



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Ms. Kulmuni Finland

On behalf of
Denmark, Republic of Estonia, Finland, Iceland, Republic of Latvia,
Republic of Lithuania, Norway, and Sweden

Statement by Ms. Katri Kulmuni, Finance Minister, Finland
On behalf of Denmark, Republic of Estonia, Finland, Iceland, Republic of Latvia,
Republic of Lithuania, Norway, and Sweden

The severe economic disruptions resulting from the corona crisis will cause a global recession. The global nature of the pandemic calls for strengthened multilateral cooperation and coordinated policy responses to complement national action. Strong and swift economic policies are needed to support people and businesses through the crisis. We call upon the IMF to support its member countries and use its financing instruments fully and flexibly to help members in need.

Extraordinary and coordinated measures are needed to protect people and to overcome the corona and economic crisis

The Covid-19 pandemic and the resulting actions in policy and behavior are causing a major shock to the global economy. The pandemic has struck against a background of pre-existing weaknesses, elevated financial vulnerabilities and limited policy space in many countries. Getting the virus quickly under control is not only important for the health of our people - it will also help in limiting the damage to the health of the global economy. The global economy will contract sharply in 2020, but ambitious and coordinated national and global policy responses can speed up the recovery once the health crisis is overcome.

Strong, targeted, efficient and coordinated economic policy responses are essential to mitigate the impact of economic disruptions and to ensure that conditions for recovery are in place. It is important that all available policy tools are used. Fiscal measures are the first line of defense and should be targeted to the people and firms most affected. A strong and timely package of financing and guarantees for firms will help alleviate the cash flow crunch and reduce the risk of unnecessary bankruptcies and permanent layoffs. Automatic stabilizers and enhanced social safety nets should do their part. Provision of ample liquidity to the financial system and broad-based easing of monetary policy will provide important support for demand, confidence and financial conditions. Resilience of the financial sector must be safeguarded and policymakers can make use of the flexibility in prudential regulations to support the supply of credit to households and businesses. Strong multilateral cooperation and coordination is paramount to address the global nature of the shock and leverage the impact of national action. Low-income countries in particular will need the support of the international community to cope with the health and economic crisis.

In this unprecedented and urgent situation we should be mindful of our longer term objectives of avoiding debt build-up, fostering sustainable and inclusive growth, ensuring financial stability as well as allowing for structural changes. We cannot lose sight of the need to strengthen the rules-based global trading system and promote economic openness through multilateral cooperation. Furthermore, continued cooperation across nations is needed to address the urgent global challenge of climate change, including the support for an efficient and fair transition to a climate neutral economy in line with objectives of the Paris Agreement.

We support a strong response by the IMF to help its members under these exceptional circumstances

We welcome the swift response of the IMF to the Covid-19 crisis. The support of the IMF, in close cooperation with the World Bank and other international institutions, is particularly important for vulnerable countries with limited capacity to respond. The Fund should use its existing tools fully and flexibly to support its members. We support a temporary increase in access limits of the Fund's emergency financing tools, but are concerned over the adequacy and self-sustainability of PRGT resources. The Fund's FCL/PLL arrangements can work as a backstop for members meeting the qualification criteria. However, we caution against tying up a large share of the Fund's resources in precautionary arrangements, potentially crowding out disbursing lending programs. Temporarily easing low-income countries' debt-related payments through the Catastrophe Containment and Relief Trust allows them to focus their efforts on fighting the virus and its consequences. We are prepared to consider other liquidity instruments conditional on appropriate design elements. We call on the IMF to keep the membership regularly informed about the effects of the measures on the Fund's resources and on the risks to the balance sheet.

The Nordic-Baltic countries fully support the commitment of the IMFC to a strong, quota-based and adequately resourced IMF to preserve its role at the center of the global financial safety net. We believe that maintaining the current level of IMF resources is particularly important at a time of exceptional uncertainty and downside risks. Our constituency has always supported the IMF's lending capacity when needed and it is our intention to continue to do so, as long as there is adequate burden sharing and link between financial contributions and representation. We welcome the agreement to double the New Arrangements to Borrow (NAB) and look forward to its implementation as agreed. Moreover, extending the Bilateral Borrowing Agreements (BBAs), the third line of defense, beyond 2020 will secure the Fund's lending capacity during these difficult times.

We welcome and support the Managing Director's Global Policy Agenda. The IMF's work agenda needs to adjust as necessary to the current context with focus on the crisis response. We look forward to continue discussions on other IMF policy priorities once the virus outbreak has subsided and economic recovery is underway around the globe.