Statement by the Hon. RIMANTAS SADZIUS,
Governor of the Bank for the REPUBLIC OF LITHUANIA,
on Behalf of the Republic of Estonia, the Republic of Latvia, and the Republic of Lithuania,
at the Joint Annual Discussion
Mr. Chairman, Mr. President, Mr. Managing Director, Fellow Governors and all Delegates,

I am honored to speak on behalf of the three Baltic countries – Estonia, Latvia and Lithuania. Let me take this opportunity to welcome the new World Bank President Mr. Robert Zoellick and wish him every success in his new capacity as a leader of this prominent international development institution. I also want to give many thanks to the IMF Managing Director, Mr. Rodrigo de Rato, and wish him great success in his new endeavors.

For Estonia, Latvia and Lithuania, since regaining independence in 1991, integration into the international system has been our overriding objective. We have implemented major economic and social restructuring in the process of integration to the European Union. The membership in the European Union has brought new responsibilities and commitments, including those in the area of development cooperation in our region and beyond. Having received assistance ourselves, today we appreciate and understand that it is equally important to give as to receive.

The Baltic countries are already contributing to the development bilaterally and through the EU mechanisms and are committed to further increase their official development assistance in line with the commitments made by the new EU Member States. Estonia, Latvia and Lithuania have already graduated from the IBRD’s borrower status and are on the way to join International Development Association donor countries and to contribute to the ongoing IDA15 replenishment. We are taking our international obligations and responsibilities seriously and we do believe that multilateral organizations, such as International Development Association, are well placed to provide development assistance to the poorest countries.

This year’s Annual Meeting is of particular importance as it focuses on the issues that need urgent actions and consolidated response by the international community, if we are to achieve the Millennium Development Goals. Challenges of sustainable development still remain: global imbalances and inequalities in opportunities within and among countries and regions. The new daunting challenges are climate change and global warming. Therefore, both countries themselves and the international community should
address these challenges. A successful and effective response to climate change requires considerable and urgent increase of our efforts. In light of that, the World Bank needs to adopt its strategies and actions, including the self-reform of the institution with the aim to make it more relevant and enhance its development impact.

Let me continue with the issues related to the World Bank’s long-term strategy. We concur with the six strategic themes identified by the President for the Bank’s future work in support of inclusive and sustainable development. Along with the new strategic directions, a corresponding review of the World Bank’s internal organizational structure could be considered to make it more efficient and effective.

I would like to emphasize the importance of the World Bank’s strategy in the Middle Income Countries. Although many Middle Income Countries have achieved economic development, many challenges still remain that distance these countries from the attainment of the Millennium Development Goals. The Baltic countries do believe that the World Bank can play an important role in the development of the Middle Income Countries by being more proactive and engaging more closely with these countries since its involvement in these countries is central to the Bank’s development mandate. The disbursement levels to the Middle Income Countries and prepayments of the Bank loans show that the Bank lending in these countries is losing its competitiveness. Given that, the Bank should try to reduce the non-financial costs of doing business through increasing use of country systems and enhancing the Bank’s knowledge services business model.

In our view, the Bank’s value added for the Middle Income Countries rests within the Bank’s flexibility, responsiveness and ability to provide cutting edge knowledge. Knowledge services appear as a unique product which constitutes the Bank’s comparative advantage. The Bank should give more attention to transferring reform experiences from more advanced Middle Income Countries to those lagging behind. With regard to this, we encourage the Bank to apply the best practice activities from the Bank’s cooperation with Estonia, Latvia and Lithuania in other countries and I confirm that we are ready to share our experts and knowledge with the Bank and its clients.

Not long ago, Estonia, Latvia and Lithuania were recipients of the World Bank’s financial assistance and were considered Middle Income Countries. Now, as EU members, we strive to reach the development level of the old EU members and to be among the most developed countries in the world. Our progress over a rather short period of time has been remarkable. The World Bank and other International Financial Institutions have made an important contribution to this transformation process by helping with the financial resources as well as with high quality technical assistance, advisory and analytical services. Over the past five years, the GDP growth in the Baltic
countries has averaged 8 to 9 percent, and our macroeconomic policies are geared towards accession to the euro zone: to reduce inflation and maintain sustainable growth by minimizing the risks of economic overheating. Improvement of the business environment continues to be our priority to ensure the flow of foreign investments that supports growth and helps to reduce economic imbalances.

We would like to thank the World Bank’s Management, its staff and the Board of Directors for their valuable cooperation and partnership, and look forward to continuing our fruitful collaboration in a different status – as we assume greater responsibility as donors – aiming to contribute to the achievement of global goals of reducing poverty and promoting economic development.