



International Monetary and Financial Committee

Thirty-Third Meeting
April 16, 2016

**IMFC Statement by the Honorable Zeti Akhtar Aziz
Governor, Bank Negara Malaysia**

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

**Statement by the Hon. Zeti Akhtar Aziz
Governor, Bank Negara Malaysia**

**On behalf of the Constituency representing 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 global economy is currently confronted with a challenging environment. Key transitions are taking place, with varying implications across countries and regions, resulting in increased uncertainty as these transitions unfold. In the Southeast Asia Voting Group (SEAVG) economies, growth is expected to remain on a steady growth trajectory, as earlier structural reforms, strong fundamentals and policy buffers support SEAVG economies navigate the challenging environment. Amidst increased downside risks, the Fund's efforts will be critical. In particular, there is a collective responsibility for both the advanced and emerging economies to lift potential growth and secure sustainable growth and development in the global economy.

Global and Regional Prospects

Prospects remain differentiated across regions and economies. In the advanced economies (AEs), the growth outlook continues to be constrained by crisis legacy issues, low productivity growth and structural rigidities. Activity in emerging economies and developing countries (EMDCs) continues to moderate in an environment of asynchronous monetary policy in AEs, tighter global liquidity conditions, economic and financial rebalancing in China as well as lower commodity and energy prices. Notwithstanding the recent improvements in global sentiments, global risk aversion remains elevated. EMDCs will continue to experience episodes of financial market and capital flow volatility, amid significant shifts in global liquidity and uncertainties in the growth outlook.

SEAVG economies are expected to register steady growth in 2016, with growth envisaged to improve in 2017, underpinned by strengthening domestic demand and a

gradual pick up in exports. Nonetheless, individual country outturns could potentially vary, reflecting the differentiated conditions prevailing in the region and its different exposures to the current global economic realignments that are taking place. In several economies, public investment, including infrastructure development, is also expected to provide support to economic activity. While downside risks have become more prominent, SEAVG economies remain resilient to the potential impact of these risks. In an environment of heightened risks, our authorities remain vigilant and continue to strengthen policy frameworks to proactively address emerging vulnerabilities.

In the medium-term, the growth outlook for SEAVG economies remains positive, with on-going implementation of further structural reforms and substantial progress in the pace of regional economic and financial integration. While the appropriate policy mix will vary between countries, SEAVG authorities have undertaken and remain committed to further implement developmental initiatives that will strengthen human capital and raise productivity; scale up infrastructure investments; and enhance financial sector strength and resilience. These initiatives will contribute to achieving a more sustainable, balanced and inclusive growth in the region.

Policy Priorities

We welcome the Managing Director's Global Policy Agenda (GPA) and support the call for a more potent policy mix involving monetary policy, fiscal policy and structural reforms that can work to strengthen global growth prospects. We look forward to the initiatives outlined in the GPA to further sharpen the Fund's bilateral and multilateral surveillance, strengthen policy advice, particularly on emerging issues that have far reaching economic consequences and provide demand-driven technical assistance and capacity building. The Fund's efforts to deepen analysis of structural reforms and develop principles to guide policy prioritization will benefit members. Given the strategic importance of infrastructure investments in increasing the productive capacity of economies, the new infrastructure policy support initiative will help countries to scale up infrastructure spending and improve institutional capacity in the implementation of infrastructure projects.

