



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-First Meeting April 16, 2020

**IMFC Statement by Veerathai Santiprabhob
Governor
Bank of Thailand**

On behalf of
Brunei Darussalam, Cambodia, Republic of Fiji, Indonesia, Lao People's
Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand,
Tonga, and Vietnam

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Introduction

The Coronavirus Disease 2019 (COVID-19) pandemic is an unprecedented health and economic crisis. Unlike the 2008 Global Financial Crisis (GFC), the current crisis is a unique shock that incurs significant costs, with looming shadow of deep recession and highly uncertain outlook. This has in turn led to financial market turmoil with sharp drops in oil and asset prices, and significantly tightened liquidity conditions. Emerging market economies (EMEs) in particular have been hit hard with unprecedented capital outflows that are much larger and more volatile than those experienced during the GFC.

Nations, therefore, must continue to respond forcefully, utilizing every possible tools in their arsenal to contain the outbreak, protect the livelihood of the people, restore the functioning of economy, and safeguard financial stability. Against this backdrop, the Fund is well-positioned to help its members navigate this critical juncture. Time is of the essence, and the Fund must act quickly and decisively in the global efforts to contain the crisis and minimize long-term economic damage.

Regional Prospects and Policy Responses

The COVID-19 outbreak and necessary containment measures are taking a heavy toll on most, if not all, economies in our constituency. Authorities have marked down their growth forecasts with several larger economies in our constituency projected to record sizeable negative output growth in 2020—the first in many decades.

Authorities have responded forcefully with extraordinary monetary and fiscal stimulus packages to support households, businesses, and markets through these difficult times.

- Fiscal spending is targeted to ensure adequate medical supplies and equipments and to provide financial relief to those affected. Cash grants, tax breaks, wage subsidies, debt repayment holidays, and concessional loans are provided to affected households and businesses, particularly small- and medium-sized enterprises (SMEs), to cope with income losses and help businesses retain their workforce.
- Central banks have pursued aggressive monetary easing, with policy rates falling to historical lows in some countries and significant liquidity injection. Reserve requirements

have been reduced in some jurisdictions. Exchange rate flexibility has remained an important first line of defense against shocks for the region. At the same time, some central banks have also stepped in to intervene in the foreign exchange markets, provide USD liquidity and stabilize bond markets to ensure orderly market functioning and safeguard financial stability amid heightened volatilities in the global financial markets.

- Financial regulators and supervisors have allowed greater flexibility in prudential regulations to enable financial institutions to support their customers effectively during this difficult period. For instance, regulatory relief and adjustments to capital and liquidity requirements were implemented to support banks' lending to affected customers, while the implementation of the final set of Basel III reforms has been deferred to ease operational burden.

We hope that the crisis containment measures would succeed and that a recovery will eventually follow on the back of our sound macroeconomic fundamentals.

Policy Priorities for the Fund

We truly commend the Fund's strong leadership in proactively stepping up efforts to preserve the international monetary system. We applaud the Fund's management and staff for working tirelessly to provide timely support to member countries. In this regard, we endorse the Managing Director's Global Policy Agenda that rightly prioritizes emergency and concessional lending while providing tailored policy advice to assist members during the global pandemic, where international cooperation and solidarity are most needed.

Heightened demand for financial support calls for the Fund to adapt its lending facilities to meet the needs of its members, especially for those facing immediate financing challenges. We welcome the enhanced flexibility of the Rapid Credit Facility and Rapid Financial Instrument, in swift response to the surge in demand. The temporary increase in the access limits for these two facilities as well as the streamlined approval and disbursement procedures will ensure that vulnerable EMEs and low-income countries will be well-supported in a timely manner to cope with the COVID-19 outbreak and its economic impact. We fully support the enhancements to the Catastrophe Containment and Relief Trust (CCRT), which will enable the Fund to provide immediate debt service relief for the most vulnerable members. To this end, we call on the Fund to closely monitor the adequacy of the Poverty Reduction and Growth Trust and support the Fund to explore possibilities for a new round of SDR allocation with the aim of providing unconditional financial resources to the most vulnerable members.

