CONCLUDING REMARKS

STATEMENT BY THE GOVERNOR OF THE FUND FOR BENIN

Paul Dossou

On behalf of the Government and people of Benin, I wish to thank you for bestowing on Benin the honor of chairing the Boards of Governors of the International Monetary Fund and the World Bank Group for the coming year. The task will be all the more demanding since we shall be following your chairmanship. I would like to express our appreciation to you for the able and efficient manner in which you have conducted these meetings.

Despite the work that has been carried out by our institutions over these past fifty years, the challenges confronting us today and those that will be facing us in the years to come have never been greater.

Although some countries have made great strides on the road to economic and social development, others have not been so fortunate. No region knows better than mine the challenges of development and the difficulties that lie along the road to its achievement.

Our institutions have experienced both successes and setbacks on the journey they began fifty years ago. We are now truly global institutions representing nearly all the world's nations and serving all of its peoples, particularly the poorest and the most needy. The internationalization of markets and trade and the end of the cold war present us with a great opportunity. Only six short years separate us from the advent of the twenty-first century. Let us begin now to make that the century of development, the century in which mankind erases absolute poverty from the globe, ensures access to basic health and education for all inhabitants of this earth, and brings about fair and equitable treatment for all human beings.

At this, the close of the Annual Meetings marking the fiftieth anniversary of our institutions, I would like to thank the Spanish authorities for the excellent arrangements for these meetings, and Mr. Camdessus and Mr. Preston for their leadership of these two great institutions. Working together we can lay the groundwork now for the dream of a century of international cooperation and development. I look forward to seeing you next year in Washington.

Statement by the Chairman of the Executive Board and Managing Director of the International Monetary Fund

Michel Camdessus

I believe that these meetings in Madrid will be remembered not only for the fiftieth anniversary context in which they have taken place, but also for the very positive impetus they have given to the work of our institutions. On behalf of the IMF, I should like to congratulate our Spanish hosts, and thank them for their extremely effective contribution to this success—a contribution that has gone far beyond the exceptional quality of the technical arrangements.

Many Governors have observed that we have much to celebrate in 1994. We can look back on fifty years of unprecedented economic progress in the world; and there is no doubt that the Bretton Woods institutions have contributed to that. We must now enter, with resolve, into the new world of our second half century—a globalized world where, as His Majesty the King put it, *"Hoy, los problemas ya no son patrimonio de nadie,"* which could be translated as: Now, all problems are our common problems. And to address these problems, according to the recommendation of the King, we must, as he put it, *"conjugue el rigor con la solidaridad"*—We must combine rigor with solidarity. This is of immediate relevance for the conduct of the strategy we have adopted for a wise use of the recovery. We are seeing healthy growth in most of the world economy for the first time this decade. Many Governors have pointed out that we must now build on these successes to address the challenges we face, with an acute sense that recoveries can be short lived if they are not nurtured, and that it is best to use them to the fullest.

Just look at the Madrid Declaration of the Interim Committee! There is agreement that the industrial countries must use the recovery wisely, especially to preserve the gains they have made against inflation; to make decisive progress with fiscal consolidation; and to attend to the other structural problem that has accumulated in recent years—unemployment. In fact, there is virtually unanimous agreement on the policy strategies needed by all countries for high-quality growth, and it was particularly encouraging to hear so many Governors—including yourself, Mr. Chairman—refer to the improvements in performance that determined macroeconomic discipline and structural reforms have brought to your countries. We are all aware of the difficulties: as the Governor for New Zealand said, "obtaining meaningful change requires resolution to tackle hard issues" and "the gains will not always be easily or quickly won." But I was quite impressed when he added, "if we are asked to say if it was all worth it," the response of his ordinary countrymen would increasingly be "a confident 'yes'."

There is also full agreement on the continuing relevance of the Bretton Woods institutions to the challenges that countries face. A number of Governors referred to the continuing validity of the Fund's purposes set out fifty years ago. And the fact that so many Governors have pressed the Fund to do even more in its areas of activity is, indeed, an outstanding vote of confidence. I have been particularly impressed by many Governors' calls for the Fund to strengthen its surveillance—in order to promote improved policies, greater exchange stability, and to provide more effective early warning signals—and we shall continue to pursue this effort vigorously. The Interim Committee has shown its determination to enhance its contribution to the process by reviewing next April progress with the strategy it has set out in the Madrid Declaration. I have noted the calls of a number of Governors for greater openness and transparency at the Fund, and this makes me more optimistic of being able to disclose more information, as our main limitations here are placed on us by our member countries. I believe that further progress in this direction can contribute to the stronger surveillance we are seeking; and of course, I will soon invite the Executive Board to revisit this issue.

