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Statement by Mr. Lintilä
Finland

On behalf of
Denmark, Republic of Estonia, Finland, Iceland, Republic of Latvia,
Republic of Lithuania, Norway, and Sweden

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On behalf of Denmark, Republic of Estonia, Finland, Iceland, Republic of Latvia, Republic of Lithuania, Norway, and Sweden

The Nordic-Baltic constituency underscores the importance of a global rules-based economic order, where countries, large and small, commit to finding multilateral solutions to global challenges, and where tension and uncertainty are minimized. This is imperative as the global outlook is weighed down by policy uncertainty and bursts of financial market turbulence. A rules-based and multilateral approach must remain the way forward. To preserve its role at the center of the global financial safety net, the IMF should be adequately resourced and we are committed to working toward maintaining the current level of IMF resources. In light of upcoming policy reviews, we stress the importance of continued work on climate change risks while maintaining focus on macro-financial analysis.

Multilateralism key for prosperity and sustainability

- A rules-based international economic order with free trade at its heart has fostered prosperity and growth for many decades. Ongoing trade tensions need to be resolved as they are bruising confidence and diminishing growth prospects globally. To retain the confidence in the **multilateral system**, we need to do more to ensure a level playing field, open markets, and a broad distribution of benefits from globalization. We need to promote inclusive growth effectively and jointly tackle challenges to global commons.

- **Climate change** is the most urgent global challenge of our time, and international cooperation is crucial for adaptation and mitigation efforts to succeed. Effective action by both national actors and the international community is needed to reach commitments in the 2030 Agenda, the Addis Ababa Action Agenda, and the Paris Agreement on Climate Change. The Fund is well placed to analyze macro-critical climate-related issues such as the fiscal and financial implications of the Paris mitigation and adaptation pledges and climate risks, and should step up its advisory work on how the goals can be reached in the most cost-effective manner.

Fragile global outlook – calls for efforts to reduce uncertainty and reestablish confidence

- The **global economic outlook** is weighed down by elevated levels of uncertainty. Announcements and actions related to ongoing trade tensions, coupled with uncertainty related to Brexit as well as geo-political events, have dampened global investment plans and exports,and have amplified volatility in financial markets in advanced and emerging economies alike. This is happening against a backdrop of high debt levels. Retaining open markets, reducing policy uncertainty by clear communication and avoiding policy missteps, such as the imposition of further bilateral trade restrictions, is key at this point. Any use of currency or capital flow management measures must to be aligned with the Fund's institutional view.

- The current circumstances call for continued **monetary policy** accommodation to support economic growth and anchor inflation expectations. Central bank decisions need to remain well communicated and mindful of financial stability risks. Timely and proactive use of macro- and microprudential policies can serve to guard against systemic risks and financial vulnerabilities. To this end, further developing the macroprudential toolkit is of essence. Monetary policy alone cannot achieve sustainable and balanced growth, hence a broader policy response is needed.

- In the context of subdued global growth and risks skewed to the downside, countries should stand ready if a downturn materialises. Countries still struggling with elevated debt levels should continue to strengthen fiscal buffers. Sound public finances are key and **fiscal efforts** should be well-calibrated and tailored to country contexts. Investments and reforms, which are critical for some countries, should be directed towards efforts to support long-term growth, jobs, inclusiveness, and contribute to countries reaching commitments under the Paris climate agreement.

- To **boost inclusive growth and equality** we need to move from words to action.We need to invest in the people left behind, support productivity and an inclusive labor market, and build efficient governments and adopt inclusive policies. Depending on the context, inclusive growth could be achieved through better access to child-care, life-long learning and infrastructure, creating jobs for all groups of society, strong competition policy, effective and fair taxation, and other measures creating opportunities for all people in both urban and rural areas. Efforts to curtail corruption should be pursued vigorously. Effective social dialogue should be promoted, and many countries have scope to undertake structural reforms to increase participation in the labor-force, especially among women, and promote gender equality.

- We support the fight against tax avoidance and evasion. The **international tax system is discussed within the OECD**. In general, existing international principles for aligning taxation with value creation serve the global economy well. Measures under the Global Anti-Base Erosion Proposal could prove to be a useful way forward to tackle the challenges relating to the digitalization of the economy. Changes leading to new taxing rights for market countries should be limited and focused, and be preceded by a thorough impact and economic analysis.

