

The Development Committee

Statement by the Special Adviser to the President of the Central Bank of Peru, Mr. Carlos Saito, G-24 Chairman

Prague, September 25, 2000

Mr. Chairman, Mr. Wolfenhson, Mr. Köhler, ladies and gentlemen, it is an honor to address you as Chairman of the Group of Twenty-four.

1. Global economic prospects have improved since last spring, but the benefits of this global prosperity do not reach all developing countries in a consistent and sustained manner. At the same time, some significant risks still persist, such as the variability of industrial countries' major currencies, the high oil prices and the imbalances among the major economies. Moreover, although the growth performance of developing countries has not deteriorated since last April, recovery has been uneven and capital inflows and consumption are still below pre-crisis levels.
2. Mr. Chairman, the pending agenda to fight poverty and place developing countries on the path to prosperity is still enormous and, in order to be implemented successfully, requires a joint effort of developed and developing countries. G-24 ministers are convinced that mutually supportive structural and financial policies of industrial countries can contribute significantly to poverty reduction and growth in developing countries.
3. Ministers welcome the mainstreaming of trade to the World Bank's work, but they also urge industrial countries to reduce trade barriers to exports from developing countries. The current level of debt relief is not enough to reach the global targets of poverty reduction; it must be complemented with further trade liberalization.
4. Recent estimates of the potential welfare gains for developing countries; from a 50 percent worldwide reduction in barriers to trade, fall in the range of 110 to 140 billion dollars per year. These numbers, speak for themselves.
5. G-24 ministers welcome the growing involvement of the World Bank and the IMF in the implementation of the enhanced HIPC Initiative. However, ministers are deeply worried that the HIPC trust fund remains significantly underfinanced, and urge bilateral donors to quickly step-up their contributions.
6. Developing countries have already contributed to the financing of the initiative in a greater proportion than their quota share. Likewise, ministers expect that the World Bank contribution to the enhanced HIPC Initiative will not compromise financing made available through other concessional windows.
7. We are concerned with the increasing cost of borrowing from the Bank. The increase in loan charges, together with the rising economic and financial costs of complying with safeguard

policies are placing a serious burden on borrowers. Ministers are also worried about the significant reduction of World Bank lending.

8. This could reduce the Bank's development effectiveness as well as threaten its financial capacity. We ask the Bank authorities to correct this situation and we call for fair burden-sharing in the compliance of environmental and other policies.
9. Another area of concern for the G-24 ministers is the growing influence of non economic considerations in the process of approval and implementation of bank projects. This is severely restricting the Bank's capacity to fight poverty. In this respect, we expect the Bank to adhere strictly to its mandate, as stated in its articles of agreement.
10. We welcome the greater World Bank involvement in the provision of global public goods. However, since the Bank's resources are limited, we are worried that any new initiative could crowd-out some important bank activities or, what is worse, could end up in higher loan charges to borrowers.
11. Mr. Chairman, let me conclude by reiterating that to realize our common objective of global development and prosperity, a joint effort is required. Developing countries must do their part, but industrial countries should also contribute by opening their markets and providing adequate financial aid to ensure that the benefits of globalization can be enjoyed by all.