Governors have also expressed confidence in our financial support and our conditionality. I think this is the first Annual Meeting for ten years or more where there has been no significant criticism of us in this domain. They all share my hope that agreement will be reached in the coming weeks on a "package" to help meet the sizable financing needs of many of our countries in transition or in development. It is really no wonder that the far-reaching proposal we put on the table—and I continue to see it as fully justified—raises major questions and requires exceptional understanding of all members, none of them, nor management, being in a position to see its position fully prevail. But we should not exaggerate our differences. All Governors recognize that there should be an SDR allocation; all Governors recognize that the STF should be extended; and now all Governors recognize that a beneficial solution must be found in full conformity with the Articles of Agreement of a rules-based institution and that it must preserve the role of the SDR for the future. The differences are on the size and the modalities of an allocation. The spirit of cooperation in these last few days has helped to clarify perceptions of what is at stake here for all countries, and this should help to finalize a solution acceptable to all—those who put a particular emphasis on containing inflationary risks, and those who, while sharing this concern, see as a must the preservation of the financial integrity of the Fund and the stability of its legal framework.

On balance, there is impressive agreement in many areas of the Fund's activity. Above all, there is agreement that the Fund must provide the global forum that the world needs for "international monetary cooperation." These are among the very first words of our Articles: how vital they are today, and what a tribute this is to the truly visionary agenda set out by our founders! But the world has changed. Yesterday, the Governor for Korea appealed for arrangements to be made, I quote, "to enable developing countries with relatively large shares in global trade to participate in discussions on international monetary affairs." He was, thereby, pointing to the need for the Fund to proceed with the work I referred to on Tuesday—to make all member countries "feel at home" in the Fund. But I believe that he was also pointing to the need for the Fund to strengthen its central position in the system. We shall make every reasonable endeavor to meet these needs—of Korea and other member countries—in order to ensure that all countries are appropriately represented participants in international monetary cooperation. At the first meeting of Governors, Lord Keynes called for a "perpetual reminder" that the Bretton Woods institutions "belong to the whole world and their sole allegiance is to the general good, without fear or favor to any particular interest." This is certainly a message of Bretton Woods that has been strongly echoed in Madrid.

Lastly, the Fund can do the jobs it is called on to perform, but only in partnership with its member countries. The other day, Governor Solbes of Spain suggested that in some respects we may need a "refounding of our institutions, amounting in some cases to a return to their origins," and that the Fund "should try to recover some of the influence it used to have on the design and coordination of economic policy in the developed countries." We can do this only in partnership with them, and I have noted the repeated pledges of Governors to that end. The Fund's financial assistance also needs partnership for its catalytic role to be effective. There are a number of countries implementing courageous policies in difficult circumstances. We owe them effective cooperation and solidarity. This implies in particular that disbursements of international support must be timely, particularly where natural catastrophes complicate the task of government. Moldova is a clear example deserving mention today, among several others. And how could we not mention the need for support of Ukraine at this time, and those many developing countries we must help recover from the most severe conditions of tragedy and chaos. We have just heard the Governor for Rwanda; I do not need to add to what he said.

I repeat: in all its activities, the Fund depends for its effectiveness on its cooperation and partnership with its members. What the Fund has achieved in the past fifty years has been based on that, and what we shall be able to do in the years ahead will rely upon the same foundation—the cooperation and solidarity of our membership.

Statement by the President of the World Bank Group

Lewis T. Preston

I would like to express our deep appreciation to the Spanish Government and people for the excellent arrangements made for this Meeting and for their hospitality—which, of course, is legend. I would like especially to thank again Their Majesties King Juan Carlos and Queen Sofia for honoring us with their presence. King Juan Carlos reminded us that "it is not easy to get almost 180 countries . . . to reach agreement on priorities." The Bretton Woods institutions not only help our members to reach consensus on those priorities, but also help to implement them.

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We have used this occasion to take stock of the development effort. That, in itself, is important. The world needs to have a clear perspective on what has been achieved over the last five decades: faster progress in improving people's lives than at any other time in history. Now, we must build upon that effort by applying the lessons of experience. We have been successful in the past; we can be even more effective in the future. But to do that, we have to recognize the changing global context for development—and we have to change accordingly.

