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Statement by the Hon. **LUIS DE GUINDOS**,  
Governor of the Fund and the Bank for **SPAIN**



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The global economy continues to recover, albeit at a slower pace than expected. In this context there are some shadows, like sluggish growth in some economic areas, but some lights as well. The Spanish economy, for example, has managed to outpace growth expectations and create employment despite weak growth in the region. The ambitious reform program initiated in 2012 and the strong will to fundamentally transform the Spanish growth model are now bearing its fruits.

The deep national reforms carried out have undoubtedly contributed to the consolidation of growth and to the creation of employment at much lower growth thresholds than in the past. These reforms have shown their capacity to contribute to restore financial stability and growth. Some Euro Area policies, like progress in banking unions and ECB monetary policy have also been key supports.

The financial sector has been substantially strengthened since the crisis and its recapitalization program, with a thorough and transparent asset quality review that has served as a model for subsequent exercises. In this regard, the Comprehensive Assessment by the European Central Bank will be a turning point for the European financial sector. Its results will be crucial to clean up balance sheets and anchor expectations, whereas the Single Supervisory mechanism will address the sources of lingering financial fragmentation.

### **IMF Policies**

The 2010 quota and governance reform is a milestone for the Fund, and the maximum priority should continue to be its ratification by all member countries and its entry into force. It constitutes a complete and balanced reform, which will allow the Fund's governance to better reflect the realities of the world economy, not only for emerging developing countries, which have grown considerably, but also for some advanced countries, like Spain, which have been underrepresented for decades. There are no acceptable substitutes for this reform, and in our work we should not endanger the possibilities of its ratification.

Fund surveillance has undergone deep changes since the beginning of the crisis. In many ways it has improved considerably, particularly in its financial surveillance, which has been stepped up and has demonstrated its usefulness in systemic economies. However, more needs to be done to strengthen exchange rate surveillance, particularly in cases of intervention in currency markets, and with more symmetry between creditor and debtor

economies. The role of the IMF as a trusted advisor should be preserved, drawing a balance between identification of risks and imbalances and policy advice.

The lending framework of the Fund has shown a capacity to adapt to the new challenges in external financing, particularly with precautionary programs. The preservation of market access for countries under financial stress should be a key objective for Fund programs, as it reduces the need for public international support and safeguards the domestic and international financial system. Proposals for reform of the lending framework should be prudent in their impact assessment and not introduce changes that could signal the loss of market access for countries under IMF programs.

### **World Bank**

We were and we are supportive of the cultural change that is taking place in the World Bank with the implementation of the new strategy. With it, the Bank is going to listen more to the voices of the client countries and offer customized solutions to achieve its two goals. It will move away from its previously compartmentalized approach to problems, and make the best use of its vast knowledge. It will work as one group and think along the lines of providing cross-cutting solutions to problems, while it shifts attention from risk avoidance to risk management. We are also greatly encouraged by the success of the latest replenishment of IDA with its commitment to maximize impact, paying special attention to fragile and conflict-affected states, climate change, disaster risk management, gender equality and inclusive growth. These improvements, compounded with better monitoring and efficiency gains, will affirm the role of the institution as the leading player in the development community for years to come.

Next year, when we reach the deadline for the Millennium Development Goals (MDGs) we will see that significant progress has been made in many areas, such as in the reduction of extreme poverty and hunger, better health care and access to primary education for more girls. But, as economic growth improves the lives of many around the world, disparities in income are widening. Economic growth that is not inclusive causes fundamental instability, especially in middle-income countries where most of the world's poor live. Reduction in inequalities cannot be achieved without giving consideration to increased support for investments in infrastructure and the development of human capital, the protection of the environment and good governance. Now that the Bank is better prepared to take on these challenges, with its new organizational structure, we call on the institution to remain actively engaged with middle income countries to address their development needs.

Finally, we know that the Bank, in order to reach those Goals, is going to need the involvement of the wider international community. We recognize the hard work that the WBG has done in collaboration with the rest of the United Nations system in the definition of the Post-2015 Millennium Development Goals, adding its voice to the UN Development Group, civil society, NGOs, academia and the media. In this respect, we welcome the efforts of the Open Working Group (OWG) on Sustainable Development

Goals (SDGs) and we support its proposal of adding new goals that were not part of the MDGs to the Post-2015 agenda. In our opinion, there are still systemic challenges that need to be addressed by the OWG and in general by the international community: we need to include a discussion about innovative sources of financing; we need to define the role of private sector finance in development, a role that has to be much more important than it is nowadays; we should focus on how to design equitable monitoring and evaluation frameworks, with enhanced data collection; and we must reflect on ways to increase the impact of collective action and promote better results, more transparency and governance. If these issues sound familiar to us, it's because the World Bank is ahead of the curve, having worked hard on all of them. Now that it has completed its overhaul, we are ready to support the institution in its endeavor to play a leading role in the articulation of the Post-2015 process and we call on it to do so.