



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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IMFC Statement by Mikael Damberg Minister of Finance

Sweden

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,
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The Nordic and Baltic countries condemn Russia and stand firmly with Ukraine

1. *The Nordic and Baltic countries condemn in the strongest terms possible Russia's unprovoked and unjustified war of aggression against Ukraine, which grossly violates international law and the principles of the UN Charter. The war has undermined European and global security, stability, and prosperity and has disrupted global food and energy markets. The highest price for Russia's aggression is paid by Ukraine, with tragic human losses, and forcing millions to flee their homes. We unequivocally condemn and will never recognize the illegal annexation by Russia of Ukraine's Donetsk, Luhansk, Zaporizhzhia and Kherson regions. These regions, like the Autonomous Republic of Crimea and the city of Sevastopol, are part of Ukraine, within Ukraine's internationally recognized borders. The Nordic and Baltic countries stand firmly by Ukraine and its people. We are committed together with our allies to directly support Ukraine and to enforce far-reaching sanctions on Russia and its accomplice Belarus.*
2. *Russia alone bears the full responsibility for the global impact of the war and many of today's global challenges would be alleviated by Russia stopping its war against Ukraine. With threats of a more fragmented world, strengthening global cooperation and commitment to the rules-based international economic order are critical. Nordic and Baltic countries are committed to multilateralism and value highly the role of the IMF at the center of the global financial safety net in promoting the external stability of its members. The IMF's support to Ukraine and to the vulnerable countries affected by spillovers from Russia's war is vitally important.*

The global community is facing multiple imminent crises

3. *Russia's war against Ukraine has disrupted the global economic recovery from the pandemic. The growth outlook has deteriorated and inflation has reached high levels notably driven by high energy and food prices. Many emerging and developing countries are disproportionately affected from deteriorating external conditions, increased capital outflows and tighter financial conditions amid lingering economic impacts from the pandemic and challenges of high indebtedness.*
4. *Multiple crises require collective action. Food shortages and higher food and fertilizer prices are risking a global food crisis which will lead to more poverty, hunger, and social unrest. Helping the most vulnerable countries, strengthening the global food system, and avoiding disruptions in food trade are vital. In response to the energy crisis, immediate action is required to ensure energy security. In the medium and long term, the energy crisis requires advancing the global green transition and investing heavily in renewable and emission-free energy production as well as energy efficiency. Fighting climate change and adapting to its consequences is of utmost global importance. Global and domestic ambitions must be raised, and action accelerated to achieve net-zero emission targets by 2050. Along-side other action, agreeing on internationally coordinated carbon pricing would provide a cost-effective and efficient way to curb emissions.*

Heightened uncertainty requires carefully calibrated policies

5. *Policymakers need to be decisive and agile. For central banks the priority is to resolutely bring down inflation and guard against de-anchoring of inflation expectations. Data-dependent and*

well-communicated decision-making will continue to be needed. Additionally, maintaining central bank independence is essential in securing price stability. Fiscal policy should avoid adding to inflationary pressures, while providing targeted and temporary fiscal support to the most vulnerable groups to alleviate the burden of high energy prices. *Ensuring public sector debt sustainability and promoting adequate fiscal buffers will require measures*, anchored by credible medium-term fiscal frameworks. Sustainability of public finances should be supported by policies and reforms to alleviate supply bottlenecks, enhance growth potential and increase employment.

6. Addressing longer-term structural challenges cannot wait. *Accelerating the transition to a green economy is necessary to address the climate crisis and is also essential to build a stronger and more sustainable foundation for growth and prosperity.* It will require a broad range of measures targeted to accelerating investment and innovation in green energy, infrastructure, and technologies. It is important to ensure a just transition, leaving no countries or regions behind. As technological advancements are reshaping the economic landscape, *societies need to be equipped to take advantage of the digital transformation and develop technological skills, knowledge, and innovations.* Additionally, the challenges of labour market mismatches require investments in human capital and life-long learning as well as in increases in female labour participation.
7. *Risks of financial instability and disorderly market conditions require careful monitoring*, especially given increasing interest rates, a weaker growth outlook and tighter liquidity conditions. While past regulatory reforms have bolstered the resilience of the banking sector, debt challenges in the household and corporate sector and vulnerabilities in the nonbank financial sector require monitoring. Further, it is important to ensure crisis resilience of the financial system, including in relation to cyber risks, and closely monitor risks related to crypto assets. *Macroprudential tools should be used in a timely manner to tackle areas of elevated vulnerabilities.* Preemptive use of CFM/MPMs could be considered, where appropriate, in line with the IMF's Institutional View.

