in the decline in output is the magnitude of the initial structural distortions in national economies—rather than the tightness of macroeconomic policies.

Another factor of great importance is the disruption of traditional economic ties and the loss of the traditional import and export markets during the transition process. In this respect, the new systemic transformation facility (STF) created by the Fund is especially helpful. It provides vital support to a large group of countries where the size of the initial adverse effects of the systemic changes is so high that the traditional stand-by arrangement is not a sufficient instrument to provide the necessary support for the balance of payments needs of these countries.

The practice so far in approving the STF shows that the fears that the new facility will become an instrument of unconditional disbursements have proved to be groundless. In our view the STF has indeed become an instrument for bringing Fund conditionality closer to the realities of a large group of countries in transition—realities that previously had not been encountered in IMF practice. The opportunity to have access to the STF has certainly stimulated several countries of the former Soviet Union to undertake bolder stabilization and reform efforts. The Kyrgyz Republic, Belarus, Kazakhstan, and Moldova have assumed very serious obligations, especially in the budgetary area.

Russia became the second country after the Kyrgyz Republic to receive financing within the framework of the STF. The program, supported by the Fund, was adopted this past spring. In its elaboration and implementation, the Government relied on the political results of the April referendum, in which the Russian people expressed their support for market reforms. The initial stages of the program have been quite successful. From mid-June to mid-August the exchange rate of the ruble against the dollar, which had previously dropped sharply, rose in nominal terms by approximately 13 percent, which was the first sign of a reversal of capital flight. However, macroeconomic policy was loosened in August, and the program went off track. Seasonal factors played quite a significant role here, as did the liberalization of prices of some basic resources. The main role, however, belonged to the deep political crisis, which reached its highest point in September and became a practically insurmountable obstacle to the implementation of stabilization measures as well as structural transformation. The practical realization of a package of emergency budgetary measures adopted by the Government at the end of August was put in doubt. The decisive steps taken by President Yeltsin last week are aimed at resolving the crisis democratically and thereby creating the prerequisites for further progress along the path toward market reforms.

Since then, the Russian Government has undertaken some key steps in the fiscal and monetary areas, including elimination of grain subsidies and complete abolishment of soft loans by the Central Bank. The Government is committed to further implementing all feasible measures to reach macroeconomic stabilization and to undertaking all necessary structural reforms. On our part, we hope to obtain the understanding and support of the Fund, and we look forward to early approval by the Fund of a second tranche as a result of our joint efforts.

The successful implementation of macroeconomic stabilization and structural transformation is a necessary precondition for Russia to receive technical and financial assistance from the World Bank.

The Russian Government highly appreciates the World Bank's support of its package of economic reforms and its active participation in the development of a program to assist Russia within the framework of the Group of Seven.

In the area of the financing of structural transformation in Russia, we would especially like to note the Bank's support for the process of privatization and restructuring of enterprises, as well as its assistance in creating market mechanisms in the development of the financial sector and in management training.

We attach great importance to the World Bank's investment projects, which substantially contribute to stabilization of the country's economic situation. Reconstruction of the energy system, particularly the oil and gas sector, will serve as an important factor in the recovery of the Russian economy. We particularly welcome the IBRD's first oil loan to Russia.

The projects financed by the World Bank and export credit agencies could play a catalytic role in attracting private foreign investments in the oil and gas sector. However, this positive impact is hampered by the delay by the World Bank in waiving its negative pledge with respect to Russia.

It is necessary to emphasize that our prioritizing of the energy sector does not diminish the importance we place on the investment projects developed by the Bank in the areas of agriculture, transportation, housing construction, and the environment.

We are also interested in broadening the scope of the activities of the IFC and MIGA in Russia following the first projects approved last year. We appreciate the useful activity of the Foreign Investment Advisory Service.

In conclusion, I would like to express support for the efforts of the Fund's management to solve the problem of a global shortage of official reserves through an SDR allocation. At the same time, it is clear that the idea of a full-scale SDR allocation at the present time—in the manner of previous ones—does not enjoy sufficient support among the members of the Fund. Therefore, Russia proposes a two-phase approach, which, as past discussions have already indicated, seems to be more acceptable to many members of the Fund.

A small-scale SDR allocation could be carried out as a first stage in order to put on a par with the other members of the Fund those countries that entered the Fund after 1970, including 38 countries that have never participated in an SDR allocation. It should be acknowledged that it is precisely these countries, for the most part, that are experiencing a serious shortage of foreign exchange reserves. The Executive Board must study and submit for the review of the Board of Governors the entire range of legal options for the allocation and/or reallocation of SDRs in the interest of achieving equity in allocation among all members proportional to their current quotas.

A new, full-scale SDR allocation, the size of which is still waiting to be determined, could be carried out at a subsequent stage when it receives sufficient support of the Fund membership.

In our view, such an approach would be in compliance with the efforts of the international community to support the developing countries and the countries in transition. We appreciate the support this idea received at the recent Interim Committee session.

REPUBLIC OF SLOVENIA: MITJA GASPARI

Governor of the Bank

It is a privilege for me to be able to address this assembly of Bretton Woods institutions as the first Governor speaking on behalf of the Republic of Slovenia. Formal and close association with international financial institutions is extremely important, particularly for developing countries. In connection with this, let me mention that perhaps a lot of precious time was lost for Slovenia.

Despite the fact that my country is in a so-called "triple transition" (toward independence, establishment of market economy, and reorientation of economic ties) and thus needs assistance even more, we had to wait some time to succeed to the former Yugoslavia's membership and to gain access to your financial assistance. Now that this process is completed, we are firmly resolved, as I hope you are, to strengthen further cooperation with the World Bank Group and the International Monetary Fund, two institutions that can contribute considerably to any country's economic stabilization, transition, and economic growth.

The Republic of Slovenia is a small country, eager and in a position to demonstrate already some success in political and economic transformation. Since independence, Slovenia has moved on, step by step, to: building a new country on the basis of a true political democracy; establishing and reinforcing a stable market economy; and reorienting trade from former Yugoslav and other traditional partners to international markets—mostly those of the industrial countries.

The creation of political institutions in an independent society has been the first priority for Slovenia. The adoption of the new constitution, completion of free elections, and streamlining of the Parliament and the Government, all attest to the success achieved in meeting this objective.

It is important to point out that stabilization of the economy has been an equally important priority for the Slovene authorities, although this was an enormous task because of the inherited and extremely adverse immediate environment, as well as the external shock this young country had to cope with, particularly in the last two and a half years. War and flood damage in 1991; the loss of all its foreign exchange revenues and property to Belgrade; the unresolved questions of claims toward the Gulf and former Soviet Union (FSU) countries; the loss of the former Yugoslav markets and FSU market; the presence of huge numbers of refugees due to the continuation of wars in Croatia and Bosnia; and recession in Western Europe are only a few examples of the difficulties my Government has had to cope with.

However, I shall mention that despite very little external support and in such an adverse environment, there is good news. We would probably all agree that Slovenia had a solid starting position, stronger than other former Yugoslav republics, although with a distorted micro-foundation of loss-making enterprises and related banking sector, additionally complicated by the ownership issue of the former system of social property and self-management. Bank and Fund reports confirm that in the last two years the country has made remarkable progress and achieved macroeconomic stability through very strict monetary policy; it introduced successfully its new currency, and it has further liberalized trade, while keeping wages under control and maintaining an impeccable payment record.

Inflation has been brought down from a monthly rate of over 20 percent during late 1991 to less than 2 percent a month since January of this year. Exports to industrial countries have slightly increased, despite recession there and notwithstanding a considerable drop in Slovenia's industrial production of some 16 percent cumulative over 1991 and 1992. Foreign exchange reserves, nonexistent in mid-1991, reached well over three months' imports or $1.4 billion this year. The social fabric of society is strong, and despite constant reduction in living standards, a strong constituency supporting the reforms enables the Government to keep wages under control. Ownership of reform programs has not been a problem in Slovenia.

I would like to take this opportunity to emphasize that Slovene authorities have been aware that the economic stability could not be sustained without a transformation of the system of self-management and without the curtailment of the ownership links between enterprises and banks, which had helped perpetuate bank financing of enterprise losses. That is why we made privatization and the reconstructing of socially owned enterprises, the reform of enterprises in public services, and the rehabilitation of the banking sector the central forces of our current economic program, recently also supported by the first World Bank loan. As pointed out in the Bank's recent Board of Executive Directors discussion, when approving this financial and enterprise sector adjustment loan, the Slovene economic program, which was developed in cooperation with World Bank Group and the IMF, could well become a model for other developing countries, particularly for those members in transition.

Despite solid progress, results are still fragile. Slovenia is a very small, open economy, extremely vulnerable to external unfavorable developments. Therefore, support from the Bank, the Fund, and other financial institutions is essential (although balance of payments financing from the IMF has not been needed), could be a kind of a buffer from other shocks, and should help to consolidate a stable economy, concentrating next on investment and recovery.

By completing Bank Group and Fund membership procedures, Slovenia has also made significant progress in creating its completely independent financial identity and in delinking its country risk from the one associated with that of what used to be Yugoslavia, all this being an important element for renewed access to international capital markets. In this respect, a priority objective for Slovenia is to regulate and legalize fully its relationship with foreign creditors. We have been regularly servicing all our foreign obligations incurred under the former Yugoslavia, but one final legal step is needed. As with international financial institutions, Slovenia's external debt obligations need to be defined and codified into new, separate arrangements with bilateral official creditors and commercial banks also. Mutually acceptable general principles have already been established with the Paris Club. Unfortunately, it seems there are still significant differences that have to be overcome to reach a similar arrangement with some commercial banks that have to accept that Slovenia could only be liable for a certain, but fair, share of the former Yugoslav debt. The Bank and the Fund could provide active support to reach such an agreement.

A word on our institutions. The Bank Group and the Fund have in the past 12 months continued to play an important role in world development efforts and have successfully assisted their members. New facilities have been introduced, policies have been reviewed and updated, programs and projects have been approved, and many have been implemented and completed during this period. Both institutions are financially and professionally stronger, which is indispensable in view of the fact that world economic problems are numerous.

The Fund's standard and new facilities are now available to a number of new members, particularly to new countries, all also trying to transform their economies. These reforms are difficult and painful, but should take place, and it is imperative that the Fund be actively involved in them. Monetary and fiscal policies have to be in order before sustainable development can be achieved. We are pleased that some of the new instruments, particularly the systematic transformation facility, are now available to all transforming economies, including those Central European countries that began reforms earlier than others.

The Bank has also continued to adjust to the changing and increasing needs of the developing countries. Redefinition of its objectives has shown once again that the reduction of poverty is the ultimate goal, and we are pleased that this and other priorities are starting to be more clearly spelled out in each operation. We strongly support the Bank's closer presence in the field, though we notice that cost factors often preclude smaller members from a more permanent and/or active representation of the World Bank in a country.

Though we would prefer to see a larger volume and number of new commitments at the end of this fiscal year, we also support Bank management in its new campaign and action for better implementation of projects, agreeing that this is very much needed and should be given the attention of all staff, and should ultimately result in a more effective use of the Bank's resources, while contributing to the faster economic development of recipient countries.

Let me also say that my Government wishes to express support for the role that IFC has played in promoting private sector activities in developing countries, and, at the same time, for its renewed activities in my country. We also hope that MIGA will strengthen its operations.

Allow me to conclude Slovenia's first address before this distinguished group by wishing you, the President of the Bank Group and the Managing Director of the International Monetary Fund, success in what remains to be done during these meetings and, most importantly, during the coming years. Also, I would like to point out again that Bank and Fund assistance to, and cooperation with, smaller members and new, particularly transforming, countries should be given strong and patient attention, since such support could be even more important to these members than it is perhaps to those already established, which often have stronger and less vulnerable economies. The human, technical, and financial resources of the Bretton Woods institutions could and should be increased and strengthened further, while being distributed to and used by members in an equitable and fair way, so that infant and establishing members would also have a chance to develop and grow properly and adequately into the international family of economies.

Finally, our special gratitude goes also to the organizers and the host country of this meeting and to Washington, D.C., all of whom once again have made your and our visits productive and pleasant.

SOUTH AFRICA: DEREK L. KEYS

Governor of the Fund

On the occasion of last year's Annual Meetings, I remarked that I hoped it would be the last occasion that South Africa would address these meetings as a "non-normal" member of the Bretton Woods institutions. We've nearly made it. The momentous events of the last few days herald the imminent return of South Africa to the international financial community. We have therefore noted with appreciation both the statement by the Managing Director of the International Monetary Fund entitled "The IMF Is Helping South Africa Through the Transition," and referring to the courageous steps that are being taken by South African statesmen to build a new South Africa, and also the prospect of renewed access to financial facilities—the first since 1982.

In addressing these Meetings earlier, the President of the World Bank also confirmed the willingness of the World Bank Group to support development efforts in the new South Africa. In this context, we welcome the decision of the Board of Directors of the Multilateral Investment Guarantee Agency (MIGA) to reclassify South Africa as a Part II country. We also look forward to the International Finance Corporation (IFC) commencing operations and will work closely with the World Bank to develop programs that will reduce poverty and create employment. The fundamental point is that South Africa now is set in every respect to resume normal membership with the exception of the fact that we must still join a constituency on the Executive Boards of both the World Bank and the Fund. This is a matter that South Africa will aim to resolve with full legitimacy before the next election of Executive Directors. In the meantime, we express our thanks for the special arrangements made thus far for our representation and also for the manifold good wishes members have extended to us for further success in the process of democratization.

In this climate of reacceptance, South Africa looks forward to expanding its existing trade and financial ties and to establishing new linkages. We attach particular importance to our relationships with the newly industrializing economies, from whose policy experience we can only benefit. Along with all other primary producer countries, we have a particular interest in strengthening global economic growth. With them, we therefore regret the repeated delays in concluding the Uruguay Round of the General Agreement on Tariffs and

Trade and are disturbed by increasing levels of protectionism that occur at a time when international commodity markets are still moving against the developing and transforming countries, such as ours. The extensive exchange market tensions of recent months have also had a negative impact on our own exchange rate, leading to fewer monetary policy options as well as limiting our flexibility in financial policy generally. South Africa thus continues to hope that the industrial world will more effectively acknowledge its responsibility toward global macroeconomic stability.

An international issue affecting developing countries is the accelerated trend toward regional integration. The complementarities and trade-offs between multilateral, regional, and bilateral trade arrangements are certainly areas where vision and a progressive spirit are needed. These realities of changing global and regional circumstances also need to be addressed by the countries of southern Africa. This is involving us in a careful assessment of existing bilateral and multilateral relationships so as to advance optimally the welfare of the peoples in the region. As South Africa transforms and rebuilds its economy within the confines of its limited resources relative to its needs and expectations, we also stand ready to play an appropriate role in helping address regional concerns and facilitating regional cooperation.

The financing needs of developing and transforming countries continue to be a major problem due to, inter alia, their limited access to international capital markets, existing debt burdens, global competition for funds, and budgetary and political constraints on official development assistance in many industrial countries. In these circumstances, the Bank and the Fund are bound to assume even more prominent roles. Their financial facilities, policy and technical advice, and donor coordination make such an outcome virtually certain. South Africa therefore appreciates the introduction of the systemic transformation facility and welcomes the present debate on a further SDR allocation and a successor to the enhanced structural adjustment facility. We urge the membership to ensure that the changes contemplated will effectively address the disadvantages of those members that need these facilities most.

It is well known that South Africa's progress toward a nonracial democracy is gathering momentum. Democracy brings political freedom, but the transformation will not be robust if it is not accompanied by an economic system and policies that are just and encourage *high-quality* growth that leads to an improved standard of living for the whole population.

A new South Africa will have to reconcile, to manage, the expectations resulting from democracy with the capacity of its economy. The greater the economy's ability to grow and provide a stable foundation, the greater the country's prospects to become a peaceful and stable political entity.

International experience suggests that there are few instances of successful simultaneous political and economic liberalization. South Africa therefore needs to be cautious and yet courageous in its approach and must seek to benefit from the experience of others. We look to the international community and its multilateral institutions for support in our transformation. This community, which has displayed its collective will in past involvement in sanctions, disinvestment, and other measures to accelerate change in South Africa, now has the opportunity to remain equally involved by displaying that same commitment to support positive development in South Africa.

An appropriate amount and mix of foreign funding will be a crucial element in any future economic strategy. Responsibly managed, it makes possible greater immediate fulfillment of expectations and will also enable the economy to achieve a higher rate of growth. In stating this, we remain aware that the necessary condition for this as regards our own behavior is to conduct financial policies in a disciplined manner that will meet with the approval of the markets and international community and will support the servicing of future debt commitments. Unless this is achieved, expectations regarding the potential for resource flows to South Africa will undoubtedly be disappointed. Normalization of international financial relations is not a license to relax financial vigilance. If anything, it necessitates even more prudent policies to maximize the advantages of potential resource flows.

We have already made an encouraging start in establishing a credible track record to this effect. The final external debt arrangement with foreign banks announced two days ago, South Africa's recent offer for tariff adjustments in terms of the Uruguay Round, the present discussions regarding the IMF's compensatory and contingency financing facility, as well as in-depth discussions with the World Bank, IFC, and MIGA, involve all the major political groupings in the country and are a manifestation of the cooperative spirit and sense of financial responsibility that now exists in our country. For the first time also, the South Africans present at these meetings and involved in the various discussions reflect the full diversity of the peoples of our country.

South Africa is not only a country of challenges and disparities, but also of opportunities and unutilized resources. It will require skill and leadership, sacrifice and patience, some measure of immediate gratification, and more willingness to wait for future benefits. Above all, expectation and reality must not be confused, but reconciled. With the assistance of our host institutions, the markets, and the international community, this can and will be done.

SPAIN: PEDRO SOLBES MIRA

Governor of the Fund

For the fourth successive year our expectations of economic recovery for the industrial economies have been frustrated. One year ago most of us and of our experts predicted an end to the crisis during the second half of 1993. Of course, the disarray in the European Monetary System (EMS) was barely beginning. We had no reason to expect that community exchange rates would so sharply reveal the divergences that still exist among Europe's economies and the deep imbalances that affect them. This was owing not only to short-term conditions or to the economic cycle, but ultimately to the extremely narrow maneuvering room we have to implement policies and measures that will enable us to escape from this situation of low growth and growing unemployment.

Renewed comparison with the situation of one year ago shows us that currency markets have settled down following the correct decision to widen the fluctuation band in the exchange rate mechanism of the EMS. Nevertheless, the strong structural component of the imbalances in the fiscal area and in labor markets urgently requires a medium-term policy designed, and above all implemented, in a coordinated manner, for only thus can the reactivation of our economies rest on a sound foundation that will enable it to endure over time. To this end, a prompt agreement on the Uruguay Round of the General Agreement on Tariffs and Trade, to which Spain is prepared to contribute to the full extent of its possibilities, would help dispel uncertainties by improving expectations of a trend reversal in the world economy.

Allow me also to address briefly the two aspects I believe are fundamental in explaining the current situation and establishing our economic policy priorities, that is, fiscal policy and labor markets.

From the standpoint of a member country of the European Community, such as Spain, the experience of the last 12 months has been a highly instructive one, as it has starkly shown the consequences of insufficient confidence in our economic adjustment and insufficient convergence.

Doubts as to the ability of our economies to fulfill the agreements leading to economic and monetary union gave rise to speculation, which intensified as economic indicators deviated from the projections and targets set forth in our convergence plans. This had an almost automatic impact on interest rate trends, evidencing a temporary inability to live with an exchange corset that was overly tight under the circumstances. In this context, the decision to widen the bands to 15 percent not only is justified, but also seems to be an appropriate, realistic policy that allows cooperation among member countries' monetary authorities. This August decision maintains the agreements that worked so satisfactorily over many years and will lead us to economic and monetary union by 1997.

If events are to unfold as foreseen, concerted efforts must be deployed to correct the deterioration in government accounts without delay and to demonstrate the firm political will to attain the objectives agreed upon by the European Community.

I readily share the analysis and conclusions in the World Economic Outlook documents as to the possibility and advisability of fiscal adjustment that does not jeopardize economic recovery in the industrial countries. I also share the opinion that fiscal policy has no slack to drive recovery at this time. The fiscal deficits that affect many of our countries are characterized by a very substantial structural component; accordingly, no decision is possible other than severe budgetary constraint and the implementation of structural reforms to sever the automatic link between weak growth and overexpansion of public expenditure. But this does not prevent the possibility of selectively maintaining, as part of fiscal policy, initiatives to encourage investment, both public or private, so as to prevent the behavior of government accounts from being exclusively procyclic. Obviously, the fact that the deficit must be reduced at the aggregate level will limit this possibility, depending on the structure of expenditure and the room for maneuver in each country. We will not be able to establish the foundations for lasting growth—the ultimate, priority objective of our decisions—unless private investment is sufficiently stimulated. This, in turn, will not be achieved unless there is an immediate reduction in interest rates and a recovery in investor confidence.

Along these thoughts, the welfare state is a concept that is much in debate in many of our countries today, and it is undeniably an asset that must be preserved. To this end, it is essential to correct those aspects that paradoxically hinder the growth and job creation that are its very essence.

We cannot move backward from the social protection level we have already attained, but neither can we allow an excess, or abuse, of protection to throttle the economic growth that is the basis of welfare and employment in every society.

Virtually no industrial country has room to apply an expansionary fiscal policy. In almost all our economies, we must give priority to reducing our deficits if we intend the budding reactivation to reach its full potential.

The number of unemployed in our countries is no doubt the most pressing problem we face, and any measure we adopt will be aimed toward a fundamental mitigation of this problem, even if this cannot be achieved in the short term.

Nevertheless, the truth is that as the crisis became deeper over recent years, our countries—much more pronouncedly those of Europe than other industrial economies, to be sure—have been weaving a safety net for unemployed workers that, with time, becomes impossible to finance and ultimately gives rise to even greater unemployment. Similarly, wage negotiation systems should be reoriented to avoid the asymmetry between defending the interests of jobholders and of the unemployed. Experience has shown that an aggressive wage policy ultimately displaces a large number of workers from the market, which outcome is thoroughly unjustifiable under a high unemployment situation, such as at present. It is even less justifiable if one considers the impact of wage costs themselves on certain prices, which are now somewhat under control, and on the entrepreneurial surplus needed for investment and employment creation.

With regard to the reactivation of the Spanish economy, we may be relatively optimistic, as there are indeed signs of stabilization of the major imbalances; while some of the indicators have yet to begin to improve, their rates of decline have slowed appreciably. This relative optimism should not prevent us from thinking that some time must yet elapse before the effects of the reversal become evident in new job creation.

In conclusion, I must not miss this opportunity to convey to you, on behalf of the Spanish Government, our most cordial invitation to visit Madrid next year. As you probably know, Madrid will host the Annual Meetings in 1994. The challenge this presents to Spain is being faced, and preparations are proceeding apace, and I am convinced the meetings will be a success. I look forward to your distinguished presence. We are at your disposal, and I welcome you in advance.

SWITZERLAND: OTTO STICH

Governor of the Bank and Alternate Governor of the Fund

With these Annual Meetings, Switzerland has now been a member of the Bretton Woods institutions for one year. After some comments on the world economy, I will therefore take the liberty of drawing up our first balance sheet.

The world economy is moving stagewise into recovery, with the United States and the United Kingdom blazing the trail to a certain extent in this direction. This slow process improves the prospects of sustained, noninflationary economic growth. Yet, the upturn is still too weak to bring about any real reduction in unemployment, which is still disturbingly high, especially in Europe. And experience has shown us that high unemployment fuels protectionism and threatens social peace.

It is therefore essential that every effort be made to eliminate the structural causes of rising unemployment, with special emphasis on Europe. Today's rapid technological advances and worldwide competition call for permanent adaptation of the work force's qualifications. Our education and training system must be set up accordingly. Further measures to increase vocational and geographic mobility are needed. Then excessive burdening of labor by social charges must be avoided. Only in this way can an economy remain competitive, with the result that its enterprises are able to create jobs.

Finally, the trend toward deterioration of the budget situation now evident in most industrial countries must be reversed. Healthy public finances coupled with a monetary policy focused on price stability create the conditions for a competitive economy.

It is today most encouraging to note that some of the countries whose economies are in transition and a number of developing countries have found the path to robust economic growth. This is the outcome of a consistently implemented stabilization and structural adjustment policy. And it should serve as a shining example to spur other still-hesitant countries to tread this arduous path. Failure to act now can only make adjustment ultimately more difficult.

Unfortunately, the position of the poorest developing countries, particularly in Africa, is still far from promising. Despite all their efforts, they will find it hard to attract foreign investors and obtain access to international capital markets. These countries will remain dependent on development assistance. The industrial countries must ensure that the restructuring of their economies is not accomplished at the expense of those nations.

The tasks of the International Monetary Fund have been correctly set, as before, and must be pursued energetically and with creativity. These tasks comprise supervision of the world monetary and payments system and of member countries' economic policies, on the one hand, and provision of balance of payments assistance to countries that are consistently carrying out the necessary restructuring measures, on the other. In order to maintain its efficiency and flexibility, the Fund should be kept small and uncomplicated in terms of its organization and the instruments available to it. To improve the effectiveness of its program, the Fund will not, however, be able to avoid giving increased attention to the social consequences of reforms and to the ecology. It is clear that in addressing these issues the Fund will have to work closely with the World Bank, in order to utilize the experience gained by that institution.

In this connection, we believe that the confidentiality of the dialogue with the member countries must remain ensured. However, we also consider that the Fund's program and its technical assistance must be subject to continuous evaluation.

We must not fail to congratulate the Fund on the establishment of the systemic transformation facility, which represents an appropriate and prompt solution for supporting the transformation process. It is therefore regrettable that the countries for whom this facility is intended have so far made little use of it.

With the enhanced structural adjustment facility (ESAF), the Fund has an instrument that can be used to support the radical structural adjustments and stabilization efforts in the poorest countries. We accordingly supported the establishment of the successor facility from the start. We hope that the countries that opposed a new allocation of SDRs will be more receptive to the successor facility. Since Switzerland made a sizable contribution to the ESAF, we would like to see an appropriate distribution of the costs of funding the successor facility. We also consider it important that the countries of the former U.S.S.R. that meet the necessary criteria should also have access to the ESAF successor facility.

Switzerland is accordingly prepared to vote for an allocation of SDR 36 billion. The uneven distribution of monetary reserves in the world can in fact be considered a systemic risk. Moreover, the circumstance that 38 new member countries have not yet received any SDR allocation raises the question of equal treatment of members. As we see it, however, the SDRs allocated ought to be held in reserve and should not be used as a source of cheap financing.

Finally, we attach great importance to strengthening the supervision of member countries' economic policies, and especially those of the industrial countries. On the one hand, this will provide a possibility to introduce more symmetry into the worldwide adjustment process. On the other hand, the persistent instability of the exchange and financial markets calls for improved economic policy coordination.

Now the World Bank. It seems to me that we have been hearing primarily about the Bank's failures recently. Its numerous successes are, one could almost say, bashfully concealed. The picture we have been given does not line up with the facts. *World Development Report 1993*, subtitled *Investing in Health*, points up the success of international development cooperation, the keystone of which is the World Bank. Since 1950, life expectancy in developing countries has risen from 40 years to 63 years, child mortality is down from 280 to 106 per 1,000 births, and certain scourges of humankind have been eradicated, such as smallpox, or else curbed, as in the case of poliomyelitis.

However, in the sphere of poverty reduction, too, which is its real core purpose, the Bank has no reason to hide its light under a bushel. In China and in Indonesia, which are major recipients of World Bank lending, over the space of twenty years the proportion of the poor in the population has been reduced by more than two thirds. In the countries that first moved into the transition process a few years ago, the first achievements are now being seen: Poland has posted the highest GNP growth in Western and Central Europe, and even Albania expects to attain 10 percent growth this year.

Of course, these results are attributable in the first place to the countries' own efforts, and they are to be commended on this. However, without the considerable financial assistance furnished by the Bank and its cooperation with the Fund, these impressive accomplishments would scarcely have been on the same scale.

It is to the Bank's credit that it constantly seeks to verify the effectiveness of its prescriptions, that it takes criticism and experience gained seriously, that it pays due heed to new needs and future circumstances, and that it is prepared to modify its policies. I assert without reservation that as a result of the action program approved by the Board following the Wapenhans Report, the effectiveness and impact of Bank programs and projects will be heightened. What is sought is quality. Right in a time of budget constraints, in the trough of a cyclical downturn when certain symptoms of fatigue are apparent in the international donor community, it is important to be sure that the available capital is efficiently performing its assigned task of promoting development. I also welcome the intention of strengthening the supervision of implementation of programs and projects and of ensuring that borrowers fully and completely identify with the Bank's goals.

The Bank's new information policy is most welcome. Timely information will foster the above-mentioned identification of the peoples and governments concerned with the Bank's goals and promote understanding of the Bank's aims in the donor community. The decision to set up an independent inspection panel to verify, if need be, observance of the Bank's rules and procedures demonstrates, finally, that the Bank does not flinch from opening its books.

Ever since the Bank's establishment, its task has been to deploy its activity in the problem-beset regions of this world, in difficult sectors and for the poorest segments of the populations concerned, and to perform a leadership role where, because of considerations of risk, private enterprise does not yet go or is still hesitant. I advocate bold action. However, the Bank's sound financial position must not be jeopardized in so doing. I accordingly support here, too, the steps begun to strengthen substantially the provisions and reserves.

Despite its successes, the World Bank's task remains to improve vastly the economic and social well-being of a large number of countries. In their addresses, Mr. Camdessus and Mr. Preston presented a sobering picture of the political, economic, and social situations of numerous countries. It is the duty of the Bretton Woods institutions to support the progress of these countries by word and deed. The Fund and the Bank have demonstrated in the past that they are equal to this task. Now that the Bretton Woods institutions have been in existence for nearly fifty years, there is no reason for this to change.

THAILAND: TARRIN NIMMANAHAEMINDA

Governor of the Bank

It is my great pleasure and honor to address the 1993 joint Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund. On behalf of the Thai delegation, I would like to join my fellow Governors in welcoming the Federated States of Micronesia and Tajikistan as new members of our Bretton Woods institutions.

The world economy has once again failed to achieve the recovery expected earlier. Output is growing only at a modest pace, especially in industrial countries. The world trading system is being threatened by growing protectionist sentiments; and the successful conclusion of the Uruguay Round by the end of this year, imperative as it is, is still uncertain.

Among the major economies, the United States is now showing some positive signs of recovery. The fiscal deficit, however, limits the ability of the United States to pursue economic policies supportive of growth and threatens the fragile recovery. In Europe, structural weaknesses such as fiscal imbalances, high unemployment, and the prohibitive cost of absorbing the former East German economy still prevail. Meanwhile, Japan has not recovered from the recent downward adjustment in the stock market, corporate investment, and property values. Economic performance is still weak despite attempts by the Government to stimulate domestic demand through increases in government spending for public works. The recent rise in the yen could deal yet another blow to the chance for rapid recovery. One relief however is the fact that inflation remains subdued in all the major economies.

Despite these general weaknesses, the East Asian economies have continued to make headway over the past year. Indeed, they have effectively become the focus of growth for the global economy. This is no accident—for it is the result of a relentless pursuit of outward-looking policies, supported by strict fiscal and monetary discipline. Being basically export-driven, however, these economies are highly dependent on overseas markets and an open world trading regime. The delays in the world trade talks and the creation of several regional trading arrangements have induced these countries to increase trade among themselves, including forming their own trading arrangements. Furthermore, they continue to implement their policy choices to sustain investment and growth on the basis of sound fundamentals. Nonetheless, without an improved world economic environment, they cannot be relied on to indefinitely continue supporting the world's growth momentum.

To continue with this momentum, it is important that industrial countries pull out of the current recession as soon as possible. To effectively address the issues at hand is no easy task and requires structural reforms as well as concerted policy coordination among major industrial countries. It is also necessary to strengthen the world's free trading regime. The Uruguay Round of multilateral trade negotiations must be concluded without further delay. In this connection, I am grateful to take note of the joint call of the Fund, the Bank, and the Director General of the General Agreement on Tariffs and Trade to this effect yesterday.

Let me now turn my focus to Thailand's local scene. During the past five years, annual growth has averaged nearly 10 percent. For the past two years, however, a growth rate of around 7.5 percent was observed. The downward adjustment is on account of a series of unfavorable external events—but it also reflects a "soft landing" toward a more sustainable growth path. Policy objectives other than high growth are being pursued. These include decentralization, infrastructure, build ups, environmental protection, and the bridging of the income gap.

Taking both external conditions and our domestic situation into consideration, the Government's policy is directed at maintaining fiscal and monetary discipline, development, and liberalization of the financial system in order to create conditions for more private sector investments. The following components are involved: enhancing tax collection through improving the tax structure and administrative efficiency; encouraging fund flows to all parts of the country; supporting increased investments for infrastructure and environmental protection; improving the finance of local administrations; improving the efficiency of state enterprises; mobilizing domestic savings; liberalizing the financial system; establishing needed financial institutions including an export-import bank; and also taking steps toward making Bangkok into a regional center for finance, trade, and other economic activities. Thailand, for its part, is playing an increasing role in economic integration, regionalization, and transformation of the East Asian economies.

Taking the above into consideration, we see several roles that the Bretton Woods institutions can and should undertake to enhance the world's economic prospects. As financial institutions whose membership is virtually universal, they are in a unique position to play a leading role in spearheading these market-oriented economic adjustments that go beyond national boundaries.

World prosperity is dependent on all countries' accepting the common international framework in different spheres of economic undertakings. In trade, there are the multilateral trading arrangements and the respective regional arrangements. In development and finance, it is the work program of the World Bank Group and the Fund that is instrumental in furthering the common economic objectives. We commend the World Bank Group for substantially increasing new lending commitments to developing countries in 1993. We notice, however, that most of the increase is accounted for by the countries of the former Soviet Union and Eastern Europe. We hope that this is not being done at the expense of other developing countries, which still require large amounts of external resources for their development. In particular, we strongly urge that appropriate assistance be extended to transforming countries in the Southeast Asian region. Thailand, for its part, is playing an increasing role in this effort and hopes to see more concrete joint projects in the future, in order to enhance the growth prospect of the whole region.

We welcome the agreement recently reached among donor countries on the Tenth Replenishment of the International Development Association (IDA) and urge all donors who have not yet given formal notification to do so promptly, so that the operations of IDA will not be disrupted.

We also welcome the World Bank's introduction of single currency loans as an addition to existing targeted currency pool loans. This initiative provides borrowers with greater flexibility in risk management and in selecting terms that meet their needs. The requirement that borrowing agencies have matching revenues in the same currencies may, however, severely limit the eligibility of borrowers, especially those with income in local currency.

As for the Fund, the immediate tasks of helping the former "second-world" economies to adjust are, to say the least, quite demanding. The earlier that these countries can be integrated into the global economy, the faster will the net benefit flow to the rest of the world. We support the Fund's efforts toward attaining this goal at the earliest date. At the same time, it is important that financial resources on concessional terms continue to flow toward the poorest nations. We therefore welcome the prospective establishment of a successor to the enhanced structural adjustment facility. Finally, we hope that a satisfactory outcome will be achieved concerning SDR allocation. As a reserve asset, SDRs can provide additional liquidity in support of expanding world trade and investment.

In conclusion, I wish the Bank and the Fund every success in meeting the difficult challenges that lie ahead. I would like to thank the Chairman, the Bank's President, the Fund's Managing Director, and the managements and staffs of the Bank and the Fund, as well as the Government of the United States of America, for the excellent arrangements made for the meetings and for the hospitality extended to the Thai delegation.

TONGA: JAMES CECIL COCKER
Governor of the Bank

It is a pleasure for me to have this opportunity to address the Forty-Eighth Annual Meetings of the World Bank Group and the International Monetary Fund. I join other Governors in expressing thanks to the Chairman, His Excellency Mr. Iván Szabó; to the President of the Bank, Mr. Lewis Preston; to the Managing Director of the Fund, Mr. Michel Camdessus; and to the staffs of the Bank and the Fund for the excellent arrangements under which we meet. I would also like to join my fellow Governors in welcoming the new members who have joined the Fund and the World Bank Group since the last Annual Meetings.

The past year has seen a continuing period of economic adjustment in the major industrial economies and the need for cooperation to strengthen the prospects for durable noninflationary growth. The rise in protectionist sentiment under conditions of growing unemployment in the industrial nations increases the need for a quick and favorable conclusion of the Uruguay Round. An international environment of freer trade will promote the prospects for a return to sustained economic growth, reduced unemployment, and increased productivity.

To pursue noninflationary growth policies, Tonga, like other small developing island countries, needs a conducive external environment, including stable growth in industrial countries; a stable domestic macroeconomic environment with adequate and open markets for exports; and external capital inflows.

In the decade of the 1990s, Tonga has embarked on a strategy of promoting growth through export diversification and private sector development. The 1993–94 budget seeks to consolidate gains attained under earlier policies directed toward the promotion of private sector development, agricultural and fishery export growth, and promotion of tourism to achieve our objectives of increasing employment, incomes, and the equitable distribution of employment opportunities. The Government of Tonga, through official development financial institutions, continues to direct the much-needed resources toward financing new entrepreneurs as well as gender-specific development activities. In this regard, current assistance from the World Bank Group is gratefully acknowledged, and further support in this area is considered of high priority.

The Government continues to place importance on its social development policies through the improvement of physical and social infrastructure facilities. Great emphasis is also placed on equitable regional development, given the wide dispersion of the islands of the kingdom.

Turning to Fund matters, we share the view that many developing countries will continue to need concessional assistance for some time to come. We trust that finalization of the arrangements for a successor facility to the enhanced structural adjustment facility, which is due to expire in November 1993, will be treated with some degree of urgency.

On Bank matters, we fully support the development priorities for the 1990s of poverty reduction and the achievement of sustainable growth. Tonga firmly supports the Bank's conclusions on human resource development, and we look forward to closer coordination with donors on this issue.

The emphasis placed on the Bank's programs of environmental protection is of special interest to small island countries. The economies of the Pacific region are particularly dependent on a healthy environment. At the same time, it is considered appropriate that the active role undertaken by the Bank in this area should be a balanced approach that remains in harmony with the other priorities of developing member countries. We urge that appropriate consideration be given to supporting their continuing development endeavors.

We applaud the Fund and the Bank for the speedy implementation and flexibility of the new facilities granted to those economies undergoing transition toward market economies in Eastern Europe and the former Soviet Union. While we recognize the need for resources to be devoted to these economies in order to maintain economic and social stability, this should not be achieved at the expense of existing member countries.

Tonga is very conscious of the value of being a member of the Fund and the World Bank Group, particularly for the technical assistance provided by the Fund, and looks forward to continued assistance to support our development efforts.

UKRAINE: HRYHORY O. PYATACHENKO
Governor of the Fund

Mr. Camdessus provided us on Tuesday morning with the key tasks for world economic management. I would like to focus on the third task—global economic cooperation and integration—and to clarify some issues that, in my view, are worthy of greater attention. Although I will do this by reference to events in my own country, these are problems that derive from an analysis of interests common to all countries in the new and complete global community that is now represented in this august group of institutions.

Ukraine: On the Way to a Market Economy with Social Orientation

Ukraine is a young, independent state and a new signatory of the Bretton Woods agreements. On August 24, we celebrated our second anniversary of independence and, on September 3, the first anniversary of our membership in these highly respected multilateral financial institutions, the International Monetary Fund and the World Bank.

Let me first note some key events in Ukraine during this year.

First, the democratic process in Ukraine is deepening on a legal and constitutionally stable basis. It is confirmed by the wise and undisputed decision of the Parliament to have early elections on March 27, 1994 and by that of the President to hold early presidential elections on June 26, 1994.

Second, there is no political party or group opposed to the approved strategic course of reforms leading to a market economy with a social orientation. This consensus on reform will be given practical meaning even before the outcome of democratic elections, with President Kravchuk taking full responsibility for leading the of the Government's immediate stabilization and reform efforts.

Third, with these changes, we are developing a better mutual understanding with experts of respected international financial institutions through a growing awareness of certain difficulties of reform, which derive from the structure of the economy. These include the need to develop better mechanisms of managing and disciplining those enterprises not yet privatized, and the special inherited burden of a large military industrial complex that must eventually be subject to conversion or decline.

We continue to gain experience in the economic reform process, moving from a central administrative command to a market-oriented economy. Now there is an urgent need to accelerate structural changes in the economy, formulating high-priority projects, including a list of enterprises that should be privatized. We must take steps to break inflation not only through monetary and credit policies now, but by following through with structural reform in the production area, where the root causes of inflation are found. Economic instruments that accelerate privatization and that improve state property management need greater attention.

Fourth, there is, unfortunately, a dearth of worldwide information about Ukraine's positive steps toward economic reforms and its achievements. This explains, to a certain extent, the occasional negative comments on Ukraine's reform implementation process. In fact, we have experienced many positive changes since the beginning of this year.

The process of creating joint ventures with foreign partners has been accelerated, reaching a total of 1,800 enterprises, more than half of which are producing goods and services. In different parts of Ukraine, joint enterprises with American, German, French, Austrian, Polish, and other partners are operating. Overall, Ukraine has joint venture partners from 90 countries worldwide.

