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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

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

The Fund's leadership and advice in the core areas of its mandate continue to play an essential role in navigating these challenging times. Effective international cooperation as well as decisive steps on the part of members will be key for tackling divergence and moving swiftly to a sustainable path for global growth.

As vaccines are rolled out and the economic outlook improves, exceptional measures will have to be rolled back in a timely and gradual manner to make way for more sustainable policies that support growth in the medium- to long-term.

Global setting and policy priorities

The global economic outlook has improved recently, with progress in vaccinations and the announcement of significant additional fiscal support in several major economies. While the recovery should gain momentum during 2021, its speed is still highly uncertain. Risks abound, reflecting foremost the need to deal with new virus strains, structural rigidities, as well as preexisting vulnerabilities, notably high public and corporate debt levels.

In this context, policy support needs close monitoring to make sure that it is effective and targeted to specific objectives and needs. Monetary policy should continue to play a supportive role, in line with central bank mandates. Fiscal measures should be time-bound, effective, and carefully directed at the households and sectors most impacted by the crisis. At the same time, credible strategies and fiscal frameworks are needed now to prepare for the unwinding of fiscal support without endangering the recovery.

Limiting economic scarring and securing a strong and sustainable recovery also requires, with no further delay, measures to address underlying vulnerabilities. Structural reform policies that promote competition and innovation, while supporting transformation, are key. The distortive and unintended effects of prolonged policy support also need to be addressed with targeted measures to smooth the impact of the transition on the most vulnerable. We need policies that help people and businesses to adjust swiftly to changing environments, including through continuing education and vocational training.

The current situation provides an opportunity to embed sustainability considerations into the recovery, with policies that help shape a green, resilient, inclusive, and digital future. But first, we need to get the basics right: without good governance, strong public financial and investment management, and debt transparency, the impact of public investment in green projects and digital technologies risks to disappoint and it could further endanger fiscal and debt sustainability.

The Fund's crisis management

The Fund has lived up to its role as a crisis manager during the pandemic. We would like to commend staff and management for their extraordinary efforts and dedication over the past year. We count on them to ensure that the Fund builds on its strengths, even as the world changes.

The Fund was pivotal in providing rapid crisis-related relief to its members, especially those with the greatest needs. Its emergency financing facilities were instrumental in providing important breathing space. The time has come for the Fund to transition to supporting members' recovery via effective surveillance and regular programs. Such arrangements provide more than just temporary financing. They help members to address underlying structural vulnerabilities and support their longer-term stabilization and recovery efforts. Following-up on the emergency financing commitments will help in the design of regular programs in providing clear indications for program prerequisites on governance and transparency.

The Independent Evaluation Office (IEO) has rightly prioritized an evaluation of the Fund's role during the pandemic, with a particular focus on the rules, process, and impact of the Fund's emergency lending. Its independent assessment should also allow conclusions on evenhandedness, transparency, and governance safeguards and will contribute importantly to the Fund's accountability towards the membership.

SDR allocation

We join the broad consensus in support of an SDR allocation. It will send an important signal about multilateral cooperation by supporting members in addressing liquidity needs. While an SDR allocation will supplement members' existing reserve assets, it should not substitute for needed policy adjustment and, when appropriate, Fund-supported programs that address underlying structural weaknesses in a more sustainable and targeted manner. Greater transparency on the use of the allocated SDRs needs to strike a balance between the unconditional nature of the SDR and an appropriate and productive use of SDRs, without undermining their status as reserve assets.

Securing financial and debt sustainability for LICs

Low-income countries (LICs) have been particularly affected by the pandemic and will continue to face headwinds especially from an uneven rollout of vaccines and longer-standing structural challenges. Their space for fiscal and monetary responses is often limited and the pandemic could reverse important achievements with respect to economic development and poverty reduction. The upcoming Review of Concessional Financing and Policies should look very carefully and holistically at, and affirm, the role of the Fund as an anchor for predictable and sustainable macroeconomic policies.

We agree on the need for continued strong support to LICs. As part of the resource mobilization initiated a year ago, Switzerland provided a further loan in the amount of SDR 500 million to the Poverty Reduction and Growth Trust (PRGT), made CHF 25 million available to the Catastrophe Containment and Relief Trust (CCRT) and envisages to help ensure adequate subsidy funding for a sustainable PRGT.

A significant increase in concessional Fund lending beyond its catalytic role is, in our view, not the best way to support LICs. Rather, the Fund's key comparative advantage is its expertise in designing credible policy frameworks and providing policy advice. This, in turn, has helped catalyze highly concessional financing from development partners with the relevant expertise as well as flows from private sector participants that are ready to invest.

