INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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**Statement by Ms. Keller-Sutter**
**Switzerland**

On behalf of
Republic of Azerbaijan, Republic of Kazakhstan, Kyrgyz Republic,
Principality of Liechtenstein, Republic of Poland, Republic of Serbia, Switzerland,
Republic of Tajikistan, Turkmenistan, and Republic of Uzbekistan

**International Monetary and Financial Committee, April 25, 2025**

**Statement by Ms. Karin Keller-Sutter, President of the Federal Council and Minister of Finance of Switzerland**
**on behalf of Azerbaijan, Kazakhstan, Kyrgyz Republic, Liechtenstein, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan**

We warmly welcome the Principality of Liechtenstein as our constituency's 10th member.

The global growth outlook is becoming increasingly precarious, not least reflecting unfolding global trade tensions. Restoring confidence and strengthening resilience will be critical going forward. The IMF is the global expert institution on macroeconomic and macrofinancial issues and a preeminent platform for multilateral cooperation. It will need to help members navigate heightened uncertainty through surveillance, capacity development (CD), and lending.

***Global setting and policy priorities***

While economic activity held up over the past months, the global economic outlook remains fragile. Financial market volatility has substantially increased, also reflecting uncertainties due to tariff announcements and trade tensions, undermining confidence and risking a significant tightening of financial conditions. The already weak medium-term growth outlook could deteriorate further amid a rapidly changing geopolitical, economic, and financial environment. The odds of a global recession are increasing amid already thin policy buffers. In the longer term, persistent trade tensions risk undoing global integration and, as a consequence, threatening global prosperity.

Particularly prudent policies are needed to strengthen resilience, while laying the foundations for stronger and sustainable growth:

Fiscal policies should accommodate priority spending while consolidating public finances, ensuring debt sustainability, and rebuilding buffers. Improving the efficiency, quality, and impact of fiscal spending is critical in this regard. Fiscal adjustments must also be guided by medium-term fiscal frameworks, including fiscal rules, to bolster credibility. Such credible and sustainable long-term fiscal paths are, indeed, crucial to retain market confidence and keep risk premia low.

Central banks need to fine-tune monetary policy to ensure price stability in a consistent and determined manner and in accordance with their respective mandates. Increased uncertainty complicates monetary policy, forcing central banks to navigate risks to inflation, economic activity, and financial stability. Preserving central bank independence remains paramount.

Strong capital and liquidity buffers built in recent years are key for ensuring the stability of banking sectors and global financial stability more broadly. As both the size and the quality of these buffers matter, ensuring continued compliance and alignment with global standards is important.

Structural reforms remain essential to lift medium-term growth prospects and spur private sector activity. Labor and product market reforms, as well as productivity-enhancing investments, such as in skills and education, are key for lifting growth prospects. This, in turn, should also help alleviate continued spending pressures.

Multilateral cooperation to preserve an open, rules-based, and transparent international trading system is of utmost importance. Such a system ensures predictability and stability for private sector investment, fosters an efficient allocation of capital, and supports sustainable growth. Maintaining, strengthening, and deepening trade relations and agreements pays dividends in terms of economic efficiency and growth.

### *The Fund's role at the current juncture*

Multilateral and bilateral surveillance is the cornerstone of the IMF's work. It must be focused on macroeconomic and macrofinancial issues, providing advice to members based on high-quality and timely analysis. We look forward to the forthcoming comprehensive surveillance review and emphasize that monetary, fiscal, financial sector, and exchange rate policies need to remain the priority topics in IMF surveillance, in line with the IMF's core mandate and expertise. This review should also be informed by the recommendations of the Independent Evaluation Office's report on the evolving application of the Fund's mandate.

We support further strengthening CD by ensuring that it is well sequenced and prioritized, closely integrated with surveillance and lending, results-based, transparently monitored, and designed to promote greater ownership. CD should also be focused on the Fund's key areas of expertise, such as domestic revenue mobilization and public financial management. We underscore the critical role of regional capacity development centers and recognize the valuable contribution of the Caucasus, Central Asia, and Mongolia Technical Assistance Center (CCAMTAC) in helping members of our constituency address their specific challenges. We also welcome the IMF's consideration to establish a Southeast Europe Regional Technical Assistance Center (SEETAC).

Fund lending must continue to support members in resolving their balance-of-payment problems and restoring external viability, including debt sustainability, under adequate safeguards. Strong conditionality and high lending standards remain instrumental. Fund lending must also be catalytic and compatible with members' debt-carrying and repayment capacities. The Fund should remain particularly cautious when expanding its lending share, since such super senior debt could crowd out market financing and complicate debt treatments, potentially to the detriment of members in debt distress. Upcoming policy reviews and actual lending decisions must be consistent with these principles. The build-up of precautionary balances remains a key financial safeguard in light of the significant and increasing financial risks facing the Fund. These reserves must remain commensurate with a higher exposure from large lending arrangements.