In 1992, 14 state and 109 municipal enterprises were privatized; in the first half of this year alone, 230 state and 332 municipal enterprises have been privatized, and this privatization process embraces all regions of Ukraine. Entrepreneurship is supported by favorable conditions of taxation and credit policies.

The total amount of new farmers' plots equals almost 25,000, including 10,000 created in the first half of the year, averaging 25 hectares. We foresee extending favorable tax conditions as well as budget funds to support them, especially in obtaining equipment credits.

Common Interest of all the Countries in Economic Recovery

The problems and achievements of Ukraine are in many ways similar to, and even typical of, many former socialist countries. These are unusual historical times for this group of countries, and we are happy to see that the Fund, the Bank, and others have realized this and reacted to it with such unusual historical initiatives as the systemic transformation facility and, for certain countries, special preceding complementary financial initiatives by groups of donor countries. This is certainly the right approach to supporting countries where the difficult process of nation building, the evolution of democracy, and economic transformation must move forward simultaneously. We in Ukraine look forward to such early, widespread support to help reaffirm our political strategy and economic stability.

The experience we have all gained since the last Annual Meetings of the Fund and the Bank confirms the necessity for coordination of such unique efforts directed at creating evenhanded and fair conditions for the integration of all former socialist countries into the world market. Integration will provide mutual benefits from expanding free trade, investment potential, and step-by-step economic recovery for our country, our neighbors near and far, and the wider global economy.

UNITED ARAB EMIRATES: AHMED HUMAID AL-TAYER

Governor of the Bank and the Fund

(on behalf of the Members of the Gulf Cooperation Council of Arab States)

It is an honor and privilege for me to address you on behalf of the members of the Gulf Cooperation Council of Arab States. Allow me to begin my remarks by welcoming the new members to the Bretton Woods institutions.

We are closely following, with optimism, the constructive efforts which led to the signing of the agreement between the Palestinians and Israel. Our countries have endorsed this agreement since its declaration. The excellent report prepared by the World Bank on the economies of the West Bank and the Gaza Strip highlights the enormous human and physical needs in both areas. We believe that the World Bank is particularly well-equipped to play a catalytic role in social development, infrastructure building, and the coordination of assistance to the self-rule authorities. Such efforts will require the full support and specific commitment of the international community. Accordingly, we cannot but welcome the various initiatives already announced in this respect. The GCC countries have offered substantial assistance to the Palestinian people over the years, and stand ready to provide further assistance.

Our meetings are being held at a time when the world economy is going through what could only be described as a remarkable period of transition. At present, there seems to be a widespread and justified feeling that we are at the crossroads of a new era in history, ushered in over the last few years by a host of novel political events and developments which have taken shape at an unprecedented pace. Such developments have, therefore, led to the emergence of serious challenges which are compounded by persistent weakness in the performance of the world economy.

From this standpoint, collective action at this particular juncture is necessary to buttress economic activity. The major industrial countries have a special responsibility in this respect because their policies have a great impact on the world economy, and in view of their current weak economic performance. We believe that there is scope for adopting measures to increase business confidence and to improve the prospects for resuming noninflationary growth in the industrial countries by adopting economic programs aimed at reducing fiscal deficits over the medium term, coupled with structural reforms aimed primarily at improving the prospects for achieving more normal patterns of production. Moreover, it is important to hasten to introduce labor market reforms in order to increase the efficiency of these markets and enhance their ability to respond to technological advances and market signals. Such reforms should be designed in a fashion which is conducive to a radical solution to the problem of unemployment, which has been exacerbated in many industrial countries, especially in Europe, and seems to portend tremendous protectionist pressures.

It is clear that the current critical phase of the world economy requires extensive international economic cooperation. It would be no exaggeration to say that such cooperation hinges on the adoption of serious and persuasive measures to liberalize global trade. Such measures would not only improve growth prospects in the industrial countries in the medium and long terms, they would also improve short-term prospects as they increase business confidence. Better access to industrial country markets on the part of the developing countries and previously centrally-planned economies would eliminate a major stumbling block which hinders these countries from fully harnessing their investment potential. From this perspective, we urge all parties concerned to spare no effort to successfully conclude the Uruguay Round of multilateral trade negotiations.

I have previously referred to the importance of collective action and cooperation to revive the world economy at present, and to enable the international community to transform the challenges it has faced over the last few years into new opportunities for reconstruction, progress, and prosperity. Collective action and cooperation are two main principles supporting our activity in the Gulf Cooperation Council for Arab States. In mentioning collective action and cooperation, I do not mean cooperation within the GCC countries alone, but am referring also to our cooperation with all countries, developing and developed, in all fields. Such cooperation is facilitated to a large extent by the fact that our economies, since their inception, have been built on the principle of market economies based on free trade, investment, and capital movements.

The rapid expansion of developing countries' markets over the last few years has contributed significantly to supporting demand for industrial country exports, and to supporting world economic activity in a period of economic recession in the industrial countries. Available data bears witness to the vital role played by the continuous economic growth in the developing world as a whole during the recent recession as an invaluable source of global economic recovery. It is truly regrettable, indeed paradoxical, that while certain developing countries are opening their markets wide to industrial country exports, as in the case of the GCC countries, and while other developing countries are intent on achieving more liberal trade regimes through the implementation of Bank- and Fund-supported economic adjustment, industrial countries persist in imposing protectionist measures against the exports of the developing world, including our own. These measures include discriminatory taxes levied on petroleum products, and are a cause of major concern for us as oil producing countries, and for the developing world as a whole. Suffice it to say in this regard that in 1991, oil producing countries' earnings from their oil exports to the EC countries stood at approximately $70 billion, while the EC governments collected some $220 billion in taxes on said exports. Such a situation is a cause for grave concern for us, as it has a direct negative impact on our countries and runs counter to the spirit of cooperation which must govern oil producer and consumer relations if oil markets are to enjoy the state of stability which the GCC countries have relentlessly sought to achieve over the years.

The significance of the GCC countries to the world economy resides not merely in their ownership of the largest world oil reserves, but also in the fact that they are markets for the exports of goods and services from the industrial and developing worlds. Moreover, the GCC countries have played an extremely positive role over the years in providing concessional assistance to developing countries through national, regional, and international financing institutions, at a rate much higher, as a percentage of GDP, than industrial countries' financial assistance. I would also like in this regard to underscore our unwavering support for international organizations over the years as proof of the special importance we attach in our countries to international cooperation.

We welcome the support given, and being given, by the Bretton Woods institutions to Arab countries, and invite them to continue their support of reform efforts through the provision of further financial and technical assistance. It would be remiss of me, in referring to technical assistance, not to highlight the importance for the Bank and the Fund of increasing resources for this end in Arab countries, especially those amongst them which do not use Bank and Fund resources, including GCC countries.

Finally, allow me, on behalf of the GCC countries, to commend the efforts made toward designing a program to improve the delivery of World Bank projects, and achieve tangible results on the development front in debtor countries. I would also like to express our endorsement of the proposal made by the Managing Director of the IMF aiming at a new SDR allocation, and our belief that the Fund should continue helping its poorest members.

UNITED KINGDOM: KENNETH CLARKE

Governor of the Bank and the Fund

Introduction

It has been a great pleasure to attend my first Annual Meetings as U.K. Governor of the World Bank and the International Monetary Fund. And I should like to begin by welcoming Tajikistan, Croatia, Slovenia, the Czech Republic, the Slovak Republic, and the Federated States of Micronesia as new members of the Bretton Woods institutions and the former Yugoslav Republic of Macedonia as a new member of the Fund.

It is no surprise that many of our proceedings this week have been dominated by anxieties about the economic situation in the industrial world. Activity in many countries is, at best, fragile. In the United States, recovery has failed to gather momentum. In Japan, despite a succession of attempts to stimulate domestic demand, the economy is still in decline. And, while in the United Kingdom a modest recovery is now under way, much of continental Europe remains stuck in recession, and unemployment there is rising further from already high levels.

But, serious though these short-term problems are, it is vital for governments around the world to avoid the temptation to grasp at short-term palliatives. This is the theme I wish to develop today.

The challenge before us now is to adopt policies which provide the basis for *long-term* prosperity. Governments must respond to unemployment not by introducing schemes for job protection, but by freeing up labor markets. The response to recession must not be to restrict imports, but to expand free trade. And whatever the short-term temptations, it is vital to keep a clear eye on the long term, by encouraging higher savings and productive investment throughout the world.

Developing Countries

In my view, one of the most striking features of our meetings this year has been the contrast between the gloom in many industrial nations and the strong growth now being seen in some parts of the developing world. Growth in East Asia continues at spectacular rates. And Latin America is expected to grow by $3^1/_2$ percent this year—a remarkable turnaround from the problems of the 1980s.

Even in the economies of Eastern and Central Europe, there are signs, at least in some countries, that the decline in output following the collapse of central planning has now come to an end. Where the reform process began early, and has been pursued vigorously, sustainable growth, led by the private sector, has returned. Poland will be the fastest growing of all the large economies in Europe this year.

By contrast, in Africa growth remains weak. But even there, countries that have adopted sound structural and macroeconomic policies have performed best. Many have taken brave measures and risked short-term unpopularity in order to make the necessary adjustments. They deserve our praise and support.

The IMF and the World Bank have played their part by providing finance and advice to the developing world. But they have also acknowledged the limitations of their role, and recognized as all governmental institutions must, that successful development depends ultimately on a thriving private sector. In my view, the role of the international financial institutions will become increasingly a catalytic one—encouraging the private inward investment, which contributes so much to sustainable development.

The Bretton Woods institutions themselves will therefore need to continue to adjust. I believe that IFC—with its unique private sector mission—should continue to expand further its role within the World Bank Group. And let me pay tribute at this point, on the occasion of the last Annual Meetings before his retirement, to the work of Sir William Ryrie as head of the International Finance Corporation.

Unemployment

We tend to speak of "adjustment" as a problem only for the developing world. In fact, the industrial countries face adjustment problems too. And all of us will have to work consistently to achieve the right structural policies to encourage jobs, investment, and enterprise, together with sound public finances and low inflation.

For many industrial economies, adjustment will be difficult. This can perhaps be seen most clearly in the labor market. For individuals, unemployment is a distressing and demoralizing experience. And for many Western governments, particularly in Europe, unemployment is the most serious economic problem they face.

The European Community (EC), following John Major's lead, at last has begun to examine the causes of high unemployment in Europe. The Commission will shortly be publishing a White Book setting out its views. And at the Tokyo summit, the leaders of the Group of Seven agreed to hold a special conference on jobs. I very much look forward to participating in that conference in the United States this autumn, and to discussing these difficult issues in some detail.

To reduce unemployment, governments have to look to its fundamental causes: inflexible labor markets, excessive costs, and lack of competitiveness. All too often in the past, when faced with these stark truths, the temptation has been to avoid the difficult measures necessary to confront them. Many governments have failed to loosen the grip of regulation; they have added to employers' costs in the name of social protection; and have shrunk from competition instead of rising to it. Attempts like this to find painless solutions may appear to offer short-term relief, but in the longer term they simply make unemployment worse.

We need look only at the United States to see the benefits of a flexible labor market. In the 1980s, total employment in the United States rose by over 18 percent; and over 18 million new jobs were created. In the EC, the increase in employment was just under 6 percent, or $7^1/_2$ million new jobs, most of which were in the public sector.

In the 1980s, the British Government went down a different path from that chosen by many of our European partners. We reduced government-imposed constraints on employment; and we tried to make the labor market work: we reduced the power and privileges of the trade unions; we removed restrictions on employers; we cut taxes on labor and income; and, we devoted considerable effort to establishing in the United Kingdom a thriving small business sector, which offers the greatest hope for a long-term reduction in unemployment.

In the United Kingdom there have been some encouraging signs, although there is still a long way to go. Over the last cycle, employment in the United Kingdom rose by $1^1/_4$ million, while manufacturing productivity grew more rapidly than it had in many years. And during the latest recession there were welcome signs of increased flexibility. Earnings growth has fallen to its lowest level in 25 years; our unit wage costs have actually fallen; and unemployment seems to have peaked at an earlier stage in the cycle than usual.

As a result of the reforms of the 1980s, we in the United Kingdom are better placed than many of our partners in Europe to translate a sustained recovery in output into new jobs and falling dole queues. But we cannot be complacent. The sustainability of the recovery in the United Kingdom will inevitably depend upon progress elsewhere, especially in the countries of the EC. If we are to increase employment in the industrial world as a whole, labor markets everywhere must be allowed to adapt to changing patterns of demand.

Governments can, of course, play a key role in improving the flexibility of labor markets. We can concentrate resources and strive to raise standards in education and training. A better educated and better trained work force is a more productive work force. We can provide help for people looking for jobs—and take active measures to provide the unemployed with the skills and knowledge they need to get back to work.

But the greatest contribution governments can make is to refrain from well-meant, but harmful forms of labor market regulation. Measures to restrict hours of work, for example, or to set minimum wages, may in the short run benefit those in work, but their main impact is to reduce the opportunities for the unemployed by imposing excessive costs on employers.

Every single regulation carries with it a cost. So by creating more regulations with which employers must comply, governments simply reduce the opportunities for job creation.

And so too with other nonwage costs, including corporate taxation and contributions to social security benefits. Governments overtax businesses at their peril.

The practical results of an inflexible, high-cost regime can be seen in the relatively high level of unemployment in the European Community compared with that elsewhere in the developed world. When wage and nonwage costs are combined, the EC's are significantly higher than those in the United States or Japan. So is EC unemployment.

Free Trade

Above all, if we are to tackle our unemployment problem, we have to face up to the competition in today's world markets.

Some people fear that free trade, far from creating jobs, will destroy them throughout the industrial world. It is vital to counter that fear. We cannot improve our competitiveness—or our living standards—by retreating behind trade barriers. That offers only short-term respite, at best. And by closing our economies to imports, we close them to innovation. That way we lose the opportunity to create more jobs over the long term.

Competitiveness, not protection, is the key to lasting growth and jobs. And competitiveness is best secured by playing a full part in the global trading economy. Contrast the performance over recent decades of the outward-looking, export-oriented East Asian economies with the protected, inefficient mess of the former socialist countries.

An open world economy allows regions, countries, industries, companies, and people to concentrate on what they do best. The quality and quantity of output increases; there is more trade; growth is fueled; employment flourishes; and welfare rises for all. A successful conclusion to the GATT Round offers every country the chance to enter that virtuous circle. Failure offers only the dismal prospect of recriminations, slump, and a downward spiral of confidence and despair.

A GATT settlement would provide the biggest available noninflationary boost to growth in the world economy. It would enrich both developed and developing countries—and in the best possible way: by enabling the private sector to increase trade, prosperity, and jobs.

We have about 12 weeks left to reach agreement. And that is what we must do.

Capital and Savings

More flexible labor markets and freer trade are crucial to prosperity and, in my view, they should be right at the top of our policy agenda in the period ahead.

But I want to conclude today, by focusing on another crucial influence on long-term economic performance, and one to which I attach particular priority in the United Kingdom—saving and investment, and how to increase them over the medium term.

With the exception of Germany, saving in all the Group of Seven economies now represents a lower proportion of GDP than it did in the 1970s. In my view that is a potentially damaging trend, and one we should seek to reverse.

Of course, in free countries, governments cannot force people to save or invest, nor should they seek to do so. But what we can do is try to ensure that our macroeconomic policies and our whole approach to public expenditure and taxation support investment and saving wherever they can.

And that is precisely what I am seeking to do in the United Kingdom. I want to see a recovery that is sustained over the rest of the decade and beyond. A recovery driven by investment and exports, not by consumption; by the private sector, not by the state.

And I believe that to achieve that, we need to ensure that all our policies are working with the grain of industry and commerce:

—first, by keeping underlying inflation within the tight target range we have established, to preserve the gains in competitiveness we have made over the last year;

—second, by getting public borrowing down over the medium term, which will increase the level of saving in the economy and help to underpin the recent fall in long-term interest rates;

—third, within our tight overall public expenditure ceilings, by ensuring that the costs of running government, and especially public sector pay-bills, are kept under the firmest possible control, to leave the maximum scope for expenditure on productive capital projects and essential public services;

—fourth, by gearing up the Government's own investment spending through greater use of private finance and private sector design and management, under the Government's new private finance initiative; and

—finally, by keeping in place a tax structure, which favors enterprise, entrepreneurship, and thrift: a tax system that does not prevent business from earning a satisfactory rate of return on its investment. And when we tax consumers, we should target their spending, rather than their savings or incomes. That means relying, wherever possible, on indirect rather than direct taxation.

In the short run, the program of action we have put in train has required the Government to take some difficult and unpopular decisions:

—high interest rates to combat inflation;

—tax increases to get the deficit down;

—pay restraint in the public sector to leave room for capital spending; and

—tight control over public spending.

But these are the sorts of decisions that governments all over the world are having to face up to, to secure the long-term prosperity of their peoples.

Conclusion

And I believe that whether it is the challenge of freeing up labor markets, the imperative of completing the GATT Round, or the attempt to put in place a medium-term strategy for investment and savings, those of us who are entrusted with the power to govern must take the decisions that are right for the long term.

UNITED STATES: LLOYD M. BENTSEN

Governor of the Bank and the Fund

We are on the threshold of one of the great events of our lifetimes, the prospect of true peace between Israel and its Arab neighbors. I sat with other leaders of our Government on the White House lawn two weeks ago to witness that historic handshake. It was something to see—peace coming to a land that has been troubled for far too long.

But it is not a single, isolated event. It is the latest in a series of historic transformations we have been privileged to watch and participate in. Since the fall of the Berlin Wall in the autumn of 1989, we have ridden a tidal wave of change: from Berlin to Bucharest, from Prague to Port-au-Prince, and from Johannesburg to Jericho.

As we approach the end of the century, we face the opportunity for a period of truly global peace and prosperity. But peace and prosperity do not happen by themselves. They will require a concerted and concentrated effort from all of us.

Success will be determined largely by how we face three key challenges in the coming years:

—Rekindling global growth and reversing the rising tide of unemployment.

—Maintaining the momentum of global economic integration.

—Reconstructing economies that have undergone crises.

Rekindling World Growth

In February, the Group of Seven (G-7) met in London and agreed we had to change course to rekindle growth and bring on recovery. In April, we defined a general strategy. At the Tokyo summit in July, further specific policy measures were agreed, and the strategy was fully fleshed out. The major elements are now in place—lower interest rates and budget deficit reductions in the United States and Europe, and lower interest rates and fiscal stimulus in Japan. That is a remarkable achievement.

In the United States, President Clinton's program represents the largest deficit reduction in our history. This program, which is already being implemented, will cut $500 billion from the federal deficit over the next five years. This will sharply reduce my Government's call on world savings, freeing up resources for investment throughout the world.

Inflation and interest rates in the United States are now at their lowest level in two decades. The economy is preparing for a strong upswing There are increasing signs that business investment is growing and that production will rise.

Furthermore, President Clinton has just announced a fundamental reform of the entire U.S. health care system. These reforms will help ensure that all Americans have adequate, affordable health care. At the same time, the overwhelming cost of the system will be attacked, reducing the cost to the budget, to business, and to citizens. We intend to provide Americans with that which other developed countries provide their citizens.

In Europe, interest rates have fallen, and the basis is being laid for further declines. Some progress is being made on fiscal deficits, with declines expected in 1994. Inflation has been tamed; nowhere in the Group of Seven is inflation is as much as 5 percent. We hope these trends continue.

Japan has just announced its third fiscal stimulus package, in an attempt to jump start an economy hovering around zero growth. We hope the deregulation aspect of the stimulus package will help unleash the power of the Japanese consumer and reduce the ever-growing trade imbalance. The best way to pursue long-term growth is to let Japanese consumers achieve the standard of living to which their economic performance entitles them. In this context, we are pleased that the Prime Minister has opened the door to a tax reform package that would put more money in the hands of consumers and get the economy moving again.

Despite these successes, the job-creating growth we seek still eludes us. The IMF has again revised downward its projections for world growth this year and next. We estimate that G-7 economies operating below their potential in the past three years have lost $600 billion in GDP. There are over 35 million unemployed people in the industrial countries—22 million in Europe alone.

We face the very real risk of arriving in Madrid one year from now with nothing more to say than "Recovery is *still* right around the corner." After three years, this line is beginning to wear a little thin. Growth cannot be achieved by pronouncement—only by good policies. Our challenge is to find the political will to implement those policies. I believe we are doing that. I am encouraged by the discussions in the G-7 and the Interim Committee this week. I believe we are all moving together.

But the fight against unemployment requires that we do more than stimulate demand. Structural unemployment has ratcheted up with each recession in the past three decades. It must be attacked at every level. Policies that spur demand will urge companies to take on workers and increase production. At the same time, we must eliminate the structural barriers employers face—the ones that convince them in a thousand little ways that hiring the extra employee is just not worth the trouble.

We will address both of these areas at the upcoming G-7 Jobs Conference in Washington that President Clinton proposed in Tokyo. We must learn from each other's experience and find ways to restore our ability to produce jobs.

Maintaining the Momentum for Integration

Growth in the industrial countries is important not only to us, but to the whole world. An extra 1 percent in industrial country growth, sustained for three years, would provide more resources to the developing countries than all foreign aid flows to the developing world.

For many years, the shared ideology of anticommunism has been the glue that has bound the developed and emerging worlds together. Throughout this time we have forged strong ties, both political and economic, that have served us well. Without that common threat, we need to find other ways to knit the economies of north and south, east and west closer together.

In that regard, the United States is absolutely committed to reaching a successful conclusion to the Uruguay Round. Open markets and global integration are the key to prosperity. The United States has always prospered from international trade and competition, and we will continue to do so. As President Clinton said recently, "We will compete, not retreat."

This has so far been a decade of seized political opportunities. If the people of Russia and Eastern Europe, and of the Middle East and South Africa, have seized the opportunity for a better future, surely we can seize this opportunity to make that future more prosperous and offer our citizens higher standards of living. But we can do it only if we look forward and not backward. Let us finish the Uruguay Round this year.

But the GATT agreement alone is not enough. We can build economic integration and harmony at the local and regional level as well. Our trade with the developing world doubled from 1987 to 1992. That additional $90 billion has created four million new jobs. It is clear that America's future prosperity will also depend on our ability to look beyond the G-7, to the dynamic, emerging economies of our world.

Let me say a few words about U.S. relations in each of the world's major regions.

In the Western Hemisphere, we are looking to build upon our historically strong ties on our own continent. The North American Free Trade Agreement (NAFTA) is an opportunity to do that. It will allow us to create the jobs of tomorrow, rather than trying to preserve the economic structures of yesterday. NAFTA will create stronger economies and more jobs in all three countries on the continent. That is good for us, and it is good for the world.

But being both a Pacific and an Atlantic trading power, the United States must look also east and west, as well as north and south. Over 20 percent of U.S. trade is with countries in the Pacific region other than Japan, compared with 15 percent in Latin America. And the economies of developing Asian nations grew by 8 percent in 1992, four times the rate of the world as a whole.

President Clinton has announced that he will convene a special meeting this fall of leaders of Asia Pacific Economic Cooperation (APEC) countries, following the APEC Ministerial. That will allow the president and his counterparts to talk about ways to share prosperity and opportunity.

President Clinton has also asked me to begin a dialogue with Pacific finance ministers. I think this meeting can help us to strengthen economic relations throughout the region and will contribute to the development of a common perspective on the economic policy requirements facing all the Pacific Community countries.

The transformation of the nations of the former Soviet Union and Eastern Europe to market-based democracies is perhaps our largest challenge. President Clinton is fully committed to supporting these unparalleled developments. He is working closely with Congress and our Western partners, as well as with the international financial institutions, to make certain this historic opportunity is seized. We must increase access to our markets for these countries. It is exports that build jobs and stable economies.

The poorest heavily indebted countries, most of which are in sub-Saharan Africa, continue to need our special attention. We will urge the Congress to authorize the United States to join other creditor countries in the Paris Club in offering 50 percent reduction of nonconcessional debt for countries undertaking economic reforms.

Reconstructing Economies Coming out of Crisis

The third challenge is to provide the financing and assistance to rebuild economies coming out of crisis and to improve our abilities to respond to these crises. The international financial institutions play a critical role on our efforts to take on such crises—and to support development and sound economic policies more broadly. But they, like all of us, must do more with less. We want to work with the institution and our fellow shareholders to improve the efficiency and responsiveness of the institutions. U.S. support for the institutions will depend on our success.

Countries where we face particular challenges rebuilding economies include not only the states of the former Soviet Union and Eastern Europe, but also Cambodia, Viet Nam, Haiti, South Africa, and the West Bank and Gaza.

Helping these economies has proven a monumental challenge to the adaptability of the international financial institutions. We have created new institutions and new facilities. We are very pleased, for example, with the creation of the systemic transformation facility, and with the work of the World Bank and the IMF in the transitional economies. Each area in today's headlines will require us and our institutions to develop new approaches, sometimes very rapidly. We are pleased with the work that has already begun, particularly at the Bank, regarding the needs of the West Bank and Gaza.

In Gaza and the West Bank, the needs are dramatic. Immediate relief is needed to tangibly improve the daily lives of Palestinians—including access to basic necessities, such as housing, medical facilities, and water, to name a few. There also is an urgent need for investment in public infrastructure. The international community should try to meet these needs in a way that builds self-sufficiency. The United States and Russia will cohost a ministerial conference here on October 1st to advance the effort to meet financing and technical assistance needs. To ensure that our assistance is well coordinated, we believe that the World Bank should assume a strong role.

In addition, recent developments in Moscow make it clear how difficult it is to transform the economies of Eastern Europe and the former S‹ t Union into market economies. While dismantling the structures of central planning offers the hope of future prosperity, it also brings hardships. Accelerating reform and rejecting the policies of the past will require the undivided attention of Western nations. And, the international financial institutions have a critical role to play in the process.

Conclusion

Our global community faces immense challenges, but the potential rewards are equally immense. Meeting these challenges will require not only dedication and sacrifice, but creativity and a new willingness to work cooperatively. If we succeed, we will turn over to our grandchildren the powerful, vibrant world economy they will need to face the unexpected challenges of the next century.

REPUBLIC OF UZBEKISTAN: MULLAJONOV FAIZULLA MAKHSUDJONOVICH

Governor of the Fund

I take pleasure in welcoming you on behalf of the Republic of Uzbekistan, which has celebrated the second anniversary of its state and national independence.

The past two years on the path to a sovereign state constitution have held great significance for us. Notwithstanding predictions of some politicians and sociologists in our country, as well as in foreign countries, we have made every effort to strengthen political stability and social peace in the community and to reorient the population's mentality in the direction of new values. We have provided a viable economic environment through the reforms carried out in the Republic and have created a sound foundation for the building of a democratic society based on the principles of free market relations. Uzbekistan has been able not only to achieve political recognition in the international community but to attract great interest from businessmen in all parts of the world. These have been years of discovery—destroying Uzbekistan's information and economic isolation, and acquiring the rights that are enjoyed by other countries of the world economy.

Uzbekistan's large market has in practice not been open to international capital. The Republic possesses unique natural resources, high economic, scientific, and technical capacity, and intellectual and spiritual potential. History has predetermined Uzbekistan's location at the main crossroads of Europe and Asia, connecting the West with the East and the South with the North. This location fills the prerequisite for the Republic's development into a center for the international transfer of goods, services, and capital.

The development process chosen by Uzbekistan is founded on constitutional principles and thereby is aimed primarily at the creation of a socially oriented market economy serving the interests, conditions, and peculiarities of the Republic to a large extent. The strategy of economic reforms being implemented in Uzbekistan is based on the following five principles:

1. Economic liberation from ideological tenets;
2 The State as the principal reformer;
3. The Law dominating all aspects of life;
4. Implementation of strong social policy; and
5. Gradual transition to a market economy.

The introduction of these principles will ensure social and political stability in the Republic.

Uzbekistan has created a legal framework for the introduction of market relations; the privatization process is widespread in the country; and the list of subsidized prices is being shortened. Production and banking infrastructure has started to meet market requirements, and foreign economic relations are being liberalized in the Republic.

The process of changing forms of ownership is being developed actively, especially in the rural regions. Most prices have been liberalized, while only bread and flour remain subsidized. A social safety net for the population is being implemented. We should note that a legal and economic framework has been established in the Republic to attract and to insure foreign investments. In particular, the National Insurance Fund has been set up, following the opening of special accounts with foreign banks, with respect to foreign exchange values.

The procedures governing the establishment, registration, and activity of joint ventures have been liberalized significantly. At present, about 800 joint ventures in Uzbekistan have been authorized to trade without obtaining the normally required license for the export of their products. Joint venture revenue reinvested into the improvement of production, the introduction of modern technology, and the performance of social programs is tax free. Import taxes on all kinds of goods have been abolished; the importation of foodstuffs and medicine, as well as of equipment, spare parts, and raw material required for their production, is tax free. In this connection, I would like to draw your attention to areas where close cooperation would be to our mutual benefit.

First, the mining and metallurgical industry: It is well known that Uzbekistan ranks eighth among the world's gold producers. The location of deposits and the economic potential of the country would allow a doubling of the output of precious metals. Projects such as the increased output and processing of nonferrous precious and rare metals are also long lasting.

Second, oil and gas: Exploitation is of great importance; at present, 150 gas and oil fields have been discovered in the Republic, and 92 are being exploited. The volume of gas output meets the Republic's needs and permits exports to neighboring countries. In the near future, Uzbekistan will rid itself of the necessity of importing oil products and will then increase its exports of oil and oil products. As you know, this type of activity requires a high level of investment, as well as prospecting and project exploration, and the purchase and installation of complicated technological equipment. For this, we need reliable, experienced partners who are able to find optimal solutions.

Third, the textile industry: Uzbekistan is a major cotton producer, and it also produces silk, rayon, and wool yarn.

Investment in food processi. . chemical, and other industries is of remarkable interest.

More than 4,000 historical monuments are located within Uzbekistan, many of which are under UNESCO protection.

The inflow of foreign capital is based on two principles. First, enterprises should receive foreign investment only if it is directed to the production of exports to be bought with hard currency. Second, all enterprises should establish mutually beneficial relations with foreign countries. Only then will we be able to build an open economy closely linked with the world market and industrial countries. Projects connected with the financing of construction, reconstruction, and the introduction of modern technology into the enterprises in the above-mentioned sectors are highly profitable and very attractive from a commercial point of view.

We are pleased to note that foreign companies and banks have expressed great interest in cooperating with our country. For example, we have achieved fruitful cooperation in the area of gold production. Obviously, we recognize that without attracting foreign investment, it is not possible to build an open economy integrated with the world market and connected with developed countries.

We are pleased that several banks and international financial institutions have opened representative offices in Tashkent. I should also add that offices representing large international and commercial banks and major world companies and firms are opening daily, so that it is possible to say that Tashkent is ready to become an important center on the revitalized Silk Road.

In the process of achieving these tremendous tasks, we are determined to continue implementing the reforms called for by economic transformation and to carry out a reasonable economic policy. At the same time, I would like to note that in order to achieve a successful transformation of the economic system, the Republic will require tremendous capital expenditures, owing to the level of internal resources, as well as foreign capital.

As is well known, Uzbekistan possesses great potential, but it remains one of the poorest countries of the former Soviet Union, with the lowest per capita income. The World Bank report "Uzbekistan: Economic Reform Plan," based on the conclusions of two economic staff missions, states that the preliminary estimate of GNP per capita for 1992 was $860. However, at present, GNP per capita amounts to not more that $750. Under these conditions of large-scale reforms under way in the economy, the need to improve the welfare of the population requires the assistance of international financial institutions to finance large industrial development projects.

We are most grateful for the work performed by the employees of the International Monetary Fund and the World Bank in developing programs in Uzbekistan. We would like to ask that early consideration be given to extending the Fund's financial assistance to Uzbekistan. I would also like to take this opportunity to express my confidence that, in the future, our cooperation will develop actively on the basis of equality and mutual benefit for the good of 22 million Uzbek people and the whole world.

VIET NAM: CAO SI KIEM

Governor of the Fund

Once again, the delegation from the Socialist Republic of Viet Nam has the great honor to participate in this collective expression of appreciation to the management and the staffs of the World Bank and the International Monetary Fund for their untiring effort in serving all members' economic and social welfare.

Last year, when we met here, the number of member countries that the delegates represented was 167. This year, it is 178. As we join hands with our colleagues to greet the representatives of the new members, we believe that they have come here not only on behalf of their countries, but more important, to represent a new international economic order, an order brought about by profound changes going on across the continents.

Only two weeks ago, this city witnessed a historic event reflecting the trend of reconciliation and of peace; it was made to happen by laborious effort from all sides. Truly, the noblest task of our time is to foster international cooperation for the construction of a new and prosperous world. Tragedies around the world at this hour are forcefully reminding us of how destabilizing it could be when change is not properly channeled.

For the former centrally planned economies, the road to the free market is particularly hazardous. The changes that they must make, whether for the purpose of structural adjustment, economic reform, or systemic transformation, are very taxing indeed. At times, they even seem dangerous to implement. It is so because not only the direction of reform but its pace and sequencing are equally important. A misstep in the order of sequencing, for example, may invite heavy consequences.

As reported to the Governors during the last Annual Meetings, our country has vigorously embarked on the road of reform. Since 1988, with our own effort and supported by invaluable advice from the international financial institutions, we have gathered some measures of success in transforming our economy. As a result, it has been stabilized to a significant degree, with the rate of inflation pushed down to 12 percent this year and with the good prospect of declining further next year. Our objective of balancing the current budget is being focused on, and step by step, a modest surplus is being achieved, making it possible to begin the reconstruction of our basic infrastructure.

Thanks to the acceleration of our liberalization measures, the economy is now growing at the rate of 7.5 percent a year.

For Viet Nam, the Forty-Eighth Annual Meetings of the World Bank and the International Monetary Fund take on a very special meaning. They mark the beginning of a new era of our relationship with the two institutions. The breakthrough in our external economic and financial relations could not be possible without the concerted support of the Fund, the Bank, and our friends around the world, including France and Japan.

With a positive modification of its long-standing position on the issue of the settlement of our obligation to the Fund, the United States has made it possible for the Governments of France and Japan to move forward in supporting our mobilizing resources for this transaction. The elimination of arrears to the Fund will take place within the next few days.

We are now looking forward to the prospect of our full integration into the global economy in order to explore the dynamism generated by free trade. Deviation from that very principle has thus far denied our economy its comparative advantage, which is so essential for our successful transition to a market economy.

Particularly important for our endeavors is the potential benefit from the ability to participate in the Fund's and the Bank's facilities. In this regard, we join other developing countries in looking forward to the successful formulation of the successor to the enhanced structural adjustment facility, a new allocation of SDRs by the Fund, and enlarged adjustment lending, as well as to the mobilization of resources for building a global environment program by the Bank. We share the enthusiasm of other members for the timeliness and importance of the Fund's newly created systemic transformation facility. In launching this facility, the Fund has engaged in helping to alleviate the pain of human suffering in prolonged periods of reform. In fiscal year 1993, no less than 45 percent of the Fund's technical resources are targeted to support the transformation process.

With the new access to the Fund's and the World Bank's resources, we will be able to prepare to enter a critical phase of our transition: the undertaking of major steps in institution building and in reforming public enterprises. The first task for us will be to put promptly in place a legal system based on transparency and uniformity in order to enhance the rule of law.

Let us expect at our next Annual Meetings to celebrate the fifty years since Bretton Woods with even more hope.

CONCLUDING REMARKS BY LEWIS T. PRESTON PRESIDENT OF THE WORLD BANK GROUP

Mr Chairman, Governors, Ladies and Gentlemen:

Before beginning my remarks, allow me to to express my condolences—on behalf of the Bank—to the Government and people of India on the terrible earthquake that has occurred. I know that all our thoughts are with India during this time of tragedy.

Change has been the theme of these meetings.

Our Chairman set the tone by speaking of the dramatic transformation unfolding in Hungary—and throughout Eastern Europe and the former Soviet Union. From the Middle East, to South Africa, to South-East Asia, the story is similar.

In the short time since we began to assemble here in Washington:

—Mr. Mandela has called for the removal of sanctions from his country;

—the international community has moved quickly to respond to the historic opportunity created by peace in the Middle East and—as you know—a major donors' meeting will take place tomorrow;

—And Vietnam is well on the wav to clearing arrears with the IMF—paving the way for renewed support from the Bretton Woods institutions.

These are changes on which solid development progress can be built. We should feel encouraged by them.

But at the same time, we know that more needs to be done. I would like to focus on one issue in particular: trade.

Expanded access to global markets is important for growth—and for jobs—in every country. Trade—even more than aid—is especially important for the developing countries.

Over the last several years, in the context of their economic reform programs, many developing countries have reduced their trade barriers. The industrial nations have simply not kept pace.

This must change. A successful conclusion to the Uruguay Round is the best way to effect that change.

As much as any event in the post-Cold War era, the world's long-run economic health depends on the Uruguay Round. A failure to complete it—and as Mr. Sutherland has emphasized, there is precious little time left—would be a major step in precisely the wrong direction: preserving yesterday's economic structures at the expense of tomorrow's jobs—and, to a great extent, at the expense of development.

We simply must finish the Uruguay Round this year.

I stressed in my opening statement that NAFTA is also imperative. We all know that protectionism is a horrible mistake. And NAFTA—like the Uruguay Round—is a referendum on protectionism. Let us be guided by sound economics and by reason—not by fear and demagoguery.

I also observed in my opening remarks that the World Bank has changed. As I listened to Governors' statements here and i ›ur individual meetings, I was encouraged to hear their broad endorsement for the Bank's new directions.

Certainly, we will need to make further adjustments as we move forward to meet ever-increasing demands and different challenges.

But you have recognized our ,enewed focus on poverty reduction; the emphasis on environmental sustainability; the determination to improve impleme. ˋation and get results on-the-ground. The Bank has become a more open institution. We are more accountable to you, our membersh'p. And we are pursuing more participatory approaches in our operations.

In short: we are well equipped to meet your needs now—and in the future.

As we leave these Meetings, we should realize that our discussions have raised expectations in the outside world. It is important that our pronouncements should now be followed by action.

On that note, Mr. Chairman, I would like to thank you for your adept management of our discussion. And I congratulate the Governor of Bangladesh on his election as Chairman of next year's meetings.

I wish you all a safe trip home—and look forward to seeing you in Madrid.

CONCLUDING REMARKS BY THE CHAIRMAN THE HONORABLE IVAN SZABO

The 1993 Annual Meetings of the World Bank and the International Monetary Fund have drawn to a close.

It has been a distinct honor and privilege for me, as a representative of the Hungarian Republic, to have had the opportunity to serve as your Chairman. I especially want to extend my appreciation to the President of the World Bank, Mr. Preston, and the Managing Director of the International Monetary Fund, Mr. Camdessus, for their essential contribution to the success of this gathering.

We can look back over the last few days with a sense of accomplishment. We hope to have begun to take a new road toward the international dialogue and cooperation that we know are essential to achieving our common goal of stable, noninflationary global economic growth and a better standard of living for all. First of all, we hope that the industrial countries of the world will soon find the path to economic recovery and will take a lead in economic development again.

We must now rise to the great challenges of restructuring our home economies, restoring and increasing production and employment, and distributing more widely and equitably the fruits of our labors, while we work to protect the environment, and lay a strong foundation for sustainable growth.

We must now rise to seize the new opportunities that are clearly manifest in the aftermath of the cold war and the rapidly growing economic interdependence of nations.

First, the imperative of closer and more effective international economic cooperation and the importance of a comprehensive world economic strategy have been repeatedly emphasized by the speakers. These are all the more important because they can help the countries of the world attain economic growth that is both sustainable and efficient. Governors have called attention to the persistent problem of high unemployment worldwide. Our efforts must focus on ways to develop a strategy that emphasizes competitiveness and employment, a strategy that finds productive new uses for surplus labor.

Second, recent events in Central and Eastern Europe attest to the fact that social and political progress can be achieved only in tandem with economic stability and growth. In that respect, the effort to keep protectionism at bay is clearly in the interest of all countries. While global trade liberalization is essential for the industrial countries, it is a lifeline for all developing countries, especially the economies in transition. Having seen the collapse of the trade arrangements of the former CMEA, the economies in transition are dependent on an export-led recovery to see them through the initial phase of their reform efforts. Although these countries have made significant strides in the direction of macroeconomic stabilization and reform, continued failure by the international community to secure a prompt and successful conclusion to the Uruguay Round could stifle—or even reverse—the progress achieved thus far.

Third, the Bretton Woods institutions must be given greater financial and political support. As we embark on the global cooperative strategy aimed at increased growth and better living standards for all, the Fund should be encouraged to continue to strengthen its surveillance efforts with respect to regional developments, so that the global community can identify and work together to address problems before they give rise to tensions in world markets.

I call on all members to support the IMF in its efforts to assist developing countries through the provision of policy advice, technical assistance, and finance. In particular, the Fund should be encouraged to continue to play a key role in the effort to support the transformation of formerly centrally planned economies, in particular through the use of the newly created systemic transformation facility, and to ensure their successful integration into the world economy. At the same time, cooperation among all members is needed to ensure the timely creation of a successor facility to the enhanced structural adjustment facility, which is desperately needed to help the low-income developing countries implement the macroeconomic and structural reform policies needed to strengthen their balance of payments positions, foster growth, and attract external financing.

