



ANNUAL MEETING OF THE BOARDS OF GOVERNORS

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ADDRESS BY THE ALTERNATE GOVERNOR FOR NICARAGUA,
ON BEHALF OF THE CENTRAL AMERICAN COUNTRIES,
AT THE THIRD PLENARY SESSION

Eduardo Montealegre R.

1. On behalf of the delegations of the Governments of Guatemala, Belize, Honduras, El Salvador, Nicaragua, and Costa Rica, I would like to convey our sincere gratitude to the Brazilian authorities and to the people of Brazil for the warm welcome we have received here in the city of Fortaleza, a delightful venue in which to hold this year's Annual Meeting.
2. We wish to express our appreciation once again to the Inter-American Development Bank for its institutional presence and, especially, to commend Mr. Enrique Iglesias, its President and our friend, for his leadership and vision that have done so much for Central America by way of development initiatives both on a regional scale and in each of our countries. This leadership and commitment, ever manifest in normal circumstances, have been even more in evidence when our countries have weathered crises. In these difficult situations the IDB's support has translated into timely, concrete actions that have been vital for our countries to achieve quantitative development gains for our people and quality improvements as well.
3. The HIPC Initiative is a fundamental mechanism for supporting countries in our region which, owing to their respective sets of circumstances, have become impoverished and are laboring today under a heavy medium-term financial burden, with scant prospects of achieving sustainable economic growth.
4. We are grateful to the IDB for its work to arrange the retroactive interim relief for which we qualified upon attaining the decision point, and we are grateful to the member countries for their resolute support to see this relief delivered.
5. Our countries have been buffeted by natural disasters and external economic shocks, among them the coffee crisis and drought, that have shaken our economies. The effects of last year's September 11th tragedy and the recession in Central America's primary export markets have further hampered our efforts to rekindle economic growth.

6. It thus is imperative to establish mechanisms tailored to the smaller, more vulnerable economies, to be able to respond expeditiously to natural disasters and external shocks.

7. Our countries are moving forward on trade liberalization and are strengthening economic integration. Thanks to major strides made on these fronts, Central America is becoming more competitive as a region and is promoting transparency and stability, enhancing the business climate, facilitating investment, and removing tariff and nontariff barriers.

8. Nevertheless, we are in need of support to avoid the asymmetries that favor rich countries over poor countries. In this sphere we very much welcome the negotiation of a free-trade agreement between Central America and the United States, which will also bolster the trade integration process on which we have already embarked with other partners in our own larger region.

9. Improving competitiveness is a key requirement of this irreversible trade liberalization process. That will require greater access to education, training, and technology transfer. To rise successfully to globalization's challenges the Central American countries will need to take a regional approach, to enhance our negotiating position vis-à-vis the industrialized countries.

10. As we strive to become more competitive we must not forget that our investments need not just to yield returns but also to complement our ongoing initiatives to combat poverty, particularly in rural areas.

11. In that spirit, we are looking to the Central American Power Grid System (SIEPAC) as a pilot project to lead off this integration process.

12. Central America is grateful for the IDB's important work in making available funding to foster development programs. However, we believe that in order for us to energize our economies and quickly realize the benefits of more unfettered trade, operations would need to be prepared and resources disbursed more rapidly. To that end we would ask that the Bank review the procedures for compliance with conditionalities so these will not end up impeding economic progress. Streamlining conditionalities and stressing the attainment of objectives should be guideposts for the concerted efforts of the Bank and the region's countries to achieve development.

13. We reaffirm our commitment to continue deepening structural reforms, maintaining macroeconomic stability and fiscal sustainability, reducing poverty, preserving the rule of law, modernizing public institutions and taking aim at corruption in order to strengthen global transparency. Our efforts thus far on these fronts are strengthening our democracies. We must also acknowledge that implementing the reforms has been a complex process that has exacted high social costs. There have been some failings, which we are striving to remedy.

14. Any relaxation of discipline in the public finances or missteps in monetary policy management would set us back many years. Knowing, as we do, that our people have neither the time nor the patience to start over again on the path to economic stabilization, we will have to move very prudently and draw only from those experiences that can help improve the lives of our people.

15. We understand that all these initiatives to consolidate democracy, assure macroeconomic stability and increase our participation in world trade will only achieve the objective of improving living standards for the peoples of Central America if they are accompanied by consistent efforts to promote productive investment. The focus of our governments' commitment in this area is to institute a stable, transparent regulatory framework that will instill confidence and create an enabling environment for investment.

16. We also would like to highlight the important contribution of the Multilateral Investment Fund (MIF) to our countries, through its support for the high-priority task of fostering private enterprise. We call upon the member countries to support the reactivation of the MIF, to see its replenishment approved soon.

17. We have every confidence that the Bank will continue to support our countries as firmly and with the same sense of commitment as always, in the form of funding, technical assistance, and the sharing of experiences, to help Central America become a fully-integrated region in which peace and sturdy democratic systems hold sway, and thereby attain the level of development to which all of us aspire.