

**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

**J**

**INTERNATIONAL MONETARY FUND**

Press Release No. 45

September 23–24, 2003

Statement by the Hon. **MANUELA FERREIRA LEITE**,  
Governor of the Bank for **PORTUGAL**,  
at the Joint Annual Discussion

Mr. Chairman, Governors, Ladies and Gentlemen,

I will begin by thanking the Dubai authorities and the Government of the United Arab Emirates for their warm hospitality and excellent support in organising this year's Annual Meetings.

These are the first Annual Meetings ever to take place in the region and I would like to stress both its importance and meaning in terms of a further, deeper and successful integration of the Middle East, in general, and specifically the Gulf into the world economy.

### *Macroeconomic prospects*

An aspect that is remarkably robust in the assessment of the world economic situation is the consensus that growth is getting underway, already this year, and will gather momentum during the course of 2004 on the basis of better economic conditions.

This should also be the case for the European Union, where overall conditions seem to be met.

Our task as international community should be to avoid some downward risks to materialise and thus to contribute to a stronger and broader-based global recovery.

Particular attention should be paid to supporting an orderly correction of imbalances, including through allowing some smooth and fairly shared exchange rate adjustments that better reflect economic fundamentals.

This implies as well that our countries should be ready to continue their efforts to deliver sound macroeconomic policies and pursue structural reforms.

Finally, of a major importance, would be getting a balanced agreement within the Doha Development Round, as soon as possible, which, by strengthening international trade, could contribute to foster confidence and to support an overall recovery.

### *Economic and budgetary developments in Portugal*

Confidence is the major force behind recovery. Under such circumstances, it is crucial that conducting macroeconomic policy proves to be credible, thus supporting expectations. And credibility is gained through being able to stick to commitments. This has been our position in Portugal.

In my own country, we have recently experienced an important and unavoidable adjustment from a past unbalanced growth path which was aggravated by inappropriate budgetary policies.

In the process, the Portuguese economy will register a slight negative growth rate in 2003.

This year's slowdown reflects mainly the weakness of domestic demand, which was an inevitable development in order to correct macroeconomic imbalances, but also a subdued external demand.

Signs of improvement of domestic demand, although recent, are beginning to show themselves and technically the economy is not in recession anymore.

A mild recovery is expected in 2004, with a growth rate expected to fall between 0.5 and 1.5 percent.

Regarding budgetary developments, the Portuguese Government is fully engaged to comply with the rules of the Growth and Stability Pact, in spite of the economic slowdown.

This commitment is the result not only of the willingness to comply with international obligations, but mainly because the Portuguese Government believes that budgetary consolidation serves the best domestic economic needs.

As for structural reforms, it is worth mentioning the approval of a new labour code, improving the flexibility of labour relations, and steep reforms undertaken in sectors such as the Civil Service, Education, Health and Social Security.

### *International financial institutions agenda*

As for global efforts to fight poverty, challenging times in economic and social terms shall not be an excuse for developed countries to delay or soften their responsibilities. If anything, priorities should become more focused and guided towards maximum effectiveness.

In this context, we welcome the significant results that the HIPC Initiative has achieved. However, much more remains to be done by countries themselves, such as improving domestic policies and governance, so they can benefit from the full implementation of the Initiative.

We are also of the opinion that the Millennium Development Goals must continue to provide the major frame for our action, while the proposal for launching an International Finance Facility should deserve further preparatory work.

As for strengthening the fight against the abuses of the international financial system, we fully endorse the forty Financial Action Task Force Recommendations on money laundering, which is an area where success of our action is highly dependent on strong co-ordination, both among domestic institutions and at the international level.

Finally, I would like to welcome the progress made to improve crisis prevention and resolution. Of course, this is an almost never-ending task. Efforts should continue to be made in order to improve the surveillance framework and to ensure that the exceptional access policy is strictly implemented in practice.

Thank you.

