



## **INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE**

### **Forty-Fourth Meeting October 14, 2021**

**IMFC Statement by Nam-Ki Hong  
Deputy Prime Minister and Minister  
of Economy and Finance**

**Republic of Korea**

On behalf of

Australia, Kiribati, Republic of Korea, Republic of the Marshall Islands,  
Federated States of Micronesia, Mongolia, Republic of Nauru,  
New Zealand, Republic of Palau, Papua New Guinea, Samoa,  
Seychelles, Solomon Islands, Tuvalu, and Vanuatu

**STATEMENT BY THE HON. NAM-KI HONG  
DEPUTY PRIME MINISTER AND MINISTER OF ECONOMY AND FINANCE  
(REPUBLIC OF KOREA)  
ON BEHALF OF THE ASIA AND THE PACIFIC CONSTITUENCY**

*Global Outlook and Risk*

The global economy continues its gradual recovery despite the resurgence of the pandemic and supply disruptions.

It is deeply concerning that the divergence in recoveries between countries continues to widen. The recovery in employment is expected to lag the output recovery. Certain groups such as the youth, women, and low-skilled workers and contact-intensive sectors have been disproportionately impacted.

The outlook is highly uncertain, primarily associated with the path of the pandemic and global divergences. Potential for higher inflation poses risks to the recovery. The extent of economic scarring, and how this links to preexisting vulnerabilities, remains unknown.

Financial stability risks remain elevated from pockets of excessive risk-taking and possible overvaluation of financial and property assets. Rising interest rates related to a faster-than-anticipated monetary normalization in advanced economies could pose significant risks to global financial conditions and capital flows into emerging market and developing economies.

*Policy Response*

Overcoming the immediate health crisis everywhere remains the top priority. Strong international cooperation is necessary for universal access to vaccines globally, alongside widespread testing and other measures to control the spread of the pandemic. We support the global goal to vaccinate at least 40 percent of the population in all countries by the end of 2021 and 70 percent by mid-2022.

Macroeconomic policies need to strike a balance between supporting the recovery in the short term and, in the medium term, avoiding scarring and addressing structural issues. This includes developing new growth engines and driving the transition towards green, digital, and inclusive economies. Orderly exit from expansionary macroeconomic policies should be prepared in advance as the economic recovery takes hold. Having credible monetary and fiscal frameworks will be critical to navigate challenges down the road.

Fiscal policy needs to correspond to the evolving pandemic conditions and available policy space. Support should remain in place to prioritize health spending and protect vulnerable households and viable firms in a targeted manner, where possible, within credible medium-term frameworks. As the recovery gets under way, policymakers need to make every effort to pursue transformative policies to boost digital and green investment, raise productivity, and promote inclusive growth, with positive spillovers to trading partners.

Monetary policy should remain accommodative while safeguarding against medium-term financial stability risks. Clear forward guidance and communication from major central banks in advanced economies will be critical to minimize adverse spillovers to the rest of the world. Countries should remain vigilant to rising risks and macroprudential policy tools may be used preemptively to limit systemic financial risks when necessary.

The Fund must step up support to low-income countries (LICs) and small developing states, including in the Pacific, so that the recovery is shared everywhere. High quality grants and concessional financing are critical for these members that have limited or no access to markets.

As the world emerges from the enforced isolation of the pandemic, it will be important to return to rebuilding multilateral frameworks, especially in global trade. Fund members should continue to make efforts on restoring a free, resilient, and rules-based multilateral trading system to maintain the recovery momentum.

### *Role of the IMF in Supporting Members*

We support the Fund's efforts to help members navigate a durable exit from the pandemic, and to adapt nimbly to deliver on its mandate in a rapidly changing world.

The historic general SDR allocation provided much needed liquidity to many emerging and developing economies. We welcome the IMF's efforts to seek rechanneling of SDRs from members with strong external positions on a voluntary basis to the vulnerable members, including small developing states. We support the scale-up of the lending capacity of the Poverty Reduction Growth Trust as well as the establishment of a Resilience and Sustainability Trust to provide affordable long-term financing with the aim to address prospective balance of payments needs.

We welcome the Fund's support to help members transition to full-fledged Upper Credit Tranche programs after the initial wave of emergency assistance. Given the changing shape

and size of the lending portfolio, the Fund's operations should be bolstered by enhanced enterprise risk management.

With many difficult choices and trade-offs ahead for members, the Fund's policy advice will continue to play a critical role. Advice must be granular and tailored to individual member's circumstances, such as macroeconomic policy mix, available policy space, the structure of the economy and financial market conditions. We highlight the importance of integrating surveillance, lending, and capacity development (CD). This is particularly true for small and fragile states with weak absorptive capacity, including those in the Pacific, where high-quality policy advice, hand in hand with strong and effective CD support, is extremely valued. Building on the experience with virtual CD during the pandemic, virtual delivery should continue to complement the in-person approach going forward.

We support the Fund sharpening its macroeconomic tools for effective surveillance and upgrading policy advice. We expect the continued refinement of surveillance activities will help the Fund engage on the macro-critical implications of emerging areas such as climate change, digitalization, and inclusive growth, within its mandate. We look forward to the forthcoming 2021 review of the Fund's Institutional View on the Liberalization and Management of Capital Flows, informed by the work on the Integrated Policy Framework and the IEO evaluation of the Fund's advice on capital flows. This up-to-date review will allow members to benefit from the appropriate use of policy tools to secure macroeconomic and financial stability in the face of volatile capital flows. In addition, we welcome the Fund considering its engagement in Fragile and Conflict-affected States (FCS) and look forward to the forthcoming FCS strategy. We stress the need for the Fund to have close collaboration with other international financial institutions such as the World Bank Group and leverage their expertise.

We welcome the Fund's work on advancing the debt agenda as we anticipate a significant increase in debt vulnerabilities. Debt transparency and vulnerabilities must be closely monitored, and members should be assisted as needed to implement efficient debt restructuring. In this regard, we support the Fund's joint efforts with the World Bank to strengthen and expedite effective implementation of the G20 Common Framework.

It is important that the Fund should remain a strong, quota-based, and adequately resourced institution at the center of the global financial safety net and that the Fund's lending capacity should remain at the current level at a minimum. We welcome the progress report on the sixteenth General Review of Quotas (GRQ) and the discussions of the Committee of the Whole on key issues such as the adequacy of Fund resources and quota formula and realigning quota shares. We are of the view that the key priority is to reduce out-of-lineness by adjusting quota shares to better reflect the changing positions of member countries in the global economy. We are committed to constructive engagement in discussions on the

adequacy of quotas and Fund's governance reform under the 16th GRQ with the aim to conclude by December 15, 2023.

We support that the IMF constantly strives to promote greater inclusion and diversity reflecting its status as a global institution.