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Statement by the Hon. **RODRIGO DE RATO FIGAREDO**,
Governor of the Fund and the Bank for **SPAIN**,
at the Joint Annual Discussion

Statement by Mr. Rodrigo de Rato y Figaredo,
Governor of the Fund and the Bank for Spain,
at the Joint Annual Meetings

I. Introduction

The President of this Meeting
The President of the World Bank
The Managing Director of the IMF
Governors
Ladies and Gentlemen

II. World economic outlook

Expectations for the world economic outlook have declined. It is now anticipated that recovery will be slower than initially forecast because of macroeconomic and geopolitical uncertainties that could affect growth in the principal world economic zones, if they materialize.

Euro zone

As a result, growth forecasts for the Euro zone have recently been revised downward, while the timid recovery and a strong euro are easing inflationary pressures. Europe is not faced with a stability problem; its main problem is one of growth.

In this context, it is essential to increase the growth potential of the Euro zone by implementing the necessary structural reforms, in particular in the labor market.

In addition, it seems appropriate for monetary policy to remain neutral and consistent with the other components of the policy mix. In the area of fiscal policy, we share the firm commitment of member countries to observe the Stability and Growth Pact, out of the necessity to maintain fiscal discipline with a view to ensuring sustainable medium-term growth.

Spain

In this context, the Spanish economy remains more than one percentage point ahead of the Euro zone in growth forecasts for 2002, while the country maintains a balanced budget and is introducing further structural reforms in the labor market and in the field of education. The fiscal consolidation achieved these past few years provides sufficient leeway for the budget to act as an automatic stabilizer without any departure from the goal of fiscal equilibrium.

III. International financial stability

The emerging and developing economies are those most affected by financial instability. Fortunately, many emerging countries have been able to preserve growth and a sound economy in the current international context. Two regions stand out in this regard, namely, Central and Eastern Europe and Asia, and some other countries as well, such as Chile and Mexico.

Over the past few years, increasing importance has been attributed to crisis prevention, and to this end the IMF is strengthening its supervision function. We feel that this area should be strengthened even further, by enhancing its technical content and increasing transparency.

Spain supports the work done by the IMF and the G-10 to seek approaches that would facilitate a response to the processes of sovereign debt restructuring.

Latin America

Economic and financial conditions in Latin America have largely worsened over the past few months. Over-reaction and contagion have been found to be factors in some cases. Under these circumstances, the region needs more than ever to adopt responsible macroeconomic policies, to implement plans for good governance and social opportunities, and to maintain an adequate legal framework that can help restore investor confidence and once again clear the path to sustained growth.

Spain supports and encourages the IMF’s speedy action in various recent episodes of volatility. These past few years, Brazil has maintained sound economic fundamentals. Brazil has developed a good mix of macroeconomic policies backed by all the social sectors. This course will ensure the sustainability of its external public debt. In the case of Uruguay, multilateral assistance will help ease, in particular, the negative impact of contagion.

As regards Argentina, I am optimistic about the increasing stability of the past few months, which will be greatly enhanced when the agreement is concluded with the IMF. In the meantime, the social cost of the crisis is increasing, and unemployment and poverty have escalated. It is for this reason that Spain last June approved a line of credit for the Argentine Republic valued at EUR 100 million, on concessional terms, for the purpose of meeting basic social needs.

IMF programs

The aim of the Fund’s recent programs has been to engage the private sector more in crisis resolution. However, applications of this criterion have been unequal, so that private sector participation has been greater in some crises than in others. This should not continue to be the case.

Recent experience confirms that it is useful to examine the determination of traditional access limits in the current context of capital account crisis. There is a need for strict definition of the criteria for exceptional access to the Fund's resources, but flexibility should be maintained in cases that so warrant, including countries that may be the source of contagion as well as those that may be victims.

After the latest financial assistance packages, there is a need for careful assessment of whether the IMF requires more resources to continue carrying out its functions efficiently. Also, the upcoming quota review is a good time to ensure that the representation of each country matches its current relative position in the world economy.

IV. The World Bank and poverty reduction

Spain's position in response to the challenge of poverty reduction is one of firm support for the current approach based on domestic commitment to good governance and social balance in developing countries, the development of private initiative, commercial openness, and institutional reform.

We appreciate the measures being adopted by the World Bank in implementation of the Monterrey Consensus, forging a new approach to development assistance, which would not only would include direct financing but would also play a catalytic role in raising private financial resources to develop investment and trade and to guide development strategies.

Improving development possibilities for the poorest countries requires continued advances in world trade. This implies meeting the commitments agreed to in Doha. The developed countries should continue to improve access to their markets for products from the developing countries and should make progress in the resolution of trade-related social issues.

On this new path toward meeting the Development Objectives of the Millennium, Spain, in its capacity as President of the EU, spearheaded an initiative to increase the funds earmarked for Official Development Assistance (ODA). I should emphasize that in 2001 Spain was the country that most increased its ODA in relative terms, from 0.22 percent of GDP in 2000 to 0.30 percent in 2001.

Spain maintains the proposal to increase its participation in the multilateral financial institutions. To this end, in 2002 it ratified its membership in the Andean Development Corporation and as a result of the negotiations for the Thirteenth Replenishment of the International Development Association, it has increased its contribution from 1.39 percent to 1.8 percent of the capital, the largest relative increment. Spain has also contributed SDR 300 million to the Interim Poverty Reduction and Growth Facility Trust.

Similarly, Spain is participating in the Global Fund to Fight AIDS, Tuberculosis and Malaria.

With respect to the HIPC Initiative for debt forgiveness, Spain has been assuming an increasing portion of the total cost of the Initiative, exceeding its share in the IFIs, and will maintain its relative contribution to the HIPC Trust Fund.

V. Measures against money laundering and to combat the financing of terrorism

After the events of September 11, [2001,] the International Monetary Fund and the World Bank outlined a wide-ranging agenda to establish a coherent system for action against money laundering and the financing of terrorism. It is with pleasure that we can now say that their agenda is proceeding satisfactorily.

Spain fully backs the 40+8 Recommendations of the Financial Action Task Force as an international standard. We now need to finish outlining a single methodology for assessing compliance with that standard.

Spain firmly supports this process and feels that action against terrorism in the financial arena is of capital importance, and its success requires broad international cooperation.

Many thanks.