INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Mr. Siluanov
Russian Federation

On behalf of
Russian Federation and Syrian Arab Republic

STATEMENT
by the Minister of Finance of the Russian Federation,
IMF Governor for the Russian Federation
Anton Siluanov
at the IMFC Meeting of the Board of Governors of the IMF
(Washington, April 8, 2021)

1. **The strength of global recovery will, to the large extent, depend of the speed of vaccination around the world.** At this stage, in many regions of the world the speed of vaccination remains slow, which is mainly due to the very limited availability of vaccines. This is the main factor of uncertainty regarding the strength of the global recovery and growth projections for the world economy and individual countries.

2. **We are concerned about the prospects of a multi-speed recovery leading to further income divergence.** While some high-income economies are expected to recover strongly in 2021-22, insufficient access to vaccines and limited fiscal space may constrain growth in many middle-income and low-income countries. Some emerging market economies in Europe and Asia are projected to grow faster than advanced economies. However, in many middle-income and especially low-income countries the income gap with advanced economies will increase.

3. **Accommodative fiscal and monetary policies in advanced economies have played a critical role in preventing even deeper output decline worldwide.** We all agree that premature withdrawal of fiscal and monetary stimulation is undesirable. However, the latest developments indicate that inflationary pressures may be building up against the backdrop of massive fiscal stimulus packages. Any increase in actual inflation will be accompanied by growing market interest rates and higher public debt servicing costs in advanced economies. Such tightening of global monetary conditions may lead to capital outflows and downward exchange rate pressures in emerging market economies.

4. **Emerging market economies should also avoid a premature withdrawal of fiscal and monetary support before the recovery is firmly entrenched.** However, many of them have very little fiscal and monetary space left. For quite a few such economies the continuation of fiscal and monetary accommodation is no longer feasible. These countries will have no choice but rely on positive spillovers from the rest of the world.

5. **Now is also the time to start thinking about the post-pandemic growth prospects.** In many countries – high-income, middle-income, low-income – public debt has reached a very high level, and without forceful growth-enhancing structural reforms the prospects of fiscal consolidation look very uncertain. Without structural reforms, fiscal consolidation through spending reductions or tax increases may lead to slower growth and further deterioration of public debt-to-GDP ratios.

6. **One of the major side-effects of an unprecedented fiscal and monetary support has been the rapid increase of the share of non-viable companies in many economies.** The very presence of these companies is a huge drag on productivity growth and overall growth prospects. The big challenge for many countries is to develop programs aimed at promoting a gradual exit of such non-viable companies, while preventing negative near-term consequences for growth and employment.

7. **We support the Fund's efforts to help low-income countries (LICs) mitigate the adverse implications of the Covid-19 crisis.** Many LICs faced the crisis with high debt vulnerabilities and structural impediments to growth. The Fund has significantly increased its financial assistance for these countries and played an important role in the implementation of the G20's key initiatives – the DSSI and Common Framework.

8. **The Fund's analysis points to very significant additional financing needs in LICs over the medium term.** Both domestic and multilateral actions will be needed to rebuild their buffers and enhance resilience. We call on the Fund to continue exploration of possible ways to strengthen its concessional financing, while maintaining its catalytic role and the sustainability of the PRGT framework.

9. **The new SDR allocation will assist LICs in addressing their short-term financing needs.** At the same time, it will be very important to closely monitor possible unintentional implications of the general SDR allocation. We would underline the need of ensuring smooth functioning of the VTAs market and increasing transparency of SDR operations. The general SDR allocation should not lead to further delays in the 16th General Review of Quotas.

10. **We support the intention of the Fund to focus more on climate change policies as reflected in the Managing Director's Global Policy Agenda.** We believe that the role of the Fund should be in bringing more realism – especially fiscal realism – to climate change policy discussions. The success of climate change mitigation policies will require a very high level of international cooperation, while current trends in international cooperation do not look very promising.

11. **We also support the focus in the Global Policy Agenda on issues of digitalization.** We agree that financial digitalization may significantly increase the speed and overall efficiency of payments transactions, especially of trans-border payments. We believe that the role of the Fund should be in the analysis of potential high risks associated with financial digitalization, in particular, the analysis in the area of regulatory requirements needed to prevent negative consequences to financial stability.

12. **The global economy would greatly benefit from the rapid revival of international trade.** It is vitally important that all members of the international community support the rules-

based international trading system and the crucial efforts of the World Trade Organization to defend it from protectionist policies.

13. **For the Fund to remain at the center of the global financial safety net rapid progress in quota and governance reform is needed.** Without it trust to the Fund by its own members will suffer, while the legitimacy of the Fund's Executive Board will continue to diminish.

14. **Lastly, a couple of words on Russia.** Our very strong macroeconomic frameworks and fundamentals allowed the Russian economy to meet the challenge of pandemic from the position of strength. Like many other countries, we also introduced a broad range of measures in support of both lives and livelihoods. Like many others, we are not out of the woods yet, but the pace of recovery of the Russian economy is gradually gathering momentum.