The pandemic has exacerbated pre-existing fiscal and debt vulnerabilities, which pose risks to strong and sustainable growth in many countries. We thus welcome the urgency and emphasis the Fund has put on debt-related work, notably in the context of the joint IMF-WB Multipronged Approach. Greater debt transparency is a precondition for addressing debt challenges decisively. We welcome the focus of the upcoming Review of Data Provision to the Fund for Surveillance Purposes on expanding the scope and granularity of debt and fiscal data that members are expected to provide. We also support the timely operationalization and implementation of the upgraded Sovereign Risk and Debt Sustainability Framework for Market Access Countries, as well as the Debt Limits Policy. A further extension of full debt service relief under the CCRT by six months, as originally envisaged, still requires significant additional donor pledges.

The Fund, together with the World Bank, plays a key role in the implementation of the G20-Paris Club Debt Service Suspension Initiative (DSSI) as well as in the implementation of the G20 Common Framework for Debt Treatments beyond the DSSI. We urge all members to help durably resolve debt issues, particularly by participating in the coordinated implementation of the Common Framework and by adhering to sustainable and transparent borrowing and lending practices. We look forward to further IMF-led work on enhancing the global framework for debt restructuring on a case by case basis, as well as the review of the Lending into Arrears policies. Moreover, policy advice and capacity building efforts remain essential, to support members in enhancing debt management and transparency, and improving domestic resource mobilization and investment efficiency.

Resuming and focusing the Fund's surveillance

The resumption of bilateral surveillance is crucial, including to provide policy advice for a robust recovery. We welcome the continuation of important policy reviews that are at the core of the Fund's mandate, including the Comprehensive Surveillance Review and the Review of the Financial Sector Assessment Program (FSAP). Better integrating financial surveillance into Article IV consultations will allow for a more continuous monitoring of financial sector risks in between FSAPs. While integrating climate change considerations that are relevant for macroeconomic policy into surveillance, the Fund should focus on its areas of expertise and comparative advantage. The Fund should also leverage the work of other institutions to the greatest possible extent.

Fund work on digitalization, such as the careful study of the macro-financial implications of fintech, central bank digital currencies, and other innovative financial sector entrants will provide key insights. Understanding the opportunities and risks associated with digitalization will help members put adequate policy frameworks in place, especially as international standards have yet to emerge in this area. Here too, the Fund must work closely with other institutions and fora who have relevant expertise.

We support the Fund's work to provide evenhanded and multilaterally consistent assessments of external positions. The upcoming Review of the External Balance Assessment methodology should bring refinements that take better account of members' specificities. In particular, the links between the current account, demographics, and pension systems deserve further consideration. The Fund's work on an Integrated Policy Framework has provided valuable insights and advice, also for open advanced economies facing persistently low inflation and policy interest rates near the effective lower bound. Looking ahead, this work will inform the Review of the Fund's Institutional View on the Liberalization and Management of Capital Flows.

IMF Regional Capacity Development Center for the Caucasus, Central Asia, and Mongolia

We greatly welcome the prioritization of the Caucasus, Central Asia, and Mongolia region, where the IMF Regional Capacity Development Center, CCAMTAC, has recently started its operations. We look forward to the physical opening of the Center in the course of 2021. Tailored and well-sequenced capacity development provides much needed support and significantly enhances the traction of the Fund's surveillance and lending activities. The use of a greater range of capacity development delivery modalities – virtual, online, in-person, in-country, and regional – has proven effective and could be continued post-pandemic, in an effort to enhance cost-effectiveness.

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 strongly support progress on quota realignments for the currently most underrepresented members while protecting the position of the Fund's poorest ones. Considerations on the size of the Fund should be based on realistic assumptions and balanced arguments. Approaching the Board discussions on resources and governance reform as a package will help build a broad consensus.

We welcome the Fund's continued efforts to adapt to the changing needs of the membership while staying true to its mandate. We support maintaining a real flat budget. It has served the Fund well in ensuring that resources are allocated according to strategic priorities. This has also helped the Fund to lead by example in terms of budget discipline. Departing from this approach could create inefficiencies.

Closing

The Fund needs to shift its focus from being a crisis fighter to helping its members navigate swiftly to sustainable and inclusive economic recovery. Here, it can draw and build on its established strengths in promoting policies that foster economic stability, reduce vulnerability to economic and financial crises, and raise living standards.