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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

**STATEMENT BY MRS HANNA GRONKIEWICZ-WALTZ,
IBRD GOVERNOR FOR POLAND**

Mr Chairman, dear Delegates, Ladies and Gentlemen,

May I start by saying how pleased I am to be addressing the World Bank and IMF Annual Meeting here in Hongkong which is such a vibrant centre, not only of finance but also of culture. The excellent organisation of the meeting taking place just several weeks after the constitutional change enables us to better understand sources of the economic success of this region, the success we believe that can be smoothly continued in the new reality.

In today's world changes are ever present. In the Central Europe we are going through a historical process of transformation. Our transition, as I often emphasise, has simultaneously involved not only the move from totalitarianism to democracy but also from a planned economy to an open market. Such transformation inevitably affects the lives and future of whole nations and cannot be achieved without the full involvement of the people.

Our own experience proves that it is possible to achieve macroeconomic stabilisation and positive economic results - the accepted hallmarks of a successful transformation - in the short to medium term. GDP growth rates of 6-7% over the last 3 years, based on real investment expenditures consistently rising at 20% annually, can be accompanied by continuous disinflation, if fiscal discipline and prudent monetary policies are in place. But we have also found that the process of transformation involves occasional setbacks and that it is not easy to achieve sustained long term growth. It is essential to deal with problems as they emerge, even if the medicine is bitter, and thus avoid their accumulation that may lead to crisis. To reach and maintain

sustainable growth a number of well-recognised factors such as institution building and structural reforms should be involved. Stable institutional framework and flexible economic structure, which are already quite deeply rooted in Poland, justify my strong belief in the permanency of a right direction of developments in my country.

Most recent experience shows us clearly that various measures thought to be prerequisites for sustainable growth, particularly deregulation of financial markets and liberalisation of capital flows, may have multifaceted impact on the country's macroeconomic situation. They can be and usually are beneficial. However, to be successfully implemented they need to have a suitable environment with a healthy and strong financial sector being of utmost priority. Premature liberalisation or neglecting rules of sound economic policy at a later stage may result in serious harm to the sustainable growth and the whole transformation process. I am glad to observe that some international institutions have put a lot of effort into research and policy advice regarding these issues. The attempts notwithstanding there is still a lot to be done to make this new approach widely accepted.

Ladies and Gentlemen,

I would also like to emphasise the significance of another, less obvious factor that is equally essential to the transition process. This vital element is public confidence. To achieve a far-reaching change, and to ride out the storms of setbacks, the government needs legitimacy. A legitimate government is the one which is confident of endorsement of the people in whose name it acts. And to gain this confidence government needs to behave in accordance with proper ethical standards, transparently and irreproachably to win public trust and support. If the society believes in the transition process and trusts in the government to introduce and develop it, the

people will lend their support in spite of any difficulties, even when unpopular measures are implemented to restore the balance.

For this reason, apart from macroeconomic stabilisation and basic structural reforms, ethical standards in implementing economic policies and consequently similar principles in conducting business are essential to achieving sustainable growth in the long run. Sound business standards are integral to growth. This is not just true of the countries undergoing transition, but also of the ones which have enjoyed economic soundness for many years. Popular trust in a government, based on the existence and maintenance of proper business practice, transparency and fairness, is of global importance.

In this context we welcome the OECD decision of May this year to draft an international treaty stamping out business corruption as well as discussion on the same topic by the Development Committee during this meeting. We strongly endorse that work on internationally accepted business ethical standards belongs to the basic tasks of the international financial organisations.

This meeting has put forward many issues which require further research and conclusions. I do believe that both countries in transition and developing countries may expect guidance from international organisations such as the World Bank and the IMF. And I do hope that such guidance will be provided on time.

Thank you.

