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INTERNATIONAL DEVELOPMENT ASSOCIATION
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Statement by the Hon. **ALGIRDAS G. SEMATA** ,
Governor of the Bank for the **REPUBLIC OF LITHUANIA**,
on behalf of the Bank Baltic Group
at the Joint Annual Discussion

Statement by the Hon. Algirdas Semeta
Governor of the World Bank for Lithuania
at the Joint Annual Discussion

On behalf of the Baltic countries - - Estonia, Latvia, and Lithuania - - I would like to express my gratitude to the people and governments of the People's Republic of China and Hong Kong for their hospitality during the Annual Meetings of the World Bank Group and the International Monetary Fund.

The roles of the World Bank Group and the International Monetary Fund in the global arena remain strong and important. Fundamental changes worldwide are reflected in the Bank's policy objectives as expressed in the Strategic Compact.

We welcome the World Bank's efforts to improve its responsiveness to client needs, including decentralization, by placing the Country Director for Poland and the Baltic states in Warsaw. The Baltic countries support the Bank's renewal process, and we hope to see a more flexible and result-oriented Bank in the future.

Since regaining independence, the Baltic countries have achieved a stable democracy and have made considerable political and economic progress. Our economies are driven by a vibrant private sector. More than two-thirds of GDP is produced in the private sector, with GDP growth likely to remain above 5 percent for several years. Inflation is on a steadily declining trend and, in all three countries, is expected to fall to a single digit in 1997. Our inflation gains are reflected in the decline in interest rates. The rates on short-term government treasuries have fallen to less than 6 percent this year. The Baltic states remain low-debt countries, a situation unlikely to change because of tight fiscal policies in all three countries. The gross public debt and the budget deficit as a percentage of GDP are well below the limits set out by the Maastricht agreement. Structural reforms have been accelerated, particularly in the area of privatization of medium- and large-scale enterprises. Privatization of large public utilities, such as telecommunications and energy sector companies, is on the agenda. Rapid privatization, together with significant improvement of the investment climate, has boosted flows of foreign direct investment into the Baltic states. Our countries have modern, well-equipped capital markets with steadily growing trade volumes.

All three countries have received investment grade ratings, maintain an open and liberal trade regime and strict fiscal and monetary policies, and have strong and freely convertible currencies .

The progress achieved by the Baltic countries in 1996 and the results of this year clearly demonstrate stronger economic growth, continued economic restructuring, and an open foreign policy, which are expected to lead to membership in the European Union (EU).

EU accession is very important for the Baltic states. We welcome that Estonia has been recommended for accession negotiations. However, we believe that Latvia and Lithuania, having made strong progress last year and this year, are also ready for negotiations. Future economic cooperation in the Baltic region would be strongly supported if the EU summit in Luxembourg in December 1997 decided to allow all three countries to start negotiations at the same time.

We hope that further Bank assistance to our countries will concentrate more on activity associated with EU accession and on helping our countries meet the membership criteria .

Because the economic reforms in the Baltic states are broadly based on private sector development, we consider the Bank's action program to facilitate private involvement in infrastructure to be a satisfactory and important agenda item. Recognizing the demand of the Baltic countries for private capital flows, we support the efforts of the World Bank Group to enhance private sector development by helping to catalyze private capital flows. In this respect, we would like to see the action programs consolidated among all Bank institutions, including MIGA and IFC.

We welcome that the Bank has placed combat against corruption on the agenda. The World Bank's support of countries fighting against this sickness is extremely important. The Baltic governments also have their own action programs in this area.

We believe that strengthening governance and improving accountability and transparency are the main fields that require assistance from the Bank.

On behalf of the Governors for Estonia, Latvia, and Lithuania, I would like to express my appreciation to the Bank and the Fund for supporting our countries during the past five years and to wish these institutions success in their future work.