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INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by the Hon. **DAVID VEGARA FIGUERAS**,
Alternate Governor of the Bank for **SPAIN**,
at the Joint Annual Discussion

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1. Salutation

Mr. Chairman,
President of the World Bank
Managing Director of the International Monetary Fund,
Governors,
Ladies and Gentlemen:

On behalf of Mr. Pedro Solbes, the Economic Vice President of Spain and its Governor of the Fund and the World Bank, it is my pleasure to address such a distinguished assembly and to do so in such a welcoming setting. In my remarks I will briefly set forth Spain's views on the major items on our agenda.

2. World economic outlook

(Global economic growth)

As regards the global economic situation, I am pleased to note that the global economy has remained strong during the first half of 2006 and that this strength is geographically more widespread than it was a year ago. The positive forecasts have been fulfilled and even exceeded, and conditions continue to be sufficiently favorable for optimism to be maintained.

(Risks)

This said, however, mention must be made of the risks that exist, such as the intensification of inflationary pressures, the continuing rise in oil prices, and financial and global imbalances. It is to be hoped that the likely resolution of these imbalances will, in any event, be achieved through a smooth adjustment.

3. The Spanish economy

(Outlook)

From the standpoint of the Spanish economy, the outlook continues to be quite favorable. Indeed, growth rates have exceeded 3 percent in recent quarters, and the composition of expenditure has been more balanced. This has been reflected in strong job creation. The robustness of our growth has enabled us to make progress toward our objective of convergence with the European Union in terms of per capita incomes and has made us the world's eighth largest economy in GDP terms.

(Economic policy)

Moreover, the Government is taking advantage of the favorable economic climate to introduce fundamental reforms in support of economic growth and job creation, through improvements in the regulatory framework, the functioning of markets, and the capital funding of the economy. All of the foregoing are occurring in conjunction with a firm commitment to maintain fiscal consolidation as one of the fundamental pillars of economic policy.

4. Strategic review of the IMF

(Medium-term review strategy)

Having taken stock of the economic situation, it is now time to speak about our institutions. I will begin with the IMF and its medium-term strategic review, the main objectives of which are to enhance its credibility, legitimacy, and effectiveness.

(Resolution on quotas and votes)

In the context of the strategic review, in my estimation we should be pleased by the approval of the resolution to reform IMF quotas and votes. I believe it constitutes a firm and decisive first step toward resolving an issue that has been left open for too long. This resolution would not have been possible without the efforts of the IMF staff, the Executive Board, and above all the Managing Director. All of them deserve our thanks and congratulations.

(Quotas and votes)

The reform initiated by this resolution is an extremely important step toward improving representivity in the IMF. We welcome the ad hoc increase in the quotas of four member

countries. However, we must not lose sight of the fact that this is but a partial gain and than many other countries are underrepresented. All are aware of the fact that Spain is one of these countries, with a quota that falls far short of representing the weight and role of our economy in the world. According to current estimates, our quota is 62 percent of what it should be. Discrepancies in quota size of this scale do no service to the IMF.

Accordingly, it is essential that prompt action be taken on the other components of the resolution approved, first by agreeing on a new, more sensitive formula in which the most relevant variables, such as gross domestic product, are duly weighted. Based on this new formula, steps should be taken immediately to bring about a second ad hoc increase in the quotas of the underrepresented countries that so request. In our opinion, the IMF as an institution will emerge all the stronger as the size of this second round of adjustments is larger, and as the future revisions are smoother and more continuous. In this context, the voting power of the less developed member countries should be guaranteed by an increase in basic votes.

We trust that the goals established will be met on schedule.

(Surveillance)

The surveillance function of the Fund is taking on greater importance in an ever more globalized world. Increasing the efficiency with which the institution performs this task is one of the key components of the Medium-Term Strategy.

The new multilateral consultation procedure could be configured as an extremely valuable instrument for promoting economic stability and preventing possible financial crises. It is our hope that the initial consultations on global imbalances can be shaped into a coordinated effort that enables us to meet the challenges ahead.

(Low-income countries)

I would like to turn now to the ever more active participation of the Fund in the low-income countries, promoting the achievement of sustainable growth and progress toward the Millennium Development Goals. Effective support along these lines requires that the Fund focus its efforts on the key macroeconomic aspects related to growth, and that possible overlapping with the efforts of the World Bank and other development institutions be avoided.

As regards work in the low-income countries, we are pleased by the recent extension of the so-called “sunset clause” of the HIPC Initiative, which we hope can be completed

promptly and will be supplemented by multilateral debt forgiveness, as well as by the associated multilateral debt relief.

World Bank

With regard to the World Bank topics on the agenda, the Government of Spain supports the World Bank's project to address the problems of good governance and combating corruption, which frequently hamper initiatives and impede economic growth in a number of countries. This is not an easy task. It is to be recommended that the Bank proceed with all due caution.

With regard to the Investment Framework for Clean Energy and Development, Spain regards the issue as being of vital importance and is grateful for the work carried out to date.

The energy sector is crucial for economic development, and the World Bank can become a front-line stakeholder and source of financing, not limiting itself solely to bridging the existing financial and infrastructure gap, but involving itself more in the design of energy plans and their financing.

I wish to thank my colleagues for their attention, and our hosts for the excellent organization of this event.