



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Mr. Albayrak Turkey

On behalf of
Austria, Republic of Belarus, Czech Republic, Hungary, Republic of Kosovo,
Slovak Republic, Republic of Slovenia, and Turkey

**IMFC Statement by Berat Albayrak,
Minister of Treasury and Finance
on Behalf of Austria, Belarus, Czech Republic, Hungary, Republic of Kosovo, Slovak
Republic, Slovenia, and Turkey
at the 41st Meeting of the International Monetary and Financial Committee
Washington D.C., April 16, 2020**

Global Outlook

This year the Spring Meetings are taking place at a truly extraordinary juncture as the COVID-19 pandemic has inflicted high and rising human costs worldwide. The health crisis and concomitant measures to contain the spread of the virus, are having a severe impact on economic activity. We will most likely see a recession in 2020, one which is far deeper and more broad-based than the Global Financial Crisis. We note in this regard the significant downward revision – more than 6 percentage points – in the Fund’s global growth forecasts. We also take note of the expectation for a gradual recovery starting from the Q3 of this year, uplifting global growth above its trend-level in 2021. Nonetheless, we acknowledge that the factors that underlie the length and depth of economic contraction are multi-faceted, complex, and pose significant analytical difficulties in assessing the interplay between them. Therefore, we see “uncertainty” as a defining feature of macroeconomic analysis and policymaking at this juncture. On that note, the Fund, in its all communications, need to stress that none of these forecasts are definitive and all need to be taken with a grain of salt. Similarly, we encourage the Fund to develop and communicate a scenario-based approach in charting more frequent updates to the global economic outlook.

While the pandemic has spread to nearly all countries, some are at relatively more advanced stages of the contagion cycle which gives us cues about the possible course of the health- and economic-aspects of the crisis. Ultimately, the pathway of the pandemic will define the economic fallout and thus, social distancing measures that are needed to contain the spread of the virus are also a pre-requisite for a sooner, stronger and more-sustainable economic recovery. We therefore agree that there is no immediate trade-off between health and economic objectives. We support the current communication line of the Fund management to reinforce this message.

The sharp economic downturn as well as the policy-induced restrictions may lead to a prolonged period of subdued investment growth as well as disruptions to global supply chains and economic dislocations. The immediate liquidity pressures on certain sectors, may grow into broader solvency concerns that run more extensively through the economy and suppress the medium-term outlook. Against this background, we call on all countries to embrace a *whatever it takes* approach to swiftly and decisively counter the pressures on the global economy. Specifically, we agree that priority needs to be given to (1) increase the

health system's capacity and contain the spread of the pandemic, and (2) shield households and vulnerable sectors from the most negative effects of the crisis – via targeted transfers and tax relief measures. The measures need to be timely, well targeted, and temporary. Timing the roll-back of the stimulus measures is a critical and state-contingent decision. Once the immediate containment phase is over, the Fund's policy advice and messaging should be carefully calibrated to inculcate this tone and caution against a premature tightening which may jeopardize the recovery prospects.

Many central banks, particularly the reserve currency issuers, have put in place bold measures to ease tensions in the financial markets, underpin systemic liquidity, and buttress broad confidence. Furthermore, steps to extend bilateral swap lines by key advanced and emerging economies have been instrumental in improving access to international liquidity across jurisdictions. We appreciate the emphasis of the Fund's flagship reports on such facilities and encourage systemic central banks to continue to widen their swap networks – in line with their respective mandates, particularly to systemic economies that do not have access to regional financing arrangements, to support global liquidity.

While the Covid-19 has unleashed a global recession, the emerging and developing countries are bearing the brunt of the pressures due to their relatively limited health capacities and macroeconomic policy space as well as the very severe capital outflows. We therefore strongly support the general call by the Fund for multilateral cooperation to consistently and transparently advance the pandemic containment efforts across all countries and to minimize economic disruptions. We also encourage the international community to ramp up its efforts toward low-income countries, including through steps to suspend and relieve the debt burden.

Finally, the Fund – despite the massive workload pressures due to soaring demand from the membership - needs to retain its surveillance focus on the recovery phase as most countries are grappling with the momentous pressures. The Fund's effective guidance and continued support will be crucial to smoothly shift gear from crisis mode to recovery mode once the immediate pressures from the pandemic are over.

Fund Issues

What we observe today in the global economy and financial markets is unprecedented in its scale and scope. Above all, it is an immense challenge for the policy makers, worldwide, to continuously assess the magnitude and transmission channels of the shock, as well as putting in place a set of policies that are timely and fit-for-purpose. The Fund, with its analytical prowess and quasi-universal coverage, has a unique role to play at this juncture in providing guidance to its members and assist them in their efforts to cope with the challenges facing them.

On the Fund's broader response to the crisis, we believe that the Managing Director's Global Policy Agenda (GPA) has appropriately put a premium on how best to respond to the Covid-19 outbreak, the great uncertainty, and the immense impact on the membership, especially on the most vulnerable and low-income countries. These are exceptional times and exceptional times call for exceptional action. On that note, we believe that the GPA highlights how the Fund is supporting the members by making its resources available to the fullest extent possible, including through the upgrade and adaptation of its lending toolkit. In this regard, we welcome the increased access limits of the Fund's emergency financing tools as well as the consideration of the new *Short-Term Liquidity Line* that is going to fill a crucial gap in the global financial safety net. We will need to review the institutional experience with this new facility and be ready to make necessary adjustments to its design modalities if it falls short of serving the intended goals. We are also open to consider exploration of additional tools, including a possible general Special Drawing Rights (SDRs) allocation.

We note the ongoing streamlining efforts to help improve the focus and timeliness of the institutional response to the fast-evolving demands from the membership. We underscore that a careful balance needs to be struck here between preserving the Executive Board oversight on crucial matters, on the one hand; and accelerating the approval processes, on the other. We also welcome the increased collaboration with international partners to ensure the coherence of individual responses as well as to benefit from synergies.

On the Fund policies, we agree that the focus should remain on advancing crisis-related activities and high-priority work-streams. In line with the GPA, work on the *Comprehensive Surveillance Review* and the *Review of the Financial Sector Assessment Program* once the crisis has subsided. With debt already at very high levels in many member countries and debt dynamics expected to deteriorate due to inevitable fiscal loosening this year, we also deem important the reviews of the *Debt Sustainability Framework for Market Access Countries* and the *Review of Debt Limits*.

We support the commitment by the IMFC and G20 to a strong, quota-based and adequately resourced IMF to preserve its role at the center of the global financial safety net. This is particularly important at a time of exceptional uncertainty and downside risks. We welcome the agreement to double the New Arrangements to Borrow (NAB) and call upon all NAB participants to ratify the increase as soon as possible. We welcome the recent approval by the U.S. to double its NAB credit line. We are committed to revisiting the adequacy of quotas and continuing the process of IMF governance reform under the 16th General Review of Quotas, with the Review to be concluded by no later than December 15, 2023.

Lastly, we appreciate the emphasis on ensuring that budgetary resources are adequate to meet the increased demands on the Fund due to the crisis.