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IMFC Statement by Ueli Maurer
Minister of Finance
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

We thank the Managing Director for her *Global Policy Agenda*, which makes a strong case for multilateralism. At the current juncture, there is clearly a need to address the rising downside risks and vulnerabilities. In particular, trade tensions need to be resolved in an orderly and cooperative manner and within a rules-based, multilateral framework that is fit for purpose. At the same time, the success of multilateralism builds on domestic policies' ability to strengthen growth, enhance resilience, and promote inclusion.

Global setting

The expansion of the global economy, while continuing, has slowed amidst ongoing trade tensions, tighter financial conditions and country-specific factors. Policy uncertainty remains elevated, and policy space is constrained amid high debt levels and low interest rates. Risks remain tilted to the downside. Against this backdrop, the Fund rightly puts emphasis on avoiding policy missteps. In parallel, policy buffers need to be strengthened and the economic growth potential enhanced through structural reforms that allow the benefits of growth to be shared more widely. With these actions, the objective of strong, sustainable and inclusive growth would be within closer reach.

Policy priorities

Given the heightened debt vulnerabilities, fiscal policy should continue to rebuild buffers. Adequate fiscal policy space will be important in case the increasing downside risks materialize. Furthermore, well-designed and effective fiscal frameworks, including fiscal rules, are crucial to ensure prudent and credible policies, as well as to reduce high debt levels.

We welcome the ongoing work on debt transparency and debt sustainability. Mounting vulnerabilities, especially in low-income countries (LIC), call for increased vigilance. We support the IMF's and World Bank's multipronged approach to address public debt vulnerabilities, including efforts to strengthen fiscal frameworks, improve debt management capacity, and implement the updated Debt Sustainability Framework for LICs. Efforts should go beyond the IMF and the World Bank and include other International Financial Institutions (IFI) as well as lenders, both official and private. Aside from that, enhancing domestic resource mobilization remains a key priority in many countries.

Monetary policy should continue to be data dependent and in line with central bank mandates. Solid monetary policy frameworks and sound communication are key for anchoring inflation expectations and supporting macroeconomic stability. In particular, central bank independence is essential for monetary authorities to fulfill their mandates.

Structural reforms play a key role in enhancing resilience, lifting productivity and growth, as well as supporting the adaptability of the workforce to structural change. The ongoing work on the political economy of structural reforms will help enhance traction of the Fund's advice in this area. In addition, fostering dynamism, and putting in place institutions and frameworks that promote innovation, are crucial for enhancing long-term growth prospects and promoting greater equality of opportunities. Efforts to facilitate broad-based access to high quality education, skills building—including vocational education and training—and retraining are important in this regard. In addition, work on the macroeconomic impact of corporate market power deserves further emphasis.

Against the background of rising financial vulnerabilities, resilience should be further strengthened by completing the post-crisis regulatory agenda. This agenda should be implemented in a comprehensive and consistent manner, and a rollback of reforms must be avoided. Moreover, further progress is needed to address incomplete balance sheet repair in some countries, in particular by reducing the level of nonperforming loans.

Open capital markets and capital flows entail significant benefits. The IMF plays an important role in advising members on how to reap these benefits while managing the potential risks of volatile capital flows. Prudent macroeconomic policies and sound policy frameworks remain essential in enhancing resilience to capital flow volatility. While temporary capital flow management measures can be a last line of defense under certain circumstances, they should not substitute for necessary macroeconomic adjustment.

The Fund's work on the macroeconomics of aging and its policy implications is very timely. Since countries age asynchronously, aging has important implications for global imbalances, reflected mainly in current account imbalances. Countries in a late stage of the demographic transition will tend to run current account surpluses, while countries in an early stage will tend to run deficits.

The Fund's work should address the causes and consequences of the withdrawal of correspondent banking relationships. Here too, close cooperation with other relevant IFIs and fora is important.

The multilateral level

We welcome the Fund's efforts to promote more open, more stable and more transparent trade policies and to assess the consequences of mounting trade tensions. It is important that the Fund continue to promote the benefits of an open and rules-based multilateral framework for trade in goods and services. Trade integration has been an engine of growth. At the same time, it is important that these benefits be shared more widely.

