



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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**IMFC Statement by Jan Tore Sanner
Minister of Finance
Norway**

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, Republic of Lithuania, Norway, and Sweden

Vaccine rollouts and continued large-scale stimulus are fueling recovery, while the fight against COVID-19 continues and uncertainty prevails

1. The unprecedented policy stimulus is giving strong support to economic activity and many economies seem to be coping better with containment measures than earlier in the pandemic. Vaccine rollout will further improve the outlook. However, continued high rates of virus infections cloud the near-term outlook. The recovery is highly uncertain and likely to be asynchronous and bumpy, risking a further divergence in well-being and economic opportunities for all.
2. The *race between the virus and vaccines* continues, escalated by new virus mutations. Stopping the virus globally remains crucial, both to save lives and to reach a path of sustained economic recovery. Accelerating vaccine production and distribution at affordable prices must continue to be the top global priority. A broad-based recovery will be hampered until the virus is in retreat everywhere. It is therefore crucial to continue support for the ACT-A collaboration and its COVAX facility to ensure global distribution of vaccines and other needed Covid-19 tools.
3. *Reinvigorating multilateralism and fostering a rules-based open global trade system* will be central to ensure the recovery is both sustainable and truly global. Global recovery will suffer, if the on-going trade tensions remain unsolved. The pandemic has demonstrated the importance of the multilateral system and international cooperation. Ensuring a level playing field, open markets, and broad distribution of the benefits from globalization will be vital for both the recovery as well as the longer-term prosperity of our economies.

Targeted policy support remains essential, but with increasing focus on transition towards policies that support reallocation...

4. The *unprecedented policy response has contained the impact of the pandemic and improved the economic outlook*. Policy support must not be withdrawn prematurely, but should be well-targeted, and modified as health conditions and economic circumstances evolve. As economies open up, the transition to policy normalization and longer-term policy agendas, including an adequate focus on structural reforms, must be carefully managed. Right timing, gradual pace and agility will be key to balance support and the need for necessary adjustments and reallocations of productive resources.
5. *Timely, well-targeted and temporary fiscal support* is needed in particular to help the hardest hit sectors and the young and the low-skilled, while safeguarding fiscal sustainability in the medium and long term. Policies need be tailored to country-specific circumstances. Central banks should continue monetary policy accommodation, within their mandate, to maintain favorable financial conditions and help the recovery take a firm hold, while being aware of upside risks. Guarding central bank independence remains a central pillar for monetary policy credibility. Potential

financial stability risks amidst elevated asset valuations and high debt levels call for vigilance and appropriate financial policies.

... while redoubling the efforts to build sustainable, inclusive and stable economies

6. *Looking beyond the current crisis, climate change is the existential threat.* Greater ambition and swift action are needed to increase the price of CO₂ globally, which is the most efficient way to fight climate change. The transition to a green economy needs to be supported by investing in green infrastructure, advancing structural policies to address market failures and equity considerations as well as concerted global efforts to protect biodiversity.
7. Crisis measures must be complemented with policies that support *better and more equal opportunities*. Investment in affordable, accessible and high-quality education will be crucial to mitigate the adverse effects of the pandemic on both human capital and equality. Ensuring strong social safety-nets and universal access to health services will build resilience to weather future shocks. Policies should be geared toward improving productivity through investments in infrastructure, digitalization and R&D as well as by improving global opportunities by reforming the multilateral rules-based trade system, including the WTO.
8. *Financial stability* is a prerequisite for a sustainable recovery. Risks associated with vulnerabilities related to private and public debt accumulation and stretched valuations require constant vigilance. The transition from crisis measures to policy normalization and longer-term policy goals should be managed carefully to avoid cliff-edge effects and to mitigate potential volatility in economic and financial conditions.