We must all work together to solve the severe problems faced by countries that lack the reserves needed to gain entry into the international financial markets. An adequate SDR allocation is needed to allow the 38 countries that were not able to participate in previous SDR allocations to obtain a chance to catch up with the others. In addition, the burden of debt of many countries needs to be further alleviated.

We must also continue to strongly support the work of the World Bank Group as it contends with the growing demands of a substantially increased membership and the complex challenges of economic development. We applaud the continuing work that the Bank, IDA, IFC, and MIGA are undertaking in the fields of environmental protection, privatization and private sector development, health sector reform, human resource development, and institutional capacity building.

It has been forcefully brought home to us, over the past few days, that, although we share similar socioeconomic goals and agendas, our national experiences are very different, and they will require different solutions. The traditional school of thought and economic prescriptions are but a point of departure for the unique and creative solutions that each of our nations must fashion to meet the needs of the future.

In this milieu, the World Bank Group and the International Monetary Fund can bring together both the valuable experiences of other nations and the critical financial resources necessary to finance indigenous investments and to support transition programs.

Let us continue to build on the common effort that we have advanced during these meetings. Let us work together to achieve a healthier and more balanced world economy in which poverty and environmental damage are matters of the past.

I hereby adjourn the 1993 Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund.

BANGLADESH: SAIFUR RAHMAN
Governor of the Bank

Bangladesh is honored to accept the chairmanship of the Forty-Ninth Annual Meetings of the World Bank Group and the International Monetary Fund for the coming year. In carrying out the duties of the Chairman, particularly at a time of momentous and far-reaching socioeconomic transformation around the world, we shall endeavor to achieve the same graciousness and efficiency that have characterized these meetings under the distinguished chairmanship of our colleague, Mr. Szabó, Governor for Hungary.

July 1994 marks the fiftieth anniversary of the International Monetary and Financial Conference at which the Articles of Agreement of the Fund and the World Bank were drafted. It is perhaps fitting that in the coming year we not only reflect on the vital contributions of our institutions to the world economy in the last half century, but also, drawing on the lessons of the past, continue to work toward achieving the full potential of global cooperation envisioned at Bretton Woods.

Turning to our tasks ahead, the resources of the Bretton Woods institutions are today directed to fashioning creative and innovative responses to the challenges of economic reforms and structural adjustments, poverty reduction, development of human resources, and enhanced levels of official and multilateral aid to poorer countries to pursue their reform programs in a sustainable way. Besides, good governance, accountability, transparency, and the rule of law will also remain guiding principles of market-based democracies. The task of harmonizing policies for the common good has become urgent and compelling in an increasingly integrated world economy. Consequently, in days to come, we have to pursue mutually supportive stabilization and reform efforts to their logical conclusion.

In preceding years much has been achieved. Both President Preston and Managing Director Camdessus deserve our praise for their vision, dynamism, and tireless efforts in dealing with problems of great complexity.

It is my firm belief that both the Bank and the Fund will continue to grow in strength and play an even more vigorous, flexible, and creative role in dealing with the complex and difficult problems of global growth.

We look forward to working with Mr. Camdessus and Mr. Preston, the Executive Directors, and the staff of the two institutions in the coming year, and to welcoming all of you at the 1994 Annual Meetings in Madrid, Spain.

DOCUMENTS OF THE BOARDS OF GOVERNORS

SCHEDULE OF MEETINGS[1]

Tuesday September 28	10:00 a.m.	Opening Ceremonies Address from the Chair Annual Address by President, World Bank Group[2] Annual Address by Managing Director, International Monetary Fund
	3:00 p.m.	Annual Discussion
Wednesday September 29	9:30 a.m.	Annual Discussion
	3:00 p.m.	Annual Discussion
	6:15 p.m.	Joint Procedures Committee
	6:30 p.m.	MIGA Procedures Committee
Thursday September 30	9:30 a.m.	Annual Discussion
Following the conclusion of the Annual Discussion		Procedures Committees Reports Comments by Heads of Organizations Adjournment

---

[1] *All sessions were joint sessions with the Board of Governors of the International Monetary Fund.*

[2] *The World Bank Group consists of the following:*
International Bank for Reconstruction and Development (IBRD)
International Finance Corporation (IFC)
International Development Association (IDA)
International Centre for Settlement of Investment Disputes (ICSID)
Multilateral Investment Guarantee Agency (MIGA)

PROVISIONS RELATING TO THE CONDUCT OF THE MEETINGS[1]

ADMISSION

1. Sessions of the Boards of Governors of the World Bank Group Organizations and the International Monetary Fund will be joint and shall be open to accredited press, guests and staff.
2. Meetings of the Joint Procedures Committee shall be open only to Governors who are members of the Committee and their advisers, Executive Directors, and such staff as may be necessary.

PROCEDURE AND RECORDS

3. The Chairman of the Boards of Governors will establish the order of speaking at each session. Governors signifying a desire to speak will generally be recognized in the order in which they ask to speak.
4. With the consent of the Chairman, a Governor may extend his statement in the record following advance submission of the text to the Secretaries.
5. The Secretaries will have verbatim transcripts prepared of the proceedings of the Boards of Governors and the Joint Procedures Committee. The transcripts of proceedings of the Joint Procedures Committee will be confidential and available only to the Chairman, the President of the World Bank Group, the Managing Director of the International Monetary Fund, and the Secretaries.
6. Reports of the Joint Procedures Committee shall be signed by the Committee Chairman and the Reporting Members.

PUBLIC INFORMATION

7. The Chairman of the Boards of Governors, the President of the World Bank Group, and the Managing Director of the International Monetary Fund will communicate to the press such information concerning the proceedings of the Annual Meetings as they may deem suitable.

---

[1] *Approved on January 27, 1993 pursuant to the By-Laws, IBRD Section 5(d), IFC Section 4(d) and IDA Section 1(a).*

BANK AGENDA[1]

1. 1992/93 Annual Report
2. Financial Statements and Annual Audit
3. Allocation of Net Income
4. Administrative Budget
5. Joint Development Committee
6. Officers and Procedures Committee for 1993/94

IFC AGENDA[1]

1. 1992/93 Annual Report
2. Financial Statements and Annual Audit
3. Administrative Budget

IDA AGENDA[1]

1. 1992/93 Annual Report
2. Financial Statements and Annual Audit
3. Administrative Budget

MIGA AGENDA[2]

1. 1992/93 Annual Report
2. Selection of Officers and Procedures Committee for 1993/94

---

[1] *Approved on August 6, 1993 pursuant to the By-Laws, IBRD Section 5(a), IFC Section 4(a) and IDA Section 1(a).*

[2] *Approved on August 6, 1993 pursuant to Section 4(a) of the MIGA By-Laws.*

JOINT PROCEDURES COMMITTEE

Chairman.......................................Hungary
Vice Chairmen..................................Mexico
Zimbabwe
Reporting Member...............................China

Members

Argentina	Japan
Bahamas, The	Mexico
Benin	Mongolia
China	New Zealand
Egypt	Nigeria
Estonia	Pakistan
France	Spain
Germany	Tanzania
Honduras	United Kingdom
Hungary	United States
Indonesia	Zimbabwe

REPORTS OF THE JOINT PROCEDURES COMMITTEE

REPORT I

September 30, 1993

At the meeting of the Joint Procedures Committee held on September 29, 1993, items of business on the agendas of the Boards of Governors of the Bank, IFC, and IDA were considered.

The Committee submits the following report and recommendations on Bank and IDA business:

1. *1993 Annual Report*

The Committee noted that the 1993 Annual Report and the activities of the Bank and IDA had been discussed at these Annual Meetings.

2. *Financial Statements, Annual Audits, and Administrative Budgets*

The Committee considered the Financial Statements, Accountants' Reports, and Administrative Budgets contained in the 1993 Bank and IDA Annual Report, together with the Report dated August 9, 1993.

The Committee recommends that the Boards of Governors of the Bank and IDA adopt the draft resolutions....[1]

3. *Allocation of Net Income of the Bank*

The Committee considered the Report of the Executive Directors dated August 5, 1993, on the Allocation of FY93 Net Income and Transfer of Surplus....[2]

The Committee recommends that the Board of Governors of the Bank adopt the draft resolution....[3]

---

[1] *See pages 211 and 241.*
[2] *See page 248.*
[3] *See page 211.*

The Committee submits the following report and recommendations on IFC business:

1. *1993 Annual Report*

The Committee noted that the 1993 Annual Report and the activities of IFC had been discussed at these Annual Meetings.

2. *Financial Statements, Annual Audit, and Administrative Budget*

The Committee considered the Financial Statements and the Accountants' Report contained in the 1993 Annual Report, and the Administrative Budget attached to the Report dated August 10, 1993.

The Committee recommends that the Board of Governors of IFC adopt the draft resolution....[1]

Approved:

/s/Iván Szabó Hungary—*Chairman*	/s/Jin Liqun China—*Reporting Member*

This report was approved and its recommendations were adopted by the Boards of Governors on September 30, 1993.

REPORT III[1]

September 30, 1993

The Joint Procedures Committee met on September 29, 1993 and submits the following report and recommendations:

1. *Development Committee*

The Committee noted that the Report of the Chairman of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee) has been presented to the Boards of Governors of the Bank and Fund pursuant to paragraph 5 of Resolutions Nos. 29-9 and 294 of the Fund and Bank, respectively....[2]

The Committee recommends that the Boards of Governors of the Bank and the Fund note the report and thank the Development Committee for its work.

2. *Officers and Joint Procedures Committee for 1993/94*

The Committee recommends that the Governor for Bangladesh be Chairman, and that the Governors for Niger and Sweden be Vice Chairmen, of the Boards of Governors of the World Bank Group and of the Fund, to hold office until the close of the next Annual Meetings.

It is further recommended that a Joint Procedures Committee be established to be available, after the termination of these meetings and until the close of the next Annual Meetings, for consultation at the discretion of the Chairman, normally by correspondence and, if the occasion requires, by convening; and that this Committee shall consist of the Governors for the following members: Botswana, Brazil, Bulgaria, Cape Verde, France, Germany, Japan, Jordan, India, Kazakhstan, Namibia, Peru, Philippines, Russian Federation, Saudi Arabia, Switzerland, United Kingdom, United States and Uruguay.

---

[1] *Report II related to the business of the Fund.*

[2] *See page 13.*

It is recommended that the Chairman of the Joint Procedures Committee shall be the Governor for Bangladesh and the Vice Chairmen shall be the Governors for Niger and Sweden, and that the Governor for Trinidad and Tobago shall serve as Reporting Member.

Approved:

/s/Iván Szabó Hungary—*Chairman*	/s/Jin Liqun China—*Reporting Member*

This report was approved and its recommendations were adopted by the Boards of Governors on September 30, 1993.

MIGA PROCEDURES COMMITTEE

Chairman	Hungary
Vice Chairmen	Argentina Zimbabwe
Reporting Member	China

Members

Argentina
China
Egypt
France
Germany
Honduras
Hungary
Indonesia
Japan
Malta
Netherlands
Nigeria
Saudi Arabia
Sri Lanka
Sweden
Togo
Trinidad and Tobago
United Kingdom
United States
Zimbabwe

REPORT OF THE MIGA PROCEDURES COMMITTEE

REPORT I

September 30, 1993

At the meeting of the MIGA Procedures Committee held on September 29, 1993, the items of business on the agenda of the Council of Governors of MIGA were considered.

The Committee submits the following report and recommendations on MIGA business:

1. *1993 Annual Report*

The Committee noted that the 1993 Annual Report and the activities of MIGA had been discussed at this Annual Meeting.

2. *Officers and Procedures Committee for 1993/94*

The Committee recommends that the Governor for Bangladesh be Chairman and the Governors for Malaysia and Sweden be Vice Chairmen of the Council of Governors of MIGA to hold office until the close of the next Annual Meeting.

It is further recommended that a Procedures Committee be established to be available, after the termination of this Annual Meeting and until the close of the next Annual Meeting, for consultation at the discretion of the Chairman, normally by correspondence and, if the occasion requires, by convening; and that this committee shall consist of the Governors for the following members: Botswana, Brazil, Cape Verde, France, Germany, Japan, Jordan, Kazakhstan, Namibia, Peru, Russian Federation, Saudi Arabia, Switzerland, United Kingdom, United States, and Uruguay.

It is recommended that the Chairman of the Procedures Committee shall be the Governor for Bangladesh and the Vice Chairmen shall be the Governors for Malaysia and Sweden, and that the Governor for Trinidad and Tobago shall serve as Reporting Member.

Approved:

/s/Iván Szabó	/s/Jin Liqun
Hungary—*Chairman*	China—*Reporting Member*

This report was approved and its recommendations were adopted by the Council of Governors on September 30, 1993.

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF THE BANK BETWEEN THE 1992 AND 1993 ANNUAL MEETINGS

Resolution No. 479

Amendment of Board of Governors Resolution No. 294

RESOLVED THAT:

1. Resolution No. 294 on the Establishment of Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (the "Development Committee"), be amended by:

(a) inserting the words "or elects" after the word "appoints" in the second line of paragraph (1) (d);

(b) adding the following new sub-paragraphs (f) and (g) at the end of paragraph 1 as follows:

"(f) During the periods when appointments are made by members of the Bank, a member of the Bank whose membership has been suspended pursuant to Article VI, Section 2 of the Articles of Agreement of the Bank shall not appoint or participate in the appointment of a member of the Committee, his alternate and associates. When the membership of a member of the Bank is suspended, and when a suspended member is restored to good standing, the consequences on the Executive Director of the Bank appointed or elected by such member, or in whose election such member participated, shall apply to the member of the Committee, his alternate and associates appointed by that member of the Bank, or in whose appointment such member participated.

(g) During the periods when appointments are made by members of the Fund, a member of the Fund whose voting rights are suspended pursuant to Article XXVI, Section 2 (b) of the Articles of Agreement of the Fund shall not appoint, or participate in the appointment of, a member of the Committee, his alternate and associates. When the voting rights of a member of the Fund are suspended, the rules in Schedule L, paragraph 3(c) of the Articles of Agreement of the Fund on the termination of office and replacement of executive directors shall apply to the member of the Committee, his alternate and associates appointed by that member of the Fund, or in whose appointment such member participated."

2. The amendments of Resolution No. 294 set out in paragraph 1 above shall come into force on the date this resolution is adopted or the date amendments in identical terms of Resolution No. 29-9 of the Board of Governors of the International Monetary Fund are adopted, whichever is later.

(Adopted on April 23, 1993)

Resolution No. 480

Direct Remuneration of Executive Directors and their Alternates

RESOLVED:

THAT, effective July 1, 1993, the annual rates of remuneration of the Executive Directors of the Bank and their Alternates pursuant to Section 13(e) of the By-Laws shall be as follows:

(i) As salary, $123,190 per year for Executive Directors and $105,160 per year for their Alternates;
(ii) As supplemental allowance (for expenses, including housing and entertainment expenses, except those specified in Section 13 (f) of the By-Laws), $9,000 per year for Executive Directors and $7,200 per year for their Alternates.

(Adopted on July 12, 1993)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF THE BANK AT THE 1993 ANNUAL MEETINGS

Resolution No. 481

Financial Statements, Accountants' Report and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Bank consider the Financial Statements, Accountants' Report and Administrative Budget, included in the 1992/93 Annual Report, as fulfilling the requirements of Article V, Section 13, of the Articles of Agreement and of Section 18 of the By-Laws of the Bank.

(Adopted on September 29, 1993)

Resolution No. 482

Allocation of FY93 Net Income and Transfer of Surplus

RESOLVED:

1. THAT the Report of the Executive Directors dated July 16, 1993 on "Allocation of FY93 Net Income and Transfer of Surplus" is hereby noted with approval;

2. THAT the addition to the General Reserve of the Bank of $890 million of net income for the fiscal year ended June 30, 1993, consistently with the Bank's reserves target range, which is 13–14% for the Bank's reserves-to-loans ratio for the fiscal years ending June 30, 1994 and June 30, 1995, and in particular, to help meet the reserves target of 13% of that ratio by the end of June 30, 1994, and to cover the estimated costs of a waiver for all payment periods commencing in the fiscal year ending June 30, 1994 of 25 basis points on the interest rate charged to borrowers which have serviced all their loans from the Bank in a timely manner, is hereby noted with approval;

3. THAT the Bank transfer $1,090 million of the amount currently held in surplus to the General Reserve of the Bank, consistently with the Bank's reserves target range, which is 13–14% for the Bank's reserves-to-loans ratio for the fiscal years ending June 30, 1994 and June 30, 1995, and in particular, to help meet the reserves target of 13% of that ratio by the end of June 30, 1994;

4. THAT the Bank transfer to the Debt Reduction Facility for IDA-only Countries, administered by the International Development Association, by way of grant, out of the net income of the Bank for the fiscal year ended June 30, 1993, the equivalent of $100 million; and

5. THAT the Bank transfer to the International Development Association, by way of grant, out of the net income of the Bank for the fiscal year ended June 30, 1993, any excess of net income over $990 million in an equivalent amount in SDRs, in the component currencies of the SDR, as of June 30, 1993.

(Adopted on September 29, 1993)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IFC BETWEEN THE 1992 AND 1993 ANNUAL MEETINGS

Resolution No. 194

Membership of the Republic of Estonia

WHEREAS the Government of the Republic of Estonia has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of the Republic of Estonia has made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors, hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Estonia shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Corporation" means International Finance Corporation.
   (b) "Articles" means the Articles of Agreement of the Corporation.
   (c) "Dollars" or "$" means dollars in the currency of the United States of America.
   (d) "Subscription" means the capital stock of the Corporation subscribed by a member.
   (e) "Member" means member of the Corporation.
   (f) "1991 General Capital Increase Resolution" means Resolution No. 179 adopted by the Board of Governors of the Corporation on May 4, 1992.
   (g) "1992 Special Capital Increase Resolution" means a draft Resolution attached to the Memorandum of the President to the Board of Directors dated June 10, 1992 providing for the increase of the authorized capital stock of the Corporation.

2. *Subscription:* By accepting membership in the Corporation, the Republic of Estonia agrees to subscribe to and pay for 1,434 shares of the capital stock of the Corporation at the par value of $1,000 per share and to waive its rights

under Article II, Section 2(d) of the Articles of Agreement in connection with the 1992 Special Capital Increase Resolution.

3. *Payment of Subscription:* (a) Before accepting membership in the Corporation, the Republic of Estonia shall pay $502,000 to the Corporation representing payment in full for 502 shares of the capital stock subscribed.

(b) The balance of 932 shares shall be paid for by the Republic of Estonia at any time or from time to time as it shall have received a written notice from the Corporation that such shares are available for issuance, as follows:

(i) In respect of up to an aggregate of 302 shares, in cash in full, in Dollars, not later than six months after the date of the relevant notice or notices by the Corporation;

(ii) In respect of the balance of 630 shares, on the same terms and conditions as set forth in the 1991 General Capital Increase Resolution, as amended from time to time.

4. *Information:* Before accepting membership in the Corporation, the Republic of Estonia shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. *Effective Date of Membership:* The Republic of Estonia shall become a member of the Corporation as of the date when the Republic of Estonia shall have complied with the following requirements:

(a) become a member of the International Bank for Reconstruction and Development;

(b) made the payment called for by paragraph 3(a) of this resolution;

(c) furnish such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;

(d) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(e) signed the original Articles held by the International Bank for Reconstruction and Development.

6. *Limitation on Period for Fulfillment of Requirements of Membership:* The Republic of Estonia may fulfill the requirements for membership in the Corporation pursuant to paragraph 5 of this resolution until September 30, 1993 or such later date as the Board of Directors may determine.

(Adopted on November 16, 1992)

Resolution No. 195

Membership of the Republic of Tadjikistan

WHEREAS the Government of the Republic of Tadjikistan has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of the Republic of Tadjikistan has made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors, hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Tadjikistan shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Corporation" means International Finance Corporation.
   (b) "Articles" means the Articles of Agreement of the Corporation.
   (c) "Dollars" or "$" means dollars in the currency of the United States of America.
   (d) "Subscription" means the capital stock of the Corporation subscribed by a member.
   (e) "Member" means member of the Corporation.
   (f) "1991 General Capital Increase Resolution" means Resolution No. 179 adopted by the Board of Governors of the Corporation on May 4, 1992.
   (g) "1992 Special Capital Increase Resolution" means a draft Resolution attached to the Memorandum of the President to the Board of Directors dated June 10, 1992 providing for the increase of the authorized capital stock of the Corporation.

2. *Subscription:* By accepting membership in the Corporation, the Republic of Tadjikistan agrees to subscribe to and pay for 1,047 shares of the capital stock of the Corporation at the par value of $1,000 per share and to waive its rights under Article II, Section 2(d) of the Articles of Agreement in connection with the 1992 Special Capital Increase Resolution.

3. *Payment of Subscription:* (a) Before accepting membership in the Corporation, the Republic of Tadjikistan shall pay $576,000 to the Corporation representing payment in full for 576 shares of the capital stock subscribed.

(b) The balance of 1,071 shares shall be paid for by the Republic of Tadjikistan at any time or from time to time as it shall have received a written notice from the Corporation that such shares are available for issuance, as follows:

(i) In respect of up to an aggregate of 347 shares, in cash in full, in Dollars, not later than six months after the date of the relevant notice or notices by the Corporation;

(ii) In respect of the balance of 724 shares, on the same terms and conditions as set forth in the 1991 General Capital Increase Resolution, as amended from time to time.

4. *Information:* Before accepting membership in the Corporation, the Republic of Tadjikistan shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. *Effective Date of Membership:* The Republic of Tadjikistan shall become a member of the Corporation as of the date when the Republic of Tadjikistan shall have complied with the following requirements:

(a) become a member of the International Bank for Reconstruction and Development;

(b) made the payment called for by paragraph 3(a) of this resolution;

(c) furnish such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;

(d) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(e) signed the original Articles held by the International Bank for Reconstruction and Development.

6. *Limitation on Period for Fulfillment of Requirements of Membership:* The Republic of Tadjikistan may fulfill the requirements for membership in the Corporation pursuant to paragraph 5 of this resolution until September 30, 1993 or such later date as the Board of Directors may determine.

(Adopted on December 9, 1992)

Resolution No. 196

1992 Special Capital Increase

WHEREAS in their report dated June 18, 1992 the Directors of the International Finance Corporation (the "Corporation") recommend that the Board of Governors adopt a number of resolutions providing for the admission of a corresponding number of countries as members;

WHEREAS the Directors recommend that the authorized capital stock of the Corporation be increased to provide shares for the countries referred to in the preceding paragraph and other members and prospective members;

NOW, THEREFORE, the Board of Governors hereby resolves as follows:

A. The authorized capital stock of the Corporation is hereby increased by $150,000,000 in terms of United States dollars, by the creation of 150,000 additional shares having a par value of one thousand United States dollars (US$1,000) each.

B. In the absence of notice received by the Corporation from any member on or before July 10, 1992, that it intends to exercise its right to subscribe to a portion of the increase, as provided in Article II, Section 2(d) of the Articles of Agreement, such member will be deemed to have waived such right.

C. This Resolution shall become effective when Governors exercising not less than three-fourths' majority of the total voting power shall have voted in favor of this Resolution on or before December 31, 1992, or such later date as the Directors may determine, and then only if all members have waived their rights to subscribe their proportionate share of the increase in the capital stock of the Corporation authorized under this Resolution.

D. From the shares authorized pursuant to paragraph A of this Resolution, the required number shall be allocated by way of priority to those new members whose entitlements pursuant to their respective membership resolutions could not be met due to non-availability of a sufficient number of authorized shares of the Corporation for such purpose; such shares shall be issued to each such new member in accordance with the provisions of its respective membership resolution.

E. Any shares of capital stock in excess of the number of shares required pursuant to paragraph D of this Resolution together with such shares for which payment in cash in full shall not have been made on or before the last date prescribed for payment for such shares shall remain authorized and unissued, issuable by the Corporation in accordance with its Articles of Agreement.

(Adopted on December 10, 1992)

Resolution No. 197

Amendments to the Articles of Agreement of the Corporation

WHEREAS the Board of Directors, in their report dated June 18, 1992, have recommended that Article II, Section 2(c)(ii) and Article VII (a) of the Articles of Agreement of the Corporation be amended as set forth below;

WHEREAS, the Chairman of the Board of Governors has requested the Secretary of the Corporation to bring the proposal of the Board of Directors before the Board of Governors;

NOW, THEREFORE, the Board of Governors, resolves that:

1. (a) Article II, Section 2(c)(ii) of the Articles of Agreement of the Corporation is amended by deleting "three-fourths" and substituting "four-fifths" therefor; and
   (b) Article VII (a) of the Articles of Agreement of the Corporation is amended by deleting "four-fifths" and substituting "eighty-five percent" therefor.

2. The said amendments shall enter into force for all members as of the date three months after the Corporation certifies, by formal communication addressed to all members, that three-fifths of the members, having four-fifths of the total voting power, have accepted the amendment.

(Adopted on December 28, 1992)

RESOLUTION ADOPTED BY THE BOARD OF GOVERNORS OF IFC AT THE 1993 ANNUAL MEETINGS

Resolution No. 198

Financial Statements, Accountants' Report and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Corporation consider the Financial Statements and the Accountants' Report, included in the 1992/1993 Annual Report, and the Administrative Budget attached to the Report dated August 10, 1993, as fulfilling the requirements of Article IV, Section 11 of the Articles of Agreement and of Section 16 of the By-Laws of the Corporation.

(Adopted on September 29, 1993)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IDA BETWEEN THE 1992 AND 1993 ANNUAL MEETINGS

Resolution No. 173

Membership of the Republic of the Marshall Islands

WHEREAS the Government of the Republic of the Marshall Islands (hereinafter called the Marshall Islands) has applied for admission to membership in the International Development Association in accordance with Section 1(b) of Article II of the Articles of Agreement of the Association;

WHEREAS, pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Government of the Marshall Islands, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Marshall Islands shall be admitted to membership in the Association shall be as follows:

1. *Definition:* As used in this resolution:
    - (a) "Association" means International Development Association.
    - (b) "Articles" means the Articles of Agreement of the Association.
    - (c) "Dollars" or "$" means dollars in currency of the United States of America.

2. *Initial Subscription:*
    - (a) The terms and conditions of the membership of the Marshall Islands in the Association other than those specifically provided for in this resolution shall be those set forth in the Articles with respect to the membership of original members listed in Part II of Schedule A thereof (including, but not by way of limitation, the terms and conditions relating to subscriptions, payments on subscription, usability of currencies and voting rights).
    - (b) Upon accepting membership in the Association, the Marshall Islands shall subscribe funds in the amount of $10,000 expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960, that is to say, pursuant to the decision of the Executive Directors

of the Association of June 30, 1986 on the valuation of initial subscriptions, $12,064, and shall pay the latter amount to the Association as follows: (a) ten percent either in gold or in freely convertible currency, and (b) ninety percent in the currency of the Marshall Islands. As of the date the Marshall Islands will become a member of the Association, 502 votes shall be allocated to the Marshall Islands in respect to such subscription, consisting of two subscription votes and 500 membership votes.

3. *Effective Date of Membership:* The Marshall Islands shall become a member of the Association with a subscription as set forth in paragraph 2(b) of this resolution as of the date when the Marshall Islands shall have complied with the following requirements:

(a) made the payments called for by paragraph 2 of this resolution;

(b) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted in accordance with its laws the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(c) signed the original Articles held in the archives of the International Bank for Reconstruction and Development.

4. *Limitation on Period for Fulfillment of Requirements of Membership:* The Marshall Islands may fulfill the requirements for membership in the Association pursuant to this resolution until June 30, 1993, or such later date as the Executive Directors of the Association may determine.

5. *Additional Subscription:* Upon or after acceptance of membership, the Marshall Islands shall also be authorized at its option to make an additional subscription in the amount of $1,858 which shall carry 17,860 votes, calculated on the basis of 60 subscription votes and 17,800 membership votes, and which shall be subject to the following terms and conditions:

(i) Payment of such additional subscription shall be made in the currency of the Marshall Islands within 30 days after the Marshall Islands notifies the Association of its intention to make such additional subscription.

(ii) the rights and obligations of the Association and the Marshall Islands with regard to such additional subscription shall be the same (except as otherwise provided in this resolution) as those which govern the 90% portion of the initial subscriptions of original members payable under Articles II, Section 2(d) of the Articles by members listed in Part II of Schedule A of the Articles, provided, however, that the provisions of Articles IV, Section 2 of the Articles shall not be applicable to such subscription.

(Adopted on January 11, 1993)

Resolution No. 174

Additions to Resources: Tenth Replenishment

WHEREAS:

(A) The Executive Directors of the International Development Association ("the Association") have considered the prospective financial requirements of the Association and have concluded that additional resources should be made available to the Association for new credit commitments for the period from July 1, 1993 to June 30, 1996 in the amounts and on the basis set out in the Report of the Executive Directors (the "Report") approved on January 12, 1993 and submitted to the Board of Governors;

(B) The members of the Association consider that an increase in the resources of the Association is required and intend to request their legislatures, where necessary, to authorize and approve the allocation of additional resources to the Association in the amounts and on the conditions set out in this Resolution;

(C) Members of the Association that contribute resources to the Association in addition to their subscriptions ("contributing members") as part of the replenishment authorized by this Resolution ("the Tenth Replenishment") are to make available their contributions pursuant to the Articles of Agreement of the Association ("the Articles") partly in the form of subscriptions carrying voting rights and partly in the form of contributions not carrying voting rights ("subscriptions and contributions");

(D) Additional subscriptions are authorized for contributing members in this Resolution on the basis of their agreement with respect to their preemptive rights under Article III, Section 1(c) of the Articles, and provision is made for the other members of the Association ("subscribing members") intending to exercise their rights pursuant to that provision to do so; and

(E) It is desirable to provide for the possible need for a portion of resources to be contributed by members to be paid to the Association as advance contributions;

NOW, THEREFORE, THE BOARD OF GOVERNORS HEREBY ACCEPTS the Report, ADOPTS its conclusions and recommendations AND RESOLVES THAT a general increase in subscriptions of the Association is authorized on the following terms and conditions:

1. *Authorization of Subscriptions and Contributions.*
   (a) The Association is authorized to accept additional resources from each contributing member in the amount specified for each such member in Table 1 attached to this Resolution, and such amount shall be divided into a subscription carrying voting rights and a contribution not carrying voting rights as specified in Table 2 attached to this Resolution.
   (b) The Association is authorized to accept additional subscriptions from each subscribing member of the Association in the amount specified for each such member in Table 2.

2. *Agreement to Pay.*
   (a) When a contributing member agrees to pay its subscription and contribution, or a subscribing member agrees to pay its subscription, it shall deposit with the Association an instrument of commitment substantially in the form set out in Annex I to this Resolution ("Instrument of Commitment").
   (b) When a contributing member agrees to pay a part of its subscription and contribution without qualification and the remainder is subject to enactment by its legislature of the necessary legislation, it shall deposit a qualified instrument of commitment in a form acceptable to the Association ("Qualified Instrument of Commitment"); such member undertakes to exercise its best efforts to obtain legislative approval for the full amount of its subscription and contribution by the payment dates set out in paragraph 3(b) of this Resolution.

3. *Payment.*
   (a) Each subscribing member shall pay to the Association the amount of its subscription in full within 30 days after the date of deposit of its Instrument of Commitment; provided that:
      (i) if the Tenth Replenishment shall not have become effective by October 31, 1993, the payment may be postponed by the member for not more than 30 days after the date on which the Tenth Replenishment becomes effective; and
      (ii) the Association may agree to the postponement of the payment for not more than one year.
   (b) Each contributing member that agrees to do so without qualification shall pay to the Association the amount of its subscription and

contribution in three equal annual installments by November 30, 1993, November 30, 1994, and November 30, 1995; provided that:

(i) if the Tenth Replenishment shall not have become effective by October 31, 1993, payment of the first such installment may be postponed by the member for not more than 30 days after the date on which the Tenth Replenishment becomes effective;

(ii) the Association may agree to the postponement of any installment, or part thereof, for not more than one year if the amount paid, together with any unused balance of previous payments by the member concerned, shall be at least equal to the amount estimated by the Association to be required from that member, up to the due date of the next installment, for purposes of disbursements for credits committed under the Tenth Replenishment;

(iii) if any contributing member shall deposit an Instrument of Commitment with the Association after the date when the first installment of the subscription and contribution is due, payment of any installment, or part thereof, shall be made to the Association within 30 days after the date of such deposit; and

(iv) if a contributing member has deposited a Qualified Instrument of Commitment and thereafter notifies the Association that an installment, or part thereof, is unqualified after the date when it was due, then payment of such installment, or part thereof, shall be made within 30 days after the date of such notification.

4. *Mode of Payment.*

(a) Payments pursuant to this Resolution shall be made, at the option of the member (i) in cash, on terms agreed between the member and the Association that shall be no less favorable to the Association than payment under subparagraph (a) (ii) or, (ii) by the deposit of notes or similar obligations issued by the government of the member or the depository designated by such member, which shall be non-negotiable, non-interest bearing and payable at their par value on demand to the account of the Association.

(b) The Association will encash the notes or similar obligations of contributing members quarterly in equal proportions in terms of their unit of denomination during a period of eight years as shown in the encashment schedule set out in Annex II to this Resolution, provided that at the request of a contributing member the Association may agree to variations in the encashment schedule that will not extend the period for the member beyond ten years.

(c) The provisions of Article IV, Section 1(a) of the Articles shall apply to the use of a subscribing member's currency paid to the Association pursuant to this Resolution.

5. *Currency of Denomination and Payment.*

(a) Members shall denominate the resources to be made available pursuant to this Resolution in SDRs, the currency of the member, or with the agreement of the Association in a freely convertible currency of another member, except that if a contributing member's economy experienced a rate of inflation in excess of fifteen percent per annum on average in the period 1989 to 1991, as determined by the Association as of the date of adoption of this Resolution, its subscription and contribution shall be denominated in SDRs.

(b) Contributing members shall make payments pursuant to this Resolution in SDRs, a currency used for the valuation of the SDR, or with the agreement of the Association, in another freely convertible currency, and the Association may freely exchange the amounts received as required for its operations. Subscribing members shall make payments in the currency of the member.

(c) Each member shall maintain, in respect of its currency paid by it under this Resolution, and the currency of such member derived therefrom as principal, interest or other charges, the same convertibility as existed on the effective date of this Resolution.

6. *Effective Date.*

(a) The Tenth Replenishment shall become effective and the resources to be contributed pursuant to this Resolution shall become payable to the Association on the date when contributing members whose subscriptions and contributions aggregate not less than SDR 10,076 million shall have deposited with the Association Instruments of Commitment or Qualified Instruments of Commitment (the "Effective Date"), provided that this date shall be not later than October 31, 1993, or such later date as the Executive Directors of the Association may determine.

(b) If the Association determines that the availability of additional resources pursuant to this Resolution is likely to be unduly delayed, it shall convene promptly a meeting of the contributing members to review the situation and to consider the steps to be taken to prevent a suspension of the Association's lending operations.

7. *Advance Contributions.*

(a) In order to avoid an interruption in the Association's ability to commit credits pending the effectiveness of the Tenth Replenishment, and if the Association shall have received Instruments of Commitment from contributing members whose subscriptions and contributions aggregate not less than SDR 2,519 million, the Association may deem, prior to the Effective Date, one-third of the total amount of each subscription and contribution for which an Instrument of Commitment has been deposited with the Association as an advance contribution, unless the contributing member specifies otherwise in its Instrument of Commitment.

(b) The Association shall specify when advance contributions pursuant to subparagraph (a) are to be paid to the Association.

(c) The terms and conditions applicable to contributions to the Tenth Replenishment, except for paragraph 9 of this Resolution, shall apply also to advance contributions until the Effective Date, when such contributions shall be deemed to constitute payment towards the amount due from each contributing member for its subscription and contribution.

(d) In the event that the Tenth Replenishment shall not become effective by October 31, 1993, or such later date as the Association may determine pursuant to paragraph 6(a) of this Resolution, (i) voting rights shall be allocated to each member for the advance contribution as if it had been made as a subscription and contribution under this Resolution, (ii) each member not making an advance contribution shall have the opportunity to exercise its pre-emptive rights with respect to such subscription as the Association shall specify, and (iii) advance contributions shall be taken into account in the next general replenishment of the Association's resources.

8. *Commitment Authority.*

(a) Subscriptions and contributions shall become available for commitment by the Association for credits to eligible members in three successive tranches of one-third of the total amount of each such subscription and contribution: (i) the first tranche shall become available to the Association for commitment for credits from the Effective Date, provided that advance contributions may become available earlier under paragraph 7(a) of this Resolution; (ii) the second tranche from November 1, 1994 or the Effective Date, whichever is later; and (iii) the third tranche from November 1, 1995 or the Effective Date, whichever is later.

(b) Any qualified part of a subscription and contribution notified under a Qualified Instrument of Commitment shall become available for commitment by the Association for credits when it has become unqualified.

(c) The Association shall promptly inform contributing members if a member that has deposited a Qualified Instrument of Commitment and whose subscription and contribution represents more that 20 percent of the total amount of the resources to be contributed pursuant to this Resolution has not unqualified at least 66 percent of the total amount of its subscription and contribution by November 30, 1994, or 30 days after the Effective Date, whichever is later, and the total amount thereof by November 30, 1995, or 30 days after the Effective Date, whichever is later.

(d) Within 30 days of the dispatch of notice by the Association under subparagraph (c), each other contributing member may notify the Association in writing that the commitment by the Association of the second or third tranche, whichever is applicable, of such member's subscription and contribution shall be deferred while, and to the extent that, any part of the subscription and contribution referred to in subparagraph (c) remains qualified; during such period, the Association shall make no commitments for credits in respect of the resources to which the notice pertains unless the right of the contributing member is waived pursuant to subparagraph (e).

(e) The right of a contributing member under subparagraph (d) may be waived in writing, and it shall be deemed waived if the Association receives no written notice pursuant to such subparagraph within the period specified therein.

(f) The President of the Association shall consult with the contributing members where, in his judgment: (i) there is a substantial likelihood that the total amount of the subscription and contribution referred to in subparagraph (c) could not be committed to the Association without qualification by June 30, 1996, or (ii) as a result of contributing members exercising their rights under subparagraph (d), the Association is or may shortly be precluded from entering into new unconditional credit commitments.

(g) The Association may enter into credits, conditional on such credits becoming effective and binding on the Association when resources under the Tenth Replenishment become available for commitment by the Association.

9. *Allocation of Voting Rights.* Voting rights calculated on the basis of the current voting rights system shall be allocated to members for subscriptions as follows:

(a) Each subscribing member which has deposited with the Association an Instrument of Commitment shall be allocated the subscription votes specified for each such member in Table 2 on the effective payment date pursuant to paragraph 3(a) of this Resolution.

(b) Each contributing member which has deposited with the Association an Instrument of Commitment shall be allocated one-third of the subscription votes specified for each such member in Table 2 on each effective payment date pursuant to paragraph 3(b) of this Resolution; provided that (i) any member which deposits such instrument after any of these dates shall be allocated, as of the date of such deposit, the subscription votes to which such member would have been entitled if such instrument had been deposited prior to the first of these dates, and

(ii) if the member fails to pay any amount of its subscription and contribution when due, the number of subscription votes allocated from time to time to such member under this Resolution shall be reduced in proportion to the shortfall in such payments, but any such votes shall be reallocated when the shortfall in payments causing such adjustment is subsequently made up.

(c) Each member which has deposited with the Association a Qualified Instrument of Commitment shall be allocated subscription votes to the extent of payments made in respect of its subscription and contribution, and each member exercising its right pursuant to paragraph 8(d) of this Resolution shall have the number of subscription votes allocated to it reduced in proportion to the amount of its subscription and contribution subject to deferral, but any such votes shall be reallocated to the extent that the deferral terminates.

(d) Each member shall be allocated the additional membership votes specified in Columns b-5 and c-3 of Table 2 for its subscription on the date such member is allocated the first one-third of its subscription votes pursuant to this paragraph.

(Adopted on March 31, 1993)

ANNEX I

INTERNATIONAL DEVELOPMENT ASSOCIATION

Additions to Resources: Tenth Replenishment

Reference is made to Resolution No. ___ of the Board of Governors of the International Development Association entitled "Additions to Resources: Tenth Replenishment", which was adopted on ________________, 1993 ("the Resolution").

The Government of ______________________ **HEREBY NOTIFIES** the Association pursuant to paragraph 2 of the Resolution that it will make the _________[1] authorized for it in accordance with the terms of the Resolution in the amount of __________[2].

