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On behalf of Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, República Bolivariana de Venezuela

Statement by Mr. Luis de Guindos, Governor for Spain, speaking on behalf of Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, and the República Bolivariana de Venezuela

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The global outlook remains fragile as global vulnerabilities still weigh down on growth. In advanced economies, the restructuring of economic activity and adjustment across sectors are consequences of a major financial crisis. Deleveraging processes in the private sector are weighing down on activity and making more difficult the necessary fiscal consolidation. Monetary conditions continue on being accommodative, although problems in the monetary transmission mechanism are diminishing the expansionary stance. Persistently high energy prices are another headwind to growth. In EMDC's headwinds to growth have become more apparent, both from externally driven sources as well as internal capacity constraints. Policy space is mixed across these countries, with some having room for maneuvering while others face a more pressing need to rebuild buffers.

In our highly interconnected world, strong concerted action is crucial to tackle global vulnerabilities and restore the path of sustainable growth. On this, we have to commend the efforts of the international community, particularly in comparison to past historical episodes. There is a far- reaching consensus on the importance of coordination and on the dangers of protectionism. Maintaining and enhancing policy cooperation and dialogue will be critical to structure a comprehensive collective crisis response. Sustaining the fragile recovery, however, is also a responsibility of national economies. The way out of the crisis lays indeed in the correction of imbalances both in deficit and in surplus countries.

In the Euro area, the financial crisis has considerably affected growth. The origins lie in macroeconomic and financial imbalances but also shortcomings in the design of the monetary union. These factors have gravely affected the monetary policy transmission mechanism, with increasing financial fragmentation across the area. Determined action by the European Union and the Eurogroup, combined with unprecedented national reforms, has been crucial in tackling this juncture and easing market pressures. Indeed, the European Union and the Euro Area have launched a comprehensive crisis response strategy, built upon the idea of strengthening economic and financial integration through a more integrated fiscal framework and determined steps toward the construction of a European banking union. It is essential that these steps continue and be taken to the completion of its goal. These integration efforts are supported by a powerful firewall mechanism with the EFSF/ESM framework, soon to be fully operational. Along the same line, the ECB policy measures announced in September constitute an important step in the strengthening of financial backstops across the area.

These first steps need to be consolidated and further developments fully and timely implemented, but the EU has given proof of its commitment to get beyond the crisis with enhanced cooperation and a deepening of the European project.

In a challenging national, regional and international context, Spain has adopted and implemented strong and wide-ranging policy actions. Determined structural reforms are on-going and will be maintained and enhanced if necessary. Fiscal consolidation is a top priority and an indisputably huge effort has been undertaken to put the fiscal deficit back on a long-term sustainable track, recover the confidence of markets and earn back economic policy room of manoeuvre. In the financial sector, policy measures to repair and strengthen the balance sheets of the financial sector are being swiftly implemented, with the support of the European Union. An unprecedented external audit and stress test has identified limited recapitalisation needs which are well below the maximum amount of the financial assistance provided by Eurogroup.

Beyond financial developments, we must highlight that a comprehensive economic reform agenda is in place in Spain, within which deep structural reforms have been enacted. This includes a major labour market reform, already approved and in effect, to deal with duality, provide more flexible collective bargaining conditions and improve active labour market policies. Measures have also been approved to rationalize the public sector, improve the economic and financial regulatory framework, enhance competitiveness, and support corporate financing. Many of these reforms are taken to increase potential growth in the medium to long run. Even though their positive effects might take time to be apparent, they are also important to underpin confidence in the short run.

IMF Policy Agenda

The Fund has experienced major reforms in the last years, showing a remarkable capability of adapting itself to a different environment, a different world economy and different types of crises.

The field of surveillance has seen considerable improvements. We welcome the adoption of the new Integrated Surveillance Decision, which we trust will foster a better coverage of spillovers from member countries' economic and financial policies onto the global economy. We would suggest a particular focus on the pullovers of policies in countries at the source of capital flows, not only on the receiving end.

Financial surveillance has been considerably strengthened through increasing attention and focus into the financial sector and financial developments within existing instruments such as the Art. IV and FSAP. The future challenges for the surveillance mission of the Fund are improving the methodologies concerning external imbalances, ensuring even handedness across countries, and enhancing cooperation with other institutions doing surveillance at the international level.

We welcome the effort and the progress made in the last few years to increase the resources available to the IMF. The existence of a solid and sufficient global safety net is necessary to the stability of the international financial system. In this sense, we welcome the agreement reached in Los Cabos under the G20 Presidency of Mexico to boost IMF resources by US$456 billion.

We also think it is very important to continue the work on updating the lending framework to address the new challenges that have emerged or might emerge.

We agree with the importance of the ratification and implementation of the 2010 Quota and Governance Reform to further increase the IMF's legitimacy, credibility and representativeness. We also look forward to reaching an agreement, by January 2013, on a simple and transparent quota formula that better reflects members' relative economic weight and positions in the world economy. We remind, however, that the most important governance goal should be to avoid situations where countries are underrepresented for a long time, which has been the case for several countries in this constituency. An agreement would require a realistic compromise solution that captures the multiple roles of quotas and that allows to complete the Fifteenth General Review of Quotas by January 2014.