The IMF's policy advice plays an important role in helping members consider how and when to unwind stimulus in a still turbulent environment

9. We commend the Fund for resuming surveillance and call for continued emphasis on country level surveillance. *IMF country analysis and advice, built on cross-country experience, will be even more important* as the membership navigates prevailing uncertainty and tries to effectively calibrate the macroeconomic response. The unwinding of policy support at different speeds may spur spillovers underlining the importance of an integrated approach to stability enhancing macroeconomic policies. We call for the completion of the Comprehensive Surveillance Review and the FSAP Review allowing the surveillance framework to respond to the current environment. Strong IMF Executive Board engagement in surveillance bolsters the legitimacy, evenhandedness and traction of IMF advice.
10. The IMF has a key role in *guiding the membership toward effective carbon pricing*. We call for macro-critical implications of climate change mitigation, adaptation, and transition management to be integrated in the Fund's surveillance. Climate change considerations should be incorporated into the assessment of sustainability of external positions and public finances, including long term debt sustainability. We strongly support the recent efforts to integrate climate change mitigation analyses and advice, including implications of carbon pricing, more systematically into Article IV's and climate-related risks into FSAPs. To enhance cross-country comparison and learning from 'best practices' cooperation with Finance Minister's Coalition

and NGFS remains important. Furthermore, the IMF should promote gathering and analyzing available data to support climate policies.

The Fund is well-suited to assist its members and the lending strategy should now focus on multi-year programs to help solve members' Balance of Payments needs

11. The IMF's quick scaling up of emergency funding supported a large share of the membership in liquidity needs arising from the COVID-19 shock. With continued heightened uncertainty and possible new spurs of the virus, augmented support to the countries most affected is warranted. However, for most members in need of external financing, *multi-year full conditionality programs tailored to countries' BOP needs, debt sustainability, adjustment needs and capacity to repay will provide a stronger anchor for recovery*. Furthermore, we strongly emphasize the importance of safeguarding the revolving nature of Fund resources and their catalytic character. Appropriate conditionality, including governance and anti-corruption safeguards, continue to be of the essence.
12. *Low income countries (LICs) are bearing a heavy cost from the crisis*, in part reflecting pre-existing vulnerabilities and limited policy space. This is visible through the concentration of demand for Fund resources from LICs and their elevated external financing needs in the coming years. The IMF, together with the international community, will need to provide a well-targeted and calibrated step-up in support to meet these needs. Increased Fund involvement in providing concessional financing needs to build on a sustainable financing framework underpinned by carefully designed policies, which support the member in reaching a sustainable growth path and leverage the fundamental catalytic role of the Fund. The IMF and World Bank should coordinate closely, also with other IFIs and MDBs, to ensure their measures are coherent and complementary. The Nordic-Baltic countries' strong commitment to support LICs is confirmed by our contributions to the Poverty Reduction and Growth Trust (PRGT) and the Catastrophe Containment and Relief Trust (CCRT), in addition to our substantive international development assistance efforts.
13. *Addressing sovereign debt problems in LICs and developing the global architecture for sovereign debt restructuring is a key priority for the IMF's crisis response*. IMF lending policies should support timely and right-sized debt restructurings, while avoiding excessive migration of risks to the Fund's balance sheet. We strongly support the efforts of the IMF and others in further increasing debt transparency and comprehensive reporting. Debt transparency plays an important role in the management of fiscal risks, improving the quality of debt analysis and potential debt restructurings and enabling successful program design. Furthermore, we call for the IMF to continue playing an active role in supporting the DSSI and in the implementation of the G20/Paris Club Common Framework.
14. In these exceptional circumstances and amidst the continued uncertainty, we *support a general SDR allocation* to improve liquidity for vulnerable countries and respond to the increased longer-term reserve needs of the membership. In addition, a new SDR allocation should be accompanied by broadening of participation in the VTAs. Further, we support enhanced reporting of SDR trading and use as well as better accountability of usage of SDRs, including a thorough ex-post evaluation of the allocation.

The Nordic-Baltic countries support a strong, quota-based and adequately resourced IMF at the center of the global financial safety net

15. The global crisis underlines the *need to maintain a strong and well-resourced IMF* at the center of the global financial safety net. We welcome the implementation of the previous package on IMF resources and governance, including doubling of the New Arrangements to Borrow (NAB) and completion of the new round of Bilateral Borrowing Agreements by most countries. 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 and 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 quota formula provides a good foundation for achieving this goal.