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Statement by the Hon. **MATO CRKVENAC**,  
Governor of the Bank for the **REPUBLIC OF CROATIA**,  
at the Joint Annual Discussion

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**Statement by**

**Mr. Mato Crkvenac**

**Minister of Finance of the Republic of Croatia**

**Governor for the Bank**

Mr. Chairman, Mr. President, distinguished Governors, Ladies and Gentlemen,

It is my great honor and privilege to address the IMF and the World Bank's Annual Meetings in Dubai, UAE. I would like to express my gratitude to our host of their warm hospitality and for admirable organization of these Meetings.

Let me take this opportunity to pay tribute to both Bretton Woods institutions for the manner in which they have handled the global development issues. I would like to congratulate Mr. James Wolfensohn and Mr. Horst Kohler on their achievements over the past year and applaud them for the many new initiatives. I am certain that they will be of a great benefit to member countries, especially those in the developing world.

Over the last years both institutions have clearly shown that they adapt and implement their policies to the needs of a changing global economy.

In that context we support the Bank and IMF in contributing to the fight against the financing of terrorism as well as the fight against money laundering through their surveillance activities.

We understand the Bank's need of broadening up its activities in order to support stability and geopolitical security, as necessary precondition for

sustainable development and this should therefore remain an integral part of the development agenda. We appreciate to see the Bank's cooperative approach with other key actors given the complex political, social, economic and international dimension of the global adjustment process. There is a room to strengthen its post-conflict policy performance within its scope of the work.

Further enhancing the ownership of client countries and greater involvement of developing and transition countries in the Bank's operations, especially in the CAS process is of a great importance.

We welcome the spirit of shared responsibility and mutual accountability in achieving the MDG s (*Millennium Development Goals*) and support the idea to adopt concrete monitoring measures to ensure that the development partners deliver on their promises.

Although financial role of both institutions remain indispensable we see the great value of the TA as being the essential to continue reforms by improving economic policies and strengthening public institutions.

The subject of enhancing the voice and participation of developing and transition countries is rather challenging and not simple one. The proposal to set up an independent expert task force to deal with the issues of the voting and capital structure of the Bank seems to be a reasonable one.

The mixed country constituencies, consisting of both borrower and donor countries have advantages. There is a question of their adequate proportion in order to fully promote the interests of both groups of countries. As regarding the idea of establish the TF (*Trust Fund*) to support research and policy advice in ED's office, besides the issues of rising fund (contributing with adequate resources) the over-reliance on developed country researchers and advisors could be also elaborated further.

We encourage activities on the decentralization, as well as enhancing transparency of both institutions. Let me say that Croatia publishes Article IV reports, as well as program documents and we welcome recent IMF Board decision to move towards presumed publication of country reports. This reports are useful source of information for the banking and business community and could serve the purpose of making economic and financial risk assessment for each individual country and not only within the regional risk context.

Turning to Croatia, allow me now to present some recent activities and achievements.

The Stabilization and Association Agreement (SAA) with EU signed in May 2002. The SAA strongly emphasizes the individual country achievements and depends on the regional co-operation which is what we strongly

welcome. In that respect we have made significant progress with regard to the political stabilization and fostering of the economic ties with the neighboring countries. In March this year Croatia officially applied for the accession to the EU and we are looking forward to its future development as a process of integration in the European Union. Our overall achievements so far are giving us reason to believe that by the end of 2007 we will fulfill all conditions required by the EU from its potential new members countries. As WTO and CEFTA member, Croatia has opened its borders to potential partners from the region and all over the world. We believe Europe to be one unique association having a great advantage in international relations. Becoming a part of such association will be a benefit for the Union that we have always considered of being our homeland. Furthermore, we have significantly improved our relationship with NATO through the Partnership for Peace Program, which we believe to be one of the major contributions for the successful development of the stability and peace in the region.

Lastly, let me say a few sentences about the macro-economic situation and trends in Croatian economy.

In spite of the generally weak level of economic activity in the major EU member countries, Croatia continue to achieve the positive results and offer a proof of a good macroeconomic performance of the Croatian economy in

the course of the last several years. The real GDP growth was 5% (as projected) mainly due to the increase of the industrial production and infrastructure investments, as well as tourist sector activities.

Unemployment rate is still high but is constantly decreasing. We expect that macroeconomic policies would remain adequate and supportive for further structural reforms to strengthen economic growth on a sustainable basis.

For the first half of this year the inflation rate was 0,9% (while at the end of the last 2,3% was recorded). Inflation was lower and the international reserves reached larger level than originally programmed. The fiscal targets were materialized with a further reduction of the deficit of the consolidated central government from 5.4 percent of GDP in 2001 to 4.25 percent of GDP in 2002. Fiscal consolidation remains a priority in order to enhance stable and sustainable growth.

Finally, we are interested to develop our further relations with the Bank and the Fund as a continuation of a traditionally good cooperation using of all possibilities that those institutions offer for a sustainable development and better living standard for the Croatian population.

Mr. Chairman, let me assure you that Croatia will continue to pursue development of a close and beneficial co-operation with the Bank in the future.

Ladies and gentlemen, thank you for your kind attention.