_______________ ____________________________[3]

(Date) *(Name and Office)*

[1] *(a) Contributing members fill in the words "subscription and contribution"; and (b) subscribing members fill in the word "subscription" only.*

[2] *Pursuant to paragraph 5(a) of the Tenth Replenishment Resolution, members are required to denominate their subscription and contribution, or subscription only, as the case may be, in SDRs, in the currency of the member, or with the agreement of the Association in a freely convertible currency of another member. Payment shall be made as provided in paragraph 5(b) of the Resolution.*

[3] *The instrument is to be signed on behalf of the Government by a duly authorized representative.*

INTERNATIONAL DEVELOPMENT ASSOCIATION

Schedule of Encashments: Tenth Replenishment

IDA-10FY	*SCHEDULE OF ENCASHMENTS*[1] *(% of total)*
1994	3.07
1995	9.23
1996	15.31
1997	17.71
1998	16.30
1999	14.41
2000	12.87
2001	11.10
Total	100.00

[1] *In the event that the Tenth Replenishment shall become effective after June 30, 1994, encashments scheduled before the date of effectiveness will be added to the schedule normally for the fiscal year in which the Replenishment becomes effective.*

Table 1: Contributions to the Tenth Replenishment
(Amounts in millions)

Contributing Members	Basic Contributions SDR Amount —1—	Basic Contributions Share % —2—	Supplementary Contributions SDR Amount —3—	Total Contributions SDR Amount —4—	National Currency Amount [a] —5—
Australia	189.80	1.46	2.24	192.04	350.00
Austria	117.00	0.90		117.00	1,855.46 [g]
Belgium	201.50	1.55		201.50	9,345.43
Brazil[b]	10.00	0.08		10.00	
Canada	519.91	4.00		519.91	858.00
[i] Czech Republic[b,f]	10.00	0.08		10.00	
Denmark	169.00	1.30	11.47	180.47	1,573.05
Finland	130.00	1.00		130.00	798.37
France[c]	912.94	7.02	36.06	949.00	7,222.93
Germany	1,430.00	11.00		1,430.00	3,222.08 [g]
Greece	6.80	0.05		6.80	1,807.23
Hungary[b]	10.00	0.08		10.00	
Iceland	3.90	0.03		3.90	316.07
Ireland	14.30	0.11	1.10	15.40	13.00
Italy	689.00	5.30		689.00	1,124,000.00
Japan	2,431.00	18.70	169.00	2,600.00	471,509.74
Korea	30.00	0.23	6.58	36.58	39,442.25
Kuwait	18.08	0.14		18.08	7.33 [h]
Luxembourg	6.50	0.05	0.50	7.00	324.66
Mexico[b]	25.00	0.19	10.00	35.00	
Netherlands	429.00	3.30	27.00	456.00	1,156.51 [g]
New Zealand	14.94	0.11		14.94	38.09
Norway	184.60	1.42		184.60	1,627.23
Poland[b]	4.50	0.03		4.50	
Portugal	15.00	0.12	0.50	15.50	2,952.02
[i] Russia[b]	50.00	0.38		50.00	
[i] Saudi Arabia	108.47	0.83		108.47	563.62 [h]
[i] South Africa[b]	10.00	0.08		10.00	
Spain	104.00	0.80		104.00	14,736.52
Sweden	340.60	2.62	7.40	348.00	2,833.97

	Basic Contributions		*Supplementary Contributions*	*Total Contributions*	
Contributing Members	*SDR Amount* —1—	*Share %* —2—	*SDR Amount* —3—	*SDR Amount* —4—	*National Currency Amount* [a] —5—
Switzerland	226.20	1.74	3.80	230.00	473.46
Turkey[b]	25.00	0.19		25.00	
United Kingdom	799.18	6.15		799.18	620.00
United States	2,711.69	20.86		2,711.69	3,750.00
Sub Total	11,947.90	91.91	275.65		
Change in Encashments[d]	395.68	3.04			
Change in Liquidity Policy[e]	200.00	1.54			
Equiv. IDA9 Unalloc. Gap	175.44	1.35			
Supplementary Contributions	275.65	2.12			
Unallocated	180.76	1.39			
Total	13,000.00	100.00			

[a] Calculated by converting the SDR amount in column (4) to national currencies using an average of daily exchange rates for the period March 1, 1992 to June 30, 1992.
[b] Contributions of members with rates of inflation greater than 15% per annum during the 1989–91 period are denominated in SDRs.
[c] The basic national currency contribution of France is equivalent to a 7.3 percent share of SDR 13 billion using May–October exchange rates.
[d] Reflects additional resources available to IDA as a result of encashing contributions on an 8-year schedule rather than a 10-year period. Contributions of Australia and the United Kingdom will be encashed over a 10-year period. The participation of Italy and Canada is shown as part of their basic contribution.
[e] The change in encashment schedule will enable IDA to lower its liquidity requirements by SDR 200 million which will be committed in IDA10.
[f] On January 1, 1993, the former Czech and Slovak Federal Republic was succeeded by the Czech Republic and the Slovak Republic.
[g] These countries have indicated that their unit of denomination will be the SDR.
[h] These countries have indicated that their unit of denomination will be the US dollar.
[i] These countries are not yet in a position to commit to a final contribution to IDA10. The levels shown are therefore indicative.
[j] This amount is the SDR equivalent of Lit. 1,169,390.71 million, i.e., an IDA10 contribution of Lit. 1,124,000 million and Lit. 45,390.71 million resulting from encashing the IDA10 contribution on an 8-year schedule rather than a 10-year period.

ADDITIONAL SUBSCRIPTIONS, CONTRIBUTIONS AND VOTES
(Amounts in Current USD Equivalent)

	Subscriptions and Contributions Through IDA9 [a]		Additional Resources [b] and Votes Under IDA10					Subscriptions and Contributions Through IDA10	
Part I Members	Subscriptions (a-1)	Contributions Carrying No Votes (a-2)	Additional Resources [c] (b-1)	Additional Subscriptions (b-2)	Contributions Carrying No Votes (b-3)	Additional Subscription Votes (b-4)	Additional Membership Votes (b-5)	Subscriptions (d-1)	Contributions Carrying No Votes (d-2)
AUSTRALIA	27,339,761	1,283,373,312	265,580,000	404,566	265,175,434	16,183	4,400	27,744,327	1,548,548,746
AUSTRIA	7,179,905	475,461,551	168,200,000	282,058	167,917,942	11,282	4,400	7,461,963	643,379,493
BELGIUM	12,477,481	1,068,255,914	289,670,000	467,201	289,202,799	18,688	4,400	12,944,682	1,357,458,713
CANADA	53,555,550	3,231,204,215	718,980,000	1,114,842	717,865,158	44,594	4,400	54,670,391	3,949,069,374
DENMARK	12,498,727	807,559,107	259,400,000	429,362	258,970,638	17,174	4,400	12,928,089	1,066,529,745
FINLAND	5,686,555	491,423,590	186,880,000	316,292	186,563,708	12,652	4,400	6,002,847	677,987,298
FRANCE	73,928,399	4,227,133,905	1,364,250,000	2,259,004	1,361,990,996	90,360	4,400	76,187,403	5,589,124,901
GERMANY	81,094,107	7,445,524,049	2,055,720,000	3,326,247	2,052,393,753	133,050	4,400	84,420,355	9,497,917,801
ICELAND	160,032	18,843,460	5,610,000	9,192	5,600,808	368	4,400	169,225	24,444,267
IRELAND	3,929,777	75,790,364	22,140,000	35,923	22,104,077	1,437	4,400	3,965,700	97,894,441
ITALY	28,979,149	3,039,675,925	952,820,000	1,572,924	951,247,076	62,917	4,400	30,552,073	3,990,923,001
JAPAN	63,991,018	11,164,264,764	3,737,680,000	6,230,365	3,731,449,635	249,215	4,400	70,221,383	14,895,714,399
KUWAIT	5,444,558	650,325,456	25,990,000	358	25,989,642	14	4,400	5,444,915	676,315,099
LUXEMBOURG	528,645	32,507,547	10,060,000	16,560	10,043,440	662	4,400	545,205	42,550,987
NETHERLANDS	38,168,656	2,110,693,202	655,420,000	1,079,147	654,340,853	43,166	4,400	39,247,802	2,765,034,056
NEW ZEALAND	161,044	81,805,916	21,470,000	34,490	21,435,510	1,380	4,400	195,534	103,241,426
NORWAY	9,954,825	815,202,356	265,380,000	440,287	264,939,713	17,611	4,400	10,395,112	1,080,142,069
RUSSIA	2,099,224	123,900,776	71,880,000	126,492	71,753,508	5,060	4,400	2,225,716	195,654,284
SOUTH AFRICA	12,293,184	74,700,324	14,380,000	20,713	14,359,287	829	4,400	12,313,897	89,059,611
SWEDEN	17,455,597	2,014,393,332	500,270,000	794,563	499,475,437	31,783	4,400	18,250,160	2,513,868,769

ADDITIONAL SUBSCRIPTIONS, CONTRIBUTIONS AND VOTES
(Amounts in Current USD Equivalent)

	Subscriptions and Contributions Through IDA9 [a]		*Additional Resources* [b] *and Votes Under IDA10*					*Subscriptions and Contributions Through IDA10*	
Part I Members	*Subscriptions (a-1)*	*Contributions Carrying No Votes (a-2)*	*Additional Resources* [c] *(b-1)*	*Additional Subscriptions (b-2)*	*Contributions Carrying No Votes (b-3)*	*Additional Subscription Votes (b-4)*	*Additional Membership Votes (b-5)*	*Subscriptions (d-1)*	*Contributions Carrying No Votes (d-2)*
SWITZERLAND	10,516,896	620,751,104	330,640,000	578,018	330,061,982	23,121	4,400	11,094,914	950,813,086
UNITED ARAB EMIRATES	10,729	5,189,119	0	0	0	0	0	10,729	5,189,119
UNITED KINGDOM	171,957,920	5,567,352,169	1,105,180,000	1,662,371	1,103,517,629	66,495	4,400	173,620,291	6,670,869,798
UNITED STATES	430,411,976	17,514,495,066	3,898,240,000	6,034,511	3,892,205,489	241,380	4,400	436,446,487	21,406,700,555
SUB-TOTAL PART I	1,069,823,716	62,939,826,522	16,925,840,000	27,235,485	16,898,604,515	1,089,419	101,200	1,097,059,201	79,838,431,037

[a] Assuming all members give (unqualified) formal notification under the Third, Fourth, Fifth, Sixth, Seventh, Eighth and Ninth Replenishments. These amounts have been calculated, for purposes of the voting rights adjustment among Part I Contributing Members, by multiplying the subscriptions and contributions up to and including the Third Replenishment (which were expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960) by 1.20635 and adding thereto the dollar equivalents of the subscriptions and contributions under the Fourth, Fifth, Sixth, Seventh, Eighth and Ninth Replenishments, as of September 27, 1973, March 14, 1977, October 5, 1979, January 13, 1984, August 29, 1986 and October 31, 1989, respectively.

b Contributions to the Tenth Replenishment are expressed in SDRs as set out in Table 1, column (4), of the Tenth Replenishment Resolution. The U.S. dollar equivalent has been obtained by converting the SDR amounts using an average of daily exchange rates for the U.S.dollar versus the SDR over the period March 1, 1992 to June 30, 1992. Contributions are divided into subscriptions carrying votes as shown in column (b-2 and contributions carrying no votes as shown in column (b-3).

[c] Includes, for all donors except Australia and the United Kingdom, the calculated effective value of contributions resulting from encashing contributions on an 8-year schedule rather than a 10-year period.

Part II Members	Subscriptions and Contributions Through IDA9 [d]		Additional Subscriptions, Contributions and Votes under IDA10: Subscriptions and Votes Allocated For Exercise of Preemptive Rights			Resources in SDRs or Freely Convertible Currency from Part II Members [f]	Subscriptions, Contributions for Resources in SDRs or Freely Convertible Currency in Excess of Subscriptions for Exercise of Preemptive Rights				Subscriptions and Contributions Through IDA10	
	Subscriptions (a-1)	Contributions Carrying No Votes (a-2)	Additional Subscriptions [e] (c-1)	Additional Subscription Votes (c-2)	Additional Membership Votes (c-3)	(c-4)	Additional Resources [g] (c-5)	Additional Subscriptions (c-6)	Contributions Carrying No Votes (c-7)	Additional Subscription Votes (c-8)	Subscriptions (d-1)	Contributions Carrying No Votes (d-2)
AFGHANISTAN	1,400,796	0	30,126	1,205	4,400						1,430,922	0
ALBANIA	319,595	0	6,957	278	4,400						326,552	0
ALGERIA	5,594,583	0	120,982	4,839	4,400						5,715,565	0
ANGOLA	8,760,656	0	189,525	7,581	4,400						8,950,180	0
ARGENTINA	26,390,247	75,473,348	614,103	24,564	4,400						27,004,350	75,473,348
BANGLADESH	7,470,100	0	161,649	6,466	4,400						7,631,749	0
BELIZE	277,472	0	5,971	239	4,400						283,444	0
BENIN	694,446	0	15,022	601	4,400						709,467	0
BHUTAN	69,305	0	1,483	59	4,400						70,788	0
BOLIVIA	1,470,701	0	31,699	1,268	4,400						1,502,400	0
BOTSWANA	222,230	0	4,832	193	4,400						227,063	0
BRAZIL	26,459,471	101,697,082	627,757	25,110	4,400	14,380,000	13,752,243	25,995	13,726,248	1,040	27,113,224	115,423,329
BURKINA FASO	694,227	0	15,022	601	4,400						709,248	0
BURUNDI	1,055,160	0	22,798	912	4,400						1,077,958	0
CAMBODIA	1,417,088	0	30,785	1,231	4,400						1,447,873	0
CAMEROON	1,400,796	0	30,126	1,205	4,400						1,430,922	0
CAPE VERDE	111,103	0	2,405	96	4,400						113,508	0
CENTRAL AFRICAN REP.	694,227	0	15,022	601	4,400						709,248	0
CHAD	694,227	0	15,022	601	4,400						709,248	0
CHILE	4,901,549	0	106,178	4,247	4,400						5,007,727	0
CHINA	42,086,395	0	923,460	36,938	4,400						43,009,855	0
COLOMBIA	4,996,596	29,095,715	124,852	4,994	4,400						5,121,449	29,095,715
COMOROS	111,103	0	2,405	96	4,400						113,508	0
CONGO	694,227	0	15,022	601	4,400						709,248	0
COSTA RICA	277,431	0	5,889	236	4,400						283,319	0

Part II Members	Subscriptions and Contributions Through IDA9[d]: Subscriptions (a-1)	Subscriptions and Contributions Through IDA9[d]: Contributions Carrying No Votes (a-2)	Additional Subscriptions, Contributions and Votes under IDA10 — Subscriptions and Votes Allocated For Exercise of Preemptive Rights: Additional Subscriptions[e] (c-1)	Additional Subscription Votes (c-2)	Additional Membership Votes (c-3)	Resources in SDRs or Freely Convertible Currency from Part I[a] Members[f] (c-4)	Subscriptions, Contributions for Resources in SDRs or Freely Convertible Currency in Excess of Subscriptions for Exercise of Preemptive Rights: Additional Resources[g] (c-5)	Additional Subscriptions (c-6)	Contributions Carrying No Votes (c-7)	Additional Subscription Votes (c-8)	Subscriptions and Contributions Through IDA10: Subscriptions (d-1)	Contributions Carrying No Votes (d-2)
COTE D'IVOIRE	1,400,796	0	30,126	1,205	4,400						1,430,922	0
CYPRUS	1,055,160	0	22,798	912	4,400						1,077,958	0
CZECH REPUBLIC h/	5,086,620	8,281,517	113,295	4,532	4,400	14,380,000	14,266,705	26,968	14,239,737	1,079	5,226,883	22,521,254
DJIBOUTI	222,230	0	4,832	193	4,400						227,063	0
DOMINICA	111,103	0	2,405	96	4,400						113,508	0
DOMINICAN REPUBLIC	556,188	68,614	12,182	487	4,400						568,370	68,614
ECUADOR	902,866	0	19,547	782	4,400						922,412	0
EGYPT	7,070,888	0	156,152	6,246	4,400						7,227,041	0
EL SALVADOR	415,939	23,707	8,938	358	4,400						424,877	23,707
EQUATORIAL GUINEA	444,333	0	9,657	386	4,400						453,990	0
ETHIOPIA	694,522	23,707	15,052	602	4,400						709,574	23,707
FIJI	777,627	0	16,902	676	4,400						794,529	0
GABON	694,227	0	15,022	601	4,400						709,248	0
GAMBIA, THE	370,722	0	8,046	322	4,400						378,768	0
GHANA	3,276,417	0	70,800	2,832	4,400						3,347,217	0
GREECE	3,568,301	24,571,470	89,393	3,576	4,400	9,780,000	9,690,607	18,318	9,672,290	733	3,676,011	34,243,760
GRENADA	124,267	0	2,562	102	4,400						126,830	0
GUATEMALA	555,532	0	12,085	483	4,400						567,617	0
GUINEA	1,400,796	0	30,126	1,205	4,400						1,430,922	0
GUINEA-BISSAU	193,285	0	4,046	162	4,400						197,331	0
GUYANA	1,125,025	0	24,379	975	4,400						1,149,404	0
HAITI	1,055,160	0	22,798	912	4,400						1,077,958	0
HONDURAS	415,700	0	8,916	357	4,400						424,616	0
HUNGARY	10,445,287	25,964,713	235,289	9,412	4,400	14,380,000	14,144,711	26,737	14,117,974	1,069	10,707,313	40,082,687
INDIA i/	56,351,494	0	1,429,986	57,199	4,400						57,781,481	0

	Subscriptions and Contributions Through IDA9 [d]		*Additional Subscriptions, Contributions and Votes under IDA10*								*Subscriptions and Contributions Through IDA10*	
			Subscriptions and Votes Allocated For Exercise of Preemptive Rights			*Resources in SDRs or Freely Convertible Currency from Part II Members* [f]	*Subscriptions, Contributions for Resources in SDRs or Freely Convertible Currency in Excess of Subscriptions for Exercise of Preemptive Rights*					
Part II Members	*Subscriptions (a-1)*	*Contributions Carrying No Votes (a-2)*	*Additional Subscriptions* [e] *(c-1)*	*Additional Subscription Votes (c-2)*	*Additional Membership Votes (c-3)*	*(c-4)*	*Additional Resources* [g] *(c-5)*	*Additional Subscriptions (c-6)*	*Contributions Carrying No Votes (c-7)*	*Additional Subscription Votes (c-8)*	*Subscriptions (d-1)*	*Contributions Carrying No Votes (d-2)*
INDONESIA	15,411,771	0	333,578	13,343	4,400						15,745,348	0
IRAN, ISLAMIC REP. OF	6,304,036	0	136,453	5,458	4,400						6,440,490	0
IRAQ	1,055,160	0	22,798	912	4,400						1,077,958	0
ISRAEL	2,340,521	934,200	52,018	2,081	4,400						2,392,539	934,200
JORDAN	415,700	0	8,916	357	4,400						424,616	0
KAZAKHSTAN	2,125,271	0	46,165	1,847	4,400						2,171,436	0
KENYA	2,332,424	0	50,422	2,017	4,400						2,382,845	0
KIRIBATI	83,229	0	1,791	72	4,400						85,020	0
KOREA	1,912,467	67,153,818	69,999	2,800	4,400	52,590,000	52,520,001	99,276	52,420,725	3,971	2,081,742	119,574,543
KYRGYZSTAN	555,513	0	12,050	482	4,400						567,563	0
LAO PDR	694,227	0	15,022	601	4,400						709,248	0
LATVIA	791,828	0	17,208	688	[illegible]						809,036	0
LEBANON	625,389	0	13,658	546	[illegible]						639,047	0
LESOTHO	222,230	0	4,832	193	4,400						227,063	0
LIBERIA	1,055,160	0	22,798	912	4,400						1,077,958	0
LIBYA	1,400,796	0	30,126	1,205	4,400						1,430,922	0
MADAGASCAR	1,401,691	0	30,126	1,205	4,400						1,431,817	0
MALAWI	1,055,160	0	22,798	912	4,400						1,077,958	0
MALAYSIA	3,498,487	0	75,618	3,025	4,400						3,574,105	0
MALDIVES	41,551	0	892	36	4,400						42,442	0
MALI	1,207,430	0	26,050	1,042	4,400						1,233,480	0
MARSHALL ISLANDS	13,922	0	306	12	4,400						14,228	0
MAURITANIA	694,227	0	15,022	601	4,400						709,248	0
MAURITIUS	1,195,327	35,560	25,990	1,040	4,400						1,221,317	35,560
MEXICO	12,364,866	80,177,204	307,724	12,309	4,400	50,310,000	50,002,276	94,517	49,907,759	3,781	12,767,107	130,084,963

Part II Members	Subscriptions and Contributions Through IDA9 [d]		Additional Subscriptions, Contributions and Votes under IDA10: Subscriptions and Votes Allocated For Exercise of Preemptive Rights			Resources in SDRs or Freely Convertible Currency from Part II Members [f]	Subscriptions, Contributions for Resources in SDRs or Freely Convertible Currency in Excess of Subscriptions for Exercise of Preemptive Rights				Subscriptions and Contributions Through IDA10	
	Subscriptions (a-1)	Contributions Carrying No Votes (a-2)	Additional Subscriptions [e] (c-1)	Additional Subscription Votes (c-2)	Additional Membership Votes (c-3)	(c-4)	Additional Resources [g] (c-5)	Additional Subscriptions (c-6)	Contributions Carrying No Votes (c-7)	Additional Subscription Votes (c-8)	Subscriptions (d-1)	Contributions Carrying No Votes (d-2)
MONGOLIA	319,595	0	6,957	278	4,400						326,552	0
MOROCCO	4,901,549	0	106,178	4,247	4,400						5,007,727	0
MOZAMBIQUE	1,901,545	0	41,034	1,641	4,400						1,942,580	0
MYANMAR	2,805,517	0	60,828	2,433	4,400						2,866,345	0
NEPAL	694,227	0	15,022	601	4,400						709,248	0
NICARAGUA	415,700	0	8,916	357	4,400						424,616	0
NIGER	694,227	0	15,022	601	4,400						709,248	0
NIGERIA	4,664,719	0	100,836	4,033	4,400						4,765,555	0
OMAN	415,939	23,707	8,938	358	4,400						424,877	23,707
PAKISTAN	14,059,752	118,533	312,927	12,517	4,400						14,372,679	118,533
PANAMA	28,762	0	749	30	4,400						29,511	0
PAPUA NEW GUINEA	1,194,928	0	25,953	1,038	4,400						1,220,881	0
PARAGUAY	415,700	0	8,916	357	4,400						424,616	0
PERU	2,457,436	0	53,359	2,134	4,400						2,510,794	0
PHILIPPINES	7,001,102	180,180	151,954	6,078	4,400						7,153,057	180,180
POLAND	42,830,676	18,374,512	931,992	37,280	4,400	6,470,000	5,538,008	10,468	5,527,540	419	43,773,135	23,902,053
PORTUGAL	4,195,304	0	91,181	3,647	4,400	22,280,000	22,188,819	41,942	22,146,876	1,678	4,328,428	22,146,876
RWANDA	1,055,160	0	22,798	912	4,400						1,077,958	0
ST. KITTS & NEVIS	180,471	0	3,903	156	4,400						184,375	0
ST. LUCIA	208,169	0	4,488	180	4,400						212,657	0
ST. VINCENT	97,154	0	2,098	84	4,400						99,252	0
SAO TOME & PRINCIPE	97,211	0	2,105	84	4,400						99,316	0
SAUDI ARABIA	11,989,171	1,871,535,485	1,462,489	58,500	4,400	155,930,000	154,467,511	291,982	154,175,529	11,679	13,743,642	2,025,711,014
SENEGAL	2,332,424	0	50,422	2,017	4,400						2,382,845	0
SIERRA LEONE	1,055,160	0	22,798	912	4,400						1,077,958	0

Table 2 *(cont.)*

Part II Members	Subscriptions and Contributions Through IDA9 [d]		Additional Subscriptions, Contributions and Votes under IDA10								Subscriptions and Contributions Through IDA10	
			Subscriptions and Votes Allocated For Exercise of Preemptive Rights			Resources in SDRs or Freely Convertible Currency from Part II Members [f]	Subscriptions, Contributions for Resources in SDRs or Freely Convertible Currency in Excess of Subscriptions for Exercise of Preemptive Rights					
	Subscriptions (a-1)	Contributions Carrying No Votes (a-2)	Additional Subscriptions [e] (c-1)	Additional Subscription Votes (c-2)	Additional Membership Votes (c-3)	(c-4)	Additional Resources [g] (c-5)	Additional Subscriptions (c-6)	Contributions Carrying No Votes (c-7)	Additional Subscription Votes (c-8)	Subscriptions (d-1)	Contributions Carrying No Votes (d-2)
SLOVAK REPUBLIC h/	2,536,487	4,140,758	56,667	2,267	4,400						2,593,154	4,140,758
SOLOMON ISLANDS	124,267	0	2,562	102	4,400						126,830	0
SOMALIA	1,055,160	0	22,798	912	4,400						1,077,958	0
SPAIN	15,006,136	304,554,333	496,715	19,869	4,400	149,510,000	149,013,285	281,672	148,731,613	11,267	15,784,523	453,285,946
SRI LANKA	4,206,781	0	90,946	3,638	4,400						4,297,727	0
SUDAN	1,400,796	0	30,126	1,205	4,400						1,430,922	0
SWAZILAND	444,461	0	9,665	387	4,400						454,126	0
SYRIAN ARAB REP.	1,318,342	0	28,432	1,137	4,400						1,346,774	0
TANZANIA	2,332,424	0	50,422	2,017	4,400						2,382,845	0
THAILAND	4,206,282	0	90,946	3,638	4,400						4,297,228	0
TOGO	1,055,160	0	22,798	912	4,400						1,077,958	0
TONGA	97,154	0	2,098	84	4,400						99,252	0
TRINIDAD & TOBAGO	1,874,426	0	40,577	1,623	4,400						1,915,003	0
TUNISIA	2,097,755	0	45,507	1,820	4,400						2,143,261	0
TURKEY	8,118,851	29,530,996	187,110	7,484	4,400	35,940,000	35,752,890	67,582	35,685,308	2,703	8,373,543	65,216,304
UGANDA	2,332,424	0	50,422	2,017	4,400						2,382,845	0
UZBEKISTAN	1,708,798	0	37,152	1,486	4,400						1,745,950	0
VANUATU	263,580	0	5,672	227	4,400						269,251	0
VIET NAM	2,097,755	0	45,507	1,820	4,400						2,143,261	0
WESTERN SAMOA	124,267	0	2,562	102	4,400						126,830	0
YEMEN REPUBLIC	2,235,992	0	48,527	1,941	4,400						2,284,519	0
YUGOSLAVIA j/	5,952,595	80,314,713	183,507	7,340	4,400						6,136,102	80,314,713
ZAIRE	4,193,811	0	90,857	3,634	4,400						4,284,668	0
ZAMBIA	3,734,997	0	80,982	3,239	4,400						3,815,979	0
ZIMBABWE	5,717,968	0	123,327	4,933	4,400						5,841,295	0

	Subscriptions and Contributions Through IDA9 [d]		Additional Subscriptions, Contributions and Votes under IDA10: Subscriptions and Votes Allocated For Exercise of Preemptive Rights			Additional Subscriptions, Contributions and Votes under IDA10: Resources in SDRs or Freely Convertible Currency from Part II Members [f]	Additional Subscriptions, Contributions and Votes under IDA10: Subscriptions, Contributions for Resources in SDRs or Freely Convertible Currency in Excess of Subscriptions for Exercise of Preemptive Rights				Subscriptions and Contributions Through IDA10	
Part II Members	*Subscriptions (a-1)*	*Contributions Carrying No Votes (a-2)*	*Additional Subscriptions [e] (c-1)*	*Additional Subscription Votes (c-2)*	*Additional Membership Votes (c-3)*	*(c-4)*	*Additional Resources [g] (c-5)*	*Additional Subscriptions (c-6)*	*Contributions Carrying No Votes (c-7)*	*Additional Subscription Votes (c-8)*	*Subscriptions (d-1)*	*Contributions Carrying No Votes (d-2)*
SUB-TOTAL PART II	475,624,867	2,722,273,873	12,184,531	487,381	550,000	525,950,000	521,337,055	985,455	520,351,600	39,418	488,794,854	3,242,625,473
GRAND TOTAL	1,545,448,584	65,662,100,395				17,451,790,000					1,585,854,055	83,061,056,510

[d] Assuming all members give notification under the Third, Fourth, Fifth, Sixth, Seventh, Eighth and Ninth Replenishments and calculated as explained in footnote a.

[e] Equivalent in current United States dollars at IMF representative exchange rates as of June 30, 1992.

[f] Expressed in current United States dollars as obtained by converting the SDR amounts (Table 1, column (4)) using an average of daily exchange rates for the US dollar versus the SDR for the period March 1, 1992 to June 30, 1992. Includes the calculated effective value of contributions resulting from encashing contributions on an 8-year schedule rather than a 10-year period.

[g] The amounts shown in column (c-5) represent the total subscriptions and contributions of Part II contributing members making available resources in SDRs or freely convertible currency under the Tenth Replenishment minus the additional subscriptions for the exercise of the preemptive rights under Article III, Section 1(c) of the Articles, as shown in column (c-1). The amounts in column (c-5) are divided into subscriptions carrying votes as shown in column (c-6) and contributions carrying no votes as shown in column (c-7).

[h] The subscriptions and contribution of the former Czech and Slovak Federal Republic have been divided into separate subscriptions and contributions in accordance with the decision of the Executive Directors of January 4, 1993. Additional membership votes have been allocated to each of these members to bring them in line with other members in accordance with the recommendation of the Executive Directors.

[i] India has notified the Association of its intention to exercise its rights under Article III, Section 1(c) of the Articles to subscribe an amount to enable it to maintain its relative voting power in respect of the resources to be made available in SDRs or freely convertible currencies by Part II members.

[j] With the termination of the membership in IDA of the SFRY, the subscriptions and contributions and subscription votes would be divided in line with the agreement reached, between the successor Republics and the Association, on the division of the SFRY's subscriptions and contributions. Each successor Republic, as it becomes a member, would be allocated membership votes in the same amount as other members.

RESOLUTION ADOPTED
BY THE BOARD OF GOVERNORS OF IDA
AT THE 1993 ANNUAL MEETINGS

Resolution No. 175

Financial Statements, Accountants' Report and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Association consider the Financial Statements, Accountants' Report and Administrative Budget, included in the 1992/93 Annual Report, as fulfilling the requirements of Article VI, Section 11, of the Articles of Agreement and of Section 8 of the By-Laws of the Association.

(Adopted on September 29, 1993)

RESOLUTIONS ADOPTED BY THE COUNCIL OF GOVERNORS OF MIGA BETWEEN THE 1992 AND 1993 ANNUAL MEETINGS

Resolution No. 41

Membership of Georgia

WHEREAS the Government of Georgia has applied for admission to membership in the Multilateral Investment Guarantee Agency (the "Agency"); and

WHEREAS, pursuant to Section 17(c) of the Agency's By-Laws, the Board of Directors has made recommendations to the Council of Governors regarding this application;

NOW, THEREFORE, the Council of Governors hereby

RESOLVES that:

1. Before becoming a party to the Convention Establishing the Multilateral Investment Guarantee Agency (the "Convention"), Georgia shall accept membership in and become a member of the International Bank for Reconstruction and Development.

2. Upon deposit of its instrument of ratification, acceptance or approval of the Convention, Georgia shall be obligated to:

(i) subscribe at par to 111 shares of the capital stock of the Agency; and
(ii) pay in full to the Agency the paid-in portions of the subscription price of such shares in accordance with Articles 7 and 8 of the Convention.

3. With effect from the date of the fulfillment of the conditions set forth in paragraph 2 above, Georgia shall be admitted to membership and shall be classified as a Category Two (developing country) member for the purposes of the Convention.

(Adopted on November 20, 1992)

Resolution No. 42

Reclassification of Portugal

WHEREAS Portugal became a member of the Multilateral Investment Guarantee Agency on June 6, 1988;

WHEREAS, the Government of Portugal now requests that Portugal be reclassified by the Agency from a Category Two country to a Category One country;

WHEREAS, in accordance with Article 31, Subsections (vi) and (x), of the MIGA Convention, the powers to, respectively, (i) reclassify a member of the Agency as Category One or Category Two, and (ii) amend the Schedules to the Convention are vested in the Council of Governors;

WHEREAS, in accordance with Article 8(a) of the Convention, as a Category Two member country, Portugal paid twenty-five percent of its paid-in cash portion of its capital subscription in its local currency; and as a Category One member country Portugal would need to substitute a freely usable currency for the twenty-five percent portion it originally paid in local currency;

THE COUNCIL OF GOVERNORS HEREBY RESOLVES THAT:

1. Portugal is hereby reclassified as a Category One country and Schedule A to the MIGA Convention is hereby amended.

2. Portugal shall substitute a freely usable currency for the 25 percent of the paid-in cash portion of its capital subscription it originally paid in local currency.

(Adopted on June 4, 1993)

Resolution No. 43

Review of Allocation of Shares

WHEREAS Article 39(c) of the Convention provides that the Council of Governors shall review the allocation of shares in the Agency during the third year following the entry into force of the Convention;

WHEREAS under Article 39(c), the review should lead to a decision on the reallocation of shares allocated to non-signatory countries with a view to obtain parity of voting power between the two Categories of States listed in Schedule A to the Convention;

WHEREAS the Council of Governors undertook the said review and by Resolution No. 20 of the Council of Governors adopted April 12, 1991, the Council postponed the decision on reallocation of shares until during the fifth year after the entry into force of the Convention, and also resolved that, until such decision was taken, the shares of the Agency that had not been subscribed continued to be allocated to the countries and in the number set forth in Schedule A to the Convention;

WHEREAS, in view of the current status of membership in the Agency, the Board of Directors has recommended to the Council of Governors that the decision concerning the reallocation of shares be postponed again and taken during the tenth year following the entry into force of the Convention, and other measures be taken that will facilitate the accession of new members to the Agency;

NOW, THEREFORE, the Council of Governors hereby

RESOLVES THAT:

(a) the decision referred to in Article 39(c) of the Convention, which was postponed for two years by Resolution No. 20 of the Council of Governors adopted on April 12, 1991, shall be further postponed for five years and consequently shall be taken during the tenth year after entry into force of the Convention;

(b) until the decision referred to in paragraph (a) above is taken, the shares of the capital stock of the Agency shall continue to be allocated to the countries and in the number set forth in Schedule A of the Convention; and

(c) should the number of shares of capital stock of the Agency that is available for new signatories be exhausted, the capital of the Agency shall be increased to provide sufficient shares to be subscribed by each new member in accordance with Article 5(b) of the Convention.

(Adopted on June 8, 1993)

Resolution No. 44

Membership of Tajikistan

WHEREAS the Government of Tajikistan has applied for admission to membership in the Multilateral Investment Guarantee Agency (the "Agency"); and

WHEREAS, pursuant to Section 17(c) of the Agency's By-Laws, the Board of Directors has made recommendations to the Council of Governors regarding this application;

NOW, THEREFORE, the Council of Governors hereby

RESOLVES that:

1. Before becoming a party to the Convention Establishing the Multilateral Investment Guarantee Agency (the "Convention"), Tajikistan shall accept membership in and become a member of the International Bank for Reconstruction and Development.

2. Upon deposit of its instrument of ratification, acceptance or approval of the Convention, Tajikistan shall be obligated to:
   (i) subscribe at par to 74 shares of the capital stock of the Agency; and
   (ii) pay in full to the Agency the paid-in portions of the subscription price of such shares in accordance with Articles 7 and 8 of the Convention.

3. With effect from the date of the fulfillment of the conditions set forth in paragraph 2 above, Tajikistan shall be admitted to membership and shall be classified as a Category Two (developing country) member for the purposes of the Convention.

(Adopted on July 26, 1993)

Resolution No. 45

Membership of the Federated States of Micronesia

WHEREAS the Government of the Federated States of Micronesia has applied for admission to membership in the Multilateral Investment Guarantee Agency (the "Agency"); and

WHEREAS, pursuant to Section 17(c) of the Agency's By-Laws, the Board of Directors has made recommendations to the Council of Governors regarding this application;

NOW, THEREFORE, the Council of Governors hereby

RESOLVES that:

1. Before becoming a party to the Convention Establishing the Multilateral Investment Guarantee Agency (the "Convention"), the Federated States of Micronesia shall accept membership in and become a member of the International Bank for Reconstruction and Development.

2. Upon deposit of its instrument of ratification, acceptance or approval of the Convention, the Federated States of Micronesia shall be obligated to:
   (i) subscribe at par to 50 shares of the capital stock of the Agency; and
   (ii) pay in full to the Agency the paid-in portions of the subscription price of such shares in accordance with Articles 7 and 8 of the Convention.

3. With effect from the date of the fulfillment of the conditions set forth in paragraph 2 above, the Federated States of Micronesia shall be admitted to membership and shall be classified as a Category Two (developing country) member for the purposes of the Convention.

(Adopted on August 11, 1993)

REPORTS OF THE EXECUTIVE DIRECTORS OF THE BANK

March 22, 1993

Amendment of Board of Governors Resolution No. 294

1. Following the entry into force of the Third Amendment of the Articles of Agreement of the International Monetary Fund on the suspension of voting and related rights, the Executive Directors of the Bank and the Executive Board of the Fund are proposing amendments of the parallel resolutions of the Boards of Governors establishing the Development Committee (Resolution No. 294 and 29-9 of the Board of Governors of the Bank and the Fund, respectively).

2. The amendment of Resolution No. 294 of the Board of Governors of the Bank is recommended so that the constituencies in the Development Committee reflect at all times the constituencies of the Board of Executive Directors of the Bank during periods in which appointments to the Development Committee are made by members of the Bank and reflect the constituencies of the Executive Board of the Fund during periods in which appointments to the Committee are made by members of the Fund.

3. The draft resolution provides that the amendments of Resolution No. 294 will enter into force on the date the resolution is adopted or the date on which amendments in identical terms of Resolution No. 29-9 of the Board of Governors of the Fund shall have been adopted, whichever is later.

4. Accordingly, the Executive Directors recommend the adoption of the draft resolution[1] by the Board of Governors of the Bank, by a vote without meeting pursuant to Section 12 of the By-Laws.

This report was approved and its recommendation was adopted by the Board of Governors on April 23, 1993

---

[1] *See page 209.*

Allocation of FY93 Net Income and Transfer of Surplus

1. The surplus of the Bank as of June 30, 1993 is $1,465 million, of which the equivalent of $375 million in SDRs, in the component currencies of the SDR, as of June 30, 1992, will be transferred pursuant to a resolution of the Board of Governors adopted on September 24, 1992 to the International Development Association when the Tenth Replenishment of the Association becomes effective. The Bank's net income for the fiscal year ended June 30, 1993 amounts to $1,130 million. The General Reserve has been increased by a net translation adjustment due to exchange rate changes of $163 million. As of June 30, 1993, the Special Reserve created under Article IV, Section 6 of the Bank's Articles of Agreement totalled $293 million and, without regard to the 1993 fiscal year's income, the General Reserve amounted to $11,685 million. Total reserves including accumulated net income therefore amounted to $13,108 million, of which the $293 million in the Special Reserve is kept in liquid form, the remainder being used in the business of the Bank.

2. The Executive Directors have considered what action to take, or to recommend that the Board of Governors take, with respect to the surplus and the net income for the fiscal year ended June 30, 1993. The Executive Directors have concluded that the interests of the Bank and its members would best be served by the following dispositions of the surplus and net income of the Bank:

(a) the addition of $1,090 million of surplus and $890 million of net income to the General Reserve, consistently with the Bank's reserves target range, which is 13–14% for the Bank's reserves-to-loans ratio for the fiscal years ending June 30, 1994 and June 30, 1995, and in particular to meet the reserves target of 13% of that ratio by the end of June 30, 1994, and to cover the estimated cost of a waiver for all payment periods commencing in the fiscal year ending June 30, 1994 of 25 basis points on the interest rate charged to borrowers which have serviced all their loans from the Bank in a timely manner;

(b) the transfer, by way of grant, to the Debt Reduction Facility for IDA-only Countries, administered by the International Development Association, of the equivalent of $100 million; and

(c) the transfer, by way of grant, to the International Development Association of any excess of net income over $990 million in an equivalent amount in SDRs, in the component currencies of the SDR, as of June 30, 1993.

3. Accordingly, the Executive Directors recommend that the Board of Governors note with approval the present report and adopt the draft resolution....[1]

This report was approved and its recommendation was adopted by the Board of Governors on September 29, 1993.

---

[1] *See page 211.*

REPORT OF THE BOARD OF DIRECTORS OF IFC

June 18, 1992

Applications of the Former Soviet Republics for Membership in IFC, Special Increase in the Authorized Capital of IFC, and Amendments to the Articles of Agreement of IFC

1. The Board of Directors of the International Finance Corporation (IFC) has considered the Memorandum to the Board of Directors from the President, dated June 10, 1992, on the subject of the applications for membership in IFC of the former Soviet Republics, an increase of IFC's authorized capital, and amendments to the Articles of Agreement of IFC. This Memorandum is attached.

2. The Board of Directors, having duly considered the matter, has found the recommendations set out in paragraph 16 of such Memorandum to be desirable. Accordingly, the Board of Directors submits to the Board of Governors, for votes without meeting, the proposals set out in the draft resolutions....[1,2]

3. The Board of Directors recommends that the Board of Governors of IFC adopt such draft resolutions[2].

This report was approved and its recommendations were adopted by the Board of Governors on December 10, 1992 and December 28, 1992.

