

**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. **HANNA GRONKIEWICZ-WALTZ**,  
Governor of the Bank for the **REPUBLIC OF POLAND**,  
at the Joint Annual Discussion

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Mr. Chairman, Fellow Governors, Ladies and Gentlemen,

I am honoured to participate in the annual meeting of the IMF and the World Bank taking place on the eve of the new millennium. The turn of the century is an excellent opportunity to sum up our recent accomplishments and to set clear objectives for the future. After the latest financial crises that so strongly affected many countries of Asia, Latin America and Europe, the global situation is gradually stabilizing, although its far-reaching effects will persist for a long time. However, it does not mean that the most serious problems faced by an ever-increasing number of the poor of our planet are vanishing. We welcome the fact that international financial institutions attach growing importance to the problem of poverty.

The discussions on the necessity of reforming international financial system and creating basis for new international financial architecture are already bringing noticeable effects. Our viewpoint is that capital flows liberalization in combination with implementation of adequate and rational fiscal and monetary policies can contribute to foreign capital inflows, to an increasing extent from private sources, essential to achieve a fast sustainable economic growth. However, because of huge volumes of daily capital flows, the question of liberalization needs to be considered with due care as free capital can be a source of potential turmoil in international financial markets. Poland actively takes part in all discussions on these subjects, taking the view that the most important question is the actual implementation of internationally accepted standards of conduct which may be instrumental in alleviating problems related to the flows. A decision to join the Fund's operational budget on the first of September this year was our practical contribution to increasing IMF's lending capacity.

Within the process of strengthening financial systems we attach great importance to analyses and assessments made by the Financial Stability Forum. Its works on capital flows, risk related to excessive short-term debt or the role played by international financial organizations able to exert political and economic influence, will significantly contribute to the implementation of a reasonable policy in all fields relating to the stable financial system. We believe that the forum should take into consideration opinions of as many countries and international institutions as possible. First-hand experience of the emerging markets affected by the recent crisis and, to an even greater extent, of the ones that have managed to withstand it, can undoubtedly heighten the effects of the actions undertaken by this body.

One of the key elements in the process of strengthening the international financial system and successful carrying out economic reforms is transparency of actions taken by

governments and central banks. Disclosure of information related to fiscal and monetary policies enables the public to understand and evaluate financial policy as a whole, thus facilitating the authorities to undertake actions leading to financial and systemic stabilization. It is obvious to us that only a credible information system can guarantee an effective execution of the economic policy. Since the beginning of the transformation process Poland has conducted the open information policy, which has contributed to a successful implementation of the economic policy in our country.

For many years preventing financial crises and alleviating their adverse effects have been the focus of attention of the international financial community and governments as serious financial difficulties can at a fast rate turn into devastating economic crises. Investors very often include all emerging markets in the same investment risk group. A crisis arising in one country brings about deleterious consequences for others in the region and due to the contagion effect an immediate foreign capital flight follows. We are glad to notice that at present much consideration is given to this question, but we believe it should remain the center of attention.

We should also aim at increasing involvement of the private sector in the process of preventing and overcoming a crisis. Cost-sharing should be determined on voluntary rather than obligatory basis. Emerging markets' governments should attach more importance to regular cooperation with the private sector on creating advantageous conditions for long-term foreign investment as well as to maintaining current contacts.

The international community, especially international financial institutions and governments of the most developed countries, has a crucial role to play in the fight against poverty and in assisting the countries suffering from the effects of crises. We are satisfied with the fact that the terms of alleviating the poorest countries' debts under the HIPC and ESAF programs have been agreed. It is definitely a desirable step towards improving their situation and beginning the process of an economic revival. To support this valuable initiative Poland has declared a twenty-year interest-free deposit with the IMF and additionally declared five million SDRs.

However, it ought to be emphasized that the debt reduction itself, without a tailor-made assistance program for each country, will not yield expected results. Debt reductions should supplement and not replace assistance offered to help achieve economic development. We also need to be aware of a crucial task of determining the size of the necessary assistance and a period of time during which it is supplied. We should consider ways of providing political consulting on the steps which have to be taken by the local authorities towards opening the economy, administering public and assistance funds, and pursuing sound economic policy. Taking into account situation specific to individual beneficiaries, we can learn from the useful experience of the countries that have already gone through this difficult stage of their history. The Comprehensive Development Framework, presented by Mr. Wolfensohn, President of the World Bank, can be instrumental in pursuing this objective.

Another priority we must not fail to recognize is taking up a determined fight against a phenomenon of widespread corruption, which is one of major factors hampering economic and social development. Corruption diminishes effectiveness of international assistance to the poorest countries, which, in extreme cases, can even be discontinued. However, applying only legal means in this fight is not sufficient. Such actions need to have strong political and social support. Eliminating adverse effects of corruption on international financial and commercial transactions requires close cooperation of developed and developing countries. In the ever-changing international situation defining new forms of corruption as well as increasing pressure on applying effective means, which have already been used in numerous developed countries, of counteracting corruption at any level, should also be taken into consideration.

Poland is ready to combine her efforts with all the countries that are represented here today, and with the Fund and the Bank, to find the way out of the difficulties that still lie ahead of us to enter the new millennium with a more stable global situation.

Thank you for your attention.