Meanwhile, the effort by the Fund to review its liquidity facilities to support members facing abrupt outflows is also commendable. Liquidity swaps among major central banks have proven useful in providing assurances during stressed periods. However, their limited availability to a handful of countries leaves a large portion of EMEs uncovered. In this regard, we strongly support the Fund in establishing the Short-term Liquidity Line (SLL). The SLL would fill an important gap in the Global Financial Safety Net (GFSN) for small

open economies and could complement the existing Flexible Credit Line and Precautionary Liquidity Line by providing a short-term liquidity backstop that can be deployed rapidly, and is not encumbered by conditionality and stigma. The advantages offered by the SLL is in line with members' call for the Fund to be swift and flexible in this crisis and would prove invaluable during normal times. Hence, we recommend that the SLL be a permanent feature of the international monetary system.

In parallel with the Fund's financial support, we see the merit for the Fund to step up engagement with private sector creditors to explore options for effective debt resolution framework. Should the pandemic prolong and put more financial stress on member countries, having debt resolution and restructuring mechanisms in place could help maintain the orderly functioning of financial markets and limit severe losses to member countries.

Importantly, we view that ongoing efforts to enhance the Fund's lending toolkit must be complemented by efforts to augment the Fund's resources. We welcome the progress made to maintain the Fund's resource envelope through a doubling of the New Arrangements to Borrow (NAB) and a new round of Bilateral Borrowing Agreements (BBAs). Subject to domestic approval, NAB participants in our constituency stand ready to double their contribution while creditors of the 2016 BBAs are committed to taking part in the new round of BBAs. That said, we believe that these borrowing arrangements cannot, and should not, substitute a quota increase which would put the Fund's resources on a more permanent footing and is imperative to advancing necessary governance reforms at the Fund. We underscore the importance of having a strong quota-based Fund at the center of the GFSN and thus look forward to a constructive discussion and timely completion of the 16th General Review of Quota. We also encourage the Fund to step up efforts to deepen its collaboration with regional financing arrangements, including our region's Chiang Mai Initiative Multilateralization.

On surveillance and policy advice, we appreciate the Fund's hard work in putting together the Global Policy Tracker. Disseminating country experiences in responding to the COVID-19 outbreak could support policy coordination between countries. The Fund must also look beyond the immediate crisis and consider the appropriate course of policy actions that members should take to secure long-term macroeconomic stability and resilience.

Given high uncertainties clouding over the pandemic as stages of outbreak differ across countries, members are looking to the Fund for greater clarity on the global economic outlook – an area where the Fund could provide more frequent updates to help inform policymaking. It is encouraging to see the Fund engaging closely with other International Financial Institutions and the World Health Organization to highlight the importance of both protecting public health and preventing deep economic pain and social disruptions. It is imperative that the Fund puts itself as the bridge between the medical and the economic policymaking worlds.

Lastly, this pandemic provides an invaluable opportunity for the Fund to develop a deeper understanding of the benefits and limitations of different policy tools for dealing

with large capital outflows, complementing its ongoing work on the Integrated Policy Framework (IPF). At this critical juncture where challenges are not only multi-faceted but also extreme, we welcome the Fund's policy advice for authorities to deploy all available tools, including FX interventions (FXI) and capital flow management (CFM) measures, to tackle market volatilities and a deep downturn. Such tools are no longer confined to only one policy, one target; they instead complement one another and are considered as tools of one package.

Conclusion

This extremely difficult time calls for extraordinary actions and solidarity. Amid the highly uncertain outlook, the global economy today is at a crossroad with the recovery path depending on our policy actions in combatting the impact of this pandemic. While frontline medical staff have been saving lives from the disease, it is the duty of policymakers to also protect livelihood, not from the virus itself but from the resulting economic impact. A swift recovery would only be possible if economic fallout and long-lasting structural damage of the crisis could be mitigated. The Fund, through its roles at the center of the GFSN, will be the key to support the global efforts to combat the COVID-19 outbreak and secure a way forward for a more resilient and sustainable global economy.