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INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES  
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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**INTERNATIONAL MONETARY FUND**

Press Release No. 34

September 24–25, 2005

Statement by the Hon. **AIVAR SOERD**,  
Governor of the Bank for the **REPUBLIC OF ESTONIA**,  
on behalf of the Baltic Countries,  
at the Joint Annual Discussion



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It is a great privilege for me to address this distinguished audience today at this year's Annual Meeting and to speak on behalf of the Republics of Estonia, Latvia and Lithuania. Let me also thank, in the name of the Baltic States, the U.S. authorities for once again hosting the Annual Meetings here in Washington D.C.

The Baltic States have made remarkable progress in both building up state institutions after regaining independence, as well as in creating an economic climate that supports development. The north-eastern corner of Europe, with the Baltic countries, is one of the most dynamic parts of the European Union. If we look at the developments achieved over the last decade, the Baltic States have had the highest average growth rates after Ireland. Development has been especially favourable for us since becoming members of the EU – economic growth has accelerated and unemployment has quickly declined.

Our recent success has its roots in our economic policies. The Baltic States have small and open economies. We have experienced the value of strong institutions and sound policies, as well as the necessary push for development that can be provided by outside assistance, in our case mostly from the European Union, but also from other good partners. As we have seen the dividends of good policies and valuable outside assistance, the Baltic States are on the way from being aid recipient countries to becoming donors and slowly but steadily increasing our aid commitments.

In the current year, as it has often been called the year of development, full attention has been given to global development problems. Let me emphasise the importance of the Millennium Development Goals in our joint mission towards socially, ecologically and economically sustainable global development. These goals are achievable, but only if we all strengthen our efforts. We, the Baltic countries, consider the role of the Bank extremely important in this process, and particularly so in two areas – enhancing the effectiveness of global development work and increasing cooperation between different actors on both international and country levels.

We welcome the Bank's sustained efforts in strengthening of national governance, combating corruption and helping client countries to implement policy reforms, as these are some of the most significant prerequisites for development and reduction of poverty. In order to ensure real ownership of reforms and development programs by governments, the Bank also has an important role in helping national authorities to strengthen their administrative capacity. The latter is in our view critical for achieving true country ownership as it is envisaged by the PRSP framework.

Finally, having seen what a difference in economic development opening up a country's economy can make, I would like to emphasize the importance that we give to the principle of free trade. While we acknowledge that the WTO is the institution charged with moving trade

negotiations forward, the World Bank also has an important role in helping developing countries to truly reap the benefits of open markets.

We should also bear in mind that the Bank has an important role to play in middle income countries, especially given the number of the poor living there. It is however critical for the Bank to offer competitive and sufficiently sophisticated products for especially the upper middle-income countries in order to remain a truly valuable partner. There is an important role also for the technical advice that the Bank can still provide in these countries, taking into account lessons from other governments that have already gone through the reform process. In this regard, I would like to point out the positive track record and significant transition experience that the Baltic countries have obtained and that we are more than happy to share with others.

To conclude, let me welcome Mr. Wolfowitz as the new President of the World Bank Group and wish him every success in carrying on with the important mission of global development. We hope to give our best possible contribution to the Bank's mission together with the Nordic countries in our constituency, as well as with all other fellow shareholders of this institution.