



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-First Meeting April 16, 2020

**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,

International Monetary and Financial Committee, April 16, 2020

**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*. The agenda captures well the immense challenges the world faces in dealing with the COVID-19 pandemic. We share the view that mitigating the economic fallout of the pandemic is now the Fund's top priority. In this vein, we welcome the Fund's prompt action and leadership. Effective international cooperation to contain the crisis is paramount, and we agree that strong and globally coordinated measures are needed. At the same time, we must be mindful to make the measures temporary and allow them to bridge to a sustainable growth path.

Global setting and policy priorities

We broadly share the Fund's global growth outlook and concur that risks are on the downside. Making a precise forecast amid very fluid and highly uncertain circumstances is extremely difficult. What matters at the current juncture is clarity on the assumptions underlying the baseline scenario, including on the length and severity of the pandemic and the impact of policy responses. Moreover, working with alternative scenarios that take the currently large uncertainty around forecasts into account is warranted.

We agree that a combination of well-targeted policy measures is necessary to mitigate the economic downturn. In this regard, transparency is important, and we see merit in close coordination of policy responses. Fiscal measures should be carefully designed to target households and sectors that are most affected by the crisis. At the same time, we underline that these measures should be temporary. A clear exit strategy will be critical to minimize the cost to the economy and avoid future vulnerabilities. The use of automatic stabilizers will also help shoulder part of the burden. Monetary policy plays a key role in addressing the significant tightening of financial conditions and in providing the necessary liquidity. Moreover, coordinated action by central banks has been key to ease strains in global funding markets, thereby helping to mitigate the effects on the supply of credit to households and businesses.

Furthermore, the banking system can make important contributions too, e.g. by providing bridge financing to companies, especially SMEs, many of which face short-term challenges. At the same time, banks are taking increased risks on their balance sheets. While they should be allowed to make use of current flexibility within regulatory frameworks, this is no time for

weakening existing or agreed rules and regulations. Policymakers should thus explore policies to ensure financial stability, also in the medium term.

The Fund's role

The IMF is playing a critical role in helping the membership weather this crisis, together with other international institutions, such as the World Bank and the World Health Organization (WHO). We would like to express our sincere gratitude to staff and management for their tireless efforts in the current difficult circumstances.

As demonstrated in the past, the Fund is well prepared for crises and has the necessary means to help its members through its surveillance, lending, and capacity development (CD) channels. Rapid deployment of assistance under existing tools is of the essence, in particular for the many countries that have already requested financial assistance. Here, the temporary increase in access limits for the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) provides important relief. The temporary addition of the Short-Term Liquidity Line (SLL) to the lending toolkit with the aim of delivering a stronger and more effective policy response is welcome. At the same time, we underscore the critical importance of having strong safeguards in place, including timely reviews, as the proposed SLL goes beyond the Fund's traditional mandate.

COVID-19 is having a severe impact on low-income countries (LICs). These countries face urgent and unprecedented financing needs, which creates high demand for Fund resources. While we take comfort in the Fund's assessment that GRA resources remain adequate, we are less sanguine as regards PRGT loan resources. We stress the importance of discussing the implications of the imminent increase in demand for PRGT resources, given the need to provide the membership with sufficient time to consider contributions. In this context, we also highlight that the self-sustainability of the trust should be maintained. Switzerland is examining the augmentation of its PRGT loan contributions. PRGT supported programs should help countries to exit smoothly from the crisis and to follow policies that are sustainable and growth-friendly.

We share the view that the Catastrophe Containment and Relief Trust (CCRT) needs to be adequately funded to support members that lack essential capacities. Switzerland stands ready to consider a contribution, subject to national procedures. We also support the international call on official bilateral creditors to temporarily suspend debt service payments of IDA and PRGT-eligible countries. At the same time, we underscore the importance that this initiative be strictly time-bound and equitable across eligible countries.

We agree on the need for reprioritizing the work agenda to make space for crisis-related activities. Nevertheless, the Fund must also help members look ahead so that the measures taken provide a bridge to a sustainable recovery. Timely and effective macro and financial sector surveillance, and CD are critical to this end.

Moreover, progress on debt transparency is imperative, as is progress on achieving debt sustainability as soon as our economies start to recover. Against the background of mounting debt and fiscal vulnerabilities already before the crisis, the Fund's ongoing work on the debt agenda remains key. We look forward to the conclusion of the Review of the Debt Sustainability Framework for Market Access Countries and the Review of the Debt Limits Policy. Likewise, the continued efforts by the Fund, together with the World Bank, to implement the "multipronged approach" to address public debt vulnerabilities are welcome.

We welcome the progress on the Comprehensive Surveillance Review (CSR) and its aim to increase traction and add value for members, including through country-specific tailoring of policy advice. The work on the CSR will be key to enhance the relevance of Fund surveillance and policy advice. We also look forward to the completion of the FSAP Review. While FSAPs are highly valuable and useful exercises, they are also rather resource intensive. Hence, it is important to further improve the impact and efficiency of these assessments.

The Fund's ongoing efforts to integrate its three functions (surveillance, lending, CD) go in the right direction and are consistent with the ongoing CSR. In the same vein, the country-centered approach is welcome; it strengthens the coherence of Fund interventions and better leverages lending and surveillance for CD. Furthermore, we welcome the decision to establish a new Regional Technical Assistance Center for the Caucasus, Central Asia, and Mongolia (CCAMTAC). Based on tailor-made Fund advice, the Center will contribute to the strengthening of macroeconomic capacities and support regional cooperation.

Multilateral cooperation

The global pandemic requires coordinated and sustained multilateral cooperation, including by avoiding further trade restrictions. The importance of international trade is currently underlined by the vital need to ensure the availability and affordability of indispensable medicines and medical products. Hence, international efforts to promote the benefits of open and transparent trade policies, and to strengthen the rules-based multilateral trading system, should be accelerated. An orderly and predictable process to resolve trade disputes constitutes the core of the multilateral trading system and is key to enhance confidence and support growth.

We support the Fund's ongoing work in providing even-handed and multilaterally consistent assessment of external positions, including the further methodological refinements of the underlying external balance assessment methodology. In particular, the links between the current account, demographics, and pension systems deserve further consideration. Moreover, we appreciate the Fund's efforts in taking due account of country-specific factors in assessing external sector positions.

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. To this end, we are committed to contribute to the swift implementation of the agreed Fund resources and governance package. The doubling of the New Arrangements to Borrow (NAB) combined with a new round of Bilateral Borrowing Agreements (BBAs) beyond 2020 will maintain the Fund's current resource envelope, which is of critical importance at the current juncture. Switzerland and Poland are contributing to the NAB and are ready to participate in the new round of BBAs.

Looking ahead at the 16th General Review of Quotas, we underline the importance of ensuring the primary role of quotas in IMF resources and realigning quotas of the currently most underrepresented members. In this respect, we stress the importance of not unduly prejudicing the outcome of the upcoming 16th Review. The current quota formula continues to deliver the intended outcomes, while an increased concentration of voting power would fail to appropriately reflect the diversity of the Fund's membership.

IMF operations

We welcome the conclusion of the Comprehensive Compensation and Benefits Review (CCBR) and are confident that the outcome of this review preserves the status of the IMF as an employer that continues to attract high-quality and dedicated staff, while bringing about necessary improvements and modernization.