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Statement by the Hon. **NIKOLAOS CHRISTODOULAKIS**,
Governor of the Bank for **GREECE**,
at the Joint Annual Discussion

**Statement by the Hon. Nikolaos Christodoulakis,
Minister of Economy and Finance for Greece,
at the Joint Annual Discussion**

Mr. Chairman, fellow Governors, Ladies and gentlemen,

It is a great pleasure and a privilege to address the 2002 Annual Meetings of the Governors of the Bretton Woods Institutions.

Let me first join previous speakers in welcoming the Democratic Republic of East Timor as a new member of the Fund and the Bank, and of our constituency. I wish also to express my appreciation to Mr. Koehler and Mr. Wolfensohn for their continued dedicated service to our institutions and, in particular, for their efforts to ensure that globalization works for the benefit of all.

It is customary in these meetings to outline economic developments in each country. I am pleased to inform you that the Greek economy continues to do well. Despite the international economic slowdown, real GDP in Greece, is expected to grow this year by about 3.8 percent, while the prospects for 2003 are quite positive. Fiscal policies followed over the last few years succeeded in stabilizing public finances and broadly balancing the general government budget. Inflation is still higher than the euro area average and this will continue to be of concern.

Structural reforms focus on liberalizing and improving the functioning of markets by, *inter alia*, containing the role of the state and putting in place a clear and transparent legal and regulatory framework within which market agents operate. To this effect, our telecommunications sector has been fully liberalized since 2001 and progress has also been made in increasing competition in electricity generation, maritime transport, banking, tourism industry, and other sectors. Proceeds from privatization will exceed 1.5 percent of GDP this year, one of the highest in recent years in the European Union. This year, we have also introduced legislation for a major reform of our tax system and have taken steps, in cooperation with the social partners, to improve the funding of future pension liabilities. To raise productivity further, we have placed increased importance on the reorganization of the public sector and on improving the public health services, education and work practices.

Structural reforms, fiscal discipline, and the high public investment in infrastructures and for the Olympic games of 2004, along with robust private investment, are expected to contribute to a sustained high rate of economic growth in the coming years and a rapid convergence of the standard of living to the average of the European Union.

In the spirit of the Lisbon agenda for structural reforms, we have already taken steps to fully exploit the opportunities offered by information and communication technologies to raise output and provide a longer-term boost to productivity growth. In this effort, we are channeling the resources of the Community Support Framework to their best use. At the same time, we are also assuming an increasingly important role in the reconstruction of the Balkans.

The recovery of the global economy, which started at the beginning of this year, seems to be less robust than initially expected. The outlook, although on balance positive, is clouded by significant downside risks. These stem in part from the persistence of imbalances between and within the major economic areas of the world, but they are compounded by the collapse of equity prices and the erosion of confidence in corporate governance, the current high levels of oil prices, and the unsettled security situation in the Middle East.

To counter these risks and preserve the stability of the international monetary system, we need to reinforce our commitment to international cooperation. We need to focus attention on restoring confidence in the stability and integrity of market institutions, while also working together to resolve macroeconomic imbalances. At the same time, we need to further enhance our capacity to prevent and resolve crises.

Over the past year, the Fund has made considerable progress in strengthening the effectiveness of its surveillance policies, which is essential for the prevention of crises. I welcome, in particular, the new instruments that the Fund has developed to facilitate the timely detection and correction of vulnerabilities in national financial systems and global capital markets and the growing attention it has been paying to debt sustainability analysis. Nevertheless, financial crises continue to occur with disquieting frequency. At the same time, we need to strengthen further the framework for the resolution of sovereign liquidity and solvency crises. In this context, I welcome the emphasis on streamlining program conditionality and on improving its focus, while also reinforcing its collaboration with the Bank and other IFIs. I look forward to clarifying the criteria for exceptional access to the Fund's financial resources and to developing both the contractual and statutory approaches to sovereign debt restructuring.

The weakening of global macroeconomic prospects has particularly adverse implications for developing countries. We urgently need to translate into concrete actions the consensus reached in Monterrey and Johannesburg. In this connection, it is important to monitor progress towards the attainment of the Millennium Development Goals in the global effort to reduce poverty and promote development.

The World Bank, working closely with the Fund and the donor community, must intensify its efforts in developing operational tools to deal with particular problems in low-income countries. Special emphasis must be paid to finance and knowledge instruments while exploring new avenues to directly address the problems of the large

proportion of poor people residing in these countries. In order to assist low-income countries to meet the 2015 MDGs, focus on sound macroeconomic management, institutional capacity building and on basic social service delivery to the poor must be emphasized. Measures to improve policy performance must be embedded in the Poverty Reduction Strategy Paper (PRSP) process. Close monitoring and evaluation of agreed outcomes based on results-oriented indicators are also essential in measuring the effectiveness of assistance.

I would also like to acknowledge the continued progress made to date under the enhanced Heavily Indebted Poor Countries (HIPC) initiative. The enhanced HIPC framework continues to provide a sound basis for debt reduction in HIPCs. In this context, we urge the Bank and Fund to focus on long-term debt sustainability in HIPC countries which will, *inter alia*, require a broader set of actions by HIPCs and the international community alike. The HIPCs must continue to make progress on their economic and social policies. For their part, industrialized nations must respond by opening their markets—as gains from increased trade would far exceed even the most ambitious debt relief scheme—and by ensuring that financing on appropriately concessional terms remains additional to debt relief. Removing barriers to trade will also assist in generating opportunities and in reducing aid dependency, while empowering people and countries with additional development means. We need to stress the importance of paying renewed attention to the sources of sustainable growth, poverty and social impact.

Effective policies to combat money laundering and the financing of terrorism are necessary in order to safeguard the stability and integrity of the global financial system. I am pleased to note the considerable progress achieved so far in implementing major aspects of the AML/CFT action plan. I am nonetheless, mindful that strengthening the AML/CFT regimes worldwide will involve capacity building, strengthening the financial sectors and supervisory reforms in the medium to long run. We encourage the Fund and the Bank to continue developing comprehensive AML/CFT assessment methodologies and to step up the implementation of technical assistance, and we look forward to the final Report at the 2004 Annual Meetings, after the 12-month pilot program in 2003 of AML/CFT assessments and accompanying ROSCs.

Mr. Chairman, fellow Governors,

Monterrey, Johannesburg and Doha give us important opportunities to fight marginalization and underdevelopment. Let us learn from our experiences, and share the vision for a world free of poverty. Let us make globalization not a terrain for new inequalities, but an all-inclusive process that works for the benefit of all.