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INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **VALERIY PAVLOVYCH PUSTOVOITENKO**,
Governor of the Bank for **UKRAINE**,
at the Joint Annual Discussion

Mr. V.P. Pustovoitenko

Prime Minister, Ukraine

Dear Mr. Chairman!

Dear ladies and gentlemen!

The delegation of Ukraine to the Annual Meetings welcomes the business-like character of the discussion on the ways to prevent the financial crisis in emerging markets from evolving into a world economic crisis. Yet the crisis became virtually overwhelming for emerging market economies and no one can state with certainty how long it will last.

In these conditions the Government of Ukraine believes that the only possible way out is by accelerating structural reforms, adjusting our budget expenditures to the possible non-inflationary sources of funding, continuous work with private creditors whose contribution we appreciate, as well as we are grateful for their understanding of our short-term liquidity problems. We are confident that the low, compared to the export and gross domestic product, level of accumulated debt and the reforms that we implement, will increase our creditworthiness and financial capacity. We are grateful for the timely support from the international financial organizations and appreciate the timeliness and effectiveness of their financial and technical assistance.

According to our estimates, the orderly implementation of the recently approved IMF Extended Fund Facility program and the projects portfolio prepared together with the World Bank will reduce the negative impact of the regional crisis on the economy of Ukraine and speed up market transformation process.

Ukraine together with the IMF and the World Bank has found a way to overcome temporary difficulties. At the same time, the need of the coordinated action plan in case of a crises spill-over remains essential for all the economies in transition. We would like to propose to speed up the preparation of the standardized for the international community

schemes of private sector involvement into crises prevention and resolution in context of the well-thought capital account liberalization on a non-discriminatory basis. It is our believe that it would be impossible to design all the constituent parts a new architecture without the most active involvement of the World Bank and the IMF, organizations with an almost universal membership. This architecture shall prevent financial destabilization from spreading out from one country to another through the lack of confidence of the separate groups of investors without taking the macroeconomic situation in these countries into account. Only the IMF and the World Bank and, not any other entity, are the best able for designing a new architecture of the world monetary system.

As one of the largest recipients of the World Bank and IMF technical assistance, Ukraine believes that the opinion of resource recipients should be given a consideration while discussing any plans of reforming those institutions.

Economic growth, recent statistical signs of which are observed in Ukraine, we believe can be explained by the fact that parts of the shadow economy are coming into the official sector. This was stimulated by the jointly drafted with the World Bank and IMF deregulation measures, and actions to enhance openness and transparency and improve the quality of the overall system of governance. In this context we actively support every initiative to enhance transparency and openness of information in the budget area as well as in the financial sector.

The year we left behind was a year of big challenges for the international organizations as well. It is worth mentioning that we in Ukraine were carefully following the ways these institutions confronted some of the most significant challenges in their history.

We were impressed by the words of President Wolfensohn from the first page of the Annual Report of the World Bank – “ For all of us at the World Bank Group, the crisis has highlighted the fact that financial and social policy must go hand in hand”.

Speaking of our collaborative programs, they were highlighted by this very kind of unity. Together with the World Bank staff we concentrated our attention on the key directions of the structural reforms: development of enterprises, agriculture, the energy sector, the financial sector, and on ecological problems.

Despite a somewhat uneven pace of our program with the Bank, we can state with confidence that we achieved great progress in understanding the goals and tasks that we are facing, and in implementing mechanisms which are necessary to achieve them.

We cannot but be alarmed by the problem of the lack of funds in the international financial organizations, by the income dynamics of the World Bank, in particular. During the last year the Bank successfully proved its usefulness to all of its shareholders, borrowers and non-borrowers alike. Yet, today we observe that all attempts to improve the present financial position of the Bank, come as a burden on the shoulders of the IBRD borrowers only. In this respect we encourage all the members of the World Bank Group to look for a comprehensive solution to the income problems, including the possibility of a general capital increase. We also hope for the expedient adoption of the current quota increase of the Fund. The sooner we accomplish it, the sooner we will be able to come back to the appropriate financial standing of the institutions.

We are glad to observe the signs of the qualitative expanding of the International Finance Corporation activities. We believe that in Ukraine this institution will find more areas to apply its financial instruments and experience in employing the contemporary

methods of private sector management. It is hard to overstate the role IFC can potentially play in catalization of the foreign direct investment and accelerating of the development of the private sector in Ukraine and other countries.

We would also like to commend the efforts of the Economic Development Institute, the Joint Vienna Institute and the IMF Institute that are well known in our country. The economic education and training of officials initiative launched by these institutions in Ukraine during the first years of our state's independence, is far from being completed and should be continued on the new level.

We all have heard on different occasions that this year was the year of Asia for the World Bank and the IMF. Unfortunately, signs of the crisis are now observed on almost all continents. Compared to the situation in the distant thirties, international financial organizations give us a chance to avoid the long-lasting world depression. We hope that during the next Annual Meetings we will remember the world crisis as the 20th century phenomenon that was not granted access to the new century.

Thank you for your attention.