

**Remarks of the Greek Economy and Finance Minister at the 4th
Poverty Reduction Strategies Forum for Western Balkan
Countries organized by the Greek Government, the World Bank,
the International Monetary Fund (IMF) and the Department for
International Development (DFID)**

Athens, 27 June 2007

Ladies and gentlemen,

I welcome you to Athens. This conference is of great significance for the social and economic prospects of the Western Balkan countries, as it aims to explore ways and means through which economic growth can be accelerated and poverty can be reduced in a region that not so long ago was faced with increased instability and severe economic underperformance.

After the breakup of Yugoslavia and the collapse of centrally planned economies, Western Balkan countries were faced with considerable challenges both at the economic and at the social level. A humanitarian crisis was imminent in most of them, and in fact humanitarian tragedies took place in some of them.

Things have been improving. Albania is making significant progress. Montenegro, the most recent member of the United Nations, is implementing extensive reforms. The economies of Serbia and FYROM are moving forward.

Ladies and gentlemen,

Economic growth in the Western Balkan countries is gaining momentum. However, Western Balkan countries should aim to further stimulate economic growth by promoting across the board reforms, in order to be able to improve the living standards of their population in a sustainable manner in the long run. Inequalities can be dealt with effectively only in the framework of a competitive economy. And in order to build a competitive economy reforms are a sine qua non condition.

The key for economic success in Western Balkan countries is a combination of reforms aiming to promote a stable macroeconomic environment, increased openness and closer economic integration. It is clear that:

- improving the investment climate and contributing to private sector development,
- fostering trust between businesses and national authorities,
- opening further to the world,
- supporting major infrastructure projects in transport, telecommunications and energy that will be part of a regional network, and
- encouraging local businesses cross their borders in order to gain access to international capital markets and know-how, will lead to solid economic performance and to improving social indicators.

The role of Greece in the economic development of Western Balkan countries has been, is, and will continue to be, substantial.

First, during the very critical period of the initial transition of Albania to a market economy, Greece welcomed as many as 700 thousand immigrants. In turn, they supported their families and their country's economy with the remittances they were sending back home.

Second, Greece offers to the Western Balkan Countries direct aid through the Hellenic Plan for the Economic Reconstruction of the Balkans, which finances infrastructure projects as well as social and humanitarian ones.

Third, Greece as a member of the European Union and the Eurozone actively supports the promotion of E.U. funded projects in the region, and actively assists Western Balkan countries in order to be able to join the E.U. in the future.

Fourth, and is also important, the Greek private sector is a major source of FDI for Western Balkan countries. Greek companies have a strong presence in the whole region of Southeastern Europe, having invested almost 15 billion euros over the last decade. Greek companies -and particularly Greek banks- are very active in Albania, Serbia and FYROM, thus contributing to the modernization of their industrial and financial sectors and providing employment to as many as 200 thousand employees.

Fifth, Greece acts as the springboard for international companies that want to increase their presence in the region of Southeastern Europe.

Finally, Greece, in the framework of the Southeastern European Cooperation Procedure (SEECF) actively assists neighboring countries to find ways to cooperate closer in a number of issues such as:

1. Cross Border Trade and Trade Facilitation
2. Financial Markets cooperation
3. Regional Banking
4. Investment Environment and Economic Growth,
5. Public-Private Partnerships, and
6. Cooperation for the promotion of common infrastructure projects.

Ladies and gentlemen,

In my view, the need for further regulatory reforms in the Western Balkan countries is substantial in order to enhance the pace and the intensity of economic growth and implement efficient redistributive policies that will lead eventually to the improvement of social indicators. A lot of progress has been made over the last decade, but much more is required to be made.

It is my firm belief that sound macro and microeconomic policies will indeed lead to the improvement of the living standards in Western Balkan countries. We have many examples of countries that by implementing a set of wrong policies have experienced a worsening of their economic and social indicators in just a few years – an enormous divergence from the developed countries. And, we have plenty of examples of countries that by implementing the right policies have managed to post solid advances in their economy - to converge with developed economies.

Economic history shows that the only way to reduce poverty is to implement reforms that will lead to balanced economic growth. Greece cooperates actively with its neighbors in order to help them achieve economic and social progress. The region of Southeastern Europe in

general, and the Western Balkan countries in particular, has the potential to be the economic hotspot of Europe.