Enhancing Surveillance

In the light of the adverse economic implications of shifts in global financial flows, we welcome the Fund's perspectives on members' experiences and policies in dealing with capital flows, which should reflect a balanced assessment of both source and recipient countries. This will provide valuable insights into the appropriate policy frameworks and the extent of policy options that will be available to manage the potential impact of large and sudden shifts in global capital flows. Further analysis is also welcomed to better understand the changing dynamics of global risk aversion that influence the magnitude and direction of capital flows. Equally important is the analysis of the role of macro- and micro-prudential policies in enhancing economic and financial resilience and the measures needed to promote the development of longer-term financing through regional capital markets. We also look forward to the analysis of the implications of negative policy rates. To address long-standing perceptions among the membership of the lack of evenhandedness in Fund surveillance, we welcome the implementation of a mechanism to report member countries' specific concerns, in operationalizing the 2014 Triennial Surveillance Review (TSR) recommendations. We encourage the Fund to further ensure evenhandedness across the full range of its activities. In this regard, we also emphasize the importance of continuity and two-way engagement between the Fund and country authorities to enhance the traction of Fund policy advice.

Strengthening the International Monetary System

With its near-universal membership and unique bilateral and multilateral surveillance mandate, we see an important role for the Fund in strengthening the coordination between the various elements of the global financial safety net (GFSN) and in assisting its membership in crisis prevention and resolution. While our constituency continues to pursue sound domestic macroeconomic policies and maintain policy buffers as an important first line of defense against crisis, we welcome the Fund's efforts in strengthening the GFSN, including revisiting its lending toolkit and strengthening coordination with Regional Financing Arrangements including the Chiang Mai Initiative Multilateralisation (CMIM). Regional Financing Arrangements can complement and reinforce the Fund's resources in crisis resolution. The Fund should continue to further explore measures to reduce the stigma associated with accessing

the Fund's precautionary and lending facilities. We also look forward to the strengthening of the SDR's role and its attractiveness as an international reserve asset.

Enhancing Engagement and Support for Countries in Fragile Situations, Small States and Low-Income Countries

The Fund has a critical role in providing independent macroeconomic assessment, policy advice and technical assistance to small states, fragile countries and frontier economies. In this regard, we fully welcome the Fund's commitment to tailor policy advice and examine the scope to enhance financial support for low income countries. Further, we support the Fund's initiatives in helping countries deal with natural disasters, including through prompt financial support. Such support is important, given the high and rising susceptibility of small states and low income countries to natural disasters, as demonstrated by the devastating impact of Cyclone Winston in Fiji in February.

We further welcome the Fund's efforts to support countries affected by the global de-risking process through policy advice, standards assessments and tailored capacity development. Given the urgent need to prevent restriction or termination of correspondent banking relationships, concrete and swift actions are needed to mitigate financial exclusion in affected countries.

Improving Capacity Building Initiatives

We encourage the Fund to complement these efforts by improving the delivery of its capacity building initiatives. We encourage greater collaboration of regional technical assistance centers (RTACs) with other training and research and learning institutions as well as experts from the region to better support the delivery of demand-driven technical assistance. We are therefore encouraged by the Fund's efforts to enhance the provision of specialized economic and financial courses in the Asia Pacific region through the IMF-Singapore Regional Training Institute. We welcome the expansion of the Fund's Technical Assistance Office for Lao PDR and Myanmar (TAOLAM) to cover Cambodia and Vietnam as new beneficiary countries for selected programs. We further welcome the establishment of the South Asia Regional Training and Technical Assistance Center (SARTTAC) which will respond to the needs of South Asian economies, including Nepal. The continued expansion of capacity building initiatives

aimed at strengthening macroeconomic frameworks, monetary and fiscal operations, and macro-statistics will be vital in supporting beneficiary countries' own reform priorities. We congratulate the Pacific Financial Technical Assistance Center in Fiji on the important progress made in supporting Pacific Island countries in the areas of public financial management, revenue administration and statistics.

Enhancing voice and representation

We applaud the coming into effect of the 14th General Review of Quotas and the entry into force of the Seventh Amendment on the Reform of the IMF Executive Board. Our constituents reaffirm our commitment to work expeditiously towards completion of the 15th General Review of Quotas, including a new quota formula, by the 2017 Annual Meetings. We are committed to maintaining a strong, well-resourced and quota-based IMF. We also welcome the progress made toward achieving a more diverse and inclusive work environment at the Fund.