Statement by H.E. Rodrigo de Rato y Figaredo
Minister of Economy
Spain
1. The HIPC Initiative and the Poverty Reduction Strategy Papers

We are pleased to note that joint efforts by the Bank and the Fund have already enabled 24 countries to establish the necessary track record of sound economic performance and progress in preparing their own poverty reduction strategies, so as to enable them to start benefiting from the debt relief provided under the Enhanced HIPC Initiative.

We hope that additional countries will be able to reach their decision points shortly and, those which have already done so, be in a position to fully comply with the requirements to get to the completion point. Yet, we believe it is critical to emphasize, once again, that an accelerated pace towards debt relief must in no way be allowed to jeopardize the success of an Initiative that is being a major undertaking for everyone.

Most countries that have not reached the decision point thus far, are countries that are currently -or have recently ended- armed conflicts, have severe governance problems and lack a proper track record of good economic performance. Efforts in these cases should be focused primarily on supporting the development of the necessary capacity-building that will allow them to create the track record of sound economic policies needed to seize full advantage of the debt relief.

The speed with which countries may achieve the benefit of the Initiative must not be the driving force behind the exercise. Rather, the objective should consist on striking a proper balance between the accessibility to an accelerated debt relief and the need from countries to give sufficient guarantees that they have made a real commitment to stability, reform and poverty reduction. We are aware that attaining this balance is no easy task and that a certain level of flexibility is required when assessing progress. Nonetheless, this flexibility cannot allow any relaxation of the principle that countries must demonstrate a strong commitment to sound economic performance and poverty reduction before qualifying for debt relief.

By the same token, the flexibility that might be required when assessing the possibility of granting additional debt relief at the completion point can in no way compromise the essence of a framework that has already been designed in such a way as to provide countries with a long-term exit from debt unsustainability. In our view, the advocacy for ownership and commitment -as the only way to fully reap the benefits of debt relief- coupled with the need to avoid any risk of moral hazard, clearly argues for a very cautious approach when considering additional debt relief at the completion point. Any such matter should never be subject of automatic consideration but, on the contrary, only be well thought-out in exceptional circumstances when there has been a fundamental change in a country’s economic conditions, due to factors totally out of their control, and subject to a case by case assessment.

The prospects of providing additional debt relief raises serious concerns regarding the financing question too. Finding the necessary means to pay for the HIPC remains elusive, yet the cost of the Initiative continues to increase and many creditors still have not assumed their share of cost. Spain will contribute, according to our current estimates, with over 1,500 million US dollars to the overall financing of the initiative. This total represents 4.6% of the total cost of the initiative and almost three times of our quota share in the Bretton Woods institutions.
Moreover, even though there has been progress in coming across a way to resolve the participation of those creditors whose share constitute a too heavy burden, an important effort still remains to be done. Spain is actively contributing to the search for pragmatic and creative solutions to increase the availability of resources; a solution for Guatemala has been worked out and we are trying to do the same for Costa Rica. We urge other countries to follow suit.

Regarding the PRSP preparation process, we are pleased to note that 38 countries have already outlined their own poverty reduction strategies in Interim PRSPs and that eight countries not only have prepared full PRSPs but have already begun their implementation. We appreciate the vital support the Bank and the Fund are providing to countries by participating in the debates on policy issues and providing a most valuable analytical and technical support to enhance the necessary capacity-building to carry out the process. We firmly believe though, that fostering cooperation among institutions and development partners is a fundamental condition to ensure the success of the approach and, therefore, we should all commit to find improved ways to strengthen it.

We concur that enhancing cooperation between the Bank and the Fund by means of clear division of responsibilities, systematic information sharing and effective collaboration will bring about large benefits in terms of greater efficiency in resource utilization and impact on development. Moreover, streamlining conditionality under the Fund’s PRGF and the Bank’s PRSC should be a fundamental component of this cooperation as it will contribute to make each institution more focused and effective. Hence, no efforts should be spared to build an efficient operating framework in which each institution’s areas of responsibility are precisely defined and solutions found in those areas where overlapping might occur. At the same time, we urge the Bank and Fund to continue strengthening the collaboration with the UN system and other donors.