---

[1] *As stated in the Memorandum, membership Resolutions are submitted to the Governors for vote only after the consultation process has been completed with the prospective member on terms and conditions recommended in the Resolutions. Further membership Resolutions will be submitted for vote as the respective consultation processes are completed.*

[2] *See pages 217 and 218.*

ATTACHMENT

From: The President *June 10, 1992*

APPLICATIONS OF THE FORMER SOVIET REPUBLICS FOR MEMBERSHIP IN IFC, SPECIAL INCREASE IN THE AUTHORIZED CAPITAL OF IFC AND AMENDMENTS TO THE ARTICLES OF AGREEMENT OF IFC

1. Of the fifteen former Soviet republics, fourteen have applied for membership in the International Finance Corporation: Armenia, Belarus, Estonia, Georgia, Kazakhstan, Kyrghyzstan, Latvia, Lithuania, Moldova, the Russian Federation, Tadjikistan, Turkmenistan, Ukraine and Uzbekistan; Azerbaijan is also expected to apply (see Table 1). The consultation process has begun for the fourteen republics that have applied, and the status of these consultations will be reported to the Board at its meeting to consider these memberships. This memorandum proposes that the Board of Directors recommend to the Board of Governors that:

(i) the authorized capital of IFC be increased by 150,000 shares, to 2,450,000 shares, in order to provide sufficient shares for the full entitlements of the former Soviet republics and to provide adequate shares for additional requests from existing or prospective members;

(ii) the applications for membership be approved for those countries with respect to which applications have been received and the consultation process has been completed on or before September 30, 1992, and their full entitlement of shares be recognized;

(iii) in order to permit membership as soon as possible despite the insufficiency of currently available shares, the republics be provided with an initial allocation of shares that is less than their respective total entitlements based on IFC membership policy (described in paragraph 2, below); and

(iv) IFC's Articles of Agreement ("the Articles") be amended such that approval of future capital increases and future amendments to the Articles would require greater voting majorities of the Board of Governors.

Table 1
Membership Applications

Republic	*Date of Application*
Armenia	January 9, 1992 (IFC/SecM92-8)
Azerbaijan	(no application to date)
Belarus	April 10, 1992 (IFC/SecM92-74)
Estonia	April 3, 1992 (IFC/SecM92-70)
Georgia	March 12, 1992 (IFC/SecM92-60)
Kazakhstan	January 23, 1992 (IFC/SecM92-14)
Kyrghyzstan	February 27, 1992 (IFC/SecM92-51)
Latvia	March 23, 1992 (IFC/SecM92-66)
Lithuania	October 2, 1991 (IFC/SecM91-131)
Moldova	January 11, 1992 (IFC/SecM92-13)
Russian Federation	January 3, 1992 (IFC/SecM92-3)
Tadjikistan	April 9, 1992 (IFC/SecM92-76)
Turkmenistan	March 2, 1992 (IFC/SecM92-56)
Ukraine	December 19, 1991 (IFC/SecM91-163)
Uzbekistan	February 21, 1992 (IFC/SecM92-16)

Share Allocations

2. Upon joining IFC, new members normally are allocated a number of IFC shares that results in their percentage allocation of total IFC allocated shares[1] being equal to their percentage allocation of total IBRD allocated shares. On this basis, a total of 119,865 shares would be required to admit all fifteen former Soviet republics to membership in IFC. However, it is proposed that the Russian Federation be allocated additional shares to raise its shareholding and voting rank to a level equal to that of Canada, India and Italy, a parity granted to the Russian Federation upon admission to IBRD. This would require an additional 11,754 shares of IFC capital, increasing the total for all the republics to 131,619 shares. Table 2 shows the number of shares that would be allocated to each former Soviet republic.

[1] *Share allocations for New IFC Members, IFC/R91-37, dated March 21, 1991.*

Table 2
Full Share Allocations for Former Soviet Republics

Republic	*Full Share Allocation*	*% of Allocated Shares*	*Votes*[a]	*% of Total Votes*[a]
Armenia	1,769	0.07%	2,019	0.08%
Azerbaijan	2,557	0.11%	2,807	0.12%
Belarus	5,162	0.22%	5,412	0.22%
Estonia	1,434	0.06%	1,684	0.07%
Georgia	2,461	0.10%	2,711	0.11%
Kazakhstan	4,637	0.19%	4,887	0.20%
Kyrghyzstan	1,720	0.07%	1,970	0.08%
Latvia	2,150	0.09%	2,400	0.10%
Lithuania	2,341	0.10%	2,591	0.11%
Moldova	2,125	0.09%	2,375	0.10%
Russian Federation	81,342	3.42%	81,592	3.37%
Tadjikistan	1,647	0.07%	1,897	0.08%
Turkmenistan	1,456	0.06%	1,706	0.07%
Ukraine	16,945	0.71%	17,195	0.71%
Uzbekistan	3,873	0.16%	4,123	0.17%
TOTAL	131,619	5.53%	135,369	5.58%[b]

[a] Assuming all allocated shares are paid up, and including the memberships of Comoros and Sao Tome & Principe, for which membership has been approved by the Board of Governors. Each member has 250 votes plus one vote per share.
[b] Total does not add due to rounding.

Special Capital Increase

3. On May 4, 1992, the Board of Governors approved a capital increase of 1,000,000 shares (the 1991 General Capital Increase, or GCI), which increased IFC's authorized capital to US$2.3 billion, divided into 2,300,000 shares of par value US$1,000 each. 2,248,222 of these shares have been issued or allocated to existing members and countries whose membership applications have been approved by the Board of Governors, and 51,778 shares remain unallocated.[1]

4. This number of unallocated shares, 51,778, is insufficient to accommodate the memberships of the former Soviet republics at their full share entitlements. In addition, Marshall Islands and Micronesia have applied for membership in IFC and four members have requested additional allocations; about 14,500 shares would be required to satisfy these requests. Finally, IFC historically has kept available at least 5% of total authorized capital for the purposes of

[1] *Annex I provides a breakdown, by country, of the 2,248,222 shares that have been allocated.*

accommodating requests for membership and special allocations; however, during the past five years the high demand for IFC shares from both new and existing members has reduced the number of unallocated shares to its current level of only 2% of total authorized capital.

5. Therefore, in order to provide the former Soviet republics with their full share entitlements and to replenish the pool of authorized and unallocated shares in order to respond to additional requests, a Special Capital Increase (SCI) of 150,000 shares is proposed. This SCI would permit full allocations to the former Soviet republics and leave a balance of 70,159 shares available for additional new memberships and special allocations. This remaining pool of unallocated shares would represent just under 3% of IFC's authorized capital base.

6. Under Article II, Section 2(d) of the Articles of Agreement, members must be given a reasonable opportunity to subscribe their *pro rata* portions of an increase in authorized capital stock. However, the exercise of preemptive rights by members could jeopardize the primary objective of the proposed SCI, which is to provide sufficient shares for new members. Therefore, it is assumed that members will not exercise these rights in respect of this SCI, and the attached draft capital increase resolution provides that it will not become effective if any member exercises its preemptive right.

Proposed Initial Share Allocations for New Members

7. Under Article II, Section 2c(ii), of the Articles of Agreement, an increase in the authorized capital of IFC requires the approval of the Board of Governors by a three-fourths' majority of the total voting power. Given the procedural and legislative requirements prevalent in some member countries, this approval may take some time to achieve. The development needs of the former Soviet republics are urgent, however, and it would be inappropriate to delay their memberships because of an inadequate number of authorized shares. Since the Board of Governors can approve requests for membership with a simple majority vote, which is likely to be achieved sooner than a vote to increase IFC's authorized share capital, it is recommended that the former Soviet republics be allocated an initial number of shares from the existing pool of unallocated shares. These initial allocations would be less than the republics' full entitlements under existing IFC membership policy (para. 2). Further, it is recommended that the new members, by accepting membership in IFC, commit to pay for the balance of their full allocation if, as and when a sufficient number of unallocated shares becomes available.

8. Given the pending and prospective demand for IFC shares and the existing number of unallocated shares, it is proposed that initial share allocations for the former Soviet republics be established at 35% of their full entitlements.

This would result in combined initial allocations of 46,068 shares and would leave 5,710 shares unallocated pending approval of the SCI. These unallocated shares would be available to accommodate, on the same allocation basis as that for the former Soviet republics, the memberships of Marshall Islands, Micronesia, and other new members that may apply before additional capital is authorized. Special share allocations to existing members would not be presented to the Board until such authorization occurs. Table 3 illustrates the initial allocation, further commitments to pay for shares, and full allocations for each republic.

Table 3
Initial Allocations and Commitments to Pay for Additional Shares[a]

Republic	*Initial Allocations (Number of Shares)*	*Commitments to Pay (Number of Shares)*	*Full Share Allocations (Number of Shares)*
Armenia	619	1,150	1,769
Azerbaijan	895	1,662	2,557
Belarus	1,807	3,355	5,162
Estonia	502	932	1,434
Georgia	861	1,600	2,461
Kazakhstan	1,623	3,014	4,637
Kyrghyzstan	602	1,118	1,720
Latvia	753	1,397	2,150
Lithuania	819	1,522	2,341
Moldova	744	1,381	2,125
Russian Federation	28,470	52,872	81,342
Tadjikistan	576	1,071	1,647
Turkmenistan	510	946	1,456
Ukraine	5,931	11,014	16,945
Uzbekistan	1,356	2,517	3,873
TOTAL	46,068	85,551	131,619

[a] Shares have a par value of US$1,000 each.

9. Each member would have 250 membership votes, plus one vote for each share of paid stock. Annex 1 shows full share allocations, votes and rankings for all IFC members, and indicates the impact on current members of the proposed new memberships. The prospective members would have until September 30, 1993, which is three months after the deadline set for completion of the respective memberships in IBRD, to complete membership requirements. The Directors would have the authority, under the accompanying membership Resolutions, to extend this deadline.

Conditions for Payment

10. Under established procedures for admitting countries for membership in IFC while a general capital increase is in progress, a new member should have the option of paying for a portion of its full share allocation under the payment terms of the capital increase. The portion of a new member's shares eligible for these payment terms is equal to that portion of total allocated IFC shares attributable to the capital increase[1], currently 43.91%. Thus, for the proposed new memberships, 56.09% of their total allocation of shares would normally be payable upon joining IFC, and 43.91% would be payable over the 1992–1996 capital increase period. The proposed initial allocations of shares to the former Soviet republics comprise only 35% of their full allocations, which is less than the normal 56.09% initial payment. Consequently, the proposed payment terms for the shares to be offered each new member are:

—The initial allocation of 35% of the full allocation would be payable upon joining IFC.

—The balance of the normal initial share purchase, or 21.09% of the full allocation, would be payable when the new members are notified that the relevant shares have become available, which would most likely be upon approval of the SCI.

—The remaining 43.91% of the full share allocation would be payable under terms similar to those offered members for subscription under the 1991 General Capital Increase, i.e. during the period August 1, 1992 to August 1, 1996.

Amendments to the Articles of Agreement

11. In view of the general dilution of ownership resulting from the proposed Special Capital Increase and the proposed admission of a substantial number of new members, and in response to a request from the Corporation's largest shareholder, it is proposed that the following provisions of the Articles of Agreement be amended to increase the voting majority required for the approval of certain measures by the Board of Governors, as follows:

—*Article II, Section 2c(ii)* provides that an increase in the authorized capital of IFC be approved by a three-fourths' majority of the total voting power of the Board of Governors. It is here proposed that this Article be amended to require a four-fifths' majority.

—*Article VII, paragraph (a)*, provides that the Articles of Agreement may be amended by vote of three-fifths of the Governors exercising four-fifths of the total voting power. It is proposed that this Article be amended to require an 85% majority of the total voting power, while maintaining the number of votes required at three-fifths of the Governors.

---

[1] *Share Allocations for New IFC Members, IFC/R91-37, March 21, 1991, para. 15.*

12. The procedure for amendment of the Corporation's Articles of Agreement is set forth in Article VII thereof, which reads as follows:

"*(a) This Agreement may be amended by vote of three-fifths of the Governors exercising four-fifths of the total voting power.*

(b) Notwithstanding paragraph (a) above, the affirmative vote of all Governors is required in the case of any amendment modifying:

(i) the right to withdraw from the Corporation provided in Article V, Section 1;

(ii) the pre-emptive right secured by Article II, Section 2(d);

(iii) the limitation on liability provided in Article II, Section 4.

(c) Any proposal to amend this Agreement, whether emanating from a member, a Governor or the Board of Directors, shall be communicated to the Chairman of the Board of Governors who shall bring the proposal before the Board of Governors. When an amendment has been duly adopted, the Corporation shall so certify by formal communication addressed to all members. Amendments shall enter into force for all members three months after the date of the formal communication unless the Board of Governors shall specify a shorter period."

13. Pursuant to paragraph (c) of the said Article VII, arrangements are being made with the Chairman of the Board of Governors so that, on his behalf, the Secretary of the Corporation will bring the proposed amendment before the Board of Governors, and the Secretary will be transmitting the draft Resolution containing the proposed amendments together with the attached report when approved by the Directors.

14. When the proposed amendments have been accepted by the necessary majority, IFC will notify the fact by formal communication to all members. In accordance with Article VII (c), it is proposed that the amendments enter into force for all members (whether they have accepted the amendments or not) three months after the date of the formal communication. Upon the entry into force of the amendments, it is intended to notify the fact to IBRD, which is the depository of the Articles of Agreement, so that it may record the amendments.

15. There are attached to this report the documents specified in Table 5. *[These documents were the draft Letter of Transmittal, draft Report of the Directors to the Board of Governors, and draft resolutions that accompany the present letter. These drafts are not included in this report.]*

16. I recommend that:

(a) the Directors of IFC authorize the Secretary to transmit to the Board of Governors, for votes without meeting, the report, draft Resolutions (consisting of the Resolution on the increase in the authorized capital of IFC, the Resolution on the amendments to the Articles of Agreement, and membership Resolutions for countries with respect to which the consultation process is completed at the time this report is approved by the Directors) and letter of transmittal attached hereto, and referred to in Table 5 as Attachments I, II and III, respectively;

(b) the Directors authorize the Secretary to transmit to the Board of Governors, for votes without meeting, further membership Resolutions as the respective consultation processes are completed;

(c) the Secretary canvass the votes cast in respect of each draft Resolution and report thereon to the Board of Directors, who will record the results, and;

(d) the Secretary take such further action as he deems necessary or appropriate to carry-out the purpose of these votes.

/s/ Lewis T. Preston
President

/s/ By: William S. Ryrie

ANNEX I

IFC MEMBER SHAREHOLDING STATUS BEFORE AND AFTER PROPOSED NEW MEMBERSHIPS

Country	*Current Allocated Shares*[1]	*Allocated Shares with Proposed SCI and New Members*[2]	*Votes on Current Allocated Shares*[3]	*Votes on Allocated Shares with Proposed New Members*[3]	*Current Rank*	*Rank Including New Members*	*Current Paid Shares*	*Current Votes*
United States	569,379	569,379	24.93%	23.53%	1	1	321,823	25.12%
Japan	141,174	141,174	6.19%	5.84%	2	2	79,794	6.24%
Germany	128,908	128,908	5.65%	5.34%	3	3	72,861	5.70%
France	121,015	121,015	5.31%	5.01%	4	4	68,400	5.35%
United Kingdom	121,015	121,015	5.31%	5.01%	4	4	68,400	5.35%
Canada	81,342	81,342	3.57%	3.37%	6	6	45,976	3.61%
India	81,342	81,342	3.57%	3.37%	6	6	45,976	3.61%
Italy	81,342	81,342	3.57%	3.37%	6	6	45,976	3.61%
Russian Federation		81,342		3.37%		6		
Netherlands	56,131	56,131	2.47%	2.33%	9	10	31,726	2.49%
Belgium	50,610	50,610	2.23%	2.10%	10	11	27,446	2.16%
Australia	47,329	47,329	2.08%	1.97%	11	12	26,751	2.11%
Switzerland	41,580	41,580	1.83%	1.73%	12	13	23,502	1.85%
Brazil	39,479	39,479	1.74%	1.64%	13	14	22,314	1.76%
Argentina	38,129	38,129	1.68%	1.59%	14	15	21,551	1.70%
Spain	37,026	37,026	1.63%	1.54%	15	16	20,928	1.65%
Saudi Arabia	30,062	30,062	1.33%	1.25%	16	17	14,447	1.15%
Indonesia	28,539	28,539	1.26%	1.19%	17	18	16,131	1.28%
Venezuela	27,588	27,588	1.22%	1.15%	18	19	15,593	1.24%
Sweden	26,876	26,876	1.19%	1.12%	19	20	15,191	1.20%
Mexico	23,310	23,310	1.03%	0.97%	20	21	13,175	1.05%
Nigeria	21,643	21,643	0.96%	0.90%	21	22	12,233	0.97%
Austria	19,741	19,741	0.87%	0.83%	22	23	11,158	0.89%
Denmark	18,554	18,554	0.82%	0.78%	23	24	10,487	0.84%
Norway	17,599	17,599	0.78%	0.74%	24	25	9,947	0.80%
Pakistan	17,124	17,124	0.76%	0.72%	25	26	9,679	0.77%
Ukraine		16,945		0.71%		27		
China	16,127	16,127	0.72%	0.68%	26	28	9,115	0.73%
South Africa	15,948	15,948	0.71%	0.67%	27	29	9,014	0.72%
Korea, Republic of	15,946	15,946	0.71%	0.67%	28	30	9,013	0.72%
Finland	15,697	15,697	0.70%	0.66%	29	31	8,872	0.71%
Malaysia	15,222	15,222	0.68%	0.64%	30	32	8,604	0.69%
Turkey	14,545	14,545	0.65%	0.61%	31	33	8,221	0.66%
Czechoslovakia	13,370	13,370	0.60%	0.56%	32	34	7,557	0.61%
Colombia	12,606	12,606	0.56%	0.53%	33	35	7,125	0.58%

Country	*Current Allocated Shares*[1]	*Allocated Shares with Proposed SCI and New Members*[2]	*Votes on Current Allocated Shares*[3]	*Votes on Allocated Shares with Proposed New Members*[3]	*Current Rank*	*Rank Including New Members*	*Current Paid Shares*	*Current Votes*
Philippines	12,606	12,606	0.56%	0.53%	33	35	3,247	0.27%
Egypt, Arab Rep. of	12,360	12,360	0.55%	0.52%	35	37	6,986	0.56%
Kuwait	12,185	12,185	0.54%	0.51%	36	38	4,533	0.37%
Yugoslavia	11,178	11,178	0.50%	0.47%	37	39	4,947	0.41%
Thailand	10,941	10,941	0.49%	0.46%	38	40	6,184	0.50%
Hungary	10,932	10,932	0.49%	0.46%	39	41	6,179	0.50%
Bangladesh	9,037	9,037	0.41%	0.38%	40	42	5,108	0.42%
Chile	9,037	9,037	0.41%	0.38%	40	42	5,108	0.42%
Morocco	9,037	9,037	0.41%	0.38%	40	42	5,108	0.42%
Portugal	8,324	8,324	0.38%	0.35%	43	45	4,705	0.39%
Zaire	7,489	7,489	0.34%	0.32%	44	46	2,159	0.19%
Poland	7,236	7,236	0.33%	0.31%	45	47	4,090	0.34%
Sri Lanka	7,135	7,135	0.32%	0.31%	46	48	4,033	0.33%
Greece	6,898	6,898	0.31%	0.30%	47	49	3,899	0.32%
Peru	6,898	6,898	0.31%	0.30%	47	49	2,201	0.19%
United Arab Emirates	5,671	5,671	0.26%	0.24%	49	51	2,569	0.22%
Algeria	5,621	5,621	0.26%	0.24%	50	52	3,177	0.27%
Belarus		5,162		0.22%		53		
Bulgaria	4,867	4,867	0.22%	0.21%	51	54	1,789	0.16%
Kazakhstan		4,637		0.20%		55		
Ghana	4,447	4,447	0.21%	0.19%	52	56	2,242	0.19%
Jamaica	4,282	4,282	0.20%	0.19%	53	57	2,420	0.21%
Trinidad and Tobago	4,112	4,112	0.19%	0.18%	54	58	2,324	0.20%
Kenya	4,041	4,041	0.19%	0.18%	55	59	2,284	0.20%
Uzbekistan		3,873		0.17%		60		
New Zealand	3,583	3,583	0.17%	0.16%	56	61	2,025	0.18%
Uruguay	3,569	3,569	0.17%	0.16%	57	62	2,017	0.18%
Tunisia	3,566	3,566	0.17%	0.16%	58	63	2,014	0.18%
Côte d'Ivoire	3,544	3,544	0.17%	0.16%	59	64	2,003	0.18%
Zambia	3,457	3,457	0.16%	0.15%	60	65	1,286	0.12%
Uganda	2,854	2,854	0.14%	0.13%	61	66	735	0.08%
Tanzania	2,811	2,811	0.13%	0.13%	62	67	897	0.09%
Senegal	2,744	2,744	0.13%	0.12%	63	68	1,106	0.11%
Romania	2,661	2,661	0.13%	0.12%	64	69	1,504	0.14%
Ecuador	2,617	2,617	0.13%	0.12%	65	70	1,479	0.13%

ountry	*Current Allocated Shares*[1]	*Allocated Shares with Proposed SCI and New Members*[2]	*Votes on Current Allocated Shares*[3]	*Votes on Allocated Shares with Proposed New Members*[3]	*Current Rank*	*Rank Including New Members*	*Current Paid Shares*	*Current Votes*
zerbaijan		2,557		0.12%		71		
eorgia		2,461		0.11%		72		
ithuania		2,341		0.11%		73		
atvia		2,150		0.10%		74		
yprus	2,139	2,139	0.10%	0.10%	66	75	1,209	0.11%
uxembourg	2,139	2,139	0.10%	0.10%	66	[illegible]	1,209	0.11%
rael	2,135	2,135	0.10%	0.10%	68	77	1,207	0.11%
loldova		2,125		0.10%		78		
imbabwe	2,120	2,120	0.10%	0.10%	69	79	1,198	0.11%
olivia	1,902	1,902	0.09%	0.09%	70	80	1,075	0.10%
ameroon	1,902	1,902	0.09%	0.09%	70	80	885	0.09%
apua New Guinea	1,902	1,902	0.09%	0.09%	70	80	490	0.06%
lalawi	1,822	1,822	0.09%	0.09%	73	83	1,030	0.10%
lyanmar	1,790	1,790	0.09%	0.08%	74	84	666	0.07%
rmenia		1,769		0.08%		85		
yrghyzstan		1,720		0.08%		86		
rdan	1,665	1,665	0.08%	0.08%	75	87	941	0.09%
lauritius	1,665	1,665	0.08%	0.08%	75	87	941	0.09%
abon	1,655	1,655	0.08%	0.08%	77	87	931	0.09%
adjikistan		1,647		0.08%		90		
ngola	1,481	1,481	0.08%	0.07%	78	91	837	0.08%
urkmenistan		1,456		0.07%		92		
an, Islamic Rep. of	1,444	1,444	0.07%	0.07%	79	93	816	0.08%
stonia		1,434		0.07%		94		
uyana	1,430	1,430	0.07%	0.07%	80	95	406	0.05%
ogo	1,430	1,430	0.07%	0.07%	80	95	808	0.08%
anama	1,336	1,336	0.07%	0.07%	82	97	426	0.05%
lbania	1,302	1,302	0.07%	0.06%	83	98	736	0.08%
eland	1,290	1,290	0.07%	0.06%	84	99	729	0.08%
ominican Republic	1,187	1,187	0.06%	0.06%	85	100	671	0.07%
uatemala	1,187	1,187	0.06%	0.06%	85	100	671	0.07%
laiti	1,187	1,187	0.06%	0.06%	85	100	306	0.04%
lman	1,187	1,187	0.06%	0.06%	85	100	671	0.07%
wanda	1,187	1,187	0.06%	0.06%	85	100	306	0.04%
lamibia	1,097	1,097	0.06%	0.06%	90	105	404	0.05%

Country	*Current Allocated Shares*[1]	*Allocated Shares with Proposed SCI and New Members*[2]	*Votes on Current Allocated Shares*[3]	*Votes on Allocated Shares with Proposed New Members*[3]	*Current Rank*	*Rank Including New Members*	*Current Paid Shares*	*Curren Votes*
Burkina Faso	952	952	0.05%	0.05%	91	106	432	0.05
Costa Rica	952	952	0.05%	0.05%	91	106	538	0.06
Nepal	822	822	0.05%	0.04%	93	108	306	0.04
Sao Tome & Principe	777	777	0.04%	0.04%	94	109		
Honduras	715	715	0.04%	0.04%	95	110	184	0.03
Nicaragua	715	715	0.04%	0.04%	95	110	239	0.04
Swaziland	715	715	0.04%	0.04%	95	110	404	0.05
Yemen, Republic of	715	715	0.04%	0.04%	95	110	404	0.05
Viet Nam	644	644	0.04%	0.04%	99	114	166	0.03
Guinea	520	520	0.03%	0.03%	100	115	294	0.04
Paraguay	478	478	0.03%	0.03%	101	116	270	0.04
Singapore	475	475	0.03%	0.03%	102	117	177	0.03
Mali	451	451	0.03%	0.03%	103	118	116	0.03
Bahamas, The	444	444	0.03%	0.03%	104	119	142	0.03
Afghanistan	432	432	0.03%	0.03%	105	120	111	0.03
Madagascar	432	432	0.03%	0.03%	105	120	111	0.03
Sudan	432	432	0.03%	0.03%	105	120	111	0.03
Mongolia	390	390	0.03%	0.03%	108	123	144	0.03
Barbados	361	361	0.03%	0.03%	109	124	204	0.04
Liberia	322	322	0.03%	0.02%	110	125	83	0.03
Mozambique	322	322	0.03%	0.02%	110	125	182	0.03
Sierra Leone	322	322	0.03%	0.02%	110	125	83	0.03
Somalia	322	322	0.03%	0.02%	110	125	83	0.03
Fiji	287	287	0.02%	0.02%	114	129	162	0.03
Lao PDR	278	278	0.02%	0.02%	115	130	157	0.03
Burundi	268	268	0.02%	0.02%	116	131	100	0.03
Congo, People's Rep.	260	260	0.02%	0.02%	117	132	131	0.03
Iraq	260	260	0.02%	0.02%	117	132	147	0.03
Niger	260	260	0.02%	0.02%	117	132	147	0.03
Mauritania	214	214	0.02%	0.02%	120	135	55	0.02
Syrian Arab Republic	194	194	0.02%	0.02%	121	136	72	0.03
Libya	148	148	0.02%	0.02%	122	137	55	0.02
Gambia, The	136	136	0.02%	0.02%	123	138	35	0.02
Lebanon	135	135	0.02%	0.02%	124	139	50	0.02
Ethiopia	127	127	0.02%	0.02%	125	140	33	0.02

Country	*Current Allocated Shares*[1]	*Allocated Shares with Proposed SCI and New Members*[2]	*Votes on Current Allocated Shares*[3]	*Votes on Allocated Shares with Proposed New Members*[3]	*Current Rank*	*Rank Including New Members*	*Current Paid Shares*	*Current Votes*
Benin	119	119	0.02%	0.02%	126	141	67	0.02%
Central African Rep.	119	119	0.02%	0.02%	126	141	67	0.02%
Botswana	113	113	0.02%	0.01%	128	143	64	0.02%
Belize	101	101	0.02%	0.01%	129	144	57	0.02%
Vanuatu	97	97	0.02%	0.01%	130	145	55	0.02%
Grenada	81	81	0.01%	0.01%	131	146	46	0.02%
Equatorial Guinea	76	76	0.01%	0.01%	132	147	43	0.02%
Saint Lucia	74	74	0.01%	0.01%	133	148	42	0.02%
Guinea-Bissau	71	71	0.01%	0.01%	134	149	18	0.02%
Lesotho	71	71	0.01%	0.01%	134	149	40	0.02%
Djibouti	56	56	0.01%	0.01%	136	151	21	0.02%
Dominica	42	42	0.01%	0.01%	137	152	24	0.02%
El Salvador	42	42	0.01%	0.01%	137	152	11	0.02%
Iceland	42	42	0.01%	0.01%	137	152	24	0.02%
Solomon Islands	37	37	0.01%	0.01%	140	155	19	0.02%
Western Samoa	35	35	0.01%	0.01%	141	156	20	0.02%
Tonga	34	34	0.01%	0.01%	142	157	19	0.02%
Seychelles	27	27	0.01%	0.01%	143	158	15	0.02%
Antigua & Barbuda	23	23	0.01%	0.01%	144	159	13	0.02%
Cape Verde	19	19	0.01%	0.01%	145	160	11	0.02%
Comoros	19	19	0.01%	0.01%	145	160		
Maldives	16	16	0.01%	0.01%	147	162	9	0.02%
Kiribati	12	12	0.01%	0.01%	148	163	7	0.02%
TOTALS	2,248,222	2,379,841	100.00%	100.00%			1,245,533	100.00%
Unallocated Shares	51,778	70,159						
Authorized Capital	2,300,000	2,450,000						

[1] Including Comoros and Sao Tome & Principe, for which memberships have already been approved by the Board of Governors, but which have not yet become members.
[2] Assuming the proposed Selective Capital Increase of $150 million.
[3] Voting power if all allocated shares were subscribed and paid. Each member has 250 votes plus one vote per share.

REPORT OF THE EXECUTIVE DIRECTORS OF IDA

Additions to IDA Resources: Tenth Replenishment

I. Introduction

1. By the end of June 1993, the International Development Association will have committed the donor resources made available to it during the Ninth Replenishment. In view of this, the representatives of the donor governments, the IDA Deputies, began negotiations for the Tenth Replenishment of IDA's resources in January 1992 under the chairmanship of Mr. Ernest Stern, IDA's Managing Director. These negotiations have now been completed. IDA10 is intended to provide resources to fund credits that will be committed during the period July 1, 1993 to June 30, 1996.

2. Prior to the start of formal negotiations, an initial meeting of the IDA10 Deputies in Bangkok on October 12, 1991 set the agenda for the negotiations which began on January 27–28, 1992 in Paris. Meetings also were held on April 24–25, 1992 in Washington, D.C., on July 1–2, 1992 in Dublin, on September 17–18, 1992 in Washington, D.C., on November 12–13, 1992 in Paris, and on December 14–15, 1992 in Berne. The Discussion Papers and Technical Notes which served as background documents for these meetings are listed in Annex A.

3. The Deputies have recommended a replenishment of SDR 13 billion, which when combined with advance commitments against future repayments by IDA borrowers will permit commitment authority of SDR 15.5 billion. This will be augmented further by transfers from the IBRD's net income approved by IBRD's Board of Governors. The Deputies place great importance on such transfers to IDA out of available IBRD net income, and note management's intention to recommend that high priority be given to these transfers, within current IBRD policy on the allocation of net income. They urge the Executive Directors of the Bank to continue to recommend to the Board of Governors the largest transfers feasible during the IDA10 period. The replenishment and the additional resources will enable IDA to support development programs that emphasize poverty reduction, economic adjustment and growth, and environmental sustainability in borrowing countries. The proposed replenishment will enhance IDA's capacity to support Agenda 21, the product of the United Nations Conference on Environment and Development (UNCED) held in Rio in June 1992.

4. This report details the understanding of the Deputies on IDA's programs during the replenishment period, the allocation of IDA resources, the agreed

burden sharing among donors, and the recommended procedures for implementing the replenishment.

II. IDA10 Objectives and Implementation

IDA's Evolving Role

5. The IDA9 negotiations were held in 1989 after a decade of development crisis and shrinking resource availability in many IDA recipient countries. In response to this crisis, many of the poorest countries, with IDA's support, have undertaken policy changes designed to create the foundation for resumed growth and increase the efficiency of resource mobilization and use. The structural weaknesses of the poorest countries—their rapidly growing populations, low levels of human resource development, limited institutional capacity in the public sector, small and inexperienced private sectors and low levels of domestic savings—are significant obstacles to growth at the best of times. But these weaknesses, in combination with large debt burdens, declining relative prices for primary export commodities and constant real levels of official development assistance during the latter part of the 1980s, meant that, by the end of the decade, improved policies had not yet been reflected in higher per capita income levels in most IDA recipient countries.

6. Against this background, the IDA9 Deputies agreed that during the IDA9 period the Association should focus on three main objectives to support economic development in the poorest countries: poverty reduction, economic adjustment and growth, and environmental protection and improvement. They identified a number of specific steps that should be implemented in each of these areas and asked that progress on these be the subject of annual reports by IDA's management to its Executive Directors.

7. In the course of their meetings, the IDA10 Deputies reviewed the progress made in implementing the IDA9 understandings. In the three years since the IDA9 Deputies met, the global economy has been characterized by further declines in relative prices of primary export commodities, while external development financing has not grown in real terms. This has contributed to a continuation of the disappointingly slow growth in many of the poorest countries. In addition, nine countries that were not factored into the replenishment level of IDA9 have since become IDA borrowers. In this situation of increased demand for IDA resources, the Deputies enjoined both IDA and its borrowers to do their utmost to ensure that resources are used as efficiently as possible.

8. The three main IDA9 objectives are still an accurate reflection of the key development challenges facing the poorest countries and are central to Agenda 21. The Deputies noted the progress made in the course of IDA9, but underscored

the importance of building on this during IDA10. In each of the three priority areas, the Deputies saw a need to strengthen IDA's approaches further.

9. **Poverty reduction:** The IDA9 Deputies asked IDA to ensure that poverty reduction would be central to its policy dialogue with borrower countries, to integrate the poverty focus into its operations, and to give greater weight to countries' commitment to poverty reduction in the allocation of IDA resources. IDA has responded in a number of ways. The 1990 World Development Report reviewed country experiences with poverty reduction efforts. It advocated a two-pronged approach, combining economic policy adjustments to improve the economic opportunities for the poor through labor intensive growth, and specific interventions to build the human resource base of the poor through expanded social services. Based on this broad framework, IDA management has provided staff with comprehensive operational guidance on poverty issues through three documents. First, the Poverty Policy Paper (December, 1990) illustrated how the WDR approach can be applied to Bank operations. Second, a new Operational Directive (December, 1991) summarized Bank procedures and guidelines for operational work on poverty reduction. Third, the Poverty Reduction Handbook (May, 1992) provided best-practice operational approaches.

10. IDA9 programs and operations reflect these new policies and approaches. IDA's lending allocations give increased weight to countries' commitment to poverty reduction. IDA is undertaking poverty assessments for all active borrowers. These poverty assessments are carried through into the country dialogue and increasingly provide the basis for IDA's sectoral lending priorities and the design of operations tailored to support governments' efforts to reduce poverty. In FY89, 14 percent of IDA lending was for human resource development. In the IDA9 period, the Association substantially increased such lending, especially for primary education, primary health care, nutrition, and population and family planning. The share of the social sectors reached 29 percent of IDA credits in FY91–92. More broadly, nearly 40 percent of total IDA9 lending in these two years had poverty reduction or human resource development as its primary objective, compared with 27 percent in IDA8. Nearly one in three IDA investment credits in the past year were specifically targeted to reduce poverty. In its adjustment lending, IDA has encouraged governments to eliminate in particular those distortions which favor the use of capital over labor and to provide social safety nets to protect the most vulnerable sections of the population.

11. While expressing their satisfaction with the framework IDA has put in place to sharpen its focus on poverty reduction, the IDA10 Deputies emphasized the need for IDA to increase its operational effectiveness in this area. As a key to this, they stressed the importance of completion of country poverty

assessments for all major IDA recipients by the end of 1994, and their integration into IDA's country assistance strategies. Deputies also underscored the importance of involving recipient governments in the preparation of the assessments. These poverty assessments can also provide a basis for collaboration among donors and the Deputies urged IDA to table them in consultative group and aid consortium meetings.

12. The Deputies noted the complementary use of adjustment programs and targeted investments for poverty reduction in the country strategies. They stressed the importance of sound macroeconomic policies designed to create equitable growth by improving the employment opportunities of the poor and their access to productive resources. Adjustment programs that incorporate such policies provide important benefits for the poor in general, and the rural poor in particular. At the same time, the Deputies noted the special importance of protecting social sector expenditures and of organizing social safety nets for those most vulnerable during the adjustment process, and encouraged IDA to include specific poverty reduction measures into the design of adjustment programs whenever feasible. These poverty interventions are also an especially important component of policies in countries which are making the transition to a more market-oriented economy. IDA's work in this area, while expanding rapidly, is still at an early stage and more analytic work is needed to support these efforts. In keeping with efforts to sharpen IDA's poverty focus, the Deputies underscored the need for IDA to continue to emphasize social sector lending and poverty-targeted investments, i.e. those which disproportionately benefit the poor or have a specific mechanism for identifying and reaching the poor. The Deputies expect the higher shares of social sector and poverty-targeted investments achieved during IDA9 to be steadily increased further during IDA10, where justified by the country assistance strategy. They also expect IDA to monitor poverty reduction through the use of appropriate economic and social indicators, and assess the results of poverty policies. The Deputies also look forward to the review by the Executive Directors of the progress report on the Bank Group's poverty reduction strategy.

13. The Deputies attach special importance to IDA's efforts in two areas —women in development and population planning—as key to effective poverty reduction programs. The recognition of the central role in poverty reduction of actions to support **women in development** is reflected in the fact that more than 50 percent of new IDA operations include specific actions to assist women. The Deputies asked IDA to reinforce its focus on women in development, and to ensure that their special needs and contributions are reflected in its policy dialogue with the borrowing countries. They noted that gender analysis should become an integral part of IDA's regular economic and sector work and poverty assessments as well as a basis for designing and implementing operational activities. IDA should expand its support for family planning and

social services for women, including in particular education of girls. Women's access to education has proven to be a strategic factor for increased family welfare; IDA's lending should take this into account. Gender issues also need to be better integrated in IDA's lending in areas outside the human resource and social sectors.

14. The Deputies also noted the enhanced level of IDA's activities in the area of **population planning** since the beginning of IDA9. IDA has increased its analysis of population issues and integrated family planning into the menu of basic health services which its projects fund. This has contributed to the almost threefold increase in annual IDA lending for population, health and nutrition for FY91–92, compared to the IDA8 period. While Deputies welcomed both the increased support by IDA and the increasing recognition by developing country governments of the central challenge which high rates of population growth represent for the sustainability of development, they also emphasized that programs must be intensified and their effectiveness improved. Despite some success in slowing growth rates, the current and prospective population growth rates in the poorest countries limit the range of choices available to their populations and the capacity to reduce poverty on a sustainable basis. Increased demand for public services pre-empts the savings needed for investment and growth. The Deputies look to IDA to increase further its support for population programs.

15. **Economic adjustment and growth:** The number of countries undertaking adjustment efforts has increased steadily. In Sub-Saharan Africa close to 25 countries are now pursuing adjustment. A particularly important development in the IDA9 period was the decision of India to embark on an adjustment program with support from IDA. Almost all the adjusting countries have improved incentives for economic efficiency, especially in such areas as pricing policies, tariff and trade reforms, and interest rate and credit policies. Despite this, investment rates have remained low in countries undergoing adjustment and the expected supply response has been slow to materialize. To deepen adjustment and enhance the supply response, IDA has been increasing its support for measures to improve public expenditure management, to build the capacity of the civil service and key development institutions, and to promote the private sector.

16. IDA's support for adjustment has been strengthened in a number of other ways. First, as mentioned above, IDA has increasingly built **social safety nets** into its adjustment lending to protect the poor and enhance the sustainability of programs. In 7 countries which received structural adjustment credits in FY91–92, social funds were established or other short-term actions, such as public works programs or transitional food subsidies, taken in conjunction with their adjustment programs. In 15 countries IDA-supported adjustment

operations included measures to raise health and education expenditures. Second, as requested by the IDA9 Deputies, **lending allocations** place a large weight on a country's economic management performance, with funding in poor-performing countries limited to core programs or non-lending activities. Third, IDA has also played an active role in donor coordination for adjusting countries, especially for those in Sub-Saharan Africa through the Special Program of Assistance (SPA). Finally, IDA has continued to strengthen collaboration with the IMF through the **Policy Framework Paper (PFP) process,** which covers all countries which receive IMF–ESAF support and to which IDA provides adjustment support.

17. The Deputies noted that there continues to be need for economic adjustment and that IDA must assist in fostering national ownership of reform programs. While structural reforms have taken root in many IDA borrowing countries and IDA's basic agenda in this area—policy reforms combined with institutional capacity building—remains central, there are a number of other aspects of adjustment which need further emphasis.

—In times of serious resource scarcity, it is particularly important that public expenditures reflect development priorities, and that **non-development expenditures,** including military expenditures, be reduced to the maximum extent feasible. Deputies asked that the review of country strategies by IDA's Executive Directors should take account of trends in these areas.

—The **low investment rates** in adjusting IDA countries remain a concern, and IDA should ensure that reform packages are compatible with encouraging productive investments and that there is an appropriate balance between IDA's own adjustment and investment lending to each individual country.

—While every effort must be made to increase domestic savings to finance new investment, Deputies noted the continuing constraint imposed by the still large levels of **outstanding debt** in many developing countries. They expressed the hope that the Paris Club would continue providing an appropriate degree of concessionality in the treatment of official debt extended to IDA borrowers that are undertaking adjustment programs; they called for the full and rapid use of the IDA Debt Reduction Facility to fund the buy-back of the commercial debt of IDA-only countries, and urged the timely replenishment of this Facility; and they supported the continuation of the special program of supplemental donor contributions to the program.

