

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
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. **ROBERTS ZILE**,
Governor of the Bank for the **REPUBLIC OF LATVIA**,
on behalf of the Bank Baltic Group,
at the Joint Annual Discussion

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Mr. Chairman, Governors, Ladies and Gentlemen,

Let me address the honourable Meeting on behalf of the three Baltic countries: Lithuania, Estonia and Latvia.

The year between the two annual meetings has once again reminded us that we all are an integral part of the world economy and subject to both regional and global turbulence. This has put extra challenges to the World Bank. This also has induced the Bank to think more in long-term categories about its own financial standing. Therefore, we fully support President's position on the issue of maintaining the financial strength of the Bank. Without this, the Bank will not be able to fulfil its core mission of fighting the poverty.

We, the Baltic countries, would like to express our appreciation to the World Bank's flexibility in responding to the developments at the burning spots on the world map. We appreciate its readiness to step in with the most urgently needed and indispensable assistance. Yet, we hope this will not cause the funds flow away from the ongoing projects, or those in the pipeline. We hope this will not become an extra borrowing cost for the rank-and-file borrowers.

We suggest that both the Bank and the Fund develop strict criteria in order to evaluate countries' defaults. Natural disasters, business failures and mistakes in management should be clearly distinguished from deliberate fraud and corruption. The latter deserves a very different handling and attitude. This is especially important now, when the Bank's long-term financial capacity is on the agenda.

I can say with pride that our three countries have been insistent and dedicated in pursuing the goals set by ourselves. Our own motivation, combined with the highly constructive macroeconomic monitoring and economic analysis carried out by the Bank and the Fund, has delivered good results. The financial sector vulnerability studies have helped us to focus the spotlight on the issues that need a closer analysis and care.

I believe everybody will readily agree that the three Baltic countries definitely are in the most advanced group of the transition economies. Latvia was the first of the Baltic countries to be admitted to the World Trade Organisation. Estonia has already been invited to the EU accession negotiations, eventually to be followed by Latvia and Lithuania. All three countries intend to join the NATO as well.

Our countries - Latvia, Estonia and Lithuania - have attained macroeconomic stability. It is a precondition for any Government to win the confidence and support from their own nation and from international community. The investment grade credit ratings, repeatedly assigned to our countries, are an evidence of our credit worthiness and reliability.

All the Baltic countries have demonstrated a sustainable growth over the last 4 to 5 years. However, one has to admit the impacts of global crisis. It started in Asia and extended to other regions, including Russia, and has caused certain, though limited setbacks in the Baltics as well. During the last twelve months the growth has slowed down, but all the three countries are still expecting a positive GDP in 1999. Long-term growth prospects continue to be optimistic. Our Governments have adjusted the budgets for the remainder of 1999 to minimise deficits; the next year's budgets, under discussion right now, will be in compliance with the IMF criteria. The inflation rates presently are in the range from 2 to 4 per cent. National currencies have retained stability over time. We can conclude that the external pressures have given a hard test to durability of our structural reforms. And we are glad we have managed to pass this test.

Mr. Chairman, the Baltic countries congratulate the Comprehensive Development Framework initiative launched by the Bank. We see this as an attempt to recognise the complexity and integrity of the world. An attempt to address all the factors – economic, financial, structural and social, to support a balanced development of the countries. This perfectly matches with our intent to enhance the social sector reforms and development. We believe the local expertise built in the Baltic countries on welfare, health and education projects could be helpful to developing countries. We are ready to assist the World Bank in disseminating the lessons learned.

Mr. Chairman, our Governments have always been encouraged that it is themselves and not the World Bank, who, speaking in CDF metaphor, are sitting in the driver's seat and holding the wheel. The World Bank is only an instructor. Nor is it teaching the ABC of driving – it is rather advising how to improve our driving habits and techniques. The decision of the Baltic states was a road leading to market economy and democracy, with well-being of all people as the ultimate goal. And we have not deviated from this goal on any single occasion.