IMF work must be geared towards helping members with key macro-critical issues

8. IMF surveillance and country-specific policy advice are vital to help members navigate the immediate policy challenges and difficult policy trade-offs while safeguarding a sustainable long-term growth path. *We stress the importance of the Fund's ongoing focus on climate change* to support members in accelerating the green transition and mitigating climate risks. Further, we welcome the Fund's analytical efforts to identify effective climate policies and propose international solutions. *We also look forward to the review of the Fund's capacity development (CD) strategy* to reinforce country ownership, enhance the strategic allocation of CD activities, as well as tailor CD activities to country-specific needs and absorptive capacities. Systematic monitoring and evaluations are vital for effective CD delivery. *The Fund's expertise and analysis on trade issues is needed to strengthen the rules-based open trade system.* The IMF should provide advice on macro-critical trade developments, including those related to supply-chain disruptions, critical goods and dependencies, climate and digital trade. We also support the Fund's work to reduce inequalities, to promote gender mainstreaming, including with the IMF gender strategy, and to enhance focus on governance issues.
9. Given the concerning number of developing countries with high risk of unsustainable debt levels or in debt distress, *enhanced efforts are needed to facilitate timely, orderly, and coordinated debt treatments when required on a country-specific basis.* We encourage the IMF and World

Bank Group to work closely with the G20 and Paris Club in supporting the implementation of the Common Framework in order to make it more efficient and to create right incentives while ensuring comparability of treatment among official and private creditors. Further, *we stress the importance of improved debt transparency and heightened focus on debt sustainability in the context of Fund lending.*

We stress the importance of focusing IMF lending on multi-year high-quality programs

10. *For countries in need of Fund financing support, the first-best option is an upper credit tranche (UCT) quality multi-year program with a strong policy package to strengthen economic stability and catalyze other financing. We stress that the Fund's strong lending toolkit with adequate conditionality, safeguards and debt sustainability assessments serves members well also in a more shock-prone world. Nevertheless, the Fund needs to remain agile, in line with its mandate, to help members destabilized from the spillovers of the Russian war against Ukraine. We support the establishment of the new time-bound Food Shock Window within the Fund's emergency finance toolkit. We welcome that this measure would also support Ukraine with urgent balance of payment needs and avoid net negative flows vis-à-vis the Fund. We encourage the Fund to move swiftly with a UCT-quality program as the next step for Ukraine as soon as possible, and also consider how Fund financing and broader assistance efforts will fit into the longer-term reconstruction needs. Additionally, we look forward to the review on the Fund's precautionary facilities to discuss different options to enhance the robustness and effective use of the instruments.*
11. We welcome the ongoing progress in on-lending SDRs or hard currencies to help vulnerable members towards more resilient and sustainable economic paths. *We highlight the importance of securing and delivering on sufficient subsidy resources to the Poverty Reduction and Growth Trust (PRGT) to ensure the sustainability of the PRGT financial framework. We further recognize the urgency to achieve the target for PRGT loan resources. We look forward to the launch of the Resilience and Sustainability Trust (RST) by the end of the year, especially to help qualified countries strengthen climate resilience and make progress in the green transition. For a successful launch of the RST, ambitious reform packages and enhanced monitoring of the borrowing countries will be essential.*

The Nordic and Baltic countries support a strong, quota-based, and adequately resourced IMF

12. We are committed to revisiting the adequacy of quotas and continuing the process of IMF governance reform under the 16th Quota Review within the agreed timetable. We see the current size of the IMF resource envelope as adequate in the short and medium term. We are willing to support a quota increase in the 16th Quota Review that will both reinforce the primary role of quotas in IMF resources and address underrepresentation. Such a quota increase rests on a fair, rules-based, and transparent distribution of quotas. The current formula is working well, reflects a careful balance of different objectives and delivers on the aim of realigning quota shares.