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MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by **LUIS ALBERTO ARCE CATACTORA**  
Governor of the Fund for **BOLIVIA**  
Joint Annual Discussion



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Governor of the Fund for Bolivia  
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**Ladies and Gentlemen attending the Plenary Session of the Annual Meetings of the IMF and World Bank:**

The world is in the midst of one of the most severe crises in the history of the capitalist system, potentially more serious than the Depression of the 1930s. According to experts, the worst is yet to come, thus we in the emerging and developing countries are deeply concerned. As we all know, the international financial crisis has its epicenter in the developed countries; yet the smaller countries such as ours are not immune, even though our capital markets are not integrated with the rest of the world. The effects of the crisis could be catastrophic for some low-income countries that are commodity producers, given their external vulnerability. The external repercussions in terms of prices and export volumes may endanger poverty reduction policies and jeopardize efforts to attain the Millennium Development Goals.

When the smaller countries faced macroeconomic imbalances, the IMF and World Bank recommended structural adjustment policies with financing subject to strict conditionality. Bolivia and other countries had no choice but to accept these recommendations; however, these policies—based on market forces and limited government involvement—merely fostered social marginalization, harmed the environment, and exacerbated poverty. Conversely, when the developed countries create a crisis like the present one through inadequate government supervision of the development of financial markets, no attempt is made to execute an emergency Financial Sector Assessment Program (FSAP), let alone adjustment programs.

IMF surveillance ought to focus primarily on the larger countries, however, the Fund and the Bank did just the opposite, resulting in the obvious adverse effects that have radiated across the globe. The crisis in the global financial system, which is attributable to inadequate regulation by financial supervisors and speculative behavior by transactors in the main financial centers, will be resolved at the expense of poor people in the developed and underdeveloped countries. The 21st century demands a qualitative change in managing the crises spreading around the world, be they in the spheres of finance, food, energy, or climate change. The developed countries must shoulder their responsibilities in this situation; they need to build a new international order focused on structural solutions to the economic, social, and environmental problems facing the underdeveloped countries.

The governments of the developed countries and multilateral organizations are proposing short-term financial solutions that do not necessarily address the structural causes of the

crisis and, therefore, may not work. In the current context, the building of a new international order calls for financial architecture and regulatory institutions that promote comprehensive, orderly, and equitable development for all countries.

Those of us whose countries are not to blame for the current crisis but are nonetheless suffering from its fallout should receive both financial and commercial compensation. Accordingly, it is proposed that the World Bank and IMF make available to small countries specific programs that entail resource allocations without conditionality.

One of the key lessons we have learned from the current crisis is that, unless the State plays its role as leader in the development process and active participant in the economy, the attainment of the MDGs and poverty reduction will be seriously compromised.

Finally, we are calling upon the President of the World Bank to accede to the Bolivian government's request to move forward Bolivia's denunciation of the Convention establishing the International Centre for Settlement of Investment Disputes (ICSID Convention) and withdrawal of its consent to have its disputes heard under ICSID jurisdiction.

Thank you.