—The Deputies emphasized the need of countries to take advantage of the capabilities of **the private sector** and asked IDA to undertake further steps to encourage an enabling environment that will allow the private sector to respond to sound economic policies while improving the efficiency of public sector delivery systems. The private sector assessments which IDA is undertaking will be an important basis for planning IDA's support in this regard and Deputies asked that IDA's Executive Directors be kept informed through the Country Assistance Strategy discussions of the proposed timing of these assessments. Deputies noted that IDA's infrastructure lending combined with its assistance in developing supportive legal, regulatory and incentive frameworks, are key instruments for stimulating private investment. They asked that IDA's management report to the Executive Directors on the problems experienced in private sector development (including privatization) in low income countries, and how IDA is addressing them.

--Finally, Deputies emphasized the importance of **good governance** in the implementation of sound economic policies. They noted the role which accountable public institutions, transparent economic policies and a predictable and stable legal framework are likely to play in effective adjustment and they called for IDA-supported adjustment programs to strengthen the capacity of governments in these areas.

18. **Strengthening IDA's environmental focus:** The Deputies noted the rapid evolution of IDA's role in supporting environmental sustainability and underlined the importance of continuing efforts in this area. While environmental problems arise virtually everywhere, the World Development Report 1992 demonstrates that low income countries are very seriously at risk from the rapid growth of environmentally unsustainable activities. Low income countries have the highest population growth rates and are already home to almost 60 percent of the world's population. About 70 percent of the projected increase in the world's population over the next 35 years is expected to occur in the low income countries. Whether it is a matter of access to safe water and sanitation, or of urban air or river pollution, or of soil depletion, salinization, water logging or deforestation—these problems are heavily concentrated or growing most rapidly in the low income countries.

19. IDA's sustainable development strategy, as articulated in the World Development Report, is already in place. The first element of the strategy—policies and programs for reducing poverty and improving economic efficiency—is central to IDA's activities. The second element—specific policies, institution building, and investments targeted to environmental protection and improvement—has been increasing in importance during IDA9. IDA committed about SDR 900 million for 25 projects with environmental objectives in FY92. In addition, the principles of sustainable development are being incorporated into IDA's dialogue with borrowers and the design of projects of all types. IDA will explore how to design indicators that measure its progress in supporting sustainable development programs.

20. IDA is also assisting all active borrowers to prepare national **Environmental Action Plans** (EAPs), as requested by the IDA9 Deputies; and the Executive Directors are informed of progress on EAPs through the Annual Environment Reports. While not all borrowers will complete their EAPs by June 30, 1993, the 42 countries that are expected to do so by about that time

account for over 80 percent of total IDA credits. Many governments have consulted with local communities, private firms, universities and other non-governmental entities in formulating EAPs. This has helped build a national consensus around the content and implementation of the plans. While this has sometimes delayed completion of plans, the benefits appear to outweigh the costs. For the few countries that have not yet started on EAPs, IDA is launching the process by preparing environmental strategy papers for discussion with the authorities. The countries that have already completed their plans are using them to help plan investments, mobilize and coordinate donor financing, and improve national policies that affect the environment. The Deputies attached great weight to timely completion and high quality of EAPs with effective public participation. IDA should assist governments in achieving this, but the Deputies stressed that EAPs are the government's own plans. Once EAPs are available IDA should integrate them into its policy dialogue and country assistance strategies. Country Economic Memoranda should more systematically and comprehensively take into account environmental issues and their impact on development strategies.

21. In response to the request of the IDA9 Deputies, IDA borrowers are carrying out **Environmental Assessments** (EAs) at an early stage of project design to ensure that relevant alternative approaches are considered and that any potentially harmful impact is eliminated or mitigated. Some 20 IDA operations approved or now under preparation are subject to full assessments and 150 to assessments of particular components. The Operational Directive on Environmental Assessments, originally issued in 1989, was revised in 1991 to broaden its scope and applicability. The revised directive introduced a new system for classifying projects according to the nature and extent of their environmental impact. Further, it requires the prospective borrower to make the EA report available to affected groups and local non-governmental organizations (NGOs), and to carry out meaningful consultations with them. For projects with significant environmental impact, a summary of the EA report is furnished to IDA's Executive Directors in advance of project appraisal. The Deputies recommended to the Executive Directors that once the borrower has made information publicly available in a borrowing country, the same information should also be made publicly available at Bank Headquarters and in field offices in the member countries.

22. The IDA10 Deputies asked that IDA assist borrowers to improve the quality and scope of environmental assessments and analyses. They noted that the environmental data sheets about forthcoming projects are to be made more uniform and more detailed, and that the sheets are now publicly available. They recommended that, for projects requiring environmental analysis, the analysis would also be made publicly available upon request, as with environmental assessments, well in advance of the project's consideration by

the Executive Directors. The Deputies noted that public consultation may be warranted for some of these projects. They also supported the annual reviews of the EA process by IDA's Executive Directors. The Deputies suggested that such reviews should be continued through the IDA10 period, and should recommend to the Executive Directors any changes needed to enhance the quality of the process. The evaluations should also review the system of classification of projects and whether it effectively ensures that all projects with potentially serious environmental effects are being assessed adequately. The preparation of sectoral EAs should be encouraged to guide country investment programs in environmentally sensitive sectors. The Bank Group should support further analytic work and research on how environmental costs and benefits can be integrated into systems of national accounts.

23. A number of other actions in the field of environment are worthy of mention. First, reflecting the special importance the Bank Group attaches to the environment, as mentioned above, the **1992 World Development Report** was devoted to the topic. It provides a broad conceptual framework for integrating the environment into IDA's analysis and operations for promoting sustainable development. Second, IDA has put in place a **new forestry policy** which requires that its forestry investments be part of a borrower's overall strategy for sustainable use and conservation of forest resources. As part of this policy IDA no longer finances commercial logging in primary moist tropical forests. IDA's forestry projects now focus on assisting governments to put in place the institutions, procedures and information systems needed for sustainable forest management. Third, based on the results of the supervision and evaluation of a wide range of projects, **new operational directives** on projects involving indigenous people, involuntary resettlement and agricultural pest management were issued to provide clearer guidance to staff and prospective borrowers. Policy papers are either under preparation or have been issued dealing with water resources, the power sector and energy efficiency, and various aspects of agricultural policies. Fourth, IDA has succeeded in substantially increasing the **involvement of NGOs** in the design and implementation of projects, particularly those with environmental impacts. In FY9[illegible]-92, almost 50 percent of the projects in Africa—most of them in the agricultural, infrastructure, and human resource areas—included some form of NGO involvement. Fifth, **staff training** on environmental issues has been strengthened, and a three-volume Environmental Assessment Sourcebook gives detailed explanations and examples for guidance of both staff and borrowers. The Deputies endorsed all of these actions and stressed the importance of adhering to the environmental guidelines in all projects.

24. The IDA9 period has also seen the extension of the Bank Group's role to the global environment, through the establishment of the **Global Environment Facility (GEF)** with the World Bank as administrator. The GEF finances

the incremental costs of achieving global environmental benefits in the areas of protecting the ozone layer, biodiversity, international waters, and climate change. The Facility is implemented in collaboration with the United Nations Development Program and the United Nations Environment Program.

25. The IDA10 Deputies suggested a number of further actions to strengthen IDA's environmental focus. Many sustainable development interventions, including those for the environment and those in rural areas, must be designed, managed and operated on a small scale. The Deputies suggested that IDA's management explore whether it is useful and feasible to establish a **small projects facility** to focus on such environmental initiatives and on outreach to groups such as NGOs and micro-enterprises.

26. The Deputies stressed the importance of ensuring the environmental sustainability of **programs in key sectors**. Such programs should be integrated into the EAP framework where appropriate. In the energy sector, they noted the importance of promoting end-use energy efficiency alongside increases in supply. While efficient pricing policy rightly remains central to IDA's approach to end-use energy efficiency, environmental and institutional constraints also need to be addressed. In its energy sector work, IDA should promote environmentally sustainable energy strategies that minimize costs, by expanding its least cost planning analysis to take account of both demand side and alternative supply side options employing proven technologies in energy conservation and renewable energy sources. Credits in the energy sector should be based on or support the development of these strategies, which should fully incorporate domestic environmental considerations. A similar approach should be adopted for other sectors—in particular transportation—as well as industry, urban rehabilitation, rural development, and small enterprises. The efficiency of water resource use and conservation is another critical area. The Deputies asked that IDA's management make appropriate changes in organization, structure, staffing, and training, to strengthen coordination between IDA's policies and operations in these key areas. They noted that this should be achieved as far as possible through reallocating rather than increasing staff and budget resources.

27. Although environmentally sound policies and programs are essential for sustainable development, in the short term they often add to investment and operating costs. Most low income countries are unable to finance these costs through additional external borrowing. For them, intensifying environmental efforts can mean re-ordering existing development objectives or reducing already minimal consumption levels. Most structural adjustment reforms in low income countries aim, as part of their objective, to raise savings rates and to free up resources by rationalizing public expenditure programs. But these efforts may not be enough to mobilize the additional financing required to

address many of the fundamental environmental problems that low income countries face. Incremental concessional finance, as well as institutional strengthening, are needed to support comprehensive environmental initiatives—that is, programs that will not merely ameliorate economic problems in low income countries, but that will help them reduce water and air pollution, soil degradation and deforestation; prevent desertification and loss of biodiversity; and improve access to potable water and sanitation. These considerations are an important factor in IDA's expanded support for these programs during the IDA10 period.

Implementing IDA10

28. The Deputies noted that IDA's Executive Directors have responsibility for ensuring that the objectives of the membership are effectively incorporated into IDA's programs. While the Deputies expect a monitorable response on IDA's part to the objectives they have agreed as the basis for the Tenth Replenishment, they recognize that it is for IDA's Executive Directors to define the specific policies which comprise the Association's response. In a number of areas IDA's Executive Directors are already taking action and the Deputies urged that specific follow-up be proposed in the other areas identified below.

29. The review of country assistance strategies by IDA's Executive Directors, which was introduced in IDA9, has in the Deputies' view been very useful in helping IDA translate these objectives into policies and to apply these policies at the country level. The Deputies noted that the initial experience had been somewhat mixed, but that as both Executive Directors and staff have become more familiar with the process, there has been significant improvement. They welcomed the Executive Directors' agreement to the proposals of the Report of the Committee on Board Procedures, with regard to the role and coverage of these reviews. It is their understanding that, inter alia, such reviews will cover governance, local participation and portfolio management.

30. In the Deputies' view, the Tenth Replenishment period is one in which IDA should deepen and strengthen implementation of the agreed objectives. Four main instruments that IDA uses to achieve these objectives were considered by the Deputies: the policy dialogue with recipient countries; the allocation of funds by country and sector; the quality of IDA's lending activities; and its coordination of donor funding. In each of these areas the Deputies identified a need to strengthen IDA's approach and capacity so as to enhance the quality of its support for its borrowers.

A. The Policy Dialogue

31. The Deputies reaffirmed the importance of IDA's role in the policy dialogue and in assisting countries to develop the analytical base and the program approaches needed to reflect the priority objectives. IDA's policy dialogue has traditionally encompassed macroeconomic and structural policies, public expenditure programs and institutional issues. In IDA9 the Association's dialogue with its borrowers emphasized how critical these were for promoting a sustainable development strategy which stimulates growth, reduces poverty, and protects the natural resource base. IDA has stressed that economic reforms, properly designed, can promote all three aspects of development. However, they need to be supported by institutional capability to implement and monitor these development policies and programs, by infrastructure provision to support the supply response, and by investments in human capital.

32. The experience of the 1980s has brought increasing awareness that effective policy-making and implementation also require good governance. IDA became heavily involved in one major element of good governance, i.e., public sector management, and in particular with public expenditure management, civil service reform and parastatal reform. This will remain an important element of IDA's ongoing work in this area. More broadly, IDA has identified four major dimensions of governance that are critical to the development process, and to the effective use of IDA's resources:

—Accountability: At the macro level this includes financial accountability, in terms of an effective accounting system for expenditure control and cash management, and an external audit system. At the micro level it requires accountability to the government of the managers of implementing agencies and parastatals for operational efficiency.

—Transparency: Private sector investment decisions depend on public knowledge of the government's policies and confidence in its intentions, as well as information—in large part provided by the government—on economic and market conditions. Transparency of decision-making is also critical to effectiveness of resource use and to reduce corruption and waste.

—The Rule of Law: A predictable and stable legal framework is essential for businesses and individuals to assess economic opportunities and act upon them without fear of arbitrary interference or expropriation. This requires that the rules be known in advance, that they be actually in force and applied consistently and fairly, that conflicts be resolvable by an independent judicial system, and that procedures for amending and repealing the rules exist and be publicly known.

—Participation: Good governance requires that directly affected communities and groups should be able to participate in the design and implementation of programs and projects. Even where projects have a secondary impact on particular localities or population groups, there should be a consultation process which takes their views into account. This aspect of governance is an essential element of securing commitment and support for projects and enhancing the quality of their implementation.

33. The Deputies noted that IDA's Articles prohibit interference in political affairs and require it to take only economic considerations into account. IDA will therefore focus on the economic aspects of good governance within the limits of its Articles of Agreement as applied by the Executive Directors. In the Deputies' view certain issues, such as democratization and respect for human rights, can have important long-term implications for the capacity of a country to initiate and sustain programs for effective poverty reduction, economic adjustment and growth, and environmental sustainability.

34. The Deputies looked to IDA to play a role in supporting better governance through incorporating appropriate elements into the substance of its dialogue, its economic and sector reporting, and the design of its operations. They asked that future reviews of IDA implementation should report on progress in integrating these issues in the policy dialogue and supporting analysis.

35. The Deputies noted that **public expenditure reviews** are an especially important instrument in IDA's dialogue with recipients. These reviews have been effective in focusing government attention on priority investment and recurrent expenditures. They emphasized the need to protect essential social sector expenditures from cuts during the adjustment process to the maximum extent possible, while increasing the cost effectiveness of the delivery systems. They urged that IDA also address the question of whether adequate levels of development expenditures are being crowded out by the weight of large or rising non-development expenditures, including military expenditures, in the budgets of recipient countries, and to take up this question with the government concerned wherever appropriate. Therefore, the Deputies urged IDA to work with the IMF to assist governments to provide accurate data on the levels of non-development expenditures, in order to better assess the adequacy of the development budget. IDA should include the results of the public expenditure reviews, including key summary indicators, in its country assistance strategy presentations to the Executive Directors.

B. Allocation of IDA Resources:

36. The way in which IDA allocates its resources by country and by sector is a key determinant of the effective implementation of its policies. The Deputies affirmed the central role which performance plays in IDA allocations. IDA should focus its efforts on those countries that have demonstrated their commitment to the Association's central objectives—poverty reduction, economic

adjustment and growth, and environmental sustainability. Access to IDA10 resources should, as in the case of IDA9, be based on annual assessments of performance, with allocations related to the strength of countries' commitment to these objectives. In countries whose performance is not consistent with these objectives, IDA should limit lending to the minimum needed to maintain the dialogue but continue its non-lending activities, in particular economic and sector work, to encourage improvements in performance.

37. The Deputies were pleased to note that IDA's management has instructed staff to pay explicit attention to issues of governance, such as accountability, transparency, the rule of law, and consultation with NGOs and groups affected by projects, in defining performance. They also recognized the usefulness of the more precise guidance being given on performance with regard to environmental policies and supporting actions such as the preparation and implementation of EAPs, and the steps taken to incorporate into IDA allocations an assessment of the degree to which the levels and trends of non-development expenditures are hampering the development effort.

38. With regard to the sectoral composition of IDA lending, the Deputies were of the view that IDA10 lending priorities should continue to promote the objectives agreed in IDA9. The Deputies also stressed that lending allocations to IDA recipients should reinforce the linkages between environmental protection and poverty reduction as a way of promoting sustainable development. In this regard they emphasized the need to continue substantial lending for human resource development, and to deepen IDA's programs to encompass environmental sustainability. The Deputies noted that the proposed replenishment would enhance IDA's capacity to support these efforts.

39. The Deputies indicated that as in IDA8 and IDA9, the share of adjustment lending should remain at about 25 percent and should not exceed 30 percent of total IDA lending. This level should enable IDA to continue its leading role in the Special Program for Assistance to Sub-Saharan Africa (SPA) and its new support for adjustment in India, while enabling it to coordinate effectively with bilateral lenders and the Fund's Enhanced Structural Adjustment Facility (ESAF). They noted the impact that new claimants might have on this percentage since initial programs in countries that are emerging from civil wars and unrest are likely to be heavily weighted towards quick-disbursing operations, but were of the view that, if such increased demand materialized, the ceiling could be exceeded only with the approval of the Executive Directors.

C. The Quality of the Project Portfolio

40. The Deputies remained concerned about whether IDA's projects are appropriately conceived, designed and implemented so as to achieve the three

priority objectives. Recent reviews of portfolio quality show a declining percentage of satisfactory projects, primarily in Sub-Saharan Africa. The Deputies noted that a fundamental reason for this decline is the increasing diversity and complexity of the IDA portfolio. Therefore, as IDA deepens its support for poverty reduction and environmental sustainability, it should make every effort to simplify project design and increase technical assistance to improve the administrative and technical capacity of government agencies.

41. In view of the trends in portfolio performance, Bank/IDA management set up a task force in early 1992 to study causes and propose remedies. The task force has recommended important changes in the way the Association supports and monitors implementation of projects. IDA's management supports these recommendations and views them as a roadmap for changes in many aspects of IDA's work. These changes will be aimed at giving increased attention to the implementation of ongoing projects and at achieving an appropriate balance between implementation and the preparation of new operations. The Deputies welcomed the substance of the task force's recommendations on improving the quality of project design and implementation subject to review and approval by the Executive Directors, and considered management's preparation of a detailed implementation plan based on the recommendations of the report to be fundamental to achieving this objective. This implementation plan will be prepared following the Executive Directors' discussions of the task force report, which are expected to be completed in early 1993. The first annual report on the Tenth Replenishment will include a summary of the plan and progress to date on its implementation.

42. The Deputies were pleased that IDA's **country assistance strategies** are taking greater account of each borrower's project implementation performance. Country portfolio reviews are to be conducted annually and will be directly linked to country strategy papers and lending allocations. The Deputies welcomed management's assurance that the annual portfolio review will have a country focus. They agreed with the decision of the Executive Directors that a brief appraisal of country portfolio performance, including quantitative indicators, be incorporated in each country assistance strategy to be presented to the Board, according to the schedule already agreed upon.

43. The Deputies were concerned with the need to improve **borrowers' sense of ownership** of projects. To improve the quality of projects entering the portfolio, IDA will seek to have borrowers take the leadership role and to involve project agencies more fully, as their capacities allow. The Deputies underscored the importance of involving **beneficiaries and affected population groups** in project design and implementation to ensure the project's success, or providing an explanation, in cases where such involvement is not needed. They noted that IDA has in place guidelines to ensure the involvement of

beneficiaries and affected groups in appropriate IDA lending and requested that these be reviewed and strengthened as needed. Non-governmental organizations can make an important contribution to the preparation and implementation of projects and are a valuable source of technical expertise. The environmental assessment process and the scope it provides for broad public discussion of project impacts also contribute to borrower involvement. It has proven particularly difficult for IDA supported projects to meet the needs of populations who are being resettled, and the Deputies noted that IDA's management would present an analysis of the experience with resettlement and recommend steps that need to be taken, for consideration by the Executive Directors.

44. While recognizing that responsibility for project implementation rests with the borrower, the Deputies endorsed IDA's plans to improve the **quality of projects at entry and monitoring and supervision of projects.** They urged that the design of projects take full account of the implementation capacity of the agencies involved. They agreed that greater use be made of detailed implementation plans that set out responsibilities, schedules and output indicators against which progress can be objectively monitored. They thought that IDA's plans for early and more realistic assessment of project risks, more project implementation reviews and greater flexibility in restructuring operations were important tools for improving implementation. They emphasized that the staff incentives should give proper weight to monitoring and supervision. They also underscored the need to analyze progress in new project areas well before project completion, in order to benefit from project experience in a timely fashion. They noted that IDA is analyzing the skill mix and deployment of professional staff, and they stressed the importance of ensuring constant review to meet the changing types of projects being undertaken. They also noted that the professional panels that IDA had established to help recruit and assign staff could play a useful role in this regard. The Deputies were of the view that IDA's resident missions should play an enhanced role in monitoring project implementation and in helping assess the capabilities and weaknesses of borrowers' implementing agencies. Therefore, they urged IDA's management to review, for the Executive Directors, how resident missions could effectively play this role, including assessment of the scope of their responsibilities.

45. The Deputies have been concerned about the high level of **undisbursed credit balances.** They noted, though, that the bulk of disbursements are made in the five years following project effectiveness, as is appropriate. Only negligible amounts remain undisbursed in IDA credits approved before 1984. Moreover, the ratio of undisbursed balances to total commitments has remained stable over the past ten years. In some countries and projects, however, excessive undisbursed balances do result from prolonged delays or

inadequacies in project implementation. In those cases, the Deputies asked that IDA more systematically encourage borrowers to restructure or cancel poorly performing projects. Such restructuring or cancellation is of special importance in the course of adjustment where public expenditure programs must often be limited to a core of high priority investments. IDA's policy is to return canceled amounts to the general pool for redistribution. Where credit amounts in IDA-only countries are canceled, IDA is able to support improvements in country performance during the adjustment process through increasing the current allocation. In the case of blend countries, however, because of the constraints on allocation (see para. 56), this is only possible to a limited extent. The Deputies therefore agreed that fund[illegible] nceled from projects in a blend country could remain available for suitable [illegible]w operations in the country subject to the approval of the Executive Directors and to satisfactory country performance.

46. The Deputies stressed the need for a greater focus on the development impact in project preparation, implementation, and evaluation. Important tools include identification of critical factors or benchmarks of success identified during preparation and included in appraisal reports; monitoring of key performance indicators during implementation and reported in the implementation reviews; and identification of the development impact in project completion reports and assessment in evaluation reports. Because of the importance of **promoting the sustainability of projects after completion,** the Deputies welcomed management's plans for enhanced evaluations of completed projects, redesigned reporting procedures, and more impact evaluations and beneficiary analysis.

47. The Deputies also endorsed IDA's intention to help focus government attention on, and provide increasing support for, **institutional development.** They stressed that capacity building is key to the effective implementation of projects and the sustainability of the overall development effort, although they recognized that there are no rapid or easy approaches to this inherently difficult area. The Deputies noted two important new initiatives in this regard. First, the newly created Institutional Development Fund is providing grant funding for strengthening capability for public policy and program management. Second, the planned changes in project processing procedures are intended to tailor project design and complexity to institutional capacity, but also to upgrade that capacity to handle more complex approaches. The possibility for other initiatives should be vigorously pursued.

D. Donor Coordination

48. The Deputies attach particular importance to the role that IDA plays in coordinating the efforts of donors in specific regions, countries and sectors.

These efforts have helped to improve the overall effectiveness of aid and to develop a common view among donors of priority development needs. Given the constant real level of official development assistance, there is an even greater premium on the efficient use of such resources and the Deputies look to IDA's leadership in this regard. IDA plays this role both in individual recipient countries—through the Consultative Groups which it chairs and through local coordination by the resident representative and visiting missions—and at the regional level—through programs such as the SPA which ensures that adjustment support from many donors for African countries is adequate and timely. In addition, the Bank Group takes the lead in organizing many programs at the global level, such as the Consultative Group on International Agricultural Research, the Global Environment Facility, the Energy Sector Management Assistance Program, etc. and manages trust funds on behalf of the countries supporting these programs.

49. The Deputies noted other areas in which IDA was pursuing donor coordination. Good cooperation of the World Bank with the African, Asian, Caribbean, European and Inter-American Development Banks is maintained through regular high-level consultations as well as continuous coordination in the implementation of country assistance programs. Cofinancing is an extremely important instrument for aid coordination. In addition to its traditional cofinancing operations with bilateral and multilateral donors, the Bank Group assists developing countries to mobilize funds from the private sector and export credit agencies. While the Deputies recognized that this would only be applicable to a small number of IDA countries they urged that this be done wherever possible.

50. The Deputies commended these various coordination efforts but were of the view that still more could be done. They felt that stronger coordination with bilateral aid agencies should be promoted. At the local level too, while visiting missions made efforts to contact other donors, more could be done by IDA's Resident Representatives to ensure that donors were kept informed between missions. The coordination with the UN system was also an area which the Deputies felt needed review. IDA should make more effective use of the skills and experience available in the UN system in support of its country programs, especially in human resource and institutional development. Cooperation with the new UN Commission on Sustainable Development in pursuit of the objectives of Agenda 21 was also recommended. IDA should also draw on the work of the committees of the OECD in identifying priorities for aid coordination, and explore whether it could supplement existing regional approaches in the Caribbean and Central America. The Deputies requested that IDA's management report any new IDA activities in aid coordination in the reviews of IDA10 implementation and welcomed the inclusion of donor coordination activities in the country assistance strategies.

III. The Tenth Replenishment

51. The Deputies proposed that IDA10 be replenished at the level of SDR 13 billion. The Deputies regard a replenishment of this size as being one which will allow IDA to achieve substantially its objectives for the IDA10 period. The size of the proposed replenishment reflects Deputies' recognition that IDA recipients will face additional financial requirements associated with the costs of national environmental programs. IDA has taken on the responsibility to be a major financing mechanism for national environmental programs as a response to Agenda 21. Deputies expect that the increased requirements of these programs will also be taken into account in future IDA replenishments.

52. There was recognition that this level of replenishment will not enable IDA to meet the full increase in demand which has taken place during the IDA9 period from new claimants. The Deputies were concerned that constrained resources could mean lower per capita allocations for some of the traditional IDA-only recipients and only partial funding of the programs of the new claimants. In the circumstances they called on IDA's management and Executive Directors to do their utmost to ensure that resources are used efficiently. They also noted that it is management's intention to recommend that high priority be given to transfers to IDA out of IBRD's available net income, within current IBRD policy on the annual allocation of net income, and urged that IBRD's Executive Directors continue to recommend such transfers to the Board of Governors.

53. The Deputies reviewed IDA's three allocation criteria: per capita income, performance and creditworthiness, with a view to identifying how these might be applied in the context of resource constraints. The Deputies considered limiting the eligibility for IDA funding by lowering the operational cut-off of **per capita income.** There was concern, however, that this approach might leave some countries with limited creditworthiness without any access to support from the Bank Group. For this reason the Deputies proposed to leave the operational cut-off at the same real level as in IDA9 and to maintain the exceptions to this income level provided in IDA9 for small island economies and for temporary assistance to IDA-eligible adjusting countries which have per capita incomes above the operational cut-off, but are not creditworthy for IBRD lending.

54. The Deputies stressed the need to apply **performance** criteria in a transparent and consistent manner across regions and countries reflecting the application of sound economic policies, the implementation of environmentally responsible programs, commitment to poverty reduction, and those aspects of governance and public expenditure allocations which were of relevance to development. They noted, however, that the steps already taken in IDA9 to

limit poor performing countries to core programs meant that there was limited scope for reallocations away from better performing IDA-only countries without risking underfunding of programs.

55. The Deputies were of the view that given the potentially heavy demand for IDA resources, it would be necessary in IDA10 to give greater weight to **creditworthiness** considerations in allocations to blend IBRD/IDA recipients. They noted that some of these countries have substantial access to other external capital flows such as foreign direct investment, official export credits, and commercial bank financing. There is a positive correlation between such access and overall economic performance, and giving greater weight to access to other sources of capital should not be construed as lack of appreciation for good economic management. However, IDA's resources are very scarce and are best used in those countries that are still in the process of establishing their creditworthiness rather than in those that have already done so.

56. In view of this, the Deputies asked that IDA reduce its allocations to more creditworthy countries by hardening the IBRD/IDA blend that it provides to these countries. This should permit allocations to be increased for IDA-only countries and to be maintained for the less creditworthy blends. In IDA9 the blends are projected to receive over 40 percent of total IDA allocations. In IDA10 the Deputies agreed that the allocation to blend borrowers, including relending of canceled amounts (para. 45), be managed within a range of 30 to 35 percent. This will enable IDA to devote the bulk of its resources to the IDA-only countries which, for the most part, have no alternative source of funding other than official development assistance. At the same time, the Deputies recognized that there are very large numbers of poor persons in the blend countries. In order for them to receive maximum benefits from IDA funding, the Deputies recommended that IDA's assistance to the blend borrowers be directed primarily to poverty-focused activities or those that promote environmental sustainability.

57. In IDA9 it was agreed that between 45 and 50 percent of IDA9 resources should be allocated to Sub-Saharan Africa, subject to performance. The Deputies agreed that this should also apply to IDA10, assuming performance continues to warrant it. They noted, however, that the proposed allocation between IDA-only and blend borrowers has implications for the regional allocation of IDA resources because three of the large blend borrowers are in Asia (China, India, and Pakistan). There was concern among some Deputies that a reduction in the allocation to blends might unduly lower the overall share of funding to Asia. The Deputies recognized that there are strong arguments for maintaining allocations to the Asia region. First, major new claims on IDA resources in the IDA10 period are likely to be concentrated in Asia. Second, it is the home of the largest number of the world's poorest people. Third, there

are urgent environmental problems in the Asia region. It is therefore the Deputies' expectation that any resources reallocated from blend recipients will be used to the maximum extent feasible in the Asian continent subject to performance. In IDA9 approximate parity was maintained between allocations to Sub-Saharan Africa and Asia. The Deputies agreed that IDA should follow this approach for IDA10, while also maintaining its support for borrowers in other regions as warranted by their performance.

58. The agreed donor contributions to the replenishment are shown in Table 1. In addition to their basic contributions, the following donors provided supplementary contributions: Australia, Denmark, France, Ireland, Japan, Korea, Luxembourg, Mexico, The Netherlands, Portugal, Sweden, and Switzerland. The Deputies have noted that these supplementary contributions are made on an exceptional basis for IDA10 and should not be regarded as part of the burden sharing in discussions on the next replenishment.

59. To increase the resources available during IDA10, the Deputies also agreed to shorten the draw-down period of the contributions (para. 69). The Deputies noted that this change provides IDA with greater protection against cash flow difficulties. Therefore, they also agreed that part of the liquidity that IDA has been maintaining should be made available for additional lending during the IDA10 period. As in previous replenishments, there remains a small unallocated gap which it is hoped can be reduced or eliminated through additional special contributions.

60. The Deputies particularly welcomed the efforts of a number of developing country donors to increase substantially their participation in IDA10. They also welcomed Portugal as a new donor.

Table 1: Contributions to the Tenth Replenishment
(Amounts in millions)

Contributing Members	Basic Contributions SDR Amount —1—	Basic Contributions Share % —2—	Supplementary Contributions SDR Amount —3—	Total Contributions SDR Amount —4—	National Currency Amount[a] —5—
Australia	189.80	1.46	2.24	192.04	350.00
Austria	117.00	0.90		117.00	1,855.46[g]
Belgium	201.50	1.55		201.50	9,345.43
Brazil[b]	10.00	0.08		10.00	
Canada	519.91	4.00		519.91	858.00
[i]Czech Republic[b,f]	10.00	0.08		10.00	
Denmark	169.00	1.30	11.47	180.47	1,573.05
Finland	130.00	1.00		130.00	798.37
France[c]	912.94	7.02	36.06	949.00	7,222.93
Germany	1,430.00	11.00		1,430.00	3,222.08[g]
Greece	6.80	0.05		6.80	1,807.23
Hungary[b]	10.00	0.08		10.00	
Iceland	3.90	0.03		3.90	316.07
Ireland	14.30	0.11	1.10	15.40	13.00
Italy	689.00[j]	5.30		689.00	1,124,000.00
Japan	2,431.00	18.70	169.00	2,600.00	471,509.74
Korea	30.00	0.23	6.58	36.58	39,442.25
Kuwait	18.08	0.14		18.08	7.33[h]
Luxembourg	6.50	0.05	0.50	7.00	324.66
Mexico[b]	25.00	0.19	10.00	35.00	
Netherlands	429.00	3.30	27.00	456.00	1,156.51[g]
New Zealand	14.94	0.11		14.94	38.09
Norway	184.60	1.42		184.60	1,627.23
Poland[b]	4.50	0.03		4.50	
Portugal	15.00	0.12	0.50	15.50	2,952.02
[i]Russia[b]	50.00	0.38		50.00	
[i]Saudi Arabia	108.47	0.83		108.47	563.62[h]
[i]South Africa[b]	10.00	0.08		10.00	
Spain	104.00	0.80		104.00	14,736.52
Sweden	340.60	2.62	7.40	348.00	2,833.97

Contributing Members	Basic Contributions SDR Amount —1—	Basic Contributions Share % —2—	Supplementary Contributions SDR Amount —3—	Total Contributions SDR Amount —4—	National Currency Amount[a] —5—
Switzerland	226.20	1.74	3.80	230.00	473.46
Turkey[b]	25.00	0.19		25.00	
United Kingdom	799.18	6.15		799.18	620.00
United States	2,711.69	20.86		2,711.69	3,750.00
Sub Total	11,947.90	91.91	275.65		
Change in Encashments[d]	395.08	3.04			
Change in Liquidity Policy[e]	200.00	1.54			
Supplementary Contributions	275.65	2.12			
Unallocated	180.76	1.39			
Total	13,000.00	100.00			

[a] Calculated by converting the SDR amount in column (4) to national currencies using an average of daily exchange rates for the period March 1, 1992 to June 30, 1992.
[b] Contributions of members with rates of inflation greater than 15% per annum during the 1989–91 period are denominated in SDRs.
[c] The basic national currency contribution of France is equivalent to a 7.3 percent share of SDR 13 billion using May–October exchange rates.
[d] Reflects additional resources available to IDA as a result of encashing contributions on an 8-year schedule rather than a 10-year period. Contributions of Australia and the United Kingdom will be encashed over a 10-year period. The participation of Italy and Canada is shown as part of their basic contribution.
[e] The change in encashment schedule will enable IDA to lower its liquidity requirements by SDR 200 million which will be committed in IDA10.
[f] On January 1, 1993, the former Czech and Slovak Federal Republic was succeeded by the Czech Republic and the Slovak Republic.
[g] These countries have indicated that their unit of denomination will be the SDR.
[h] These countries have indicated that their unit of denomination will be the US dollar.
[i] These countries are not yet in a position to commit to a final contribution to IDA10. The levels shown are therefore indicative.
[j] This amount is the SDR equivalent of Lit. 1,169,390.71 million, i.e., an IDA10 contribution of Lit. 1,124,000 million and Lit. 45,390.71 million resulting from encashing the IDA10 contribution on an 8-year schedule rather than a 10-year period.

IV. IDA10 Implementation Arrangements

61. IDA's implementation procedures are well established and have proven to meet the needs of both donors and the Association. Indeed IDA's procedures are the model on which most other concessional funding replenishments are based. The IDA10 Deputies discussed the procedures briefly and considered possible adjustments in some areas. In general they stressed the importance of IDA's operating in a cost-efficient manner and the need to keep the Association's costs under constant review. They also expressed the need to minimize the weight of cash management for donors. Therefore, they suggested that some aspects of IDA's financial management should be examined expeditiously during the IDA10 period, such as administrative costs, the appropriate encashment basis for transfers to IDA from IBRD net income, and IDA's liquidity situation. While they recognized that IDA's administrative costs are determined by a cost sharing arrangement between the IBRD and IDA, they welcomed management's intention to review the arrangement in time for the FY94 budget submission.

Effectiveness and Advance Contribution Scheme

62. Traditionally, the effectiveness of a replenishment has occurred when the Association has received notifications of participation from a sufficient number of donor countries that they would support the replenishment with the amount pledged during negotiations. This "trigger" point has been set at 80% of the total replenishment contributions provided by IDA donor members. This means, in essence, that the replenishments cannot become effective without the US notification.[1]

63. For IDA9, the effectiveness target for the replenishment of SDR 9,196 million was met on January 23, 1991—about 7 months after the start of the period covered by the replenishment. Prior to this date, commitment authority was provided by the IDA9 advance contribution scheme which became effective on July 19, 1990, shortly after the start of the commitment period.

64. The Deputies reviewed the effectiveness provisions and recommended that IDA10 become effective, as for past replenishments, when 80% of total contributions have been received by the Association. Since effectiveness has usually not occurred until 6 to 8 months into the replenishment period, because of delays in obtaining legislative approval, the Deputies also

---

[1] *Funds to meet the US commitment to IDA are voted annually by Congress as part of the Budget. Therefore, the US participates in IDA replenishments by depositing a Qualified Instrument of Commitment because it can only make its annual commitment to IDA once appropriations authority has been enacted by Congress. Canada will also provide a Qualified Instrument of Commitment.*

recommended that an advance contribution scheme—similar to the one for IDA9—be put in place for IDA10. Thus, the IDA10 advance contribution scheme would become effective upon receipt of notifications by donors accounting for 20 percent of total contributions.

Commitment Authority

65. Donor contributions have been made available to IDA for commitment authority purposes in three equal annual tranches. However, since the United States' practice is to deposit a Qualified Instrument of Commitment to IDA, its payments are subject to annual legislative approvals. In view of the uncertainties attached to the U.S. legislative schedule and the possibility of delays in receiving the US commitment, pro-rata release arrangements have been incorporated into the replenishment agreements since IDA5. Under these provisions, other donors may exercise the right to reduce IDA's ability to commit against the second and third tranches of their authorized subscriptions and contributions on a pro-rata basis proportionate to any US shortfall.

66. For IDA10, The Deputies proposed a continuation of the pro rata arrangements agreed to for IDA9. In cases of delays or shortfalls in the US tranche deposits, the Association would notify other donors. If a donor country were not to provide the Association written notice of its intention to adhere to the pro rata provisions within 30 days of such notice, its pro rata rights would be deemed to have been waived and the corresponding installment of that donor's contribution would be considered to be fully available for commitment authority. In the past where delays have occurred, most donors have waived this right in order to provide IDA with sufficient commitment authority and avoid interruptions to the commitment of credits to borrowers.

67. For IDA9, it was agreed that resources from IDA reflows (repayments on past IDA credits, investment income and cancellations) could be used to temporarily bridge any delays in commitment authority. This bridge would similarly be applied to IDA10 to provide IDA commitment authority prior to (a) the effectiveness of the IDA10 advance contribution scheme; or (b) between tranche releases. As donor resources become available, they would first be applied to cover commitments temporarily financed by these reflows.

Valuation of Donor Contributions

68. As regards the denomination of IDA10 contributions, it was agreed to provide donors with the flexibility of denominating their contributions in their respective national currencies, SDRs, or, with the approval of the Association, in the freely convertible currency of another member. Donors with domestic rates of annual inflation of 15% or higher during the 1989–91 period are to

denominate their contributions in SDRs, as was the case for IDA9. This will help ensure that the value of their contributions is not eroded over time.

Payment of Subscriptions and Contributions

69. **Donor Contributions:** The payment arrangements for earlier replenishments have proved satisfactory and have provided donors with a considerable degree of flexibility in phasing the payment of their contributions to the Association. The Deputies recommended that the subscription and contribution payment arrangements for donor members continue as at present. Donors' contributions are to be drawn down in equal proportions in terms of their unit of denomination over an eight-year period as shown in the IDA10 Resolution. IDA's management will consult with donors that have difficulty with this encashment schedule, with a view to its flexible application to meet the needs of these donors; the encashments will in any case be completed in ten years.

70. **Subscriptions of Non-Contributing Members:** IDA has followed the practice of collecting subscription payments from non-contributing members in the same manner as for donor contributions, generally, in equal installments over a three-year period. In order to ease the administrative burden for both the country concerned and IDA, the Deputies recommended that, starting with IDA10, subscription payments of non-contributing members be fully paid in one installment. Given the relatively small size of the subscription amounts involved, it is expected that this new procedure would not cause an undue financial burden for the countries concerned. As at present, subscriptions in IDA10 would be made in local currency, either in cash or through note deposits.

Voting Rights

71. The Deputies recommended that the present voting rights system continue for IDA10.

Reviews of IDA Implementation

72. The Deputies recommended that the Executive Directors review the progress made in the implementation of IDA10. They proposed that such reviews be undertaken annually. They noted the regular reporting to the Executive Directors on adjustment lending, poverty reduction and the environment. The reviews of IDA implementation should be designed to complement these and should remain limited in scope. The areas of program effectiveness and beneficiary impact, while obviously critical, were best left to these other reports. The Deputies identified a number of areas which the reviews should focus on. First, the reports should review the progress in embodying the key objectives into IDA10 lending programs. The experience with poverty and

environmental assessments, and problems encountered, is of particular interest, as is the extent to which EAPs are being given effect both by IDA and its borrowers in the course of ongoing development efforts. Second, the reviews should set out the steps taken to enhance IDA10 implementation. This should encompass the treatment of governance issues in the policy dialogue and the analysis of public expenditures, including non-development expenditures. It should also cover IDA's increased support for better project design and implementation with a view to improving overall project quality, and the preliminary indications of whether these steps are proving effective. Third, the reviews should discuss IDA's role in aid coordination.

Recommendation

73. The Executive Directors recommend that the Board of Governors adopt the draft resolution....[1]

This report was approved and its recommendation was adopted by the Board of Governors on March 31, 1993.

