I welcome the opportunity to discuss the CAS Progress Report for Brazil today. The Report is excellently organized and provides a comprehensive overview of the recent developments in the Brazilian economy and their respective strategic implications as well as the relevant Bank response.

The Brazilian economy suffered a spill over effect of the Asian crisis in 1997. The authorities should be highly commended for their prompt and decisive policy response, which, coupled with a banking sector reform that has been ongoing for several years, helped avoiding the worst consequences of the Asian crisis. I believe that there are lessons to be learned from the Brazilian experience and the Bank should digest and help disseminate these lessons.

I am in agreement with the main conclusion of the report, namely that the World Bank Strategy for Brazil remains appropriate. I wish to express my strong support for the Bank’s reinforced efforts to address the reform of state and local government finances, which were the main cause of somewhat disappointing primary deficit figures over 1997. In this regard I would appreciate more details on what actually is expected from the proposed State Economic Memoranda and especially whether they would recommend measures to address the underlying problem of the bloated civil service at the State and local government level.

I would also like to endorse strongly the IFC strategy, which appears to be on target.

Finally, I would like to see more attention being given to the Brazilian monetary policy in the next Progress Report. A better insight into the working of an economy which experiences an unusually wide range of interest rate levels would be welcome. A more detailed expert view on the current and future monetary and exchange rate policy will, in my view, be a necessary ingredient of lessons learned in Brazil.