



# **International Monetary and Financial Committee**

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**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, and Turkmenistan

**International Monetary and Financial Committee, October 13, 2018**

**Statement by Mr. Ueli Maurer, Minister of Finance of Switzerland  
on behalf of Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland,  
Tajikistan and Turkmenistan**

We thank the Managing Director for her *Global Policy Agenda*. This agenda aptly captures the greater sense of urgency for action in the face of mounting risks and heightened vulnerabilities. The window of opportunity is indeed narrowing. We need to strengthen our efforts to rebuild buffers, to enhance resilience and to put growth on a higher, sustainable and more inclusive path. We must work together to address common challenges and uphold the rules based multilateral framework.

**Global setting**

The global expansion continues but it is losing speed. Risks have shifted further to the downside, including in the short term, and risks identified earlier have partially materialized. Rising trade tensions are fueling policy uncertainty, with the potential to slow down investment and economic activity. Meanwhile, after years of very low interest rates, the global economy has become increasingly vulnerable to a tightening of global financial conditions, especially as public and private debt levels are high in many countries.

More fundamentally, the global economy is facing the more insidious risk of declining trust in mainstream policies. This loss of trust is reflected in the increasing appeal of politically popular, yet unsustainable policy measures. The mere fact that policy buffers are yet to be rebuilt to an adequate level despite years of sustained growth also casts doubts about policymakers' ability to deal with the next downturn.

**Policy priorities**

In this more uncertain environment, prudent and predictable policies, oriented towards the long term and anchored in robust institutional frameworks, are critical to strengthen macroeconomic and financial stability as well as to raise the prospects for higher and more inclusive growth. Policymakers in all countries should prepare for the next downturn and avoid unsustainable policies.

Rebuilding fiscal buffers remains an urgent priority in light of heightened debt vulnerabilities. Fiscal policies should not be procyclical. Fiscal measures should focus on growth-enhancing shifts in budget composition and adjustments of the tax mix and support inclusiveness. Robust medium-term fiscal frameworks with clear and credible debt and fiscal strategies, complemented

with fiscal rules, can play a useful role in ensuring prudent fiscal policies and facilitating debt reduction.

Monetary policy normalization should be data dependent, well communicated and tailored to the macroeconomic conditions of individual economies. Central banks should not fall behind the curve. Policy and operational independence is a key condition for central banks to fulfill their mandates.

Structural reforms remain a high priority and should be implemented vigorously to raise productivity, increase labor supply and lift potential growth. While priorities may differ across countries, reforms should include a focus on broad-based access to high quality education, skills building, and retraining—including vocational education and training—which would promote greater equality of opportunities over the long term and raise the adaptability of the workforce to structural change.

Financial market regulatory reforms must be completed globally and implemented in a consistent and comprehensive manner. A rollback of reforms must be avoided. While the banking system has become generally more resilient, banks should continue to strengthen their balance sheets and increase capital ratios. The calibration of capital requirements should be applied consistently across jurisdictions to ensure a level playing field. Meanwhile, it is crucial that, amidst favorable market conditions, we do not turn a blind eye to the risks that could prompt a new crisis. The channels of risk transmission have evolved since the global financial crisis and stress could be amplified through new avenues. Continuous monitoring with a clear focus, as well as strong regulatory and supervisory practices, are necessary to identify and address financial stability risks effectively.

### **The multilateral framework**

Openness and global economic integration have played a critical role in raising global welfare. The multilateral framework provides a set of rules that allow exchanges to take place, and countries to resolve disputes, in an orderly and predictable manner, thus supporting confidence and trade worldwide. Trade barriers should be reduced further, including for trade in services, and trade tensions should be addressed without resorting to harmful unilateral measures. Tariffs are no way to reduce global excess imbalances. Sound domestic policies play a primary role in ensuring that the benefits of openness are shared widely.

### **Fintech**

Advances in financial technology offer wide-ranging opportunities. Fintech has the potential to enhance efficiency and competition, to promote financial development and inclusion, and thus to strengthen economic growth and prosperity. We currently do not see major risks for financial stability emerging from developments in the area of fintech. At this juncture, the most pressing

need for collective action relates to preserving financial integrity and applying AML/CFT provisions with regard to blockchain/DLT applications. Continued monitoring of these developments is warranted given their very dynamic nature.

We welcome the Bali Fintech Agenda. This agenda provides a high-level framework for the consideration of key issues by national authorities and international organizations and bodies. Looking ahead, overlap and duplication of work must be avoided. The Fund should focus on aspects within its core mandate and areas of expertise. Moreover, bearing in mind that the Fund is not a standard setter, the Fund should focus on incorporating standards into its surveillance and capacity development activities.

### **Debt vulnerabilities**

Public and private debt levels remain too high in many countries. The rapid build-up of debt vulnerabilities in many low-income countries is of particular concern, especially in light of the large investment needs of these countries, including for infrastructure, health and education. It is critical to make ends meet. Domestic resource mobilization continues to be a key priority in this regard. Enhancing debt management practices and raising public investment efficiency can help in identifying and implementing high-quality projects while ensuring effective maintenance. We underline the shared responsibility of creditors and borrowers in ensuring sustainable and transparent lending practices. The Fund must make it clear that its Debt Sustainability Framework is relevant for all stakeholders.

### **Surveillance**

The Fund should continue to help its members calibrate macroeconomic policies and implement reforms tailored to country-specific circumstances. The Fund should strive to better take into account political economy considerations when providing advice to its members. A broader understanding of such considerations would go quite a long way in overcoming obstacles to policy and reform implementation. We also look forward to the review of the Fund's AML/CFT strategy, including an assessment of the traction of Fund advice and the coordination with other bodies.

### **Lending and capacity development**

The review of program design and conditionality is timely and should draw concrete lessons to help increase the quality, impact and effectiveness of programs in order to strengthen resilience and stability. The lessons of this review should also inform the review of lending facilities for low-income countries. These facilities remain broadly appropriate. While some modalities may be refined to better address the specific challenges that some eligible countries are facing, it remains essential that such refinements be in line with the three-pillar strategy of preserving the self-sustainability of the PRGT.

Capacity development plays a key role in supporting members' efforts to build strong and sound institutions and to enhance their resilience. We look forward to the review of the Fund's capacity development strategy. We see merit in exploring ways to better involve the Executive Board in strategic decisions and priority setting, not least to ensure that capacity development activities are consistent with key Fund policies. We underline that external financing has been useful to meet the membership's increased demand for capacity development.

### **Fifteenth General Review of Quotas**

We remain committed to completing the Fifteenth Review within the agreed timeframe, with the aim of maintaining a strong, quota-based and adequately resourced IMF at the center of the global financial safety net. Deliberations on the various elements of the Fifteenth Review should remain within IMF bodies, continue to be treated as an integrated package, and outcomes must reflect the views of the broad membership. We are open to consider a quota increase to help preserve the current total resource envelope and realign the quota shares of underrepresented countries. The current quota formula continues to deliver the desired outcomes. An increased concentration of the voting power would fail to appropriately reflect the diversity of the Fund's membership. All members must be adequately represented according to their relative positions in the global economy. There should be no pre-defined target for a possible shift in quota shares for any particular group of countries.

### **Fund operations**

We welcome the Fund's constant efforts to modernize its operations. We continue to support a flat real budget as the Fund should remain flexible and prioritize the allocation of resources in line with the changing needs of its members. We welcome the strengthening of internal risk management. We look forward to the upcoming review of compensation and benefits, which should ensure that the Fund can attract and retain high-quality, dedicated staff to the benefit of its membership.