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Statement by the Hon. **VYTAUTAS DUDENAS**,
Governor of the Bank for the **REPUBLIC OF LITHUANIA**,
on behalf of the Bank Baltic countries,
at the Joint Annual Discussion

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Mr. Chairman, Mr. Managing Director of the IMF, Mr. President of the World Bank, Ladies and Gentlemen,

It is a great honor to address the Annual Meetings of the International Monetary Fund and the World Bank Group on behalf of Estonia, Latvia and my own country - Lithuania. I would like to take this opportunity to express my gratitude to the Czech authorities and the officials of the beautiful City of Prague for their warm hospitality. This is a great occasion to share our views about recent economic and social developments in our countries, to assess the progress made by the World Bank in alleviating poverty and to discuss the challenges, still ahead.

This Annual Meeting takes place at a time when the global economic and financial outlook is generally healthy, which in turn positively influences the economic development in middle – income countries such as ours. The current economic situation in our countries shows that the year 2000 is a turning point from an economic downturn to significant growth. The first signs of an economic upturn appeared in Lithuania in the last quarter of 1999 and even earlier in Estonia and in Latvia. The results of the first half of the year 2000, such as an increase in the growth rate of GDP, reduction of current account deficit, low inflation, strong increase in exports based on successful reorientation of producers towards Western markets is evidence of a gradual economic upsurge and proof that we are well prepared to overcome regional financial, economic and structural disturbances (problems).

The recent IMF mission in Lithuania, which finished its work a few weeks ago, also reported positive trends in economic development and concluded that Lithuania is following the requirements of the Memorandum that was signed at the beginning of this year. The mission acknowledged that the strategy of the Government and the Bank of Lithuania – to strengthen public finances and accelerate structural reforms – is working in key areas.

Let me point out the important contributions of the World Bank to Lithuania, Latvia and Estonia. The three countries have been working with the World Bank since 1992. Especially during the last months, we have seen lively Bank activity in our countries. This includes setting out recommendations for structural reforms, maintaining macroeconomic and financial stability, and focusing on social and human development needs.

Since joining the World Bank, the Bank's commitments to Lithuania total approximately USD 446 mill. for 15 projects, to Latvia – USD 357 mill. for 19 operations, and to Estonia – USD 136 mill. for 8 operations.

In July of this year, the World Bank approved a EUR 108 mill. second Structural Adjustment Loan (SAL II) to support reform programs of the Government of the Republic of Lithuania. The

loan aims to reduce poverty by putting the economy on a path of rapid and sustainable growth and to ensure smoother integration into the European Union. More importantly, the loan will facilitate structural reforms and institutional development, in particular in the agricultural and social security sectors where further reforms are much needed.

In March of this year, a programmatic Structural Adjustment Loan (PSAL I) program of USD 40 mill. was approved for Latvia. This innovative instrument, being only the second PSAL in the history of the Bank, aims to improve the reliability, efficiency and effectiveness of the public sector, to support private sector growth and to make the economy less vulnerable to external shocks as well as to prepare for EU accession.

We welcome co-ordination between World Bank, International Monetary Fund and European Union programs. Adjusting the contents of the SAL programs to support the efforts of Latvia and Lithuania in their accession to the European Union is a good example of the World Bank's constructive role. In the future, we see the Bank's priority in gearing its activities towards EU accession programs of the countries and we urge for co-ordinating its operations with the European Bank of Reconstruction and Development and other international institutions, which are active in our region.

We would also like to thank the World Bank for its excellent economic research in the Baltic Countries and in the entire ECA region. We have just received the Bank's Report on Poverty and Inequality in Europe and Central Asia, which is essential in order to avoid further hazards of transition in our countries.

The World Bank investment projects implemented in our countries contribute to fostering growth and ensuring social development through improvement in infrastructure, environmental protection, enhanced access to credit resources for small businesses and community social service development.

Moreover, we would like to see the International Finance Corporation (IFC) play an even more active role in further strengthening the private sector in our three countries. We particularly value IFC activities in facilitating the flow of foreign direct investments, and its contribution in developing strong and sustainable business units with sound corporate governance practices. In our view, growth led by the private sector is the most important factor in facilitating exports, generating jobs, correcting social imbalances and eliminating poverty in middle-income countries.

In closing, I would like to congratulate the World Bank and the International Monetary Fund for their achievements over the last year and to thank them for their co-operation and assistance in meeting our goals. I wish them every success in the implementation of future projects.

Thank you.