---

[1] *See page 222.*

DOCUMENTS PREPARED FOR THE IDA10 REPLENISHMENT

Discussion Papers:

1. Achieving Development Objectives (January 1992)
2. IDA Allocations Revisited (January 1992)
3. IDA's Role in Development Assistance (April 1992)
4. Supplementing IDA Resources (April 1992)
5. The Program Implications of the Size of IDA10 (June 1992)
6. IDA10 Burden Sharing (June 1992)
7. Draft IDA10 Report (August 1992)
8. Revised Draft IDA10 Report (October 1992)
9. Second Revision—Draft IDA10 Report (November 1992)

Technical Notes:

1. The Real Value of IDA9 (November 1991)
2. Status of Environmental Action Plans and Assessments (January 1992)
3. Development and The Environment: Integrating Programs and Funding (March 1992)
4. The Environment in IDA's Operations (April 1992)
5. Strengthening Institutional Capacity (April 1992)
6. Assisting Women in Developing Countries (April 1992)
7. IDA's Administrative Costs (April 1992)
8. Improving Project Implementation (April 1992)
9. Sustaining Adjustment Programs (April 1992)
10. IDA's Undisbursed Balances (April 1992)
11. Access of IDA Countries to External Financing (June 1992)
12. Improving the Coordination of Aid (June 1992)
13. Alternative Methodology for Encashments of Donor Contributions to IDA (November 1992)
14. How IDA Would Use Additional Resources (November 1992)

Discussion Note

1. IDA10 Size and Burdensharing (November 1992)

April 21, 1993

Reclassification of Portugal from a Category Two Country to a Category One Country

1. By letter dated March 16, 1993, the Government of Portugal communicated to MIGA that it would like the Agency to reclassify Portugal as a Category One country. Portugal is presently classified in Schedule A to the Convention as a Category Two country. Portugal signed the Convention Establishing the Multilateral Investment Guarantee Agency on October 1, 1987, and ratified the Convention and completed its capital subscription payments and became a member of MIGA on June 6, 1988.

2. Subsections (vi) and (x) of Article 31 of the MIGA Convention vest in the Council of Governors the powers to, respectively: (a) reclassify a member of the Agency as a Category One or Category Two country, and (b) amend the Schedules to the Convention. Two countries have been reclassified from Category Two to Category One, Greece and Spain (see, respectively, Council of Governors Resolutions No. 40, adopted September 24, 1992, and No. 3 adopted June 8, 1988). However, neither Greece nor Spain had completed their membership requirements when they made their requests for reclassification, and thus they were not required to make adjustments in their capital subscription payments similar to the one now required of Portugal.

3. As a Category Two member country and having exercised the option contemplated in Article 8(a) of the Convention, Portugal paid 25 percent of its paid-in cash portion of its capital subscription in its local currency equivalent of $103,331. As a Category One country, Portugal would need to substitute $103,331 or the equivalent amount in any freely usable currency for the 25 percent portion it originally paid in local currency.

4. In order to effect the request of the Government of Portugal, the Board of Directors recommends that the Council of Governors adopt the Resolution.[1]

This report was approved and its recommendation was adopted by the Council of Governors on June 4, 1993.

---

[1] *See page 243.*

Review of Allocation of Shares

1. Article 39(c) of the Convention requires a review by the Council of Governors on the allocation of the shares before the end of the third year after entry into force of the Convention, i.e., April 12, 1991. The review is intended to lead to the reallocation of shares allocated to non-signatory countries so that parity of voting power between Category One and Category Two countries is achieved. On March 13, 1991, the Board of Directors considered the question of reallocation and decided that, if such a step were taken at that time, it would: (i) jeopardize the increase in membership of the Agency; and (ii) place an undue burden on the countries in the Category that would have to subscribe a very high number of shares in order to obtain parity. Therefore, the Board recommended to the Council of Governors that the reallocation should be postponed for two years in the expectancy that within that period these problems would be resolved. Consequently, on April 12, 1991, the Council of Governors adopted Resolution No. 20 resolving that:
   (a) The decision referred to in Article 39(c) of the Convention shall be taken during the fifth year after the entry into force of the Convention;
   (b) Until the decision referred to in paragraph (a) above is taken, the shares in the Agency which have not been subscribed continue to be allocated to the countries and in the number set forth in Schedule A to the Convention.

2. The expiry of the fifth year after the entry into force of the Convention occurred on April 12, 1993.

3. As of February 28, 1993, one hundred and one countries had become "full members" of the Agency,[1] 17 of them are classified as Category One and 84 as Category Two countries. In addition, 2 Category One and 30 Category Two countries had signed or had signed and ratified the Convention but had not completed their membership requirements, and therefore had not become full members.[2] As of February 28, 1993, the aggregate number of shares both subscribed by full members and set aside for signatories still not full members was 96,859 (86,924 subscribed and 9,935 set aside); hence, only 3,141 shares remain for subscription by non-signatories ("available shares"). As of this

---

[1] *Currently "full members" are defined as: (a) countries that have signed and ratified the Conventions and have paid their capital subscription as required by Resolution No. 12 of the Council of Governors, adopted on March 27, 1989 (i.e., "non-original members"); and (b) prior to adoption of Resolution No. 12, countries that had signed and ratified the Convention (i.e., "original members").*

[2] *Although only full members are entitled to voting power, shares are set aside for countries that have signed the MIGA Convention even if they are not yet full members.*

date, according to the number of shares subscribed, the voting power of Category One countries full members of the Agency was 59,734 votes (57%) which correspond to 56,725 shares, and the voting power of Category Two countries full members of the Agency was 45,067 votes (43%) which correspond to 30,199 shares.

4. Taking into account signatory States, as specified in Article 39(c)(ii) of the Convention, the potential voting power of the two Categories is even closer: 50.92% and 49.08% as of February 28, 1993 compared with 56.30% and 43.70% as of April 12, 1991. The number of available shares as of February 28, 1993 is only 3,141 compared with 16,811 as of April 12, 1991.

5. Although, in view of the few number of available shares remaining as of February 28, 1992, the reallocation of shares would not impose a heavy burden on the countries with the minority voting power; however, maintenance of parity, once it has been achieved by a reallocation of shares, would continue to jeopardize the growth in membership of the Agency. In effect, a general capital increase would be necessary in order to maintain parity of voting power every time a non-signatory country becomes a member of the Agency or a member is reclassified in a different Category, and countries classified under the Category with the majority voting power would have to renounce their preemptive right to subscribe to the shares created through the general capital increase provided under Article 39(e) of the Convention.

6. It is expected that within five years most of the countries that are now members of the Bank but not yet members of MIGA will join the Agency; measures should be taken in order to facilitate their accession to the Agency.

7. At present the voting power of Category One and Category Two countries is very near parity. In addition, it is expected that the voting power will draw closer to parity in the future since it is anticipated that more Category Two countries (the Category with the minority voting power) than Category One countries will join the Agency.

8. Therefore, in light of the above considerations, the Board of Directors recommends that another review of the allocation of shares in the Agency be made and the decision contemplated under Article 39(c) of the Convention be taken during the tenth year following the entry into force of the Convention. Meanwhile, the shares of the capital stock of the Agency should continue to be allocated to the countries and in the number set forth in Schedule A to the Convention; and should the number of shares of capital stock of the Agency that is available for non-signatories be exhausted, the capital of the Agency should be increased to provide shares to be subscribed by the new members in accordance with Article 5(b) of the Convention.

9. It is therefore recommended that the Council of Governors adopt the resolution.[1]

This report was approved and its recommendation was adopted by the Council of Governors on June 8, 1993.

[1] *See page 243.*

ACCREDITED MEMBERS OF DELEGATIONS AT 1993 ANNUAL MEETINGS

Afghanistan, Islamic State of =

Adviser
Abdullah Said

Albania

Governor
Genc Ruli

Alternate Governor
Bashkim Kopliku *

Advisers
Niko Hobdari
Thomas Vangell

Algeria =

Governor
Mourad Benachenhou

Alternate Governor
Kacim Brachemi

Advisers
Mohamed Benhocine +
Merouane Djebbour
Mohamed Elias
Said Henni
Mohamed Mehyaoui
Abdelmajid Nassou
Miss Oum-El-Kheir Ouaoua
Kamel Retieb
Mustapha Seddiki
Rachid Bruno Sekak
Ahmed Tas
Nourredine Yazid Zerhouni

Angola

Governor
Jose Pedro de Morais

Alternate Governor
Gualberto Manuel Amaro Lima Campos

Advisers
Amilcar dos Santos da Silva
Ismael Gaspar-Martins
Carlos Ferreira de Almeida Gomes
Antonio da Silva Inacio
Pedro Maiangala Puna
Miguel Salomao
Mrs. Abebetch G. Selassie
Miss Irene Beatriz Sobrinho
Pedro de Castro dos Santos Van-Dunem
Ms. Cesaltina Van-Dunen

Antigua and Barbuda # =

Governor
Molwyn Joseph

Alternate Governor
Ludolph Brown

Advisers
Lester B. Bird
Patrick A. Lewis
Paul O. Spencer

Argentina

Governor
Roque Benjamin Fernandez

Alternate Governor
Aldo Dadone *

Advisers
Horacio Alvarez Rivero
Sergio Gustavo Bugallo
Jose Maria Cartas
Santiago Jose Galindez
Alberto Manuel Garcia Lema
Luis Mario Gonzalez
Raul Granillo Ocampo
Antonio Guerrero
Rafael N. Iniesta
Ms. Noemi La Greca
Ms. Amalia Martinez
Ms. Monica Merlo
Alfredo Morelli
Julio Nogues ++
A. Humberto Petrei

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Martin Redrado
Marcelo Regunaga
Carlos Jose Scelzi
Ricardo Guillermo Sigwald
Pablo Tettamanti
Jose Manuel Pablo Viudes

Armenia <> =

Governor
Armen Yeghiazarian

Alternate Governor
Sergey Manasarian *

Advisers
Garnik Nanagoulian
Vladimir R. Shekoyan

Australia =

Governor
Ralph Willis

Alternate Governors
Neil F. Hyden *
Rodney G. Irwin *
Ian MacFarlane *

Advisers
Geoffrey Board
David Clark
John H. Cosgrove +
Ralph Hillman
David John Imber
Ms. Di Jay
Christopher Y. Legg
Steve Sedgwick
Jim Stevenson
Kenneth Waller
Ian James Watt

Austria =

Governor
Ferdinand Lacina

Alternate Governor
Hans-Dietmar Schweisgut

Advisers
Mrs. Edith Kitzmantel
Herbert A. Lust
Ms. Margarethe Quehenberger
Walter Rill

Azerbaijan <> #

Alternate Governor
Kamran Ulukhanov *

Advisers
Rufat Novruztov
Hafiz Mir Jalal Pashayev

Bahamas, The # =

Governor
Hubert A. Ingraham

Alternate Governor
Luther E. Smith

Advisers
Ms. Paulette Anne Bethel
Ms. Teresa Butler
Joseph R. Curry
Hubert L. Dean ++
Timothy B. Donaldson
Keith L. Tinker
O.A. Tommy Turnquest

Bahrain <> #

Governor
Ibrahim Abdul Karim

Alternate Governor
Rashid Ismail Al-Meer *

Bangladesh

Governor
M. Saifur Rahman

Alternate Governors
Abul Ahsan *
M. Nazimuddin *
M.A. Syed *++
Muhammad Lutfullahil Majid

Advisers
Gaziul Hasan Khan
Mushfiq-us-Swaleheen

---
* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Barbados #

Governor
L.Erskine Sandiford

Alternate Governor
George Reid

Advisers
Mrs. Pearl Edwards
Cleviston L. Haynes
Mrs. Margaret Cecile Hope
Miss Margaret Sivers
Rudy V. Webster
Rupert Delisle Worrell

Belarus #

Governor
Nikolai Filippovich Rumas

Alternate Governor
Nikolai Kazimirovich Lisai

Advisers
Sergey A. Kostyuchenko
Mikhail Victorovich Nikitenko

Belgium

Governor
Philippe Maystadt

Alternate Governors
Jan Vanormelingen *
Alfons Verplaetse

Advisers
Jean-Pierre Arnoldi
Jean Basecq
Bernard Delbecque
Luc Hubloue
Philippe Peeters
Jean-Jacques Rey
Bernard Snoy +
Patrick Van Haute
Leon Vivier

Belize

Governor
Dean O. Barrow

Alternate Governor
Joseph D. Waight

Advisers
Dean Russel Lindo
Rene Nunez
Nestor A. Vasquez

Benin =

Governor
Robert Tagnon

Alternate Governor
Rigobert Ladikpo

Advisers
Fatiou Adekounte
Jules Ahodekon
Candide Ahouansou
Rhetice Franchy Dagba
Adolphe Danvide
Yacouba Fassassi
Fructueux Gnansounou
Frederic Hedible
Francis Loko
Fatiou Radji

Bhutan <> =

Governor
Dorji Tshering

Alternate Governor
Yeshey Zimba

Bolivia

Governor
Fernando Illanes de la Riva

Alternate Governor
Marcelo Mendez Ferry *

Advisers
Raul Boada Rodriguez
Jorge Crespo-Velasco
Miguel Lopez
Mrs. Jeannette Mercado

---

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Botswana

Governor
Festus G. Mogae

Alternate Governor
Goldie John Stoneham

Advisers
Mrs. N. Gaetsewe
Mrs. Pearl M. Keitumetse
Ms. Liyanda Motlalepula Lekalake
Ms. Tapiwa Mongwa
Botsweletse K. Sebele

Brazil

Governor
Fernando Henrique Cardoso

Alternate Governors
Sergio Silva do Amaral *
Rubens Antonio Barbosa *
Luiz Afonso Simoens da Silva *
Gustavo Henrique de Barroso Franco *
Winston Fritsch *
Alexandre Kafka *
Jose Artur Denot Medeiros *
Jonas Pinheiro *
Andre Pinheiro de Lara Resende *
Joao Rocha *
Mauro Marcondes Rodrigues *
Synesio Sampaio Goes Filho *
Antonio Claudio Sochaczewski *
Alexis Stepanenko *
Pedro Sampaio Malan +

Advisers
Ms. Maria Celina B. Arraes
Jose Carlos Jacob de Carvalho
Ronaldo Malagoni de A. Cavalcante
Dimas Luis Rodrigues da Costa
Carlos Eduardo de Freitas
Vander Gontijo

Bulgaria #

Governor
Stoyan Iliev Alexandrov

Alternate Governor
Mrs. Mariana Manova Todorova

Advisers
Stijn Albregts
Tchavdar Kostov Kantchev
George Hristov Neshev
Ognian Raytchev Pishev
Ms. Yordanka Tzvetkova

Burkina Faso

Governor
Jacques Sawadogo

Alternate Governors
Charles Konan Banny *
Zongo Tertius

Advisers
Saliou Aboudou
Abou Bakar Baba-Moussa
Abdoulaye Bio Tchane
Jean-Baptiste Confe
Amah Edoh d'Almeida
Mbaye Diop Sarr
Yao Agbo N'De Hounouvi
Amadou Kane
Michel Komlanvi Klousseh
Lategan Lawson
Yacouba Nabassoua
Amadou Baba Sy
Pobozu Tchamdja

Burundi =

Governor
Gaspard Sindayigaya

Alternate Governor
Nestor Ntungwanayo

Advisers
Athanase Budigi
Julien Kavakure
Jeffrey Mzwimbi
Martin Ogang

Cambodia <> =

Governor
Sam Rainsy

Alternate Governor
Cham Prasidh

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Cameroon

Governor
Augustin Frederic Kodock

Alternate Governor
Mrs. Esther Dang Belibi

Advisers
Pierre Ananga-Messina
Francois-Xavier Eloundou
Aaron Raymond Kaltjob
Simon Mamba a Nyam
Ms. Minja
Dieudonne Monthe
Jean Philippe Njeck
Isaac Njiemoun

Canada

Governor
Gilles Loiselle

Alternate Governors
Thomas A. Bernes *
Ms. Huguette Labelle

Advisers
David Bickford
Denis Boucher
Ms. Lesley Boucher
Howard Brown
Robert R. de Cotret +
Gregory Ebel
Glen D. Hodgson
Michael Jay
Michael G. Kelly
Paul Labbe
Georges Rioux
Ms. Maureen Sabia
Ms. Nicole Senecal
Ms. Barbara Southcote
William R. White

Cape Verde

Governor
Jose Tomas W. Carvalho Veiga

Alternate Governor
Alexandre Vieira Fontes

Adviser
Manuel de Jesus Silva Varela Neves

Central African Republic =

Governor
Thierry Bingaba

Alternate Governor
Gregoire Zowaye

Advisers
Mrs. Lucienne Darlan
N'Dinga Gaba

Chad <> =

Governor
Ibni Oumar Mahamat Saleh

Alternate Governor
Hassan Adoum Bakhit

Advisers
Guele Djankouman
Charles Donnang Ningayo
Lemaye Favitsou-Boulandi
Koumbairia L. Mekonyo
Pierre Moussa

Chile

Alternate Governors
Jose Pablo Arellano
Nicolas Flaño *+
Andres Sanfuentes Vergara *

Advisers
Jose Antonio Alvarez L.
Eduardo Aninat
Pedro Aylwin
Julio Barriga
Jose Borda Aretxabala
Enrique Errazuriz
Nicolas Eyzaguirre Guzman
Carlos Fuks
Andronico Luksic Craig
Claudio A. Pardo
Adolfo Rojas Gandulfo
Domingo Santa Maria
Jorge Schneider
Luis Augusto Tromben Nordenflycht

---

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Uri Wainer Kopels
Luis Enrique Yarur Rey

China

Governor
Liu Zhongli

Alternate Governors
Jin Liqun *
Wang Liansheng *+
Zhang Shengman *++
JIN Renqing

Advisers
Chen Huan
Feng Yushu
Liu Changlin
Ma Zhaoxu
Wang Xiaolong
Wu Jinkang
Zhang Yuebin
Zhao Hong
Zhao Xiaoyu

Colombia =

Governor
Rudolf Hommes

Alternate Governors
Ulpiano Ayala *
Carlos Caballero Argaez *
Jorge Castellanos Rueda *
Salomon Kalmanovitz Krauter *
Ms. Maria Mercedes Martinez *
Oscar Marulanda Gomez *
Armando Montenegro

Advisers
Julio Cesar Angel
Mrs. Monica Aparicio
Alberto de Brigard
Manuel Martinez R.
Ms. Maria Carmenza McLean
Enrique Umana

Comoros =

Governor
Assoumany Aboudou

Alternate Governor
Chabane Abdallah Halifa

Congo, Republic of

Governor
Clement Mouamba

Alternate Governors
Jean-Felix Mamalepot *
Antoine Banvidi

Advisers
Felix Boueno
Nael El-Assaad
Roger Gossaki
Karim Karjian
Mahamad Amine Ben Barka
Adoum Malloum
Jean-Marie Mbioka
Gilbert Ntang
Jean-Marie Omog-Samnick
Christian Ouanzin
Serge-Blaise Zoniaba

Costa Rica =

Governor
Carlos Muñoz Vega

Alternate Governors
Leonel Baruch *
Carlos Vargas Pagan *

Advisers
Edgar Ayales
Mrs. Seidy Bermudez Muñoz
Glen Calvo Picado
Alberto Dent
Luis Lukowiecki Gotfrid
Luis Liberman Ginsburg
Alvaro Hernandez Piedra
Ernesto Rohrmoser Garcia

Côte d'Ivoire

Governor
Daniel Duncan Kablan

Alternate Governor
N'Golo Coulibaly

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Advisers
Firmin Ahoune
Jean-Claude K. Brou
J. Kofi Bucknor
Alain Nicaise Coffie
Moustapha Diaby
Mrs. Nicole Diaw
Lancina Dosso
Noel Eliamon
Charles Gomis
Aguinaldo Jaime
Christian Konan Koffi
El Hadji Mbengue
Hedi ben Ameur Meliane
Baelhadj Merghoub
Seyni Ndiaye
N'Goran Niamien
Jacques Nignon
Bisi Ogunjobi
Ms. A. Orraca-Tetteh
Joerg Reding
Delphin G. Rwegasira
Ekwow Spio-Garbrah
Mamadou Taofiqui Toukourou
Eugene Yai

Croatia

Governor
Zoran Jasic

Alternate Governor
Josip Kulisic

Advisers
Ms. Zlata Penic-Ivanko
Petar Sarcevic

Cyprus

Alternate Governor
Michael Erotokritos

Adviser
Andrew J. Jacovides

Czech Republic

Governor
Ivan Kocarnik

Alternate Governor
Jan Vit

Advisers
Bretislav Bacak
Sylva Florikova
Jiri Jonas
Ms. Lumira Kafkova
Ota Kaftan
Jiri Vetrovsky
Michael Zantovsky

Denmark

Governor
Ms. Helle Degn

Alternate Governor
Ole Loensmann Poulsen

Advisers
Ms. Jette Egelund
Jens Haarloev
Asger Lund-Soerensen
Michael Sondergaard
Ove Ullerup-Petersen

Djibouti =

Governor
Ahmed Aden Youssouf

Alternate Governor
Ahmed Osman Ali

Dominica

Governor
Cary A. Harris

Alternate Governor
Alick B. Lazare

Advisers
Hannelore Angela Benjamin
McDonald Benjamin
Eustace E. Liburd
J. Bernard Yankey

* Temporary
<> Not a member of IFC
Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Dominican Republic =

Governor
Mario Read Vittini

Alternate Governor
Heriberto de Castro *

Advisers
Jose del Carmen Ariza
Julio Ortega Tous
Rudy Perez
Miguel Sang Ben
Ms. Gladys Santana

Ecuador

Governor
Cesar Robalino Gonzaga

Alternate Governor
Fernando Nieto Barciona *

Advisers
Miguel Babra Lyon
Leopoldo Baez
Danilo Carrera Drouet
Mrs. Marcela Cartagena ++
Marcos Espinel Martinez
Ms. Virginia Fierro Renoy
Pedro K. Gomez-Centurion R.
Mauricio E. Laniado
Guillermo Lasso Mendoza
Carlos J. Moreno C.
Ivan Nieto
Ms. Maria Pia Portaluppi
Raymond Raad Dibo
Cesar Robalino-Aguirre
Mauricio Valencia
Jacinto Velez

Egypt

Governor
Kamal Ahmed El Ganzoury

Alternate Governor
Ahmed Mahrous El-Darsh *

Advisers
Riad El Badawy
Ahmed Maher El Sayed
Abdel Wahab Heikal
Alaa Khalil
Mohamed Samir Koraiem
Hamdy A. Metwally

El Salvador

Governor
Ms. Mirna Lievano Marques

Alternate Governor
Carlos Mejia Alferez *

Advisers
Claudio M. de Rosa
Mrs. Lourdes de Sandoval
Roberto Jimenez Ortiz
Ms. Nelly Lacayo-Anderson
Ernesto Martinez-Alas

Equatorial Guinea =

Governor
Anatolio Ndong Mba

Alternate Governor
Manuel-Enrique King Somo

Adviser
Bernardo B. Nkap

Estonia #

Governor
Madis Uurike

Alternate Governor
Raivo Maine

Ethiopia

Governor
Alemayehu Daba

Alternate Governor
Abdulmejid Hussein

Advisers
Berhane Gebre-Christos
Kifle Tsegaye
Neway Gebreabe
Tadele Teferra

---

* Temporary
<> Not a member of IFC
Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Fiji

Governor
Paul F. Manueli

Alternate Governor
Rigamoto Taito

Advisers
Pita Kewa Nacuva
Savenaca Narube

Finland

Governor
Iiro Viinanen

Alternate Governors
Mauri Eggert *
Veikko Kantola *
Eino Keinaenen *

Advisers
Mrs. Kirsti Eskelinen
Mrs. Inga-Maria Groehn
Ms. Birgitta K. Kantola
Erkki Karmila
Rune Lindholm
Asko Lindqvist
Unto Turunen
Jukka Robert Valtasaari

France

Governor
Jean-Claude Trichet

Alternate Governors
Marc-Antoine Autheman *+
Mrs. Ariane Obolensky *

Advisers
Jacques Andreani
Philippe Ayoun
Francois-Marie Bruere
Pierre Buchaillard
Jerome Calvet
Bertrand de Mazieres
Mrs. Anne-Laurence de Verdun
Pierre Duquesne
Mrs. Catherine Garreta
Jerome Haas ++
Herve Hannoun
Jean-Pierre Landau
Xavier Larnaudie-Eitfel
Pierre Louis Levy
Daniel Maitre
Antoine Merieux
Bruno Moschetto
Mrs. Danielle Noirclerc-Schoenberg
Michel Oblin
Christian Oquet
Michel Planque
Guy Pontet
Antoine Pouillieute
Armand Pujal
Andre Robert
Patrick Salles
Jean-Michel Severino
Bernard Zimmerman

Gabon =

Governor
Richard Auguste Onouviet

Alternate Governor
Raymond Ndong-Sima

Advisers
Hugues Alexandre Barro Chambrier
Paul Boundoukou-Latha
Guy M. Eboumi
Jean-de-Dieu Mounguenou-Mouloungui
Mathias Otounga-Ossibadjouo

The Gambia

Governor
Bakary B. Dabo

Alternate Governor
Momodou Clarke Bajo

Advisers
Momodou A. Ceesay
Ms. Aminatta Dibba

Georgia <>

Alternate Governors
Emir Djugeli *
Merab Klimiashvili *

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Adviser
Alexi Bakradze

Germany

Governor
Carl-Dieter Spranger

Alternate Governors
Fritz Fischer *+
Eberhard Kurth *
Gert Haller

Advisers
Ms. Ute Arens
Josef Beck
Gerhard Boehmer
Ms. Birgit Denninger
Dieter Eimermann
Bernd Esdar
Walter Greite
Hans-Dieter Hanfland
Hansgeorg Hauser
Karsten Hinrichs
Dietmar Keller
Baerbel Kleedehn
Volker Kroening
Dietrich Kurth
Hans Joachim Maassen
Emanuel Hermann Metz
Ms. Andrea Muck
Dieter Puetzhofen
Hanns Rackl
Harald Rehm ++
Horst H. Rinke
G. Michael Roeskau
Ms. Ina Ruthenberg
Werner Sasdrich
Hans Peter Schiff
Ulrich Schmalz
Hans Martin Schmid
Ralf Schroeder
Gerhard Schuessler
Wilfried Seibel
Christoph Sigrist
Hans-Guenter Toetemeyer
Hennecke Graf von Bassewitz
Juergen Wagner
Klaus Wilhelm Werndl
Norbert Wieczorek
Michael Wisser
Torsten Wolfgramm
Ralf Zeppernick
Bernhard Ziese
Werner F.T. Zimprich

Ghana

Governor
Kwesi Botchwey

Alternate Governor
Fred Quarshie *

Advisers
Fred Apaloo
Nana Effa Appenteng
G.L. Cann
Emmanuel D. A. Darko
Percival Alfred Kuranchie

Greece

Governor
Petros Doukas

Alternate Governor
George Vlachos

Advisers
Nicholas V. Karamouzis
Petros Kontos
Lucas Papademos
Spyros P. Papanicolaou
Vassilios Papatzanis
Ms. Miranda Xafa

Grenada

Governor
Nicholas Brathwaite

Alternate Governor
Carlyle Mitchell

Advisers
Winston A. Cox
Denneth Modeste

Guatemala =

Governor
Richard Aitkenhead Castillo

---
* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Alternate Governors
Gabriel R. Castellanos *++
Salomon Cohen *
Ms. Carolina Roca *
Romulo Caballeros

Advisers
Gustavo Martinez Porras
Ruben Eduardo Mendoza Fernandez
Edmond Mulet

Guinea =

Governor
Kerfalla Yansane

Alternate Governor
Youssouf Sylla

Advisers
Boubacar Bah
Ibrahima Ahmed Barry
Cellou Dalein Diallo
Fassine Fofana
Ibrahima Kassory Fofana
Kabine Komara
Ms. Fatima Bangoura Toure
Sekou Traore

Guinea-Bissau =

Governor
Filinto Barros

Alternate Governor
Issufo Sanha

Advisers
Alfredo Cabral
Boaventure Eutequio Da Silva
Paulo Fernando Gomes
Adriao Spencer Lopes de Carvalho

Guyana

Governor
Asgar Ally

Adviser
Ms. June Persaud

Haiti =

Governor
Marie Michele Rey

Alternate Governor
Philippe Rouzier *

Advisers
Jean Casimir
Ms. Kathleen Dorsainvil

Honduras

Governor
Rafael Suazo

Alternate Governors
Rene Bendana Valenzuela *
Jorge Ramon Hernandez Alcerro *
Benjamin Zapata *
Daniel Figueroa

Advisers
Manuel Fontecha
Antonio Perez-Bennett
Carlos Arturo Sanchez Rendon

Hungary

Governor
Iván Szabó

Alternate Governor
Imre Tarafas

Advisers
Mrs. Katalin Botos
Mrs. Katalin Demeter
Jozsef Kobli
Mrs. Zsuzsanna Szablyar
Pal Tar
Mrs. Eva Tarjan

Iceland =

Governor
Sighvatur Bjorgvinsson

Alternate Governor
Fridrik Sophusson

---

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Advisers
Bolli Th. Bollason
Engilbert Gudmundsson
Mrs. Helga Jonsdottir ++
Sigurgeir Jonsson
Magnus Petursson
Thorsteinn Thorsteinsson

India =

Governor
Manmohan Singh

Alternate Governors
Bimal Jalan *+
N.K. Singh *
Montek Singh Ahluwalia

Advisers
Mrs. Sukhdeep Brar
S.G. Hoda
Rajan Katoch
Rahul Khullar
Narayan Valluri
Asuri Vasudevan

Indonesia

Governor
Mar'ie Muhammad

Alternate Governors
Arifin M. Siregar *
Ali Wardhana *
Boediono

Advisers
Jannes Hutagalung ++
Achjar Iljas
Abdurrachman Mattalitti

Iran, Islamic Republic of =

Governor
Mohsen Nourbakhsh

Alternate Governor
Mohammad Javad Vahaji

Advisers
Ahmad Abediyeh
Alireza Rahim Boroujerdi
Seyed Kamran Khatami
Mohammad Taghi Sadeghi
Fariborz Yazdan Panah

Iraq =

Governor
Hashim Ali Obaid

Ireland

Governor
Bertie Ahern, T.D.

Alternate Governors
Maurice O'Connell *
Sean P. Cromien

Advisers
Gerry Hickey
Adrian Kearns
Nioclas O'Murchu
Michael Somers
Brendan Ward

Israel

Governor
Jacob A. Frenkel

Alternate Governor
Aaron Fogel

Advisers
Magen Altuvia
Ms. Elisheva Braun
Ms. Miki Eran
Mordechai Fein
Moshe Gal
Raphael Meron
Amnon Neubach
Mrs. Sylvia Piterman
Jonathan Weiss
Gideon Schurr

Italy

Governor
Antonio Fazio

Alternate Governor
Mario Draghi

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Advisers
Raoul Ascari
Gianluigi Benedetti
Boris Biancheri
Claudio Bisogniero
Rosario Bonavoglia
Carlo Calia
Gian Paolo Cavarai
Francesco Cerulli
Pierluigi Ciocca
Fabrizio Costa
Giancarlo del Bufalo
Ms. Raffaella Di Maro
Gianpaolo Galli
Luca Giansanti
Alberto Giovannini
Enzo R. Grilli +
Ms. Antonella Lazzeri
Aldo Mantovani
Mauro Masi
Alessandro Pavesi
Salvatore Rebecchini
Stefano Ronca
Giovanni Sacco
Fabrizio Saccomanni

Jamaica #

Governor
Omar Davies

Alternate Governor
Mrs. Shirley Tyndall *

Advisers
Richard Bernal
Paul Dixon
Nathan Richards
Locksley Smith

Japan

Alternate Governors
Tadao Chino *
Hiroo Fukui *
Takatoshi Kato *
Yasuyuki Kawahara *+
Isao Kubota *
Zenbei Mizoguchi *
Shoji Mori *
Akira Nagashima *
Kosuke Nakahira *
Yasushi Mieno

Advisers
Nobiru Adachi
Shuzo Aoki
Mitsuhiro Furusawa
Koichi Hasegawa
Nobumitsu Hayashi
Kiyoto Ido
Toichiro Ikeda
Osamu Imai
Masaaki Kaizuka
Yasushi Kamihara
Takayuki Kamoshida
Shigeo Kashiwagi
Satsuki Katayama
Kiyoshi Kodera ++
Shin Maruo
Katsunori Mikuniya
Kazuya Murakami
Seiichiro Noboru
Toshio Oya
Masahiro Sugita
Kazumoto Suzuki
Naoki Tabata
Hiromichi Tanigawa
Hiroshi Tohyama
Hiroshi Toyoda
Kunimitsu Yoshinaga

Jordan

Governor
Ziad Fariz

Alternate Governor
Nabil Issa Sweis

Advisers
Khaldun A. Abuhassan
Taher H. Kanaan
Zuhair Khouri
Michel I. Marto
Marwan Jamil Muasher

Kazakhstan

Governor
Erkeshbai Zhailaubaevich Derbisov

Alternate Governor
Beisenbay I. Izteleuov

---

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Advisers
Akmaral Arystanbekova
Alim Djambourchine
Timur Isataev
Almaz Khamzaev
Karl Sarsenov

Kenya

Governor
W. Musalia Mudavadi

Alternate Governor
Wilfred Koinange

Advisers
Denis Daudi Afande
Mathias Keah
Joseph K.M. Kinyua
Sammy Kirui
Peter Kimilu Matheka
Richard H.O. Okwaro
Rameson D. Ongalo
Haron Moris Ole Sirima
Ms. Muthoni M. Thiongo

Kiribati =

Governor
Mikaere Baraniko

Alternate Governor
Tebwe Ietaake

Korea

Governor
Jae-hyong Hong

Alternate Governors
Kun-Ho Cho *
Myung-Ho Kim

Advisers
Kyu-Yung Chung
Ko-Kwang Huh
Noh-Choong Huh
Kwang-Sub Jung
Ik Tae Kim
Kwang Yie Kim
Woo-Chan Kim
Tae-Shin Kwon
Moon-Ho Lee
Hong-Sung Moon
Hoon Shim
Bong-Hee Won ++
Jin-Sik Yoon
Han-Keun Yun

Kuwait

Governor
Sheikh Salem Abdul-Aziz Al-Sabah

Alternate Governor
Bader Meshari Al-Humaidhi

Advisers
Waleed Al-Bahar
Marwan Abdulla Al-Ghanem
Sheikh Salem Abdullah Al-Ahmed Al-Sabah
Fahad Majed S. Al Salem
Khalid Ahmed Abdulla Al Tarrah
Hesham Ibrahim Al-Woqayan
Ahmad Mohammed Abdulrehman Bastaki

Kyrgyz Republic

Governor
Kamchybek Shakirov

Alternate Governor
Askar I. Sarygulov

Advisers
Aidar Abdyshev
Almas T. Chukin
Birjan Chukin
Ulan Ibraimov
Chorobek Imashev
Mrs. Roza I. Otunbayeva

Lao People's Democratic Republic =

Governor
Khamxay Souphanouvong

Alternate Governors
Heim Phommachanh *
Phiane Philakone

Advisers
Somsanith Nhoybouakong
Phoukhao Soulivong
Sila Viengkeo

---
* Temporary
<> Not a member of IFC
Not a member of IDA
= Not a member of MIGA
+ Executive Director
++ Alternate Executive Director

Latvia =

Governor
Ojars Kehris

Alternate Governor
Miss Danuta Giga

Adviser
Juris Viksning

Lebanon =

Governor
Fuad A.B. Siniora

Alternate Governors
Anwar M. El-Khalil *
Basil R. Fuleihan *
Nadim Amer Munla *

Lesotho

Governor
Selometsi Baholo

Alternate Governor
Motlatsi E. Matekane

Advisers
Teboho E. Kitleli
Reatile Thabo Mochebelele
Abraham Moletsane Monyake
Nkopane Monyane
Ms. Tlalane Victoria Qhobosheane
Ms. Zola Tsotsi

Liberia =

Governor
Mrs. Amelia A. Ward

Alternate Governors
J. Morenje Mlawa *
R. Fole Sherman

Advisers
Konah K. Blackett
George G. Brownell
James S.P. Cooper
John Sembe Morlu
Alexander Wallace

Socialist People's Libyan Arab Jamahiriya

Governor
Mohamed A. Bait El Mal

Alternate Governor
Bashir Ali Khallat

Adviser
Muftah Ali Sherif

Lithuania #

Governor
Julius Veselka

Advisers
Rimantas Romuald Aukstuolis
Dainius Pupkevicius

Luxembourg

Governor
Jean-Claude Juncker

Alternate Governor
Yves Mersch

Advisers
Alphonse Berns
Jerome Hamilius
Thomas Oursin
Alain Prate
Wolfgang Roth
Sir Brian Unwin, K.C.B.

Madagascar, Republic of

Governor
Tovonanahary Rabetsitonta

Alternate Governors
Pierrot J. Rajaonarivelo *
Blandin E. Razafimanjato *
Rajaona Andriamananjara

Advisers
Tantely Andrianarivo
Jocelyn Rafidinarivo
Gaston Ramenason
Armand Razafindrabe

---
* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Malawi

Governor
Louis Joseph Chimango

Advisers
Zakia R.G. Chalira
Josephat M. Chikadza
Chadwick Lawrence Mphande
Simon B. Namagoa
Patrick F. Zimpita

Malaysia

Governor
Dato' Seri Anwar Ibrahim

Alternate Governor
Tan Sri Dato Mohd. Sheriff bin Md.Kassim

Advisers
Tan Sri Dato' Ali Abul Hassan Sulaiman
Aris Othman +
Mohd. Azmin Ali
Hadenan Abdul Jalil
Raja Nazrin Aznam
M. Santhananaban

Maldives =

Alternate Governor
Mohamed Ahmed Didi *

Mali

Governor
Mahamar Oumar Maiga

Alternate Governor
Issaga Dembele

Advisers
Boubacar Sada Sy
Mama Tapo
Aboubacar Alhousseyni Toure
Wolde Mariam Girma

Malta <> #

Governor
John Dalli

Alternate Governor
Edgar Wadge

Adviser
Alfred Falzon

Marshall Islands =

Governor
Ruben R. Zackhras

Alternate Governors
Banny de Brum *
H.M. Gunasekera *
Amon Tibon

Mauritania

Governor
Taki Ould Sidi

Alternate Governor
Mohamed Lemine Ould Deidah

Advisers
Mohamed Fall Ainina
Kane Aly
Amadou Diaw
Fall N'Guissaly
Mohamed Ould Abba
Mohamed Yahya Ould Horma
Sidi el Moctar Ould Nagi
Bekaye Ould Sidi Mohamed

Mauritius

Governor
Paramhamsa Nababsing

Alternate Governor
Dharam Dev Manraj

Advisers
Seewant Bhoojedhur
Peter Craig
William Knight
J. Koonjul
A.P. Neewoor
Radhakrishna Laxman Prabhu
T.M.K. Reddy
Rameswuriall Basant Roi

---

* Temporary
<> Not a member of IFC
Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Mexico =

Alternate Governors
Ariel Buira *
Oscar Espinosa *
Jose Angel Gurria *
Moises A. Pineda Padron *
Marco Provencio *
Jacques Rogozinski *
Enrique Vilatela Riba *
Guillermo Ortiz

Advisers
Ms. Marcela Alvarez-Cuesta
Antonio Cervera Sandoval
Salvador Gonzalez
Javier Guzman Calafell
Sergio Hidalgo
Ernesto Marcos
Roberto Martinez
Ms. Alma Rosa Moreno
Arturo Ortiz Hidalgo
Luis Alberto Perez Aceves
German Sandoval Faz

Micronesia, Federated States of

Governor
Aloysius J. Tuuth

Alternate Governor
Asterio R. Takesy

Advisers
Henry Asugar
Peter Christian
H. David Grace
James Lukan
Ms. Anna Mendiola
James Stovall
Joseph Ursemal

Moldova <> #

Governor
Mrs. Claudia Melnic

Alternate Governor
Mrs. Lilia Burunciuc *

Adviser
Viorel Ciubotaru

Mongolia =

Governor
Molomzhamts Demchigjavyn

Alternate Governor
Jigjiviin Ayur *

Advisers
Luvsandor Dawagiv
Ms. Dalantai Haliun
Ms. Odongua Tserendagvyn
Luvsantseren Orgil
Monhbat Siilegmaa

Morocco

Governor
Mohamed Berrada

Alternate Governor
Mohamed Dairi

Advisers
Mohamed Aboulfadl
Mohamed Aissaoui
Mohamed Benaissa
Fouad Benzakour
Mustapha Faris
Omar Kabbaj
Monkid Mestassi
Benyoussef Saboni
Mustapha Sahel
Ali Tricha

Mozambique =

Governor
Adriano Afonso Maleiane

Alternate Governor
Samuel Canor-Navele

Adviser
Jose Frederico da Cruz Viola

Myanmar =

Governor
Brig.Gen. Win Tin

---

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Alternate Governor
U Thein Aung Lwin

Advisers
U Khin Maung Aye
Ms. Khin Ohn Thant
U Thaung

Namibia #

Governor
Zedekia Ngavirue

Alternate Governor
Godfrey Gaoseb

Advisers
Neville Gertze
Tuliameni Kalomoh

Nepal =

Governor
Mahesh Acharya

Alternate Governors
Yog Prasad Upadhyay *
Thakur Nath Pant

Advisers
Prafulla Kumar Kafle
Pradeep Kathiwada

Netherlands

Governor
Wim Kok

Alternate Governors
I.M. de Jong *
Ms. Eveline Herfkens *+
Pieter Stek *
J.P. Pronk

Advisers
Johannes H. Brits
Ms. Annette Deckers
Frans J.F.M. de Neree tot Babberich
A.P.R. Jacobovits de Szeged
Ms. Monique H. Koning
Marnix Krop
J. Peter Le Poole
Godert A. Posthumus
Wouter Raab
Jaap Rooimans
Raymond Salet
Gerard Steeghs
Emsley D. Tromp
Jan Willem van der Kaaij
M. Van Wier
Rob Vermaas

New Zealand =

Governor
Murray J. Horn

Alternate Governor
Graeme Paul Wheeler

Advisers
Phillip Anderson
Struan Little
Allan Smith

Nicaragua

Governor
Emilio Pereira Alegria

Alternate Governor
Nestor Reyes Orozco

Advisers
Ms. Aida Maria Herdocia
Enrique J. Vanegas
Jorge Wong-Valle
Robert J. Zamora

Niger -

Governor
Souley Abdoulaye

Alternate Governors
Issaka Baoua Amani *
Mrs. Kane Aichatou Boulama

Adviser
Moussa Sangare

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Nigeria

Governor
Alhaji Aminu Saleh

Alternate Governors
Y. Seyyid Abdulai *
Zubair Mahmud Kazaure *
Michael Olufemi Ojo *
David A. Olorunleke

Advisers
F.R. Aderele
F.U. Alaneme
Akinlose Sylvester Arikawe
Mrs. J.O. Ashinze
Alhaji Umar Maigari Baba
P.O. Benemoh
Robinson N. Ezeife
A. Hamman
G. Ikeh
Mrs. T. Iremiren
Mahdi Jibir
Alhaji S.Y. Kasimu
Miss E.I. Malomo
Abdulmalik Y. Mohammed
Mrs. J. Odunsi
U. Okonkwo
A.O. Olaoye
Adebisi Oloyede
Mrs. H.A. Oseni
S. Otun
Alhaji U.F. Shehu

Norway

Governor
Sigbjoern Johnsen

Alternate Governor
Ms. Kari Nordheim-Larsen

Advisers
Eivind Dingstad
Jan Roald Haugen
Ole Kristian Holthe
Jannik Lindbaek
Trond Folke Lindberg
Mrs. Jorunn Maehlum +
Tor Berntin Naess
Bjorn Gunnarson Rogstad
Helge Semb
Ms. Anne-Lise Grande Vollan

Oman

Governor
Warith bin Mubarak Al-Kharusi

Alternate Governor
Abdul Mahdi A. Baqi Ali *

Adviser
Fuaad Jaffer Mohammed Sajwani

Pakistan

Governor
Syed Babar Ali

Alternate Governor
R.A. Akhund

Advisers
Abdul Malik Abdullah
Agha Ghazanfar
Muhammad Ashraf Janjua
Ali Sarwar Naqvi
M.A. Zuberi

Panama =

Governor
Ms. Delia Cardenas

Alternate Governors
Juan Manuel Castulovich *
Luis H. Moreno, Jr.