- **Technological advancements** have scope to increase productivity on a large scale. As policy makers, we have an important role in facilitating the productive use of these changes in our societies. Well-designed education and re-skilling policies are necessary. We must also be wary of the potential risks stemming from rapid technological change, including cyber risks.

- Turning to the **financial sector**, we must remain committed to take necessary measures to handle remaining legacy issues, such as non-performing loans and excessive cost levels in many banks. This can prove challenging but needs to be done nonetheless. Moreover, progress in financial sector regulation to date must be safeguarded, not watered down. We must provide appropriate regulatory frameworks and build buffers to reduce the likelihood and severity of any future crisis.

- **Anti-money laundering** frameworks are crucial, as underlined by examples from our region. Our frameworks are being strengthened in a holistic manner nationally, and given the cross-border nature of this problem, international collaboration is pivotal. We strongly support the work of the Financial Action Task Force (FATF) and the Fund. A key issue for future regulatory action in our region will be to further improve global or regional cooperation, based on international standards.

Support a strong IMF with well-designed tools to enhance growth and financial stability

- The Nordic-Baltic countries believe that the IMF should have an adequate lending capacity to preserve its role at the center of the GFSN, and are thus committed to working towards maintaining the current level of **IMF resources**. Our constituency has always supported the IMF's lending capacity when needed and it is our intention to continue to do so, as long as there is satisfactory burden sharing and link between financial contributions and representation. We reiterate that the IMF should be a quota-based institution and we regret that the 15th Quota Review will not provide an increase in quotas. In lieu of a quota increase, we are open to at least doubling the New Arrangements to Borrow (NAB) – subject to national procedures, including parliamentary approval in some countries.

- The upcoming **Comprehensive Surveillance Review** will raise important issues such as the trade-off between flexibility and standardization. More topical and dynamic Article IV consultations could increase traction but we must avoid creating gaps in IMF surveillance. We encourage staff to provide an overview of the options to reduce costs and to reallocate funds within the surveillance budget. Increased use of modern technology and off-site data analysis could reduce travel costs. The Fund should be able to leverage its unique cross-country perspective to raise awareness of macro-financial risks and spillovers. The long-term horizon and broader sustainability issues could also be given a more prominent role in Fund advice. The Fund should further integrate climate change and climate related risks into core surveillance and step up its advice on these issues.

- Financial sector surveillance is at the core of the IMF's work and we look forward to the **2020 FSAP review.** We see potential to make FSAPs more risk-based with an enhanced analytical toolkit for analyzing cross-border spillovers, non-banks, cyber threats and climate risks. Country-level FSAPs should continue to be conducted at reasonable intervals but there is scope to make them more cost-efficient through improved planning and focus. Regional risk assessments could also complement the national FSAPs.

- We welcome the efforts made to further enhance work on **sustainable lending** in the context of the Fund's recent reviews of its facilities for low-income countries and the financing of the Fund's concessional assistance and debt relief to low-income countries. High and rising debt levels in many low- and middle-income countries is a concern and it continues to be crucial that both borrowers and creditors must take responsibility to ensure sustainable lending and borrowing practices. In addition, the IMF has a role to play in enhancing broader debt transparency and effective debt restructuring.

- We look forward to concluding the **Comprehensive Compensation and Benefits Review** (CCBR) with a view to achieving an overall modernized IMF remuneration system that is transparent, cost-effective, and performance-based, taking into account conditions for staff with family. This should result in reasonable remuneration levels, while ensuring that the IMF is able to recruit globally and retain diverse and highly skilled staff.

- We would like to express our gratitude to **Christine Lagarde** for a long and devoted tenure at the Fund. Under her leadership the Fund has helped the membership navigate through many challenges, including the aftermath of the Global Financial Crisis, and put the spotlight on important issues such as climate change and gender and income inequality, as well as promoted free trade and multilateral cooperation.

- We extend a warm welcome to **Kristalina Georgieva** as the new Managing Director. Her extensive experience of multilateral work makes us confident that she will lead the IMF successfully.