Statement by

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1. Global Monitoring Report

We welcome this first Global Monitoring Report (GMR) and commend the Bank for the excellent work. This GMR is, in our view, a very good starting point to set up a global monitoring system that will serve to provide a clear view on the status of the progress towards the MDGs, a fine assessment on the policies and actions that are being implemented by all stakeholders and, in light of the results, to prioritize the agenda accordingly. This last point is probably the weakest of this first report as it should have provided a more precise sense of the priority areas where the focus should be placed going forward.

We firmly believe that accelerating the progress towards the MDGs will critically depend on the implementation of the Monterrey consensus and, therefore, on the joint effort of (i) developing countries to improve their economic policies, institutions and governance; and (ii) developed countries to increase the access to their markets and provide more and better ODA. The rates of progress attained thus far are in no way commensurate to the magnitude of the challenge -even in the MDG of halving income poverty, the only objective that will be attained but at the global level. Nonetheless, with the dynamism and strength that the global economy is regaining and the appropriate sense of urgency, we believe that significant improvements can be accomplished. In the medium term, maintaining the strength of the global economy and, therefore, the progress towards the MDGs will require an orderly adjustment of the global macroeconomic imbalances.

The key to success lays critically on the ability of developing countries to increase their rates of economic growth, a goal that will require a stronger track record of sound macroeconomic policies and structural reforms, improved institutions and better governance. We acknowledge the improvements in policies observed in all regions and the role played by the PRSPs in poor countries, and recognize that ownership of the programs has been essential to move policies forward.

This being said, the change in general has been modest and the scope for improvement remains very large, notably, in structural and social policies and governance which is one of the weakest areas. In fact, being governance one of the areas where less progress has been attained it could be an issue to focus on in the next GMR. Improving the investment climate by building institutions that support the efficient functioning of markets is imperative to promote private sector activity, domestic and foreign alike and, in this respect, strengthening property rights and the rule of law have, indeed, to be key priorities. In addition, we would like to further emphasize the role of infrastructures as an
engine of growth and as a major condition to improve the provision and access to social basic services by the most vulnerable groups of the population. We appreciate and encourage the Bank’s re-engagement in infrastructure through its new action plan and look forward to the results of its implementation.

Developing countries have to place growth at the center of their development strategy. Yet, we concur that for growth to be more effective at reducing poverty, the poor have to be in a position to benefit from that growth and this will only be possible with a major effort of investment in human capital, notably education and health.

We concur with the agenda for developed countries focused particularly on increasing the access to their markets and providing more and better ODA. In trade, a successful conclusion of the Doha Round would be a major push forward. However, it should be born in mind that for countries to be able to reap the benefits of trade they have to have a sufficient capacity of response from the supply side and to this aim there is still a comprehensive behind the border agenda that has to be pursued.

The discussion about the financing resources to meet the MDGs requires, in our view, taking full consideration of the fact that, for the largest part, these funds will have to come from the mobilization of domestic resources. ODA is a relevant part in the equation but one should not loose perspective of its relative importance when compared with other pools of resources -including foreign direct investment and remittances- stemming from an improved investment climate and a stronger rate of growth.

This being said, we firmly believe that increasing the quantity and quality of ODA can play a decisive role in the joint effort to accelerate the progress towards the MDGs. The commitments we pledged in Monterrey to significantly increase our ODA and the efforts we are devoting to enhance its effectiveness are clear reflection of this conviction. Moreover, we concur that as developing countries consolidate a track record of sound macroeconomic policies, structural reforms and fight against poverty, their absorption capacity to effectively use an additional amount of resources will expand and, as a consequence, the incremental pledges of ODA made in Monterrey may fall short of the resulting needs. Complying with our part in the development agenda requires our full and effective support to such good policies and, therefore, we are ready to explore ways that may facilitate the mobilization of the necessary resources.

We welcome the work done by the Bank to identify possible modalities to increase ODA beyond the Monterrey Commitments. However, we view this work still very much in progress. Further pragmatic thought should have to be given to the feasibility of all options in the next few months before the Annual Meetings.

We believe that as critical as increasing the volume of ODA might be, enhancing its quality is even more important. It is in this light, that we strongly support, firstly, the ongoing work to better define the form and level of concessionality with which we can better tailor the aid to the specific circumstances of countries. And, secondly, an enhanced coordination and harmonization among donors.
2. Debt Sustainability

Regarding the HIPC Initiative, we are ready to explore suitable ways to help those countries that have not reached the decision point yet but are making a visible and genuine effort to improve their track record of good economic performance and good governance. We look forward to the work that will be presented by the Fund and the Bank next fall with reasonable options to address this issue.

Regarding the topping up, we believe that it is reasonable to envisage the possibility of providing exceptional additional debt relief to those countries that, due to external shocks, have seen a fundamental deterioration of its economic circumstances and reach the completion point with unsustainable debt indicators. Our main concern in this regard is that the topping up should, in no way, be a reward for poor economic performance. Countries may have to incur in new borrowing between the decision and the completion point and, therefore, special care should have to be taken when determining the reasons for the extent of new borrowing and the specific areas for which it was used. We are open to consider changes in some key parameters used to calculate the NPV of the debt to contemplate the provision of additional debt relief. Changes in the exchange rate can present a more clear-cut case than changes in the discount rate.

Finally, we broadly support the proposed framework for debt sustainability in low income countries. We have particularly appreciated the emphasis put on the fact that while creditors and donors can help, the primary responsibility of achieving debt sustainability lies in the low income countries themselves.

We acknowledge that there are still many operational implications to be clarified. One major implication of the proposed framework is that it implies providing a larger amount of grants. In this regard, particular attention should have to be given, first, to the way the access to grants is determined as it can, in no way, penalize those countries that are performing better. And, second, to the implications that could stem for those countries that having a reduced access to credit they do not receive a sufficient amount of grants.

Finally, given their vulnerability to external shocks, we welcome the work that is being done to find ways to assist low income countries in dealing with them.