



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Mr. Maurer Switzerland

On behalf of

Republic of Azerbaijan, Republic of Kazakhstan, Kyrgyz Republic,
Republic of Poland, Republic of Serbia, Switzerland,
Republic of Tajikistan, Turkmenistan, and Republic of Uzbekistan

International Monetary and Financial Committee, October 15, 2020

Statement by Mr. Ueli Maurer, Minister of Finance of Switzerland on behalf of Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

We thank the Managing Director for her *Global Policy Agenda* and take positive note that the global economy is slowly recovering from the COVID-19 pandemic, thanks to strong policy responses across the globe to contain the virus and alleviate the impact of the crisis. At the same time, we are not out of the woods yet. Heightened uncertainties and addressing the scarring inflicted by the crisis in an environment of constrained policy space will be a challenge for many years to come. The continued leadership of the Fund, an institution that embodies the concept of international economic cooperation and dialogue, is key to navigate these challenging times.

Global setting and policy priorities

We broadly share the Fund's outlook for the global economy, including that the economic recovery in 2020 may be faster than expected a few months ago. Still, we recognize that the pandemic could jeopardize important strides made in the last decades with respect to economic progress and development. The recovery has been partial and uneven, while uncertainty remains unusually high. Also, measures to contain the virus are likely to persist in most countries, which could impact economic activity and welfare for a prolonged period.

In this context, policies need to remain supportive, well-coordinated and adapted to the specific challenges faced. Monetary policy should continue to play a supportive role in line with central bank mandates. Central bank independence remains essential in this regard. Fiscal measures should be time-bound, efficient and carefully directed at the households and sectors most impacted by the crisis. Credible strategies are now needed to better target or unwind fiscal support going forward and to build the confidence needed for recovery.

It is essential to lay the basis for a robust recovery and strong and sustainable growth over the medium term. We fully agree that members should address structural vulnerabilities head-on and implement reforms and policies to promote structural transformation, competition, and innovation. Removing distortive energy subsidies and redirecting resources towards more productive and equitable uses seems especially warranted, given the current environment of lower commodity prices and limited fiscal space. Policies that help people and businesses to swiftly adjust to a rapidly changing environment will be important. Steps to promote vocational training and education can be particularly helpful to this end.

We agree that public investment can support the transition to a more resilient and inclusive economy and enhance productivity and growth prospects. Good governance, strong public financial management, and debt transparency are preconditions for effective and efficient investment. Moreover, borrowing for investment needs to be consistent with fiscal and debt sustainability, to ensure durable positive effects.

The Fund's role

We commend the Fund for the critical role it has played in promptly supporting the membership in these difficult times, most notably by making use of the emergency financing facilities, including the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF). We would like to express our sincere gratitude to staff and management for their dedication and hard work in the past months.

The Fund is well-positioned and well-equipped to support its members through all stages of this crisis. We welcome that members receiving emergency financing have committed to governance and transparency safeguards. Given the continued substantial impact of the crisis, the Fund will need to remain closely engaged with its members. Those in need of further financial support should transition to upper credit tranche-programs that can better balance macroeconomic stabilization with the need to tackle underlying vulnerabilities through policies and reforms. In our view, the established lending instruments are sufficiently flexible to fulfil this function, including under heightened uncertainty.

We support prioritizing debt issues in the Fund's work program. The crisis has contributed to a further rise in debt levels and has exacerbated pre-existing risks to debt sustainability, hence requiring more decisive action to help members address associated challenges. This includes providing incentives and support to members to strengthen debt management, enhance transparency, and adhere to sustainable borrowing and lending practices, as well as facilitating effective debt resolution. A timely completion of the Reviews of the Debt Sustainability Analysis for Market Access Countries and of the Debt Limits Policy as well as swift implementation of ensuing policy changes will be important. We also look forward to further work on debt restructuring as well as the review of the Lending into Arrears policies.

Low-income countries (LICs) have been significantly affected by the pandemic. We welcome that the Fund has stepped up the support of its most vulnerable members, including by temporarily increasing normal annual access limits under the Poverty Reduction and Growth Trust (PRGT). The extent of requests for PRGT financing will require further efforts to mobilize resources for the Trust. The Review of Concessional Financing as well as restoring the self-sustainability of the PRGT will be critical. Switzerland is making good progress with respect to getting the necessary Parliamentary approval for its PRGT loan contribution. We urge other members to contribute their fair share to the instruments supporting the Fund's poorest members.

The Catastrophe Containment and Relief Trust (CCRT) and the Debt Service Suspension Initiative (DSSI) have also provided eligible lower-income members with additional breathing space. Our constituency has supported these efforts, including through a grant contribution to the CCRT from Switzerland. We nonetheless stress that these initiatives are time-bound, and that strong policies and reforms as well as a commitment to debt transparency will remain paramount.

As the crisis abates, it is important to resume regular surveillance and move forward with scheduled policy reviews, including the Comprehensive Surveillance Review and the Review of the Financial Sector Assessment Program. We welcome the resumption of targeted bilateral surveillance activities, particularly to offer members policy advice on best practices to unwind support measures and address the vulnerabilities laid bare by the crisis. In this regard, the Fund's advice on the pace of economic reopening and unwinding of exceptional policy measures will become important as we enter the recovery phase.

Closely coordinating both surveillance and lending activities with the provision of tailored and well-sequenced capacity development, will be important to enhance traction. In this regard, we welcome that the new Regional Technical Assistance Center for the Caucasus, Central Asia, and Mongolia (CCAMRTAC) has started to operate virtually and will help provide customized Fund advice and technical assistance in the region. The CCAMRTAC will require continued broad-based support and should develop into a platform of activities that fosters closer economic cooperation within the region. We look forward to the physical opening of the Center in the course of 2021.

Multilateral cooperation

Multilateral cooperation will continue to be crucial for recovery. International efforts to promote the benefits of open and transparent trade policies, and to strengthen the rules-based multilateral trading system, should be accelerated to prevent further fragmentation and detrimental outcomes to the membership as a whole.

We support the Fund's work to provide even-handed and multilaterally consistent assessments of external positions. We see great merit in integrating further factors that take better account of country-specificities in the assessment. In particular, the links between the current account, demographics, and pension systems deserve further consideration. We also welcome the Fund's work on an Integrated Policy Framework that should serve to provide valuable insights and advice, also for open advanced economies facing persistently low inflation and policy interest rates near the effective lower bound.

IMF resources and governance

We reaffirm our commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the global financial safety net and look forward to the 16th

General Review of Quotas. We take note that while Fund resources remain adequate in the near-term, close scrutiny will be needed, and that an activation of the New Arrangements to Borrow (NAB) is increasingly likely. We also welcome the progress on making effective the doubling of the NAB and the new round of bilateral borrowing agreements (BBA) on January 1, 2021. Both Switzerland and Poland are contributing to the NAB and are also participating in the new round of BBAs.