

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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INTERNATIONAL MONETARY FUND

Press Release No. 22

October 22, 2007

Statement by the Hon. **FERNANDO TEIXEIRA DOS SANTOS**,
Governor of the Bank for **PORTUGAL**,
at the Joint Annual Discussion

Statement by the Minister of State and Finance and Governor of the Bank for Portugal

Mr. Fernando Teixeira dos Santos

Chairmen, Governors, Ladies and Gentlemen.

It is a great pleasure for me to be here and I would like to start by thanking the Bank and Fund Staff for their efforts in organizing this year's Annual Meetings.

World economic activity remains robust, despite some cooling down of the pace of economic growth due to the financial market turmoil. Therefore, these recent developments lead to downward revisions in expected economic growth for global economy.

Portuguese economy will likely be influenced by these events. Nevertheless, the gradual recovery of the Portuguese economy will continue in the next years, and the gap vis-à-vis European average is expected to be reduced in coming years.

The acceleration of economic growth for the next year will be the result of an investment recovery, both on entrepreneurial investment and public investment and of the continued good performance of exports.

In a context of increasing globalization, competitive pressure is growing, and consequently important efforts have been put in place in Portugal to increase competitiveness and productivity growth.

Structural reforms have been implemented in areas such as social security, public administration, in raising the workers skill level, in

promoting innovation and technological development and in developing a more favourable environment for investment.

A rigorous implementation of the budgetary consolidation strategy has also been a priority. In 2007 the deficit is going to be 3% of GDP, ending the excessive deficit situation one year earlier than initially expected. In sum, the Portuguese macroeconomic fundamentals are strong which should have positive spillovers on the fight against social exclusion, poverty and inequality.

Portugal remains fully committed to the global fight against poverty.

The partnership between developed and developing countries established during the Monterrey, Johannesburg and Doha summits and reaffirmed in New York in 2005 remains the only way to make further progress towards the achievement of the Millennium Development Goals. These are not only objectives but also a means to measure progress in this quest. The first of these goals, poverty reduction, has been the World Bank's overarching objective for many years and it is also a priority of the Portuguese cooperation.

Portugal welcomes the new President of the World Bank, Mr. Robert Zoellick and wishes him success in this challenging but very important mission. We very much support the concept of an inclusive and sustainable globalization, presented by President Zoellick, as the vision underlying the Bank's work. We believe multilateralism remains the best means to achieve this daunting task. We urge the Bank to continue working closely with its multilateral partners – the UN, the IMF, the WTO and regional development banks. In this context, we welcome the six strategic themes proposed by President

Zoellick as a framework for the future work of this important Institution.

This is a particularly challenging year for Portugal - as we currently hold the Presidency of the European Union - and I would say it is also a challenging year for the World Bank Group as it prepares, together with the international donor community, to mobilize crucial resources for development through IDA 15 Replenishment. IDA remains the most important multilateral development institution, especially in Africa. Portugal will make its best to help create an atmosphere conducive to a successful IDA replenishment.

We welcome the Bank's work in addressing the special needs of fragile states. These countries are the least likely to attain the MDGs and should not be left behind. To engage more effectively in these difficult environments, the international community needs to develop an integrated approach that takes into account security, political and developmental concerns. Portugal thinks the World Bank is well positioned to play a key role in these countries and to make a difference due to its adaptability character and by making quick disbursements.

The Bank should continue working closely with other development partners and relevant institutions, both public and private, in order to help build capable, accountable and responsive states, reflecting each other's mandate and comparative advantages.

In its 60 years of existence, the World Bank has been a driving force for development in middle-income countries by providing financing, technical assistance and knowledge services. The Bank needs to remain engaged and competitive in middle-income countries in order

to fulfil its mandate, but it must also continue to use its development knowledge and expertise for the benefit of other developing countries, such as IDA countries.

Global and regional public goods should clearly be on top of the World Bank's agenda. Climate change and global warming concerns are a paradigmatic example. In this area, where there are clear market failures, a global institution like the World Bank has a key role to play in fostering country and regional strategies for the promotion of environmentally sustainable low-carbon economic development, while maintaining countries' growth rate and their path towards poverty eradication.

We recognize that developed countries need to provide stronger support to the least developed countries through increased market access. Portugal urges the international community to make a renewed effort to achieve a successful closing of the Doha Development Round. We also strongly support World Bank and IMF efforts to step up the Aid for Trade agenda and commend their advocacy role in seeking a positive outcome of the negotiations.

Portugal believes that the private sector development plays a crucial role in the fight against poverty. We, therefore, encourage the World Bank Group to continue, through IFC, to promote private sector ventures in developing countries and frontier markets. The ambitious IFC strategy that includes a sensible increase in its activity goes, in our opinion, in the right direction. In this context, let me share with you that the Portuguese Government, in collaboration with private partners, has recently established a new financial instrument – *International Financing Corporation for Development (SOFID)* –

with the aim of supporting private sector development through partnerships in least developed countries.

The establishment of this Institution was formally announced at the International Conference on *Promoting of Investment Partnerships for Sustainable Development in Africa*, an Initiative organized jointly by the Portuguese Government, the European Investment Bank and the International Finance Corporation, which took place in Lisbon, on 11th October.

I would like to finish by thanking the Bank and Fund Staff and Management for their excellent work and the Boards of Directors for their strategic view and guidance. I would like to thank Managing Director Rodrigo Rato for his excellent work in the time spent leading the IMF and wish him well in his future endeavours.