With respect to the international tax architecture, the Fund can provide useful analytical contributions by assessing the macroeconomic impact of different tax proposals, as well as in helping its members improve their capacities and in enabling them to implement internationally agreed standards. However, the major challenges around international tax issues have been addressed by the OECD and related institutions, and work continues to modernize tax systems, e.g. in the area of corporate taxation. Hence, the IMF should focus on complementing the work of these institutions in areas where it has a comparative advantage.

Fund policies

We support ongoing reviews of key Fund policies.

The 2020 Comprehensive Surveillance Review (CSR) should help enhance the relevance of Fund surveillance and the effectiveness and traction of its policy advice to members. Country-specific advice, candor and evenhandedness, as well a focus on the Fund's core competencies and areas of expertise are important to these ends.

Enhanced financial surveillance is particularly important. The Financial Sector Assessment Program (FSAP) review is thus timely and complements the CSR. Together, these two reviews should result in a better integration of Article IV consultations and FSAPs. It is key to ensure a more risk-based allocation of FSAP resources, both through the selection of jurisdictions and the definition of the scope of the assessments. Also, processes should be streamlined to avoid duplication and to free up resources, including for voluntary assessments.

The review of the debt sustainability framework for market access countries (MAC DSA) is critical, given that public debt levels are not only high in many LICs, but also in advanced economies and emerging markets. To timely detect sustainability risks, methodological improvements as well as more comprehensive debt coverage and disclosure are necessary. Looking ahead, the review of the Fund's Debt Limits Policy will also be crucial to prevent risks of debt distress.

The review of Conditionality and the Design of Fund-Supported Programs is another key item of the current work. The review should make sure that the quality, impact, and effectiveness of programs are increased in order to strengthen resilience and stability as well as to help mitigate program risks. A candid assessment of past programs, especially of those that were less successful, is an important prerequisite to this end.

Capacity Development (CD) is an integral part of the IMF's mandate and plays a key role in supporting member countries' efforts to build institutions. We support a closer coordination between CD, surveillance and lending that allows an enhanced use of synergies. We welcome the IMF's progress in monitoring effectiveness through Results-Based Management, which will also support a clearer strategic decision-making, including by the Board. A country-centered approach and well-tailored programs are paramount in bringing CD closer to recipients. We thus welcome the establishment of a new Regional Capacity Development Center (RCDC) for the Caucasus, Central Asia, Mongolia (CCAM) region, which should also support regional cooperation and integration.

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. The current resource envelope is broadly adequate. We regret that no compromise on a quota increase could be reached in the context of the Fifteenth General Review of Quotas. A general increase in quotas could have led to a realignment of quota shares for the currently most underrepresented countries and thereby strengthened IMF governance. In principle, we are open to keeping our current overall contribution to the IMF's resources. We are ready to consider an increase of the New Arrangements to Borrow, while broadly maintaining the current shares of participants.

Looking ahead, we are open to ideas that help make progress on quota realignments for the currently most underrepresented members in the next quota review. Yet these ideas should not pre-empt the results of the 16th GRQ. In particular, there should be no pre-defined target for a possible shift in quota shares for any particular group of countries. All members must be adequately represented according to their relative positions in the global economy. The current quota formula continues to deliver the desired outcomes. An increased concentration of voting power would fail to appropriately reflect the diversity of the Fund's membership.

IMF operations

The internal modernization projects in HR, IT and knowledge sharing are important for the Fund to remain up to date and to increase the efficiency of its work over the medium term. At the same time, these projects and their resource implications need to be closely monitored. Sound governance structures and accountability frameworks are therefore crucial. More generally, we continue to support a flat real budget for the IMF to ensure that resources are allocated flexibly, in line with changing needs of the membership and the Fund's priorities. Moreover, we welcome the ongoing thorough review of staff's compensation and benefits, which should aim at preserving the status of the IMF as an employer of choice, while at the same time implementing necessary improvements and modernization.