



# **International Monetary and Financial Committee**

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**Statement by Mr. Rusnok  
Czech Republic**

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



**IMFC Statement by Jiří Rusnok,  
Governor of the Czech National Bank  
on behalf of Austria, Belarus, Czech Republic, Hungary, Republic of Kosovo, Slovak  
Republic, Slovenia and Turkey  
at the 38<sup>th</sup> Meeting of the International Monetary and Financial Committee  
Bali, Indonesia, October 13, 2018**

## **Global Outlook**

Global economic growth seems to have plateaued and the forecasts have been revised moderately lower with increased dispersion. The balance of risks has shifted to the downside and some previously identified risks have materialized over the past six months, notably in the emerging markets. The overarching policy advice thus appropriately stresses the higher urgency of rebuilding buffers, strengthening resilience, and implementing structural reforms to enhance the medium-term potential growth.

The escalating trade and rising geopolitical tensions are major risks to global growth. The limited direct effect of these tensions observed so far in the financial and economic growth data is no reason for complacency as the market sentiment can turn fast. We strongly value the consistent voice of the Fund in support of an open and rules-based trade system, a multilateral approach to solving disputes, and the benefits of international cooperation more broadly. Our Constituency has benefitted tremendously from international trade and deep integration in the global value chains. We join others in calling for the de-escalation of the trade conflict and for finding compromise solutions within the existing rules-based international frameworks and fora.

In the short term, the global economy is set to continue to be propped up by still easy financial conditions in the advanced economies and by the sizeable procyclical fiscal stimulus in the US. This backdrop is conducive to a continued build-up of imbalances which will ultimately have to be corrected. The increasing leverage in the financial markets and non-financial corporate sector is a source of growing concern. Macroprudential policy measures should be deployed early in the credit cycle and monetary policy should be tightened where the threat of deflation dissipates and negative output gaps are largely closed.

In Europe, growth has moderated somewhat, but remains above potential in the majority of countries. Large public debt in some countries continues to be challenging and the recent developments remind us of the potential for these unresolved debt vulnerabilities feeding into the banking sector and financial markets. The risks of a fallout from a hard Brexit have recently grown significantly and require close monitoring and appropriate contingency planning by both public and private sector stakeholders.

The worsening global outlook and the continued US monetary tightening, also in reaction to the procyclical US fiscal policy, put strains on emerging and frontier economies, highlighting the importance of flexible exchange rates accompanied by timely adjustments in fiscal, monetary and macroprudential policies to cushion the external shocks. At this juncture, we call on the Fund to strive for a granular and differentiated policy advice to our members to support the ongoing adjustment.

### **Fund Issues**

We support a quota-based and adequately resourced Fund at the center of the global financial safety net (GFSN), which should preserve its legitimacy by adequately reflecting the changes and challenges in the global economy. We stand ready to work constructively towards the completion of the Fifteenth General Review of Quotas by the 2019 Spring Meetings and no later than the 2019 Annual Meetings. The quota-based character of the Fund should be strengthened, and the reliance on temporary resources should be reduced. We appreciate staff's significant and substantive analytical work, but we caution against increasing the Fund's quota resources to levels commensurate with extreme tail scenarios. Available resources from other elements of the Global Financial Safety Net, especially the Regional Financing Arrangements, should be duly taken into consideration in the discussion on the appropriate size of the Fund for the next decade. Discussions on the Fund resources, their composition, and the quota formula should continue to be treated as an integrated package, well-sequenced and fully anchored in the relevant IMF bodies.

We advocate a Fund which concentrates on its core responsibilities in promoting economic cooperation, resilience, and stability. A number of important policy reviews over the next year are poised to equip the Fund better for this role. The forthcoming Comprehensive Surveillance Review should aim to improve tailoring and traction of the Fund's advice. While acknowledging the new types of challenges that the member countries face, refocusing the surveillance on monetary, fiscal, exchange rate, and macroprudential policies will go a long way towards this end and will strengthen the role of the Fund as a trusted advisor.

We look forward to the Review of Conditionality and Design of Fund-supported Programs that should be guided by the key objective of resolving the balance-of-payments problems, while safeguarding the temporary use of the Fund's resources. We underscore that the conditionalities and program designs should be sufficiently focused and mutually consistent and applied in an even-handed manner. Due attention should be paid to synergies with the technical assistance to program countries, an issue which should also be tackled in the forthcoming Capacity Development (CD) Strategy Review. The roll-over and governance risks entailed in the high and growing share and volume of externally funded CD spending should

be appropriately mitigated. The upcoming Review of the Fund's AML/CFT Strategy should aspire to send a strong signal that the IMF reinforces its surveillance of AML/CFT frameworks in view of the recently revealed breaches which may undermine the legitimacy and integrity of global financial markets.

We welcome the Bali Fintech Agenda and believe that it will help members in structuring national policy responses to new technologies by harnessing their benefits in a safe and prudent manner. We support the continued involvement of the Fund in this area with a firm focus on the risk management aspects. We welcome the cooperation with the World Bank in launching the Agenda and expect a continued dialogue with other international financial institutions to avoid overlaps, take advantage of synergies and keep abreast with the fast technological developments.

Rising debt levels across a wide range of low-income countries add to fiscal risks and vulnerabilities. The multi-pronged approach of the IMF and the World Bank focused on issues of debt sustainability and transparency as envisaged in the Managing Director's Global Policy Agenda has our full support and should include timely identification of public debt vulnerabilities, increased debt data transparency, and scaled up debt management capacity building. As a priority, heightened attention should be given to boosting domestic revenue mobilization capacity in low-income countries, including through enhanced capacity development and support for needed structural reforms. The Fund should use its convening power and reach out to both creditors and debtors to work on ways to adapt its policies and procedures to the evolving landscape of sovereign debt with increased use of collateralization and broader array of official lenders.

We stand ready to contribute constructively to the Comprehensive Review of Compensation and Benefits. The right balance must be struck between budgetary prudence and cost efficiency, while also preserving the ability of the Fund to attract and retain high-quality, diverse and well-motivated staff which is the greatest asset of the institution. All budgetary impacts should be transparently spelled out.

We express our deepest sympathies to the people of Sulawesi and Lombok Islands hit by terrible natural catastrophes and our strong appreciation to the Indonesian Government and people for hosting the 2018 Annual Meetings in Bali and for their warm hospitality.