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IMFC Statement by Luis de Guindos
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On behalf of Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Spain, República Bolivariana de Venezuela

**STATEMENT BY MR. DE GUINDOS, MINISTER OF FINANCE OF SPAIN,
ON BEHALF OF COLOMBIA, COSTA RICA, EL SALVADOR,
GUATEMALA, HONDURAS, MEXICO,
THE BOLIVARIAN REPUBLIC OF VENEZUELA,
AND SPAIN
Washington, D.C. April 16, 2016**

Global Outlook

The global economy is experiencing a continuation of many of the trends observed last year. The recovery in advanced economies continues, albeit at a modest pace, as does the slowdown in emerging markets and developing economies.

One important feature of this situation is the diverging resilience of economies in the face of headwinds, with some experiencing deep crises, while others—namely those with the most robust policy frameworks—showing resilience in the face of economic pressures.

Over the last quarter, we have seen volatility in financial markets increase on the back of slower growth in advanced and emerging economies, lower commodity prices after years of very high levels, and limited policy space for demand policies, both monetary and fiscal.

Despite this increase in volatility, the trends in economic fundamentals have not substantially changed. Important economic transitions continue, but risks have increased and have become more acute compared to those of our last meeting, such as disruptive movements in asset prices, including movements in exchange rates, concerns on high debt levels, the unwinding of accumulated imbalances in credit allocation, and geopolitical risks. In our view, the biggest underlying risk is that of low global growth linked to low productivity growth whose stagnation weighs heavily on most other economic variables, combined with heightened financial volatility and investors' risk aversion.

Structural Reforms and Growth

Structural constraints can have a very negative effect on the space for economic policy action. Conversely, the removal of structural constraints can unlock productivity gains and improve economic prospects and confidence, paving the way for sustainably lower interest rates and higher tax revenue, together with higher growth and employment figures. Bearing these benefits in mind, structural reforms should be at the top of the agenda, particularly in countries with higher unemployment and debt levels.

Country experiences show that structural reforms do make a difference: countries that have implemented deep structural reform programs have benefitted from growth and employment dividends. Such dividends, when reforms are deep enough and well designed, can also emerge in the short term by improving expectations and fostering investment. In this vein, we would caution against wrongly emphasizing negative short- term side-effects of reforms, as they can be avoided when properly designed. The reversal of hard-won structural gains or the loss of reform momentum would have a significant negative impact in the current juncture. Instead, efforts should be made to positively differentiate countries that have carried out meaningful structural reforms.

The role of the IMF

The Fund should continue to play a central role in the international monetary system as the key multilateral institution for international monetary cooperation. In the current times of global uncertainty, we stress the importance of the Fund's core mandate, which is the prevention and resolution of financial crises as well as surveillance on exchange rates and the international monetary and financial system. We call on the Fund to focus staff resources and management efforts on the fulfillment of its mandate.

Fund's surveillance should strive to keep its focus on its longstanding bilateral surveillance, exchange rates and external imbalances, as a trusted and even-handed policy advisor for member countries. Likewise, the Fund should continue to build up expertise on key macro-critical structural reforms, leveraging on the work of other international organizations in the areas that fall into their expertise.

We recognize the importance of strengthening the global safety net that should strive to cover countries evenly, with the Fund playing a central role in it. The entry into force of the 2010 Quota and Governance Reforms, which will strengthen the permanent resources of the IMF as a quota-based institution, is a very welcome step. The reforms will also allow the Fund's financial and institutional structure to better reflect the realities of the world economy.

We also recognize that a clear commitment to maintain an adequately resourced Fund sends a clear message of strong multilateral cooperation and has the potential to build confidence and impact global stability. We must not underestimate the need of having a sufficient financial backstop to face future crises even if not all the financial resources are actually used. At a minimum, the current overall lending capacity of the Fund should be maintained in the period ahead.

The discussion on the adequacy of Fund resources is closely linked to the context of the 15th Review of Quotas, as well as the upcoming discussions on the 2012 Borrowing Agreements in May and the NAB decision in October. A fair burden sharing is important. In the spirit of global cooperation, we call on the Fund to ensure the broadest participation of IMF members in the efforts to maintain an adequately resourced IMF. In this context, we remind that quotas are the most predictable and reliable source of funding.

Countries with particularly good policies should also benefit from precautionary lending facilities from the Fund. These facilities, particularly the Flexible Credit Line, constitute an extraordinary incentive for prudent economic policy making and should continue to play this key role.