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Statement by the Hon. **IRENA KRUMANE**,
Alternate Governor of the Fund and the Bank for **THE REPUBLIC OF LATVIA**,
at the Joint Annual Discussion

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Alternate Governor of the Fund and the Bank for the Republic of Latvia,
at the Joint Annual Discussion**

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

I find it a great honor to address the 2006 Joint Annual Meetings on behalf of the three Baltic States - Estonia, Latvia and Lithuania. I would like to thank the authorities of the Republic of Singapore for their hospitality and the excellent organization of this important event. In my speech, I will focus on the main agenda items of the Development Committee and the current status of our cooperation with the Bank.

Strengthening the World Bank's Engagement with IBRD Partner Countries

Let me start with issues related to IBRD support to Middle-Income-Countries (MICs), a topic that we feel most strongly about, given that it is not too long ago that the Baltic countries were still borrowers from the Bank.

We recognize and are supportive of the pivotal role of the World Bank in fighting poverty and promoting sustainable development, be it in the poorest parts of the world or in the Middle-Income-Countries. Concerning the Middle-Income-Countries, in addition to the objective of fighting poverty, we see that the key rationale should be the work on the large agenda of unfinished reforms, putting special emphasis on sustainability of reforms. To that end, and based on experience with EU pre-accession aid, we consider that use of country systems is an important entry point and a very efficient way to strengthen legal systems and administrative capacity of recipient countries.

We also highly appreciate the Bank's efforts to establish a new paradigm in its relationship with IBRD partner countries. As we know, the Middle-Income-Countries have substantial variations in income, economic and administrative performance, market access and incidence of poverty. That creates the need for specifically tailored products and services, and hence, challenges the Bank. Therefore, we believe that the new IBRD strategy for its engagement in MICs and the updated Action Plan will address efficiently the remaining reform challenges in countries concerned and will enhance a new pragmatic cooperation approach that takes into account specific circumstances and structural differences of emerging market economies.

Governance and Anti-Corruption

Speaking of the Governance and Anti-Corruption agenda, we welcome and highly commend the Bank for strengthening efforts in this area, since weak governance and prevailing corruption could be a major impediment for poverty reduction and development in a country. The Baltic States have undergone substantial institutional reforms and we know from our own experience to what extent the overall country performance and progress depend on the institutional integrity and good governance. We think that the approach demonstrated by the Bank in the outline “Strengthening Bank Group Work on Governance and Corruption” can be put in practice and help to tackle specific governance constraints. If properly implemented, the Bank’s strategy would reinforce the ongoing fight against corruption. In addition, we believe that anticorruption work is an integral and important part of the concerted efforts undertaken by both the donor community and the developing world to reduce poverty and promote growth.

Becoming Donors

The Baltic States show inspiring macroeconomic performance and continue to be the most dynamic and growing region of the European Union. As the economic and structural conditions have changed dramatically over the past decade so have the modalities of our cooperation with the Bank. Estonia, Latvia and Lithuania are at the final stage of graduating the IBRD. As all of you know, graduation is a sign of success, but also an indication that we have reached a level of development, which enables us to increase our help to worse off countries. We hope that future cooperation with the World Bank will help to strengthen our role as donor countries and valuable partners in development.

Latvia is already a subscribing country of the International Development Association (IDA). Estonia and Lithuania are considering IDA membership as new donors in the nearest future. Besides, in line with EU efforts to increase Official Development Assistance financing, the Estonian, Latvian and Lithuanian governments have made commitments to progressively increase the share of development aid in state budgets.

Cooperation with Other Countries

We believe that our countries possess valuable knowledge and experience in implementing reforms that could be useful for the other middle and low-income countries, and we would be glad to share all the lessons we have learned with any interested governments. Therefore, I would like to use this opportunity and encourage the Bank, in line with the MICs strategy paper, to actively explore concrete options on how to ensure a better and more systemic ways in using the experience of successful MICs. Such an approach would help to enrich the development thinking of the Bank and address more efficiently structural challenges faced by those Bank clients that are still lagging behind.

I would like to conclude my speech by thanking the Bank's Management, staff and the Board of Directors for their dedication and efficient work on the global development arena.

Thank you for your attention!