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

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The holding of the IMF and World Bank Annual Meetings in Lima, Peru, marks a milestone for Latin America. It has been almost 50 years since our last gatherings in the region, in 1967 in Rio de Janeiro—after a previous Annual Meeting in Mexico City in 1952. This comes at a point when the world economy faces significant challenges, characterized by downward revisions in growth prospects, together with increasing downside risks, in a context of market and exchange rate instability. Emerging markets face additional headwinds, with a drop in commodities prices and capital outflows. The magnitude of these difficulties differs across regions and within regions. We have to make the effort to differentiate, recognize heterogeneity and treat each country according to its own circumstances. Ultimately, the prospects for each country depend to a large extent on how well sound economic policy has been designed and implemented.

However, we must not forget that current circumstances are very demanding, and decisive action is needed, both at the national and global levels. In a context of diminishing potential growth and limited room for demand policies, structural reforms should play a key role in meeting the challenges we face. The experience of Spain is a good case study on how structural reforms can correct imbalances and bring the economy back to the path of growth and employment creation.

After a long and deep recession, the Spanish economy has managed to bounce back, with the creation of almost 900,000 jobs since January 2014, and an annualized growth rate of real GDP close to 4 percent in the first half of 2015. It is remarkable that this strong growth rate has been achieved with an improved current account surplus, the continuation of deleveraging, fiscal consolidation and no inflationary pressures.

Undoubtedly, Spain has also benefited from reforms taken at the euro level. The clear improvement of the euro architecture, including the banking union, has increased confidence in the area, as shown by the resilience of the euro during the recent Greek crisis, where no contagion effects materialized.

All in all, the removal of some imbalances accumulated during the expansionary period takes time, the legacies of the crisis add up, and vulnerabilities remain. At the same time, European recovery remains weak and further integration is needed. Therefore, the structural reform effort has to be preserved and continued, both at the national and European levels. On the contrary, complacency or the reversal of structural reforms would damage confidence and investment and could bring the economy back to the previous difficult situation.

IMF policies

Under this complex international context, global cooperation is needed, and the IMF should make a meaningful contribution. The IMF should be a well resourced, quota-based and well-governed institution, capable of financing any eventual needs. To this end, it is important that the 2010 Quota and Governance reform enters into effect or that at least meaningful interim steps are adopted.

At the same time, the IMF should have the appropriate lending framework to face current and future needs, establishing the necessary tools to address difficult cases, preserving its role as lender of last resort in the international monetary system, while at the same time maintaining confidence on borrowers' trustworthiness.

IMF surveillance continues to be as important as ever, and technical assistance by the Fund can be particularly valuable in supporting membership facing difficulties. Given current limited scope for demand policies, the IMF should also try to pay more attention to structural reforms analysis and recommendations, where they may have a macroeconomic impact.

The IMF has played an important role in coping with one of the deepest and long- lasting crisis in advanced economies in modern times. The legacies of the crisis still remain, and new uncertainties are rising in emerging economies. I am confident that the IMF will keep its role as a thorough and independent institution that helps its members face current and medium-term challenges.

The World Bank

In April 2013, we, the Governors of the World Bank Group, approved our Twin Goals of eradicating extreme poverty by 2030 and boosting shared prosperity in a sustainable way. Since then, our institution has experienced a deep organizational change to be truly as prepared as possible to achieve these Goals. Although this change process is not yet completed, we acknowledge its success and, nowadays, we face a better organization, more flexible, with stronger financial capacity to engage with our clients and respond to their needs, and financially sustainable in the mid-term.

The recent approval of the 2030 Development Agenda reinforces the adequacy of the work we started in 2013. This Agenda highlights the importance of ending poverty in all its dimensions and reducing all kind of inequalities while promoting sustainable development. The World Bank Group corporate goals and its new organizational structure are well aligned with this new Global Agenda, so we are ready to contribute to this very ambitious agenda. To this extent, we consider that an adequate sequencing of interventions is critical, so during our Annual Meetings in Lima, we are discussing about the main challenges to development that need to be tackled as a priority to maximize the impact of further development actions. In this regard, we emphasize the relevance of closing the infrastructure gap along with improving human capital in developing countries through better education policies, health systems and social safety nets. Efforts in these areas can trigger a positive shock in economic growth, which is the absolute precondition for reducing poverty and attaining shared prosperity. Yet, this economic growth must be inclusive and environmentally sustainable. We have to scale up globally climate change action involving policy makers, private sector and international institutions. On climate finance, we remain committed to build on the existing financial architecture. On top of that, to ensure that our efforts are not undermined and development footprint is not reversed, fighting fragility and consolidating improvements achieved must be another essential priority.

The World Bank Group is already working extensively on all these areas, but we need to intensify our efforts if we are to contribute decisively to the 2030 Agenda. Indeed, we can help securing the trillions financially required. First, the World Bank Group must play its catalytic role in attracting private sector financing and mobilizing and leveraging greater domestic public resources, which will be essential to scale up infrastructure investments. Second, the World Bank Group is in a unique position to promote and lead partnerships with other Multilateral Development Banks, bilateral organizations, private sector entities and civil society, ensuring coherent development approaches and efficient actions, which becomes crucial under the current scenario of scarce resources. We encourage the WBG to increase its efforts in fostering closer relations with all these relevant players as a way to mutually reinforce our impact to reach our common goals by complementary development policies and harmonized practices. And thirdly, we need to maximize the impact of our own resources, by exploring new financial structures which may prove to be more efficient, while maintaining a prudent financial policy.

We welcome the ongoing shareholding review process and the proposed Roadmap. The starting point needs to be a clear identification of current and potential demand for World Bank Group services and an honest evaluation of our own capital adequacy. At the same time, any potential shareholding realignment will have to be based on a dynamic and objective formula, addressing over and under representation country by country, to avoid any artificial grouping of countries that may weaken the institution's legitimacy.

Finally, accomplishing our goals and contributing to the achievement of the new Development Agenda will only be possible if we have appropriate data to track our impacts and guide the design of effective public policies and investments. We expect the World Bank Group to continue its leading role in the new Global Partnership for Sustainable Development Data, which implies not only identifying data gaps and implementing building capacity projects, but also actively raising awareness of the need for good, homogeneous and public economic and poverty data.