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

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Ladies and gentlemen,

Let me first congratulate Horst Kohler on his election as the new Managing Director and pay tribute to the work of Michel Camdessus, while he was in the post and James Wolfensohn for his valuable contribution in pursuing the goals of the World Bank. I also express my welcome to San Marino as the latest member of the International Bank for Reconstruction and Development (IBRD).

Regarding recent economic developments in my country, last June the European Council at Feira in Portugal, congratulated Greece on its economic performance and welcomed the decision that Greece will join the Euro zone on the 1st of January 2001. Entry into the EMU involved a major effort to consolidate public finances and restructure the economy. The policies followed over the last few years succeeded in drastically reducing the general government deficit, to a level that is expected to be below the Euro zone average for this year, lowering inflation to the level of the Euro zone average, and promoting strong growth on a sustained basis.

Structural reforms aim at 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 and electricity sectors will be fully liberalized in 2001. To raise productivity further, increased importance is placed on education, on the modernization of work practices and on the reorganization of the public sector. For the next few years, we are expecting growth rates of about 5%. These growth rates, driven primarily by investment, together with fiscal discipline, are expected to lead to surpluses in the general government sector and, in combination with the continuing privatization program, to a steady reduction of the general government debt. Inflation is expected to remain under control as a result of the anti-inflationary fiscal policy and the structural reforms that will lead to an increase in potential output, preventing the emergence of bottlenecks.

In the spirit of the Lisbon summit conclusions, we are taking steps to fully exploit the opportunities offered by information and communication technology in raising output and providing a longer-term push 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 a constructive role in the reconstruction process of the Balkans. We are determined to continue on the virtuous path we are on and to take advantage of the positive trends that have emerged in the world economy.

Most international organizations predict that world output will register substantial growth in 2000 and 2001. The continuing robust growth in the US is contributing to this worldwide performance, but so is Europe and the newly industrialized Asian economies. At the same time, inflation has remained under control. This performance follows from the pursuit of sound macro economic policies by most countries simultaneously, thus resulting in balanced growth. Technological improvements especially in the information and communication technology sectors have also made a substantial contribution.

World economic recovery is currently accompanied by some exchange rate instability, especially as concerns Euro's continuing weakness which does not reflect economic fundamentals in the Euro zone. As underlined by supportive actions already taken, a strong Euro is in the interest of global stability.

The Fund has contributed to the improvement in economic prospects by promoting sound macroeconomic policies and by helping the crisis-stricken countries to address structural weaknesses, notably in the financial sector. In this respect, we welcome the joint World Bank - IMF Financial Sector Assessment Program which is proving to be a valuable tool for identifying vulnerabilities, and the progress made in developing *Standard* and *Codes* and promoting their adoption.

Despite the improved performance of the global economy, a number of countries are still facing poverty conditions. Widespread poverty remains the unacceptable face of the global economic situation. Since relief initiatives are more easily implemented at times of good economic performance we should take advantage of the present conditions. We support the enhanced *HIPC* and *PRGF* initiatives, to which Greece has also made a contribution. We welcome the considerable progress achieved in the last year on this front with the endorsement of relief packages for 10 countries and the expectation of further countries participating until the end of the year. We also welcome the increased emphasis on the quality of adjustment of policies in the poorest countries and the provision of technical assistance by the Fund and the Bank. The developed world should intensify its efforts to combat poverty through the systematic application of relief and assistance policies.

At the moment a shadow has been cast on this overall improved picture by the increase in the price of oil. At the ECOFIN meeting, earlier this month, we expressed our concern regarding the current oil price and stressed the need for oil prices to return to a level that preserves robust worldwide growth. We should spare no efforts in the forthcoming weeks in seeking the cooperation of OPEC and other oil-producing countries for ensuring adequate production levels leading to a lower price of oil. In the medium-term, the European Union countries have set themselves the goal of reducing their oil dependency.

More generally, increased globalization requires a reinforced international cooperation aimed at preventing or resolving crises as well as promoting policies favoring financial stability, technological innovation and equitable distribution of the gains from growth. Current successes, and problems, underline the need for such cooperation.