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Statement by the Hon. **EDUARDO LIZANO FAIT**,  
Governor of the Fund for **COSTA RICA**,  
at the Closing Joint Session

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Governor of the Fund for Costa Rica,  
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On behalf of the countries of Latin America and my own country Costa Rica, I wish to express my sincere gratitude having been honored with the appointment as a Chairman of the Boards of Governors of the World Bank Group and the International Monetary Fund for the coming year.

I would also like to express my gratitude to the Honorable Trevor Andrew Manuel, Minister of Finance of the Republic of South Africa, for the notable contributions he has made as Chairman of the Board of Governors. His interest in so many issues has been remarkable, and his commitment to allow the voice of all members to be heard is an example I plan to follow.

On behalf of the Latin American region I would like to greet Mr. Horst Köhler, Managing Director of the Fund, and express our support and wishes for his success. We welcome the attention he has given to the participation of developing countries in the shaping of the new financial architecture. In this respect, his decision to visit our region almost immediately after taking office, was especially important to us.

During the past year, Latin America has continued to consolidate its rebound from the crisis that affected emerging markets in 1997, 1998, and 1999. After applying strong adjustment programs, economic performance in the region has improved, supported mainly by a positive export performance. Inflation has remained in the single digits in most countries, and the current account deficit for the region, relative to GDP, is expected to narrow somewhat in 2000.

Over the past few years, the region has made considerable efforts to reduce its external sector vulnerabilities. Even though the dependence on external capital flows has been reduced, mainly by strengthening the fiscal stance and improving debt management, the region will continue to demand foreign resources on a net basis. The region's governments are aware of the volatility of such flows, which explains in part their concerted effort to rapidly improve the economic fundamentals, relying mostly on fiscal consolidation, monetary prudence, better supervision and regulation of the financial sector, and trade liberalization.

Notwithstanding the general improvement of the region, economic development in Latin America has been uneven. Some countries have been particularly affected by a substantial worsening of the terms of trade, by the fluctuations of the exchange rates among the three main currencies of the world, and by natural disasters. These events have in many cases affected adversely the external positions, put pressures on the foreign

exchange markets and aggravated poverty conditions. These developments have forced countries to undertake restrictive policy measures, as they sought to maintain stable macroeconomic conditions, but the net cost has been high in terms of undermining possibilities for achieving faster growth and improving the living conditions of the poor. The incidence of these problems has been concentrated among the low and very low-income countries, including the HIPC countries of the region.

For these reasons, among others, we are concerned with the slow progress in the financing of the HIPC Initiative, a situation that could imply delays in providing debt relief to countries that have already qualified for such assistance. It is also worrisome that a solution has not been found to a structural problem that the HIPC Initiative has, namely that it calls upon poor countries, including in some cases HIPC countries, to provide substantial debt relief to the poorest countries. These issues deserve in our view major attention from the international financial community.

Developing countries, not only from my region, could benefit greatly from a further opening to trade by the industrial countries. Both Mr. Köhler and Mr. Wolfensohn have emphasized this issue in their opening statements of this Annual Meeting. In this respect, it is essential to move from words to deeds, as Mr. Manuel demanded in his statement at the plenary session two days ago. The efforts by the poor countries to bring their economies to a path of sustainable growth with low inflation will not be completely possible if the size of the markets for their products is not enlarged. At the same time, the opening of the markets of the industrial countries would allow poor countries to benefit from goods, investments, and technology transfers from abroad, entering into a virtuous circle that would represent a tangible example that globalization can benefit everybody, not just a privileged group of countries or individuals.

The cooperative spirit that should prevail in the world would also be enhanced if industrialized countries would consider more seriously the consequences on developing countries of their actions, in particular in respect to exchange and monetary policy actions.

As I assume the responsibility as Chairman of the Boards of the Governors of the Bretton Woods Institutions for the coming year, I am conscious of the need to broaden the agenda in order to strengthen global cooperation. While the overall outlook of the world economy is encouraging, we have to remind ourselves constantly that risks and uncertainties remain, and that there is no room for complacency. I share the view that the Fund and the Bank have an important role to play in ensuring an effective functioning of the international financial system, and to improve the quality of life of the world population through better serving the needs of the poor countries. The strategy for moving forward that Mr. Köhler and Mr. Wolfensohn presented to us during these days in Prague is aggressive, but at the same time consistent and well thought out, a factor that allows us to envisage some light at the end of the tunnel. I am confident that the joint commitment of our two institutions, coupled with the valuable personal commitment of both Mr. Köhler and Mr. Wolfensohn, will ensure that the benefits of globalization not

only will be enlarged, but more importantly, that it will reach everybody in the globe, especially the poorest among us.

There is still much that needs to be done. Let me invite all of you to continue working as partners in forging a better world for tomorrow. I look forward to working for you and with you as we move towards next year's Annual Meeting in Washington D.C.