

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. 19

October 22, 2007

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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 economy continues to grow strongly, although downside risks have clearly increased. The recent financial market turbulence that originated in the U.S. credit market potentially could slow the pace of the global expansion. Financial market conditions have improved since mid-August but a full recovery will require time. The widening of credit spreads has a positive aspect, insofar as it better reflects underlying risks. However, it creates downside risks to near-term growth. Rising oil prices, inflation concerns, and trade protectionism also constitute key risks to the global outlook. Climate change and clean energy needs should also be taken into consideration.

The speed at which the recent credit crunch spread from the U.S. to Europe and other parts of the world provides a powerful illustration of the systemic risks associated with financial globalization. Enhancing transparency in financial markets is key to avoiding unexpected events that create uncertainty and impair market liquidity. The recent turbulence calls for improvements in the practices of market participants regarding the disclosure of information on exposure to risks. There is also a need to strengthen cross-border regulation and supervision. Given its global membership and financial stability mandate, the Fund has a key role to play in identifying spillover risks and working with national regulators and other relevant bodies to help avoid or contain them.

**Quotas and Voice**

Reform of the Bretton Woods institutions is progressing. The ad hoc quota increases agreed last year are only a first step towards achieving a redistribution of quotas in favor of the most dynamic economies and the low-income countries. It is imperative that we reach agreement and complete the quota and voice reform by the fall 2008 deadline. The new formula must be simple and transparent, and give a primary role to GDP at market rates. A compression factor would clearly help towards a more equitable redistribution of voting power. We look forward to further progress in enhancing the credibility and effectiveness of the Fund.

## **World Bank**

These annual meetings take place at a time of increased financial flows to developing countries. The World Bank Group has retained a key role in financing the least developed countries, where private capital inflows have remained limited. ODA and IDA in particular have a prominent role to play in sub-Saharan Africa. In this connection, we support the pledge of the World Bank Group to allocate an amount of 3.5 billion dollars from its earnings to IDA -15. We support IFC's commitment to increase its engagement in IDA countries.

Greece is actively participating in the IDA 15<sup>th</sup> replenishment round with a view of increasing its IDA share.

## **Greece's Economic Performance**

Greece plays a key role in the development of Southeast Europe through trade and direct investment. Southeast Europe is becoming one of the fastest growing regions in Europe and Greece is committed to facilitate the integration of these countries in the global economy and the European Union.

Greece's growth performance has been quite strong over the past three years, exceeding the Euro-area's average by a significant margin. Growth has been underpinned by private investment and exports, while tourism and shipping services also are a contributing factor. GDP growth reached 4.3 percent in 2006 and is expected to be sustained around 4 percent in 2007-08. The Greek economy can do even better in the medium term, as structural reforms are being pursued to make the economy more competitive and to tackle the perennial weaknesses of the public sector.

Fiscal consolidation advanced significantly in the past three years, as the general government deficit was slashed below the 3 percent EMU threshold from 8 percent in 2004. The general government deficit is estimated to reach a 10-year low of 2.5 percent of GDP in 2007. Greece's adjustment record demonstrates that fiscal consolidation is compatible with sustained growth if accompanied by supply-side reforms that help redirect resources toward private investment. Looking forward, the Greek government remains committed to continuing structural reforms, including the pension reform, while pursuing fiscal consolidation efforts to achieve balanced budgets by 2010.

Thank you for your attention.