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IMFC Statement by Ali Babacan
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On behalf of Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, Turkey

Statement by Mr. Ali Babacan,
Deputy Prime Minister, Republic of Turkey
on behalf of Austria, Republic of Belarus, Czech Republic, Hungary, Republic of Kosovo, Slovak Republic, Republic of Slovenia, and Republic of Turkey
at the 31st Meeting of the International Monetary and Financial Committee
Washington DC, April 18, 2015

Global Economy and Policy Priorities

The global economic backdrop and the set of main challenges remain broadly similar to those presented in the last IMFC meeting. Plunging oil prices and a strong US dollar have put a strong mark on the global economy since October as they create both challenges and opportunities. Against the background of tepid growth prospects we should not be complacent. It would augur well for all countries to seize the somewhat brighter short-term outlook and advance the structural reform agenda.

The US economy stands out as the strong growth performer, at least compared to most other advanced economies. Prospects for the euro area have improved somewhat, but "deep-seated" obstacles to productivity and competitiveness continue to weigh heavily on the euro area. The high uncertainty surrounding the resumption of the Greek program and developments in Ukraine pose additional risks to Europe's outlook. Growth in most emerging markets has been slowing though growth rates still remain at rather enviable levels. China is undergoing a welcome shift of its growth model, which needs to be managed prudently.

Monetary policy accommodation - in particular in the euro area and Japan - needs to continue in view of the fragile recovery and disinflation. However, monetary policy can only play a supportive role in enhancing economic growth by facilitating the necessary macro deleveraging. It needs to be accompanied by structural reforms that address the barriers to higher potential growth. Reforming service, product, and labor markets, energy and trade liberalization, as well as fostering competition are almost obligatory. Resolving non-performing assets including the larger than expected identified NPLs under the Comprehensive Assessment in the euro area is also critical to unclog the credit channel of accommodative monetary policy. Emerging market economies that are over-reliant on a single sector and/or with weak fiscal positions have to adjust and step up structural reforms where needed.

The current favorable financing conditions enable fiscal policy in advanced economies to play a growth-supporting role, especially by reducing the tax burden on labor and refocusing spending on projects with high social returns. We believe that any fiscal stimulus from public investment in the euro area needs to be coordinated (and funded) on euro area level, and it should be carefully structured in order not to crowd out private sector investments. In this vein, the Juncker plan is a step in the right direction. Ultimately the revival of growth in the euro area is critical for the successful restoration of fiscal sustainability in the over-leveraged countries.

Low oil prices continue presenting a unique opportunity to undertake energy tax and subsidy reforms for countries with low energy taxes or high subsidies. Besides a positive fiscal impact and a shift in the taxation structure, such reforms can also benefit the energy efficiency.

International Monetary System

We welcome the Fund's plan to take stock of challenges affecting the International Monetary System (IMS). Closer global policy cooperation, more emphasis on outward spillovers as well as stronger and efficient global financial safety nets would address some flaws in the IMS. We reiterate that the IMF needs to have a strong resource base to safeguard the sound functioning of the IMS. The upcoming review of the SDR basket will also give us an opportunity to discuss the role of the SDR in the IMS. A close engagement with the existing and newly emerging international financial organizations as well as regional financing arrangements will be essential going forward.

IMF Surveillance

The Fund's surveillance should be deepened further, made more relevant, tailored to the needs of its members and efficient. The adoption of steps outlined in the Managing Director's action plan will enable the Fund to i) mainstream macro-financial surveillance, ii) improve the assessment of spillovers and spillbacks and embed these in staff's analyses for countries that may be prone to spillover risks, and iii) focus and provide policy advice on macro-critical structural issues that fall within the purview of the IMF.

There are still major data gaps that affect, and in some instances limit, surveillance. By improving data provision and closing data gaps, risks can be better identified. Member countries should improve the quality of statistics produced and ensure timely dissemination. We welcome that the Fund takes the lead in pressing ahead with addressing data deficiencies and look forward to the launch of the enhanced GDDS and 9th Review of the Fund's Data Standards Initiatives.

IMF Lending

It is laudable how responsive the Fund has been to evolving challenges and the rising demands of its members. With the addition of the Catastrophe Containment and Relief (CCR) Trust, the Fund is well equipped to provide exceptional support to its poorest members hit by public health or natural disasters. We take positive note of the pledges made until now and would like to underscore that some of our constituency member countries are interested in providing financial support to the CCR Trust.

We should advance the Fund's work-streams on the reform of its lending framework and sovereign debt restructuring. We look forward to new proposals on the exceptional access framework and call on the Fund to enhance effectiveness of existing policies. We commend the efforts to strengthen the contractual framework for sovereign debt restructuring and are encouraged by the widespread use of new collective action clauses in new international sovereign bond issuances.

With the new policies on debt limits in Fund programs in place, countries will have more flexibility to finance productive investments to advance their development needs in a responsible way. Provisions introduced safeguards to contain possible risks to the medium-term debt sustainability. Ensuring evenhandedness across the membership will be of paramount importance.

Quota and Governance Reform

We regret the continued delays in the implementation of the 2010 quota and governance reforms, which are the essence for maintaining the credibility, effectiveness and legitimacy of the Fund. We reiterate that the swift implementation of 2010 reforms remains our highest priority and call on the members, who have not ratified the 14th review quota increases, to legislate this reform package without further delays. Pending their full implementation, there is a clear need for concrete actions to advance 2010 reforms, particularly within the timetable set out by the Board of Governors for agreement on the interim steps by June 2015. To render a consensus on the path forward, we need to focus on the options that provide a meaningful convergence to the objectives of the 2010 Reform. The Fund should also initiate its work on the 15th General Review of Quotas in order to conclude the review within the deadline determined by the Articles of Agreement. Our Constituency remains committed to achieving a timely and fair outcome that will further bolster the Fund's credibility and effectiveness.

We support a strongly resourced and quota-based Fund to fulfill its role of promoting global financial stability and responding to the members' demands. Our Constituency member countries made their contributions through bilateral loans to the Fund and also through the extension of the activation period of the NAB.

Financing Sustainable Development

This year will give us the opportunity to renew global efforts required for advancing the development agenda. Official development aid should be supplemented by other sources of financing. Low income countries also have a responsibility to develop an enabling and conducive setting for private sector engagement. Progress with the international trade reform agenda is long overdue and is essential for fair and equal access to markets. Consistent with its mandate, the IMF can play a significant role by fostering global economic and financial stability as well as by assisting with financial assistance. Capacity development and policy advice will continue to play a central role in supporting the development efforts of low-income and developing countries. Surveillance could put more emphasis on financial inclusion, addressing unemployment and income inequality in these countries.