We expect that the review of the PRSP approach that will be undertaken during the next six months will adequately highlight the adjustments deemed necessary to be introduced in light of the experience, in order to lay the foundations of a more efficient approach to poverty reduction.

2. **Harmonization of Operational Procedures**

We sincerely appreciate having this key issue, once again, high on the agenda of the Development Committee. In our view, it is important to persist in giving a strong signal of our commitment to address the real problem that is causing to development effectiveness the many differences among donors’ procedures when granting development assistance. The efforts we are all devoting to making the most of our resources are being seriously undermined by these differences and, therefore, we should steadfast the process of bringing about greater harmonization.

The message we sent at our last Meeting in April has served well to creating a valuable momentum that should be upheld. We believe that the steps forward that have been taken at the working group level, notably, their setting up of a prioritized agenda and the development of concrete time bound action plans, will definitely contribute to guiding and advancing the work.
The World Bank should continue to play a major role, spearheading the debate and promoting consensus in the various forums where the work is being done. Yet, we are of the view, that for this leading role to be effectively implemented it requires from the Bank a thorough process of review of its own procedures. It is in this light, that we sincerely appreciate how the Bank has recognized the importance of this process of self-revision and welcome the positive steps it is taking to this end.

Striving to advance harmonization is no easy task, as it involves dealing with such sensitive issues as the requirements each donor deems necessary to ensure an appropriate use of the resources it makes available and the maximization of the impact on development. In our view, the complexity of the process requires a pragmatic approach based on a phased prioritized agenda. That is why, we strongly support the efforts being focused primarily on those areas in which the impact of harmonization would be most immediate: procurement, financial management, and environmental assessment, and encourage an acceleration of the work being done in each one.

We welcome the fact that most working groups have now completed a first stage of “consultation” and have moved forward to a second, more complex stage, in which the work should be focused on developing acceptable standards of good practices. We believe that the development of acceptable standards which all donors could apply and which recipient countries could use to build upon their own procedures, will play a critical role to enhance effectiveness. Certainly, in carrying out this task, recipient countries should be directly involved and the PRSPs can provide an appropriate framework for them to establish their harmonization priorities.

Together with the work at the institutional level, we attached the utmost importance to the initiatives at the country level. We share the view that they can play a fundamental role to speed up the process towards harmonization and to the ultimate goal of achieving the highest impact on development. We encourage that coordination be enhanced among all donors, multilateral and bilateral, at the country level where the benefits of avoiding duplication of work and applying a common procedure can immediately be seen. Again, the PRSPs can constitute the most appropriate instrument to enhance donor’s coordination.

3. Education for Dynamic Economies: Accelerating Progress towards Education for All

The benefits that will bring about the achievement of the objectives within “Education for All” are instantly recognizable. Above and beyond the empirical evidence pointing to the potential economic payback that result from greater investment in education -in terms of increased productivity, competitiveness and economic growth- it endows countries with personal and institutional benefits essential to democracy. Indeed, we firmly believe that universal access to education, in a context of good policy implementation, constitutes a major driving force conducive to well-being and poverty reduction.

For this reason, we share the concern that despite the international community’s commitment to render “Education for All” feasible for more than a decade now, progress has
been uneven and, more importantly, without a major spur, the objectives of achieving universal primary education by 2015 and eliminating gender disparities by 2005, will be at stake.

We are of the view that the Bank must reverse the trend of declining education lending and no increasing of other products, like advisory and analytical services, that has followed over the past decade. Failure to include education in the discussions of global public goods provides further evidence that the Bank has been leaving education somewhat on the side. Consequently, we urge the Bank to give high priority to the elaboration of an action plan, with its financial implications, to step up his work in this area. The Bank’s work with countries in collaboration with its donor partners can contribute to expanding enrollments, improving schooling retentions and completion rates and reducing gender disparities. This way, the Bank will be effectively responding to the renewed commitment that resulted from Dakar.