Adviser
Eudoro Jaen

Papua New Guinea

Governor
Sir Julius Chan

Alternate Governor
Gerea Aopi

Advisers
Mrs. Monica Harris
Isaac Lupari
Babani Maraga
Kevin Masive
Christopher Mero

---

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Samson Napo
Ben Okoro
Gabriel Pepson
S. Polume

Paraguay

Governor
Crispiniano Sandoval

Alternate Governor
Inocencio Palacios

Advisers
Carlos A. Aguirre
Juan E. Aguirre
Luis E. Breuer
Ms. Martha Campos Endara
Henri Paul Dolsa Ocampo
Eduardo Feliciangeli
Hermes Gomez
Federico Gonzalez
Julio Gonzalez
Carlos Alberto Knapps

Peru

Governor
Jorge Camet

Alternate Governor
German Suarez Chavez

Advisers
Guillermo Castañeda Mungi
Manuel Estela
Alberto F. Jimenez de Lucio
Martin A. Naranjo Landerer
Raul Otero
Jorge R. Peschiera
Jorge Picasso
Jaime Pinto
Manuel Vasquez Perales

Philippines =

Governor
Ernest C. Leung

Alternate Governors
John Henry R. Osmena *
Felicito C. Payumo *
Raul C. Rabe *
Francis Hector M. Varela *

Advisers
Arsenio M. Bartolome, III
Antonio I. Basilio
Rafael B. Buenaventura
Roberto F. de Ocampo
Nestor A. Espenilla, Jr.
Octavio Victor R. Espiritu
Jose R. Facundo
Edward S. Go
William B. Go
Vicente Jayme
Jesli A. Lapus
Jeremias Paul, Jr.
Mrs. Ma. Cecilia Soriano
Renato C. Valencia

Poland

Governor
Mrs. Hanna Gronkiewicz-Waltz

Alternate Governor
Witold Kozinski

Advisers
Ms. Maria Celarska
Pawel Durjasz
Pawel Kmiec
Ryszard Kokoszczynski
Ms. Beata Lenard
Krzysztof Majczuk
Slawomir Michalak
Jan Sulmicki ++

Portugal

Governor
Jorge Braga de Macedo

Alternate Governors
Miguel Jose Ribeiro Cadilhe *
Ms. Maria Helena Cordeiro *++
Manuel Antonio Gomes de Almeida de Pinho
Jose M.F. Braz

Advisers
Ms. Isabel Correia Barata
Herve Carre
Rui Fidalgo

---
* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Ms. Ana Maria Martinho
Ms. Filomena R. da Rocha P.de Oliveira

Qatar <> # =

Governor
Abdullah Khalid Al-Attiyah

Alternate Governor
Fahad Bin Faisal Al-Thani

Advisers
Abdulla Al Merri
Faisal Al Sulati
Sheikh Abdulrahman bin Saud Al-Thani
Moujeb Al-Turki
Abdu M.M. Khalil

Romania #

Governor
Florin Georgescu

Alternate Governor
Teodor Buftea *

Advisers
Mircea Cosea
Vasile Galgau

Russian Federation

Governor
Aleksandr N. Shokhin

Alternate Governor
Viktor V. Gerashchenko

Advisers
Mrs. Larisa Arushanova
Andrei A. Bragin
Sergei Y. Chestnoi
Alexander Chumachenko
Mikhail Dmitriev
Victor Dmitriev
Alexander N. Doumnov ++
Boris Fedoro +
Andrei Filev
Grigori Y. Glazkov
Anatoli Ivanovich Gorchkov
Leonid M. Grigoriev
Konstantin G. Kagalovsky
Alexandr A. Khandruyev
Dmitry Y. Khilov
Vladimir Korolev
Ms. Elena V. Kotova
Sergei N. Lavrov
Vladimir P. Lukin
Boris M. Lvin
Alexei M. Morozov
Aleksei V. Mozhin
Gennadi Pavlov
Pavel Smirnov
Nikolai Soubbotin
Vitali Y. Verjbitski
Andrei Vernikov

Rwanda =

Governor
Marc Rugenera

Alternate Governor
Felicien Ntahondi

Advisers
Augustin Maharangali
Ms. Vianney Mukandoli
Aloys Uwimana

St. Kitts and Nevis <> =

Governor
Kennedy A. Simmonds

Alternate Governor
William V. Herbert

Advisers
Courtney N. Blackman
Aubrey Hart
John P. Irish

St. Lucia

Governor
Michael Pilgrim

Alternate Governor
Ausbert F.R.P. d'Auvergne

Advisers
S.C. McHale Andrew
Byron W. Blake

---

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

McDonald Dixon
Joseph Edmunds, O.B.E.
John A. Peters
Marius St. Rose

St. Vincent and the Grenadines <>

Governor
James F. Mitchell

Alternate Governor
Randolph Cato

Advisers
Alpian Allen
Kingsley Layne
Wendell Samuel
Theophilus Shallow

Sao Tome and Principe <> =

Governor
Arlindo Afonso de Carvalho

Alternate Governor
Mrs. Elsa M. Pereira da Costa Cardoso

Adviser
Matthew Martin

Saudi Arabia

Governor
Sheikh Mohammad Abalkhail

Alternate Governors
Ibrahim A. Al-Assaf *+
Sheikh Hamad Al-Sayari
Jobarah Al-Suraisry *

Advisers
Ahmed Abdullatif
Abdulrahman R. Al-Abdullatif
Khalid Al-Aboodi
Riyad Al-Dughaither
Ahmed M. Al-Ghannam ++
Waslallah Al-Harthi
Saleh Eid Al-Huseini
Ibrahim M. Alissa
Matar A.M. Aljameely
Ahmed M.A. Al-Jebreen
Medlej Al-Medlej
Ibrahim Al-Mofleh
Sulaiman Al-Olayan
Abdulaziz Al-Orayer
Said Al-Qahtani
Abdullah Sulaiman Al-Rajhi
Ziad Al-Saad
Saud Al-Saleh
Abdullah Abu Al-Samh
Abdulaziz A. Al-Sehail
Ali Samir Al-Shihabi
Abdulaziz Saleh Al-Sughayer
Ali A. Al-Suheili
Abdulrahman A. Al-Tuwaijri
Henry T. Azzam
Ghassan Badkook
Wahib Binzagr
Michael A. Callen
Peter J. de Roos
El-Refai Kamal Eisa
Elie El Hadj
Abdullah El-Kuwaiz
Osama J. Faquih
Marcos G. Ghattas
Richard R. Herbert
Muhammad Saleh Jokhdar
Jamal Kibbi
Melhem F. Melhem
Abdulaziz A. O'Hali
Omar Abdullah Seijiny
Abdulhadi Ali Shayif
Aziz M. Sherif
Andre van Hove

Senegal

Governor
Papa Ousmane Sakho

Alternate Governor
Mrs. Awa Thiongane

Advisers
Mamadou Woury Diallo
Ms. Seynabou Diop Fall
Lamine Diouf
Mamoudou Amadou Ly
Papa Salla Mboup
Babacar N'Diaye
Mamadou Diagna N'Diaye
Mamadou Mansour Seck

---

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Seychelles #

Governor
Mrs. Danielle de St.Jorre

Alternate Governor
Bertrand Rassool

Sierra Leone =

Governor
John A. Karimu

Alternate Governor
Nathaniel S.B. Wellington

Advisers
Sayo B. Kanu
Thomas K. Kargbo
P.J. Kuyembeh
Abdulai Sheka Mansaray
Grahame J. Nathan
Alwyn B. Taylor

Singapore # =

Governor
Richard Hu Tsu Tau

Alternate Governors
Lee Yuen Hee *
Mrs. Pek Siok Ching

Adviser
Hon Chee-Won

Slovak Republic

Governor
Julius Toth

Alternate Governor
Vladimir Masar

Advisers
Vladimir Bachar
Kamil Kovac
Vladimir Rigasz

Slovenia

Governor
Mitja Gaspari

Alternate Governor
Dusan Hocevar *

Advisers
Ms. Maja Nosan
Ernest Petric
Marian Prah
Boris Skapin
Gregor Zore

Solomon Islands =

Governor
Andrew G.H. Nori

Alternate Governor
Snyder Rini

Advisers
Anthony V. Hughes
Leslie Teama

Somalia =

South Africa =

Governor
Christian Lodewyk Stals

Alternate Governor
Andries Benjamin La Grange

Advisers
Desmond C. Krogh
Francois le Roux
Jacob Hendrik Meijer
Harry Heinz Schwarz
Frank Taverner
Abraham Adriaan Venter

Spain

Governor
Alfredo Pastor Bodner

Alternate Governor
Joaquin de la Herran Mendivil *

---

* Temporary
<> Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

Advisers
Sero Alcalde
Julio Duran
Jose Ramon Ferrandis
Ms. Carmen Fuente Salvador
Luis Maria Linde
Miguel Muniz de las Cuevas
Ms. Rosa Puech
Ms. Isabel Riano
Jorge Sevilla Segura
Angel Torres +

Sri Lanka

Governor
R. Paskaralingam

Alternate Governors
Ananda W.P. Guruge *
K. Shanmugalingam

Advisers
S.C. Mannapperuma
A.A. Wijetunga

Sudan

Governor
Mohamed Khair El Zubair

Alternate Governor
Abdelrahman Mohamed Hassan

Suriname <> # =

Governor
Humphrey S. Hildenberg

Alternate Governor
Stanley B. Ramsaran

Adviser
Willem Udenhout

Swaziland

Governor
Isaac S. Shabangu

Alternate Governor
Thamsanqa T. Vilane

Advisers
Samuel Sipho Kuhlase
Mrs. Lindiwe Audrey Nhlabatsi

Sweden

Governor
Mrs. Anne Wibble

Alternate Governors
Lennart Bage *
Sven-Olof Johansson *

Advisers
Staffan Crona
Anders O. Henriksson
Torgny Holmgren
Bo Jerlstrom
Erik Johnsson
Ms. Margareta A. Kyhlberg
Mats Nyman
Carl-Ivar Ohman

Switzerland

Governor
Otto Stich

Alternate Governors
Walter Fust *
Franz Blankart

Advisers
Philippe Cottier
Ms. Yvana Enzler
Philippe Fontana
Jorg Giovanni Frieden
Anton Greber
Othmar Hafner
Ms. Marie-Gabrielle Ineichen
Carlo Jagmetti
Oscar Knapp

Syrian Arab Republic =

Governor
Mohammed Khaled Al-Mahayni

Alternate Governor
Adnan Al-Satti

---

* Temporary
<> Not a member of IFC
Not a member of IDA
= Not a member of MIGA
+ Executive Director
++ Alternate Executive Director

Advisers
Yassin Al-Khateeb
Mohammad Bitar
Georges El-Ouzone
Zuhair Taglibi

Tajikistan, Republic of <> =

Governor
Safar G. Safarova

Tanzania

Alternate Governors
Isaac A. Sepetu *
Peter J. Ngumbullu

Advisers
Ame Bakari Ame
P. Bomani
Ali Karume
Fulgence M. Kazaura
M.T. Kibwana
N.M. Mboyi
Mussa A.S. Mdidi
Mrs. Tatu Mdingi
Raphael N. Mlolwa
Charles M. Nyirabu
S. Odunga

Thailand =

Governor
Tarrin Nimmanahaeminda

Alternate Governors
M.L. Birabhongse Kasemsri *
Phisit Pakkasem *
Somchai Richupan *
Aran Thammano

Advisers
Anuthra Asawanonda
Mrs. Anya Damrongsri
Aswin Kongsiri
Banyong Lamsam
Chakrabhand Chandanasiri
Chalerm Cheo-Sakul
Chatri Sophonpanich
Chavalit Thanachanan
Chulakorn Singhakowin
Mrs. Kleo-Thong Hetrakul
Kawee Keereepart
Kirkkiat Jalichan
Mrs. Pannee Sathavarodom
Panyarak Poolthup
Pornsanong Tuchinda
Prachitr Yossundara
Som Chatusripitak
Sujetana Seksarn
Suparut Kawatkul
Surachai Pongpitaksopon
Thanong Bidaya
Theeraj Athanavanich
Warawudh Chuwiruch

Togo

Governor
Yandja Yentchabre

Alternate Governor
Kwassi Klutse

Advisers
Kadio Michel Assielou
Boukpessi Payadowa
Ms. Essivi Florence Djokpe
Mahenta Birima Fall
Tankpadja Lalle

Tonga =

Governor
James Cecil Cocker

Alternate Governor
Taniela Penisimani To'a Vea

Adviser
Mrs. Ofa Ketu'u

Trinidad and Tobago

Governor
Lenny Krishendath Saith

Alternate Governor
Carlyle Greaves

Advisers
Jerry Hospedales
Kamal Churaman Mankee

---

* Temporary
<> Not a member of IFC
Not a member of IDA
= Not a member of MIGA
+ Executive Director
++ Alternate Executive Director

Tunisia

Governor
Mohamed Ghannouchi

Alternate Governor
Taoufik Baccar

Advisers
Slaheddine ben Mahmoud
Kamel Ben Rejeb
Abdeslem Benyounes
Moncef Kaouech
Ismail Khelil
Mohamed Mestiri
Tahar Sioud
Abdelhamid Triki

Turkey

Governor
Osman Unsal

Alternate Governor
M. Bulent Ozgun

Advisers
Nurcan Akturk ++
Ms. Seven Ates
Ahmet Mahfi Egilmez
Ersen Ekren
Ms. Bahar Sahin
Ms. Assuntina Vaccaro

Turkmenistan <> # =

Governor
Hadir M. Achilov

Alternate Governor
Valeri Ottchertsov

Advisers
Hulusi Belgu
Davlet Kurbanov
E. Namyk
Tahir E. Ovlyakuliev

Uganda

Governor
Jehoash Mayanja-Nkangi

Alternate Governor
Emmanuel T. Mutebile

Advisers
Joseph Adrole
Keith Muhakanizi
Mrs. Eva N. Mukasa
David Mulira
Ms. Annette Mulondo Mill'Carol
Philip Odida
Fred Jachan Omach
Ezra Sabiti Suruma
Fabian R. Tibeita
John K. Twinomusinguzi

Ukraine <> # =

Governor
Victor Yuschenko

Alternate Governor
Michael O. Goncharuk

Advisers
Oleh H. Bilorus
Oleh Havrylyshyn
Yuli Ioffe
Sergiy Kulyk
Vadim Marchuk
Oleg Rybachouk
Oleksander Savchenko

United Arab Emirates =

Governor
Ahmed Humaid Al-Tayer

Alternate Governor
Nassar Al-Nowais

Advisers
Fadhel Saeed Al Darmaki
Ahmed Lutfi Ali
Anis Al-Jallaf
Mohamed Al Mazroui
Khalifa Mohamed Al-Muhairi
Ebrahim M.E. Al Saman Al-Neaimi
Sultan Rashed Ebrahim Saif Al-Sakeb
Khalifa Mohd. Hassan
Miss Nariman A. Kamber
Mohamed Khalfan bin Khirbash

* Temporary
<> Not a member of IFC
Not a member of IDA
= Not a member of MIGA
+ Executive Director
++ Alternate Executive Director

United Kingdom

Governor
Kenneth Clarke

Alternate Governors
Alan P. Budd *
Andrew D. Crockett *
Timothy Lankester *
David Peretz *+
Peter N. Sedgwick *
David L. Stanton *++
Sir Nigel Wicks*

Advisers
Christopher Bailey
David A. Barr
Alan G. Cathcart
Norman T.L. Chan
Ms. Catherine Gaseltine
Neil Gregory
Jeremy Heywood
Andrew Hudson
Mrs. Tessa Keswick
James H. Lau, Jr.
Hamish Macleod
Robert Kenneth W. Powell
Brian Quinn
Kevin Tebbit
Ms. Anna Wechsberg
Joseph C.K. Yam, J.P.

United States

Governor
Lloyd M. Bentsen

Alternate Governors
John M. Abbott *
J. Brian Atwood *
Mark M. Collins, Jr. *++
David W. Mullins, Jr. *
Jeffrey R. Shafer *
Lawrence H. Summers *
Mrs. Joan E. Spero

Advisers
William E. Barreda
Kenneth D. Brody
Terrence J. Checki
James H. Fall, III
Henry H. Fowler
Ms. Susan Levine
Michael B. Levy
David Lipton
Oscar M. Mackour
William J. McDonough
James H. Michel
G. William Miller
Barry S. Newman
Mrs. Rita M. Rodriguez
Paul S. Sarbanes
Charles Schotta
Edwin M. Truman
Louis B. Warren, Jr.

Uruguay #

Governor
Ignacio de Posadas Montero

Alternate Governors
Enrique Braga *
Cesar Rodriguez Batlle *
Gustavo Licandro

Adviser
Carlos Steneri

Uzbekistan =

Governor
Baqiboev Erkin Joraevich

Alternate Governor
P.H. Nasirov

Advisers
Abdourafik Ahadov
Bakhtier Ibraguimov

Vanuatu

Governor
Sampson Ngwele

Alternate Governor
Antoine Pikioune

Venezuela # =

Governor
Hernan Anzola

---
* Temporary
<> Not a member of IFC
Not a member of IDA
= Not a member of MIGA
+ Executive Director
++ Alternate Executive Director

Alternate Governor
Guillermo Pimentel *

Advisers
Edmond Benedetti
Ms. Beatriz Grando de Araujo
Mrs. Leonor Filardo
Andres Ricardo Gluski
Luis Xavier Grisanti
William Larralde
Gerver Torres
German Utreras
Julian Villalba-Villalba

Viet Nam =

Governor
Nguyen Cong Hai

Alternate Governor
Mrs. Duong Thu Huong *

Adviser
Cao Dac Cuong

Western Samoa

Governor
Epa Tuioti

Alternate Governor
Ms. Hinauri Petana

Adviser
Sir Peter Tapsell

Yemen, Republic of =

Governor
Abdul Karim Al-Eryani

Alternate Governor
Anwar Rizq Al-Harazi

Advisers
Ali Abdulrahman Al-Bahr
Ali Lutf Al-Thour
Omar Salim Bazara
Galal Mohamed Moula
Jamal A. Numan
Ahmed Ahmed Ghaleb Saeed

Zaire

Advisers
Ngimbi Kalumvueziko
Tatanene Manata

Zambia

Governor
D.N. Mung'omba

Alternate Governor
James Mwalimu Mtonga

Advisers
Richard K.E. Chembe
Richard M. Chizyuka
Ben Chundu
D.W. Kamana
E. Koloko
Gershom Moses Mumba
Situmbeko Musokotwane
W.D. Musonda
J.Y. Ng'oma
E.D. Njobvu

Zimbabwe

Governor
Mrs. D.Z. Guti

Alternate Governor
R.V. Wilde

Advisers
J. Banga
Andrew Bvumbe
Norman Chakanetsa
Ms. Rudo M. Faranisi
Ms. Dinah Zvademoyo Guti
Eria Hamandishe
Stuart Kufeni
V.S. Kumalo
Somkhosi Mahamba Malaba
Mrs. Valerie McNicol
Kombo James Moyana
Joseph Mubika
M. Nziramasanga
Fudzai Pamacheche
O. Tshabangu

---

* Temporary
◇ Not a member of IFC
\# Not a member of IDA
= Not a member of MIGA
\+ Executive Director
++ Alternate Executive Director

ACCREDITED MEMBERS OF DELEGATIONS (MIGA) AT 1993 ANNUAL MEETINGS

Albania

Governor
Gjergj Konda

Alternate Governor
Dylber Vrioni *

Angola

Governor
Pedro da Cunha Neto

Alternate Governor
Antonio Gomes Furtado

Argentina

Governor
Horacio Tomas Liendo

Azerbaijan

Governor
Saleh M. Mammedov

Bahrain

Governor
Ibrahim Abdul Karim

Alternate Governor
Naser Mohamed Yusuf Al Balooshi *

Bangladesh

Alternate Governor
Ayub Quadri

Barbados

Governor
L.Erskine Sandiford

Alternate Governor
George Reid

Belarus

Governor
Nikolai Filippovich Rumas

Alternate Governor
Eugene Georgievich Bogomazov *

Belgium

Governor
Philippe Maystadt

Alternate Governor
Gregorie Brouhns

Belize

Governor
Manuel Esquivel

Alternate Governor
Keith Arnold

Bolivia

Governor
Fernando Illanes de la Riva

Alternate Governor
Ramiro Cabezas Masses *

Botswana

Alternate Governor
Modise Davies Modise

Brazil

Governor
Fernando Henrique Cardoso

Alternate Governors
Joao Rocha *
Pedro Sampaio Malan

---

* Temporary
\+ Director
++ Alternate Director

Bulgaria

Governor
Dimitar Ivanov Kostov

Alternate Governor
Marin Bogdanov Bogdanov

Burkina Faso

Governor
Moussa Kone

Alternate Governor
Bissiri Joseph Sirima

Cameroon

Governor
Augustin Frederic Kodock

Alternate Governor
Mrs. Esther Dang Belibi

Canada

Governor
Gilles Loiselle

Alternate Governor
Ms. Huguette Labelle

Cape Verde

Governor
Jose Tomas W. Carvalho Veiga

Alternate Governor
Alexandre Vieira Fontes

Chile

Alternate Governor
Jose Pablo Arellano

China

Governor
Liu Zhongli

Alternate Governor
JIN Renqing

Congo, Republic of

Governor
Clement Mouamba

Côte d'Ivoire

Governor
Daniel Duncan Kablan

Alternate Governor
N'Golo Coulibaly

Croatia

Governor
Zlatko Matesa

Alternate Governor
Josip Kulisic

Cyprus

Alternate Governor
George V. Hadjianastassiou

Czech Republic

Governor
Ivan Kocarnik

Alternate Governor
Jan Vit

Denmark

Governor
Ms. Helle Degn

Alternate Governor
Ole Loensmann Poulsen

Dominica

Alternate Governor
Cary A. Harris

* Temporary
+ Director
++ Alternate Director

Ecuador

Governor
Cesar Robalino Gonzaga

Egypt

El Salvador

Governor
Ms. Mirna Lievano Marques

Estonia

Governor
Madis Uurike

Alternate Governor
Raivo Maine

Ethiopia

Governor
Alemayehu Daba

Alternate Governor
Ezra Worku

Fiji

Governor
Paul F. Manueli

Alternate Governor
Rigamoto Taito

Finland

Governor
Iiro Viinanen

Alternate Governors
Mauri Eggert *
Veikko Kantola *
Eino Keinaenen *

France

Governor
Jean-Claude Trichet

Alternate Governor
Christian Noyer

Gambia, The

Governor
Bakary B. Dabo

Alternate Governor
Abdoulai M. Touray

Georgia

Alternate Governor
Michail Chichikoevich Djibouti

Germany

Governor
Carl-Dieter Spranger

Alternate Governors
Fritz Fischer *+
Eberhard Kurth *
Gert Haller

Ghana

Governor
Kwesi Botchwey

Greece

Alternate Governor
George Vlachos

Grenada

Governor
Nicholas Brathwaite

Guyana

Governor
Asgar Ally

Alternate Governor
Ms. Desiree Field-Ridley *

---

* Temporary
\+ Director
++ Alternate Director

Honduras

Governor
Ricardo Maduro Joest

Alternate Governor
Ms. Marcia Elisa Bonilla Mejia

Hungary

Governor
Iván Szabó

Alternate Governors
Frigyes Harshegyi *
Janos Martonyi

Indonesia

Governor
Mar'ie Muhammad

Alternate Governor
J. Soedradjad Djiwandono

Ireland

Governor
Bertie Ahern

Alternate Governor
Sean P. Cromien

Israel

Governor
Gideon Schurr

Italy

Governor
Antonio Fazio

Alternate Governor
Mario Draghi

Jamaica

Governor
Omar Davies

Alternate Governor
Mrs. Marjorie Henriques *

Japan

Alternate Governors
Takatoshi Kato *
Yasuyuki Kawahara *+
Isao Kubota *
Zenbei Mizoguchi *
Shohei Naito *
Kosuke Nakahira *

Jordan

Governor
Bassam Khalil Saket

Alternate Governor
Fayiz Soheimat

Kazakhstan

Governor
Oraz A. Jandosov

Alternate Governor
Serik A. Akhanov

Kenya

Governor
W. Musalia Mudavadi

Alternate Governor
Wilfred Koinange

Korea

Governor
Jae-hyong Hong

Alternate Governors
Myung-Ho Kim
Kun-Ho Cho *

---

* Temporary
\+ Director
++ Alternate Director

Kyrgyz Republic

Kuwait

Governor
Sheikh Salem Abdul-Aziz Al-Sabah

Alternate Governor
Ali Abdulrehman Rashaid Al Bader

Lesotho

Governor
Selometsi Baholo

Alternate Governor
Motlatsi E. Matekane

Socialist People's Libyan Arab Jamahiriya

Governor
Mohamed A. Bait El Mal

Alternate Governor
Mahmud M. Shenghir *

Lithuania

Governor
Julius Veselka

Luxembourg

Governor
Jean-Claude Juncker

Alternate Governor
Yves Mersch

Madagascar, Republic of

Governor
Tovonanahary Rabetsitonta

Alternate Governors
Rajaona Andriamananjara
Pierrot J. Rajaonarivelo *

Malawi

Governor
Louis Joseph Chimango

Malaysia

Governor
Dato' Seri Anwar Ibrahim

Alternate Governor
Tan Sri Dato Mohd. Sheriff bin Md.Kassim

Mali

Governor
Mahamar Oumar Maiga

Alternate Governor
Namala Kone

Malta

Governor
Alfred Rizzo

Alternate Governor
John Agius

Mauritania

Governor
Kane Cheikh Mohamed Fadel

Alternate Governor
Sidi Mohamed Ould Bakha

Mauritius

Governor
Rundeersing Bheenick

Alternate Governor
Jagnaden P. Coopamah

Micronesia, Federated States of

Governor
Aloysius J. Tuuth

Alternate Governor
Ringlen Ringlen *

---

* Temporary
\+ Director
++ Alternate Director

Moldova

Governor
Mrs. Claudia Melnic

Alternate Governor
Anatol Arapou *

Morocco

Governor
Abdelatif Loudiyi

Alternate Governor
Thami El-Barki

Namibia

Governor
S.S. Galloway

Netherlands

Governor
Wim Kok

Alternate Governors
I.M. de Jong *
J.P. Pronk

Nicaragua

Governor
Emilio Pereira Alegria

Alternate Governor
Jose Evenor Taboada Arana

Nigeria

Governor
Alhaji Aminu Saleh

Alternate Governor
David A. Olorunleke

Norway

Governor
Sigbjoern Johnsen

Alternate Governor
Ms. Kari Nordheim-Larsen

Oman

Pakistan

Governor
Saeed Ahmad Qureshi

Alternate Governor
Choudri Mueen Afzal

Papua New Guinea

Governor
Julius Chan

Alternate Governor
Gerea Aopi

Paraguay

Governor
Crispiniano Sandoval

Alternate Governor
Inocencio Palacios

Peru

Governor
Roberto Abusada Salah

Poland

Governor
Ryszard Michalski

Alternate Governor
Andrzej Chmiel

Portugal

Governor
Jorge Braga de Macedo

Romania

Governor
Florin Georgescu

* Temporary
\+ Director
++ Alternate Director

Russian Federation

Governor
Aleksandr N. Shokhin

Alternate Governor
Viktor V. Gerashchenko

St. Lucia

Governor
John G.M. Compton

Alternate Governor
John Lisle Bristol *

St. Vincent and the Grenadines

Governor
Bernard Wyllie

Alternate Governor
Maurice Edwards

Saudi Arabia

Governor
Sheikh Mohammad Abalkhail

Alternate Governor
Jobarah Al-Suraisry

Senegal

Governor
Papa Ousmane Sakho

Alternate Governor
Mrs. Awa Thiongane

Seychelles

Governor
Bertrand Rassool

Slovak Republic

Governor
Julius Toth

Alternate Governor
Vladimir Masar

Slovenia

Governor
Mojmir Mrak

Alternate Governor
Martin Mihevc *

Spain

Alternate Governor
Ms. Pilar Moran Reyero *

Sri Lanka

Governor
R. Paskaralingam

Alternate Governor
Susantha de Alwis +

Sudan

Governor
Mohamed Khair El Zubair

Swaziland

Governor
Mrs. Sibongile G. Mdluli

Alternate Governor
Miss Adelaide Phindile Mkhonza

Sweden

Governor
Mrs. Anne Wibble

Alternate Governors
Lennart Bage *
Sven-Olof Johansson *

Switzerland

Governor
Nicolas Imboden

Tanzania

Alternate Governor
Peter J. Ngumbullu

* Temporary
\+ Director
++ Alternate Director

Togo

Governor
Yandja Yentchabre

Alternate Governor
Kwassi Klutse

Trinidad and Tobago

Governor
Wendell Mottley

Tunisia

Governor
Mohamed Ghannouchi

Alternate Governor
Said M'Rabet

Turkey

Governor
Osman Unsal

Alternate Governor
M. Bulent Ozgun

Uganda

Governor
Jehoash Mayanja-Nkangi

Alternate Governor
Emmanuel T. Mutebile

United Kingdom

Governor
Kenneth Clarke

Alternate Governors
David Peretz * +
Peter N. Sedgwick *
David L. Stanton * ++

United States

Governor
Lloyd M. Bentsen

Alternate Governors
John M. Abbott *
J. Brian Atwood *
Mark M. Collins , Jr. * ++
David W. Mullins , Jr. *
Jeffrey R. Shafer *
Lawrence H. Summers *
Mrs. Joan E. Spero

Uruguay

Governor
Ignacio de Posadas Montero

Vanuatu

Alternate Governor
Mrs. Jephlyn Nasse

Western Samoa

Governor
Sifuiva Sione

Alternate Governor
Gaina Tino

Zaire

Zambia

Governor
Jacob Mumbi Mwanza

Alternate Governor
Salvator Mambo Tembo

Zimbabwe

* Temporary
\+ Director
++ Executive Director

REPRESENTATIVES OF INTERNATIONAL INSTITUTIONS

International Fund for Agricultural Development

Fawzi Hamad Al-Sultan
Donald S. Brown
Mrs. Vera P. Gathright
Bahman Mansuri
Theodore Van der Pluijm

APPLICANT COUNTRIES

Eritrea

Weldetensae Ogbu Haile
Welde Giorgis Andebhran
Abraham Merhatsion Afeworki
Fassil Ogbagzi Eden
Fassil Gabriel
Yosief Tesfamichael Gebreselassie

EXECUTIVE DIRECTORS, ALTERNATES AND ADVISORS
BANK
September 30, 1993

Executive Directors	*Alternate Executive Directors*	*Advisors to Executive Directors*
Ibrahim A. AL-ASSAF (Saudi Arabia)	Ahmed M. AL-GHANNAM (Saudi Arabia)	Richard R. HERBERT (United Kingdom)
Faisal Abdul Razzak AL-KHALED (Kuwait)	Mohamed Wafik HOSNY (Egypt)	Ezzedin M. SHAMSEDIN (Lebanon)
		Abdul Karim SADIK (Jordan)
ARIS Othman (Malaysia)	Jannes HUTAGALUNG (Indonesia)	Mrs. Ofa KETU'U (Tonga)
Marc-Antoine AUTHEMAN (France)	Jerome HAAS (France)	Philippe AYOUN (France)
Mohamed BENHOCINE (Algeria)	Arshad FAROOQ (Pakistan)	Ernest AKO-ADJEI (Ghana)
		Mohammad KHAZAEE TORSHIZI (Iran, I.R. of)
John H. COSGROVE (Australia)	Bong-Hee WON (Korea)	Allan SMITH (New Zealand)
Robert R. DE COTRET (Canada)	Hubert L. DEAN (The Bahamas)	Gregory EBEL (Canada)
		Ms. Lesley BOUCHER (Canada)
		Nioclas O'MURCHU (Ireland)
Boris FEDOROV (Russia)	Alexander N. DOUMNOV (Russia)	Leonid M. GRIGORIEV (Russia)
Fritz FISCHER (Germany)	Harald REHM (Germany)	Christoph SIGRIST (Germany)
Nicolas FLAÑO (Chile)	Julio NOGUES (Argentina)	Mrs. Jeannette MERCADO (Bolivia)
Jean-Daniel GERBER (Switzerland)	Jan SULMICKI (Poland)	Pietro VEGLIO (Switzerland)
Enzo R. GRILLI (Italy)	Ms. Maria Helena CORDEIRO (Portugal)	
Ms. Eveline HERFKENS (Netherlands)	Mrs. Ileana IONESCU (Romania)	Boris SKAPIN (Slovenia)
Bimal JALAN (India)	M.A. SYED (Bangladesh)	S.G. HODA (India)
Yasuyuki KAWAHARA (Japan)	Kiyoshi KODERA (Japan)	Masaaki KAIZUKA (Japan)
Jean-Pierre LE BOUDER (Central African Rep.)	Ali BOURHANE (Comoros)	Ali M. KALFAN (Somalia)
		Bassary TOURE (Mali)
		Frank DOUAMBA (Côte d'Ivoire)

Executive Directors	*Alternate Executive Directors*	*Advisors to Executive Directors*
Mrs. Jorunn MAEHLUM (Norway)	Mrs. Helga JONSDOTTIR (Iceland)	Anders O. HENRIKSSON (Sweden) Michael SONDERGAARD (Denmark)
Pedro Sampaio MALAN (Brazil)	Mrs. Marcela CARTAGENA (Ecuador)	Mrs. Ma. Cecilia SORIANO (Philippines) Mrs. Monica APARICIO (Colombia)
O.K. MATAMBO (Botswana)	Harry M. MAPONDO (Malawi)	Leonard K. MSEKA (Malawi) Agil M. ELMANAN (Sudan) Williams Ayodele FADARE (Nigeria)
David PERETZ (United Kingdom)	David L. STANTON (United Kingdom)	
Bernard SNOY (Belgium)	Nurcan AKTURK (Turkey)	Walter RILL (Austria) Mrs. Katalin DEMETER (Hungary)
Angel TORRES (Spain)	Gabriel R. CASTELLANOS (Guatemala)	Edmond BENEDETTI (Venezuela) Roberto MARTINEZ (Mexico)
WANG Liansheng (China)	ZHANG Shengman (China)	ZHAO Hong (China)
(United States)	Mark M. COLLINS, Jr. (United States)	Joseph B. EICHENBERGER (United States)

DIRECTORS AND ALTERNATES
MIGA
September 30, 1993

Directors	*Alternate Directors*
Nurcan AKTURK (Turkey)	
Ibrahim A. AL-ASSAF (Saudi Arabia)	Ahmed M. AL-GHANNAM (Saudi Arabia)
Faisal Abdul Razzak AL-KHALED (Kuwait)	Mohamed Wafik HOSNY (Egypt)
Marc-Antoine AUTHEMAN (France)	Jerome HAAS (France)
Susantha DE ALWIS (Sri Lanka)	Ernest AKO-ADJEI (Ghana)
Robert R. DE COTRET (Canada)	Hubert L. DEAN (The Bahamas)
Boris FEDOROV (Russia)	Alexander N. DOUMNOV (Russia)
Jose Ramon FERRANDIS (Spain)	Ernesto MARTINEZ-A! AS (El Salvador)
Fritz FISCHER (Germany)	Harald REHM (Germany)
Nicolas FLAÑO (Chile)	Julio NOGUES (Argentina)
Enzo R. GRILLI (Italy)	Fernando S. CARNEIRO (Portugal)
Ms. Eveline HERFKENS (Netherlands)	Pietro VEGLIO (Switzerland)
Yasuyuki KAWAHARA (Japan)	Makoto NAKAJIMA (Japan)
Jean-Pierre LE BOUDER (Central African Rep.)	Ali BOURHANE (Comoros)
Mrs. Jorunn MAEHLUM (Norway)	Mrs. Helga JONSDOTTIR (Iceland)
O.K. MATAMBO (Botswana)	Harry M. MAPONDO (Malawi)
David PERETZ (United Kingdom)	David L. STANTON (United Kingdom)
WANG Liansheng (China)	ZHANG Shengman (China)
Bong-Hee WON (Korea)	Jannes HUTAGALUNG (Indonesia)
(United States)	Mark M. COLLINS, Jr (United States)

OFFICERS OF THE BOARDS OF GOVERNORS IBRD, IFC AND IDA AND JOINT PROCEDURES COMMITTEE FOR 1993–1994

OFFICERS

Chairman	Bangladesh
Vice Chairmen	Niger
	Sweden

JOINT PROCEDURES COMMITTEE

Chairman	Bangladesh
Vice Chairman	Niger
	Sweden
Reporting Member	Trinidad and Tobago
Members	Bangladesh
	Botswana
	Brazil
	Bulgaria
	Cape Verde
	France
	Germany
	Japan
	Jordan
	India
	Kazakhstan
	Namibia
	Niger
	Peru
	Philippines
	Russian Federation
	Saudi Arabia
	Sweden
	Switzerland
	Trinidad and Tobago
	United Kingdom
	United States
	Uruguay

OFFICE OF THE MIGA COUNCIL OF GOVERNORS AND PROCEDURES COMMITTEE FOR 1993–1994

OFFICERS

Chairman	Bangladesh
Vice Chairmen	Malaysia
	Sweden

MIGA PROCEDURES COMMITTEE

Chairman	Bangladesh
Vice Chairmen	Malaysia
	Sweden
Reporting Member	Trinidad and Tobago
Members	Bangladesh
	Botswana
	Brazil
	Cape Verde
	France
	Germany
	Japan
	Jordan
	Kazakhstan
	Malaysia
	Namibia
	Peru
	Russian Federation
	Saudi Arabia
	Sweden
	Switzerland
	Trinidad and Tobago
	United Kingdom
	United States
	Uruguay

THE WORLD BANK GROUP

Headquarters
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.
Telephone: (202)477-1234
Telex Nos.: FTCC 82987
RCA 248423
WUI 64145
TRT 197688
Facsimile No.: (202) 477-6391

European Office
66 avenue d'Iéna
75116 Paris, France
Telephone: (1) 40-69-30-00
Telex No.: 640651
Facsimile No.: (1) 40-69-30-66

Cable Address
World Bank: INTBAFRAD
IFC: CORINTFIN
IDA: INDEVAS
MIGA: MIGAVEST