

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES

MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **ANTONIO DE SOUSA FRANCO**,
Governor of the Bank for **PORTUGAL**,
at the Joint Annual Discussion

**Statement by the Hon. Antonio de Sousa Franco,
Governor of the Bank for Portugal,
at the Joint Annual Discussion**

Mr. Chairman

Since our last meeting, global economic prospects and financial markets have improved significantly, mainly in the last few months, largely eliminating earlier concerns of a worldwide economic recession. We are especially happy with the right policies and international solidarity that made possible the containment of the Brazilian crisis and the quick beginning of recovery in Brazil. However, all over the world, the recovery is uneven across regions and remains unbalanced among industrial countries, while developing countries are growing at a still insufficient rate to make a difference on the poverty situation.

You will understand, my fellow Governors, that for my country the most important event in the last months is the referendum in East Timor and the following massive destructive actions. Let me pay homage to the brave people of East Timor, that in spite of risking their lives, gave to all of us a lesson of their firm commitment to take into their hands their future and pursue an independent democratic state. This was a first step to create the necessary conditions for peaceful development within the country. Before initiating that process, however, peace, law and order have yet to be restored and emergency assistance is extremely urgent, with the help of all friendly countries, all neighbors of East Timor and the international community as a whole.

Looking towards the future, let me stress that, as the sources of financial instability subside and world recovery expands and takes root, it is our obligation to address urgently the needs of the poorest countries. Fighting against poverty is a long term and complex process and we can not afford set-backs and further marginalization of countries or groups of people within countries.

We warmly support the proposals to enhance the HIPC initiative and call for its effective implementation. Debt relief is just an instrument for achieving sustainable poverty reduction and development in a broader sense. What is needed is not just growth, but growth that creates jobs, that eliminates inequalities of income and gives access to education, health, water, sanitation and other basic services, in other words, growth that provides opportunity to all people. We have the political commitment, we have a new closer cooperation between the Bank and the Fund, and we need the means to translate our commitment to debt relief into results on the ground under the leadership of recipient countries. Portugal has long been granting debt relief, it has already contributed to the HIPC Trust Fund and my country stands ready to further contribute at a higher level of commitment towards this joint effort.

Development is a long term, multifaceted and interrelated process. It will require strong multilateral financial institutions capable to, along with recipient countries and other partners, assist countries in this process. The Bank Group financial situation has been put under some stress and we have a responsibility to undertake measures to strengthen its financial capacity. We strongly support an institution able to fulfil its development mandate and serve its members.

Globalization is a fact of life but not all countries are taking part equally in this irreversible process and inequality is an undesirable consequence of it. One way to help countries to become more integrated with the world economy is the participation in international trade. We concur with the proposed approach by the Bank to assist developing countries to participate in the upcoming round of WTO negotiations.

It is time to rethink globally, on the other hand, a new financial architecture. Both the Bank and the Fund are moving in the right direction. But we urge all countries – especially the G-7 members – to rethink quickly and globally the current situation. Otherwise, new crises will certainly emerge out of the slow pace of reform. Deep and quick reform is not only a need of each one of our countries. It is also an urgent need of international institutions.

Before ending, I would like to return to my first topic: East Timor. We call for the international community to take firm action to restore peace, provide emergency aid and contribute to the reconstruction needs of this devastated territory and people. We have to focus on immediate humanitarian needs – protecting and feeding displaced people, helping them returning safely to what is left of their homes, preventing any recurrence of violence and reconstructing families and communities, and providing basic infrastructures. At the same time we have the obligation - the solidarity obligation - to begin the urgent and demanding process of reconstruction, to help East Timor building schools, health facilities, starting up economic activities and setting institutions and training people for a democratic and self-governed nation. Otherwise, words like democracy, human rights, law and order, social and economic development, would become quite empty. As our institutions have shown in the past, and will show again in the future, cooperation for democracy and development shall be the right and urgent medicine for this situation.