For decades, the IMF has served its nearly universal membership not only as a center of excellence for candid and impartial policy advice and technical assistance as well as an integral part of the global financial safety net, but also as a platform for multilateral cooperation. This role remains as relevant as ever. At the current juncture, the IMF should continue to perform this critical role, defend cross-border integration, and support rules-based multilateralism. The Fund's role is also to remind us how successful open and well-functioning markets for goods, services, and capital have been in generating global prosperity and stability.

### *Tackling debt vulnerabilities*

The Fund's work on debt-related issues must remain a priority. High debt vulnerabilities are a pressing concern in many countries, some of which urgently need debt restructuring. We thus reiterate our strong support for efforts to help improve the effectiveness of coordinated case-by-case debt treatments, to enhance debt transparency and debt management, and to strengthen the Fund's debt policies and analytical tools, for example in the ongoing review of the debt sustainability framework for low-income countries (LICs).

Debt challenges, including liquidity challenges, and their root causes must be addressed in a holistic manner. We look forward to initial experiences from applying the joint IMF-World Bank "three-pillar approach" to member countries in this regard. Strong macroeconomic policies as well as reforms, notably to enhance domestic resource mobilization and public financial management, are necessary elements of a holistic approach. Thorough and prudent debt sustainability analyses must form the critical basis for measures undertaken. In practice, solvency and liquidity challenges are often intricately linked and can be hard to distinguish properly. Concentrating only on liquidity challenges, therefore, risks doing "too little, too late." In addition, there is a risk that official financial support will merely be used to repay existing creditors or lead to an undue transfer of risks from the private to the public sector.

### *Cross-cutting issues*

The Fund should continue to work with other relevant institutions to promote global coordination and consistency on policies to address climate change. It should do so with a focus on its mandate and expertise. The agreed climate strategy anchors the Fund's work in this area and should be implemented across all its activities.

Digital finance presents both opportunities and challenges. The Fund's analysis and advice on the macrofinancial implications of fintech, central bank digital currencies, and other financial innovations can help members develop digital strategies that promote financial inclusion, while safeguarding financial stability and integrity. Close cooperation with—and, where appropriate, deference to—other relevant international institutions and fora is called for.

### *Ensuring the effectiveness and financial soundness of the IMF's trusts*

As a matter of principle, the Fund must ensure it retains solid finances and adequate reserves, both for itself and for its trusts. Our constituency attaches great importance to the Poverty Reduction and Growth Trust (PRGT) as a key element of the Fund's unique support for LICs. Switzerland is a longstanding contributor, and Poland joined the group of contributors in October 2024. We stress that only a financially robust PRGT can consistently help members establish sound macroeconomic frameworks and address balance-of-payments problems through Fund-supported programs with catalytic financing.

For the Resilience and Sustainability Trust (RST) to achieve its purpose, arrangements under the Resilience and Sustainability Facility (RSF) must include high-quality reforms. These reforms should promote tangible changes in institutions and policies that have a lasting positive impact. Linking an RSF arrangement to an ongoing on-track upper credit tranche-quality arrangement is essential to embed such reforms in a viable policy framework and to achieve complementarity. In addition, close cooperation, including with the World Bank, remains essential for effective sectoral reforms. The Fund needs to ensure that the RST remains financially sound and that its resources are used effectively.

***IMF resources and governance***

We welcome the new 25th chair on the IMF Executive Board for Sub-Saharan Africa and the new Member in the International Monetary and Financial Committee (IMFC). We are also thankful to the IMFC Deputies for their discussions in Diriyah on how to better engage and strengthen the IMFC including through medium-term strategic discussions.

Our constituency supports a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net. We look forward to the adoption of the package under the Sixteenth General Review of Quotas. Looking ahead, progress on quota realignments for the most underrepresented members, based on the existing quota formula, remains an important objective. Quota reviews should aim to ensure that quota shares adequately reflect the relative position of each individual member in the global economy. In this context, we emphasize that countries' relative positions in the global economy are determined by both non-GDP elements and GDP, and that the quota formula must continue to reflect this.

For the IMF to be effective, the quality of its work as well as its integrity and reputation must remain impeccable. The Fund needs to lead by example in terms of procedures, practices, and budgetary prudence, as well as in maintaining balance sheet strength. The reallocation of resources to meet evolving priorities and needs should remain a core element of the budget process.