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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. **GEORGE ALOGOSKOUFIS**,
Governor of the Bank for **GREECE**,
at the Joint Annual Discussion

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The Global Outlook

The global expansion remains on track, with world growth projected to remain around 5 percent in both 2006 and 2007 – higher than previously forecast. The expansion is broad-based and is becoming more balanced as growth is picking up in the Euro-area and Japan. The contribution of emerging economies is increasingly significant to the global economy. However, the risks to the global outlook appear one-sided. Inflation concerns, tighter financial market conditions, persisting global imbalances and high oil prices highlight some of the risks ahead. The stalemate in the Doha Round of trade negotiations and a weakening of global housing markets also constitute key risks.

Sustained high growth rates globally have absorbed spare capacity and led to incipient inflation pressures. Nevertheless, inflation remains subdued despite large increases in energy and other commodity prices. Central bank credibility and global economic integration have contributed to this outcome by keeping inflation expectations low while expanding global supply. The pass-through of commodity prices may increase as the degree of slack recedes and labor markets tighten. Central banks have therefore been raising policy rates preemptively.

Economic growth in the Euro-area is recovering. The recovery is supported by domestic demand, structural reforms and fiscal consolidation plans in all the Euro-zone economies.

Greece's Economic Performance

Greece's growth performance has been relatively strong over the past couple of years, exceeding the Euro-area's average by a significant margin. Growth has been underpinned by private consumption and investment as well as exports of goods and services. GDP growth amounted to 3.7 percent in 2005 and is expected to accelerate slightly in 2006 and 2007. GDP growth reached 4.1 percent in the first half of 2006. Improved competitiveness is the key to increasing Greece's growth potential. To this end, the government has introduced a series of structural reforms, which have been instrumental in sustaining the growth momentum after the Olympics. These include

- reforms in product markets and simplification of bureaucratic procedures
- reform of corporate taxation and of the investment incentives law
- improvements in public procurement
- a new framework for public-private partnerships
- extensive privatizations
- pension reform in the banking sector
- rationalization of the operation of Public Sector Enterprises

- liberalization of retail shopping hours
- more flexibility in working hours and reduced overtime pay.

Our next step is the reform of personal income taxation, in order to simplify the system and reduce the tax burden, mainly on middle incomes. In addition, a comprehensive social dialogue is under way, on the reform of the pension system.

Fiscal consolidation remains the key priority. Having already achieved significant progress in 2005, the government is committed to correcting the excessive deficit by end-2006 and making further progress towards its medium term objective for a budget that is balanced or in surplus by 2012 at the latest.

Quotas and Voice

We welcome the important agreement reached on a two-year program of fundamental reform of the Fund's governance and quotas. The ad hoc quota increases for the four most underrepresented countries is only a first step. Further steps are needed to achieve a distribution of quotas that reflects developments in the world economy, including the growing importance of Asia. At the same time, the commitment we made to at least double basic votes will help increase the voice of low-income countries in the Fund's decision-making process. We look forward to further progress in enhancing the credibility and effectiveness of the Fund, in line with the specific goals spelled out in the Resolution we adopted.

Thank you.