



International Monetary and Financial Committee

Thirty-First Meeting
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**IMFC Statement by Mr. Janis Reirs
Minister of Finance, Latvia**

On behalf of Denmark, Estonia, Finland, Iceland,
Latvia, Lithuania, Norway and Sweden

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The global economy is gaining some momentum, supported by lower oil prices and expansionary monetary policy. To achieve lasting growth, it is imperative to implement structural reforms. The IMF is well placed to advice members in this area. Countries with high public debt need to ensure that it is set on a clearly sustainable path. Financial regulatory reforms should be resolutely carried forward, increasing the robustness of the financial system. The implementation of the 2010 Quota and Governance Reforms continues to be of the highest priority, and we are committed to working towards an agreement on interim steps. We welcome the Managing Director's Global Policy Agenda.

The recovery is slowly gaining momentum...

Activity in the global economy seems to be picking up. However, since the October WEO, growth forecasts for the world economy have again been revised downwards despite the growth impulse from the sharp fall in oil prices.

The fiscal policy stance is broadly appropriate in many countries and should be oriented towards job-friendly growth. Where absent, medium-term fiscal frameworks have to be put in place. It is important that countries with high public debt ensure that it is set on a clearly sustainable path.

Monetary policy should remain accommodative where necessary to underpin the recovery and reverse disinflationary tendencies. At the same time, the build-up of imbalances due to the very expansionary monetary policy has to be closely monitored and addressed as needed. Long-term growth should be supported by other areas of economic policy, structural reforms in particular.

Structural reforms are essential to raise growth potential over the medium term and to stimulate private investment in advanced and emerging market economies alike. The IMF has identified reform areas in many member countries, and it is now high time to act. Moreover, large global gains can be derived from further trade liberalization and economic integration. The IMF should actively support the multilateral approach to trade liberalization.

The sharp fall in oil prices offers an important opportunity, already used by some, to reduce energy subsidies and increase energy taxes. This will strengthen public finances, particularly in emerging market and developing countries, and address environmental side-effects of the oil price fall.

...while risks remain...

Risks to global growth may be slightly more balanced than last fall. However, downside risks are still significant and should be carefully monitored. Geopolitical risks could seriously disrupt economic developments and prospects. Other risks include potential repercussions of the expected normalization of monetary policy in the US and the risk of prolonged very low inflation in Europe and Japan.

...but not all on the downside

Recent indications that growth may be gaining firmer hold in advanced countries than currently projected, complemented by a possibly underestimated global impact of the lower oil prices, point to potential surprises on the upside.

A more robust financial system will support healthy growth...

Significant progress has been made in building stronger capital and liquidity buffers in the financial system and in solving the problem of too-big-to-fail. The recent Financial Stability Board proposal for an enhanced international standard for loss-absorbing buffers among the largest global banks is most welcome. The IMF could help the implementation process by monitoring the national introduction of key resolution powers and tools under the revised Key Attributes of Effective Resolution Regimes.

A more resilient banking sector and reforms of the regulatory system should facilitate a shift from financial to economic risk-taking. Solid methods should be explored to mobilize private capital in support of real investments. Market-based finance should also be encouraged as a supplement to the traditional bank finance. The IMF should continue its analytical work on shadow banking and asset management in support of adequate policy measures.

...but financial stability risks remain

Financial and macro stability risks from continued low or negative interest rates in some countries need to be regularly monitored, including the impact on the pension and insurance sector. Macro-prudential tools should be used to mitigate the risk that debt and asset prices reach unsustainable levels. In its surveillance work, the IMF should continue to provide policy advice on the institutional set-up and specific macro-prudential policy tools.

IMF surveillance should promote good policies...

The IMF should use all its powers of cross-country knowledge, analysis and persuasion to support appropriate policies in individual member countries and in multilateral settings, aimed at achieving sustainable and balanced growth. This includes IMF monitoring and advice relating to the implementation of the G20 growth commitments agreed in 2014, which we welcome.

The Fund is well placed to advise members on structural reform policies, focusing on macro-critical structural issues which fall within its mandate and competence. These include labor market policies and infrastructure investments that can serve to enhance future growth prospects. Cooperation with other institutions will be important to exploit synergies and ensure successful implementation. We reiterate our support for the IMF's work on the macroeconomic consequences of income inequality and for including equity and gender considerations in surveillance and program-related activities. Furthermore, we welcome the IMF's continued work on cross-country spillovers. In all its surveillance work, the IMF should be guided by candor, clarity, transparency and evenhandedness.

Given the importance of high-quality statistics we welcome the Special Data Dissemination Standard Plus. It will pave the way for internationally comparable statistics and increased data transparency.

...and IMF advice and support should be helpful for the entire membership

This year is a pivotal one for further developing international frameworks to support financing for development. We support the IMF's work in low income countries, and we welcome the creation of the Catastrophe Containment and Relief (CCR) Trust, which broadens the range of disaster assistance to include fast-spreading epidemics.

We support the IMF's involvement in Ukraine. The authorities' strong commitment to stabilizing and reforming the economy is encouraging. With the help of the IMF and the international community, Ukraine has the opportunity to lay the basis for stability and growth over the medium term. It is of utmost importance that the authorities fully implement the agreed program. We encourage the international community to support Ukraine.

IMF work on sovereign debt issues is important

We support the IMF's work on strengthening its exceptional lending framework, especially in situations where debt sustainability is uncertain, while retaining the ability to address systemic crises according to its mandate. A more efficient, predictable and fair system for sovereign debt negotiations is essential. To achieve results which have broad support, it is appropriate that the IMF is the venue for these deliberations.

The 2010 Reforms remain of the highest priority

The stalemate in ratifying the 2010 Quota and Governance Reforms risks leading to a more fragmented international monetary system. We call on those who have not ratified the Reforms to do so promptly. The IMF must have sufficient permanent resources. Borrowed resources are not - and should not be - a long-term source of financing for the IMF. However, given that IMF borrowing may be unavoidable from time to time, commitments by members to provide funding when needed should be recognized in their quotas.

We are committed to working towards agreement on interim steps to make progress in key areas of the 2010 Reforms within the set time limit, and we emphasize that this should be viewed as a down-payment and not as a substitute for the 2010 Reforms. Agreement on interim steps should be arrived at in the IMF's own bodies where the interests of all members are represented. It must be acceptable to the broad membership.

The work of the Independent Evaluation Office is important

We reiterate our support for the work of the IEO and we look forward to its forthcoming evaluations, including of the IMF and the euro area crisis. We are particularly interested in the IEO's assessment of why some programs have not brought the desired results, and, equally importantly, why other programs were successfully completed.

We welcome the new IMFC Chair

We extend our appreciation to Mr. Tharman Shanmugaratnam for his outstanding and dedicated leadership of the IMFC and welcome the appointment of Mr. Agustín Carstens as the new Chairman of the IMFC. We are confident that he will continue the determined efforts of his predecessor to enhance the role of the IMFC as *the* principal global forum for international economic and financial cooperation.