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The Bank Group came to this Meeting to discuss with our shareholders how we are in the process of change to:

- become more flexible so that we can adapt our service even better to the different circumstances that face individual countries;
- become more focused doing what we do best, and bringing out the best in our partners; and
- become more efficient conscious of costs and of the need for nothing less than excellence in the service we provide our members.

Our Governors have noted the extent of the changes taking place at the Bank—in the composition of our lending; in our emphasis on implementation and results; in our mix of staff skills; and in our openness to dialogue and scrutiny. We are encouraged by the strong support that our shareholders have expressed for these changes, and we are determined to do even more. Change is essential to a development institution's effectiveness and, ultimately, to its relevance.

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Our discussions have helped us to move forward on a variety of issues: strong agreement on the vital importance of speedy ratification of the Uruguay Round; the need to increase and broaden the flow of private capital to the developing and transition economies; and the greater emphasis now required on improving aid effectiveness—by recipients and donors. Again, we all need to change the way we do business in order to improve results on the ground. This meeting also witnessed the initial discussions on the eleventh replenishment of the International Development

Association (IDA-11). We need to maintain the positive tone of those discussions in the months ahead to bring the replenishment to a speedy and successful conclusion.

The clearest point of consensus to emerge from this Meeting is that the development agenda remains enormous. We are all familiar with the facts: one billion people still in grinding poverty; four million children dying from diseases caused, basically, by dirty water; one hundred million girls never getting the chance to go to school. Within the next generation there will be three billion more people on the planet—people with desperate need for the basic necessities of development. Some have made a deliberate attempt to distract us from this agenda. I would like to thank the Spanish authorities and the police for the professionalism and restraint they have shown in dealing with those misguided attempts. Speaking for the Bank, I can assure you that we are not distracted. On the contrary, we are more committed than ever before to get on with the job of reducing poverty and improving the quality of life for people in all our member countries.

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Finally, Mr. Chairman, let me congratulate you on your excellent handling of these Meetings; and let me also congratulate the Governor for Benin 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 Washington.

Concluding Remarks by the Chairman of the Boards of Governors and Governor of the Fund and the Bank for Bangladesh

M. Saifur Rahman

It is now my duty as Chairman of the Boards of Governors to bring to a close the 1994 Annual Meetings of the International Monetary Fund and the World Bank Group. It has been a great honor for me, as the representative of Bangladesh, to chair these meetings on the occasion of the Bretton Woods institutions' fiftieth anniversary. I thank the Managing Director of the Fund, Mr. Camdessus, the President of the World Bank, Mr. Preston, and my fellow Governors for their valuable contributions to our deliberations. And, on behalf of all the Governors, I express our appreciation to the Government and the people of Spain, as host country, and in particular, to Their Majesties the King and Queen, who added such great luster to our opening ceremony on Tuesday.

The fiftieth anniversary of Bretton Woods has provided us with an important opportunity to evaluate the progress that has been made in international economic cooperation over the past five decades and to prepare for the challenges ahead. I am pleased to note that the Governors have made excellent use of this opportunity. Our deliberations point to a broad consensus on the need to forge ahead on the road toward enhanced economic policy coordination, higher levels of sustainable growth, and improved living standards. Toward this end, the Governors have endorsed the Madrid Declaration, which points to the nearly universal consensus on the need for all countries to firmly pursue strategies aimed at the achievement of "high-quality growth," that is, strategies based on sound macroeconomic policies, structural reforms that promote the efficient use of resources, open and liberal trade and exchange regimes, effective social policies, and good governance. In this context, many Governors have encouraged a greater focus on structural reforms in order to dismantle nontariff barriers and reduce long-term unemployment. Governors also reiterated the need to undertake fiscal consolidation, reduce budget deficits, raise national savings ratios, and facilitate lower real interest rates. Against this background, the universal need to gear monetary policies to price stability was emphasized.

Today, owing to their enlarged membership, the Fund and the World Bank are better placed than ever before to help members achieve these objectives. In our deliberations, we have encouraged these institutions to continue to actively pursue the purposes for which they were established and to seek ways to improve on the progress achieved thus far. In this context, several Governors emphasized the need to ensure adequate representation for all members in the decision-making processes of the Bretton Woods institutions in order to give these institutions greater authority and legitimacy as pillars of the international monetary system. The Governors welcomed the proposed temporary increase in access limits for stand-by and extended arrangements and the decision on the extension and expansion of the extended structural adjustment facility (ESAF). Given the increased globalization of capital markets, the Fund was asked to consider the establishment of a fast-disbursing, very short-term financing facility to help members address temporary balance-of-payments problems arising from sudden market speculation or similar problems beyond their control.

