



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Ninth Meeting April 18–19, 2024

Statement No. 49-18

Statement by Mr. Chalmers Australia

On behalf of
Australia, Kiribati, Republic of Korea, Republic of the Marshall Islands,
Federated States of Micronesia, Mongolia, Republic of Nauru,
New Zealand, Republic of Palau, Papua New Guinea, Samoa,
Seychelles, Solomon Islands, Tuvalu, and Vanuatu

**STATEMENT BY THE HON. JIM CHALMERS
TREASURER (AUSTRALIA)**

ON BEHALF OF ASIA AND THE PACIFIC CONSTITUENCY

We condemn Russia's invasion of Ukraine. Russia's aggression has led not only to a direct humanitarian toll but has also contributed to food and energy insecurity and to economic instability in poor and vulnerable countries. We express our sympathy for the loss of life from this unprovoked and unjustified war and full solidarity with the people of Ukraine. We continue to underscore the need to reach a comprehensive, just, and lasting peace in Ukraine consistent with the UN charter and for greater international cooperation and strengthened multilateralism to prevent fragmentation and safeguard global peace and prosperity.

We remain gravely concerned about the dire humanitarian crisis in Gaza and the number of civilian deaths. We call for an immediate humanitarian ceasefire, which allows for the unconditional release of hostages and the rapid, safe and unimpeded flow of aid to civilians. We condemn Hamas' attacks on 7 October and ongoing acts of terror against Israel and call on all parties to uphold international humanitarian law, including the protection of humanitarian workers and other civilians. We are also deeply concerned at the risk of escalation and a wider conflict in the Middle East, which would further contribute to regional and global economic instability. In this context, we condemn Iran's attack on Israel on 14 April and ongoing Houthi attacks against shipping in the Red Sea. We support efforts to prevent the conflict from spreading further and restore stability in the region.

GLOBAL OUTLOOK AND RISK

Policy-makers continue to face a challenging outlook that warrants ongoing caution. While ongoing resilience across the global economy has significantly reduced the likelihood of widespread recession, the global outlook remains historically weak. The post-pandemic recovery remains uneven between and within regions. Medium-term growth prospects remain weak by historical standards, and the pace of convergence of low and middle-income countries toward higher per capita incomes has slowed. The effects of Russia's invasion of Ukraine and of the conflicts in Gaza and the Red Sea, ongoing property sector concerns in China, the threat of increasing geo-economic fragmentation, the lagged effects of financial tightening and slowing international trade growth, and the risk of further sovereign debt distress continue to shape the outlook.

POLICY RESPONSE

Differences in the post-pandemic recovery and moderating inflation across countries and regions place a heavier emphasis on the need for country-specific Fund advice. The Fund is well placed to support policy-makers with advice that weighs the trade-offs between the need for fiscal settings that can help restrain expenditure, rebuild fiscal buffers, and avoid reigniting inflationary pressures compared to the need for fiscal settings that can help implement productivity enhancing reforms, manage the challenges associated with the climate transition and an ageing population, and target support to the vulnerable. Risks to global financial sector stability remain elevated and the potential for further disorderly price adjustments to financial assets and in the commercial property sector of some countries will require close monitoring to facilitate rapid and decisive policy responses if necessary.

With elevated sovereign debt levels and sustained pressure from debt servicing costs, global efforts to achieve timely debt restructuring for countries in need remain a priority. We strongly support the G20 Common Framework for Debt Treatments and note that it is delivering results. Ongoing cooperation is needed to ensure that it continues to do so with adequate speed, consistency and comparability of treatment. Our constituency's economic prosperity remains heavily reliant on free global trade flows that are supported by an effective rules-based World Trade Organization. The smaller members of our constituency are amongst the most vulnerable to the effects of climate change. Coordinated global efforts are urgently needed to accelerate progress towards achieving net zero carbon emission-targets by 2050. Advanced economies need to lead these efforts while helping to provide small developing countries with access to reliable climate change adaptation advice and financing.

ROLE OF THE IMF IN SUPPORTING MEMBERS

The Managing Director's Global Policy Agenda for the coming year recognises key challenges in addition to what will be the Fund's ongoing lending, surveillance and capacity development priorities. The Fund's work should continue to reflect its comparative advantage and leverage its established experience that focuses on macrocritical issues to promote prosperity and financial stability in its member countries. With growing demand for Fund input across a range of topics, collaborative engagement with other multilateral institutions will be a key factor in the Fund achieving the greatest impact from its work. The Fund has a strong role to play in analyzing global trade arrangements and promoting policies that give recognition to the spillover benefits of free trade. Further, the Fund's increasing focus on managing the climate transition can be better integrated with its bilateral and multilateral surveillance work and given more consistent prominence in its flagship reports.

Consent from member countries to implement the outcomes of the 16th General Review of Quota by mid-November this year is a priority for the membership. This will help to ensure a strong, quota based and adequately resourced Fund at the centre of the global financial safety net. We strongly support members' quota shares better reflecting their position in the global economy and urge widespread membership support for the Fund to identify options for the quota formula that can guide such realignment to support a successful 17th General Review of Quota. The quota shares of PRGT-eligible countries and small developing states should be protected in any realignment of quota share.

Over the coming year, there are important opportunities to take stock of the extent to which the Fund's lending toolkit remains fully relevant to the needs of its members. In this regard we welcome the planned reviews of access limits under the General Resource Account (GRA), the Fund's charging policies, concessional lending arrangements via the Poverty Reduction and Growth Trust (PRGT), and the Resilience and Sustainability Trust (RST). These reviews should be conducted so that analysis from each is not considered in isolation of the interactions between lending instruments, or from the Fund's surveillance and capacity development responsibilities. It is particularly important for our members that these reviews ensure that access limits, concessionality, and key qualifying criteria for these instruments take appropriate consideration of the disproportionate and multi-dimensional vulnerabilities faced by small developing states, especially in their exposure to the effects of climate change and risks of natural disasters, and limited capacity to respond.

Of particular relevance to our constituency are the workstreams on: the review of the debt sustainability framework for low-income countries to be progressed jointly with the World Bank; climate surveillance, technical assistance and finance focussing on adaptation challenges facing small island developing states; enhancing the

Fund's capacity development strategy and particularly the way it can support small and fragile members by strengthening in-field presence and deepening the effectiveness of the Fund's Regional Capacity Development Centers; and the Fund's work to facilitate analysis and multilateral cooperation on the global debt restructuring architecture, global trade and associated spillovers, and the benefits arising from increasing digitalisation.

Finally, we remain strongly committed to ensuring a strong and robust Fund governance. We welcome the continued implementation of the enterprise risk management framework and look forward to the completion of the Transparency Policy review later this year. We urge further progress in fostering diversity, equity and inclusion at the Fund, including gender diversity on the Executive Board.