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Statement by the Hon. **RYSZARD MICHALSKI**,
Alternate Governor of the Fund for the **REPUBLIC OF POLAND**,
at the Joint Annual Discussion

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Mr. Chairman, Fellow Governors, Ladies and Gentlemen,

Let me begin by congratulating Mr. Villiger on his very effective chairmanship of our annual discussions. I would also like to thank our host, the United Arab Emirates, for its hospitality and the excellent organization of the meetings. I find it extremely important and encouraging that at this particular time, we can meet in this part of the world, and in a very peaceful atmosphere, in order to conduct the ordinary business of the Bank and the Fund, assess our achievements and failures and look for ways to make the Bretton Woods institutions work better for the benefit of all member countries.

Our meetings take place at a very important time for the countries in transition. This concerns in particular the group of eight Central European and Baltic countries that, together with Cyprus and Malta, will become members of the European Union on May 1, 2004. It is not easy to precisely define the end of the transition process but I believe that at least for this group of eight countries, it would be fair to declare that the historic undertaking of dismantling the command economy system is nearing a very successful completion. It has been achieved in a reasonably short time, in a very

peaceful manner and without any major social disruptions. Many of the remaining transition countries in Eastern and Southern Europe are also very well-advanced in establishing strong, market based economic systems. A special feature of the European transition countries is their strong commitment to transparency. In this respect, they are already on par, and in some respects even exceed, the standards of the industrial countries. Most of the CIS countries are also making strong efforts to reform their economies and even if the overall progress has been more mixed, they have been recently recording, on average, very solid growth rates and made significant advances in macroeconomic stabilization. However, several of the smaller CIS countries still suffer from various structural rigidities, very high debt burdens, and are afflicted by wide-spread poverty. These countries deserve continuous attention and support from the Bretton Woods institutions as well as from bilateral and international donors.

The Bank and the Fund have contributed significantly to the successful advancement of the transition process. The EU accession countries are one of the few examples of a relatively fast graduation from the Fund's financial support. They now enjoy an almost unrestricted access to the international capital market on fine terms. Despite the very substantial progress already made by Poland and other countries acceding to the EU, we are still very interested in maintaining active cooperation with the Bretton Woods institutions. The Fund and the Bank should continue providing their support in order to ensure that our countries fully benefit from increased integration with our future EU partners. The Fund would be welcome to offer its advice on the conduct of

monetary and exchange rate policies in the period before the adoption of the euro and on the design of comprehensive fiscal reforms. Both institutions could help in strengthening our financial systems and increasing the efficiency of public expenditures, and the Bank could still play a useful role in financing some of the infrastructure and structural reform projects.

Poland fully supports the objectives set out at the Monterrey and Johannesburg conferences and sees the need to redouble the efforts of all parties concerned to ensure the timely achievement of the Millennium Development Goals. The low-income countries themselves should lead in this process, but the Bretton Woods institutions, other international organizations and all bilateral donors should also enhance their support. The PRSP-based approach is already showing some promising results and should be further expanded and perfected. More attention should be paid to achieving higher standards of governance in low-income countries as it would help strengthen credibility of the whole PRSP process, improve the quality of the dialogue with all stakeholders and enhance ownership. The PRSPs should set realistic targets and ensure the availability of adequate tools for measuring the progress in achieving these objectives.

Despite all the criticism and skepticism, the HIPC Initiative is also progressing quite well. Further strong efforts should be made to ensure its completion. This requires, among others, ensuring the full financing of the Initiative and securing adequate participation of all creditors. First and foremost, however, the beneficiary countries

should show their full commitment to meeting both the objectives and the conditions of the HIPC Initiative. Poland has already provided a sizable contribution to the HIPC-PRGF Trust Fund and proposed a significant reduction of its claims on the HIPC countries. We believe, however, that in order to ensure the fullest possible participation of all creditors, not only the debtor countries themselves should more actively seek the cooperation of all of their non-Paris Club creditors, but also these creditors should be given more say at deciding on the scope of and the mechanisms for providing the HIPC debt relief.

Thank you for your attention.