Further work is needed on issues related to the allocation of SDRs and the proposed extension of the systemic transformation facility. A number of Governors have stressed the need for an allocation of SDRs, not only in the context of a global need, but also to address the problem of equity, particularly with respect to new members that did not participate in previous allocations. Many speakers also reiterated that they attach importance to the objective, established in the IMF Articles of Agreement, to make the SDR the principal reserve asset in the international monetary system. The Interim Committee has asked its Chairman to conduct further consultations and to call a meeting of the Committee when he judges that the prospects for resolution of these issues are favorable. I know that there is a very broad-based wish by Governors that the remaining issues be resolved soon in a spirit of compromise and that the members of the Interim Committee will show the enlightened leadership needed to take this constructive step to strengthen the Fund.

Governors also noted the need to further strengthen the provision of technical assistance, in particular to help countries establish the institutions and expertise needed to design and implement economic stabilization and reform programs appropriate to their individual circumstances. The increase in private capital flows to developing countries was welcomed by the Governors. However, it was emphasized that the countries receiving these funds were limited and that the Bank continued to have an important role to play as a catalyst of financial assistance to all its member countries. In the spirit of cooperation that we have all stressed in the last few days, I join with Governors who called on donor countries to dig deep into their pockets and make a contribution to the eleventh replenishment of the International Development Association (IDA-11) that is commensurate with their economic strength. As has been said, IDA-11 is an important vehicle for putting people first in the development process, and every effort should be made to achieve progress in the negotiations for this next replenishment. At the risk of repeating what I emphasized in my opening remarks, if people are hungry, sick, malnourished, and uneducated, they cannot and will not participate effectively and efficiently in the arduous task of accelerating growth and sustaining development. People are the most important development variables, hence the compelling need for increased investment in human resource development. The task of defeating poverty and ameliorating suffering belongs to us all, the developing countries no less than the industrial ones. We must ensure that the assistance that is given and received is used to its fullest effectiveness.

The Governors welcomed the Bank's initiative to apply a "client-oriented" approach to its work and applauded its increased attention to the quality of projects at entry. They urged the continuation of efforts under way to ensure the effectiveness of Bank-assisted operations, including greater beneficiary participation in their design and implementation to ensure on-the-ground results. The wider dissemination of "best practices and lessons of experience" was encouraged as a way of spreading the word, so to speak, about what works and what does not. The Bank's improved policy on the disclosure of information should facilitate this process. The recently established Inspection Panel is another indication of the increasing emphasis on transparency and accountability on the part of the Bank. The Governors commended the World Bank Group, including the Bank, IDA, International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA), as a whole for its excellent work and urged its continued collaboration in the fields of environmental protection, privatization, private sector development, and human resources development. The IFC is urged to further reinforce its pioneering and catalytic role to promote private investment—even in this challenging situation. In recognition of the special needs and problems of countries emerging from economic and political disruption and also of the poorest, most indebted countries, the Governors asked the Executive Boards of the Bank and the Fund to examine proposals in these areas.

With respect to future relations between the Fund, the Bank, and the World Trade Organization to be established next year, the Governors noted that it would be essential for the three organizations to cooperate closely with one another, as well as with other international organizations, to ensure the effective functioning of each in its own area of responsibility and to avoid duplication of effort.

The suggestions and observations that have emerged from our deliberations can be seen as clear indications of the general direction in which the Bretton Woods institutions should evolve over the next half century. In bringing these deliberations to a close, however, it is important for us, as Governors, to recognize that we must do our part to give the Bretton Woods institutions the support needed to achieve the goals we have outlined. In this context, it is critical to bear in mind that the effectiveness of the Bretton Woods institutions—and, indeed, of the international economic and monetary system as a whole—ultimately depends on the political will of our countries to cooperate with one another toward the achievement of shared objectives. The Governors may also look into the possibility of further strengthening this forum to engage themselves in constructive interactions on issues highlighted here.

At this time, I would like to congratulate the Governor for Benin, whose country will take up the chairmanship of the Boards of Governors at the Annual Meetings in 1995. I wish you great success. I hereby adjourn the 1994 Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group.