



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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**IMFC Statement by Perry Warjiyo
Governor of the Central Bank**

Indonesia

On behalf of

Brunei Darussalam, Cambodia, Republic of Fiji, Indonesia,
Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore,
Thailand, Tonga, and Vietnam

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Global and Regional Outlook

1. **The global economic landscape is becoming more complex.** Slowdown in the global economy is intensifying and becoming more broad-based. Growth prospects have deteriorated significantly owing to overlapping shocks in geopolitics and manifestation of risks from long-brewing structural trends. Fiscal consolidation, tighter monetary policy to contain rising inflation and overall tightening of financial conditions have also contributed to the strong headwinds to global growth and greater financial stability risk.
2. **Our constituency members' economic outlook has also faced similar challenges.** Economic growth is expected to slow, albeit to a lesser extent than other regions given healthy fundamentals and adequate buffers entering the pandemic. Apart from the drag from lower growth in trading partners, many countries in our constituency are affected by the decline in household purchasing power given higher food and energy prices. Further, the aggressive monetary policy tightening in advanced economies increases the risks of destabilizing capital flow reversals from emerging economies and rapid depreciation of currencies. Risks are tilted to the downside, and include persistently elevated inflation and the potential de-anchoring of inflation expectations, economic slowdown in most member countries, rising debt distress, financial market volatility, and trade disruptions.
3. **These challenges point to the urgency to act now and to act together to ensure that we get through this formidable storm and to recover together, recover stronger.** Policy makers should pursue the right policy mix and work more closely in an integrated manner to maximize overall policy impact in mitigating the risks. Authorities in our constituency will remain vigilant in navigating the more challenging economic environment and formulate policies in a holistic manner, taking into account long-term policy implications, and aimed at maintaining macro-financial stability, supporting economic recovery, and building resilience.

Roles and Priorities of the Fund

4. **The Fund plays a pivotal role in addressing these challenges.** The IMF must preserve its central role in the international monetary system and at the core of the global financial safety net (GFSN). The Fund must step up its role as a global thought leader and continue to emphasize that competition and cooperation are not antonyms, and members notwithstanding their geopolitical differences must take coordinated multilateral action. The IMF should continue to strengthen and enhance its approach with respect to surveillance, lending, and capacity development.

Surveillance and policy advice

5. **Against the challenging economic backdrop, the Fund cannot operate as though it is business-as-usual.** The Fund's role as policy advisor is more critical than ever. Policy advice must be timely

and practical, taking into account members' country specificities. In this regard, the Fund, with its near-universal membership and global surveillance capabilities, must place greater emphasis on fostering learning across countries. The Fund's policy advice must also guide members to appropriately respond to both immediate and urgent issues as well as important and strategic longer-term challenges.

6. **Given more complex policy trade-offs and generally more limited policy space, the Fund must enhance and expedite the operationalization of the Integrated Policy Framework (IPF).** IPF must be adapted and tailored to country-specific circumstances to provide more practical guidance for policy makers. It is also critical to ensure coherence in the Fund's policy advice to avoid any unintended consequences, and to take into account spillovers and spillbacks that policy adjustments by sending countries could have on their domestic economies from adverse developments in other countries. We need to enhance area departments' involvement in the operationalization of the IPF to help members maximize policy complementarities, while minimizing the trade-offs. Furthermore, the Fund should strengthen strategic collaboration with other institutions, such as exploring potential synergy with the Bank of International Settlements (BIS) on the Macro Financial Stability Policy Framework (MFSF). Such collaboration would extend the policy mix more comprehensively on macro-financial issues, including to address also financial stability risk.

Addressing debt vulnerabilities

7. **With historically elevated debt levels and increasing financing costs, addressing debt vulnerabilities need to be prioritized.** The slowdown in economic activity, alongside the tightening of global financial conditions could spark a vicious cycle of fiscal deficits and financing pressures especially in emerging market and developing economies. Where needed, debt treatments to more durably address members' debt situation must be expedited, including through the application of the Common Framework (CF) in a timely, orderly and coordinated manner. We would also encourage adapting specific elements of the CF to non-CF eligible countries.
8. **Other than a country-by-country approach to manage debt issues, the IMF must stand ready to manage a more systemic debt crisis,** through intensified global surveillance and rigorous contingency planning efforts. Even as we deal with the issues of the legacy debt *stock*, the Fund must also expedite efforts to encourage more prudent debt management from a *flow* perspective. Improving debt transparency, by examining debtor creditor incentives, enhancing debtor capacity, and addressing governance issues, is necessary to support better borrower and lender decision making. We welcome the Fund's plan to strengthen the contractual approach for sovereign debt restructuring and providing more granular guidelines on collateralized financing practices, which will also help to contain vulnerabilities.

Lending to support vulnerable members

9. **We welcome the Fund's new food shock window under the emergency financing toolkit.** The new window demonstrates the agility of the Fund in addressing members' urgent financing needs due to a food shock in cases where an upper credit tranche (UCT) -quality program is not feasible to address the immediate of financing needs. We also urge the Fund to carefully consider the potential for a more structured emergency financing mechanism that can benefit the broad

membership in a meaningful manner, without compromising the Fund's financial risk management.

10. **We support the Fund's proactive efforts to review how to strategically adapt its lending toolkit to deal with future crises.** This is critical as we find ourselves in the perfect long storm. The Fund needs a more principle-based and consistent approach to deal with future crisis and be seen as even-handed and proactive in its crisis response. That said, the Fund and its membership alike must recognize that any significant changes to its lending toolkit will likely need accompanying, and potentially significant, reforms of the Fund's resources, income, and risk management models.

Strengthen future resilience

11. **Actions to fortify members' resilience against structural trends, including climate change and digitalization, must be taken *now and together*,** as rightly emphasized in the Managing Director's Global Policy Agenda.
12. **On climate change, we encourage the Fund to enhance coordination across its surveillance, lending and capacity development activities.** As countries have different capacities in addressing such issues, it is important that the climate agenda also address the affordability of financing, technology, and know-how to move towards a just transition. We welcome the timely operationalization of the Resilience and Sustainability Trust (RST). We also commend the Fund's initiatives to integrate climate adaptation in Staff Reports and pilot climate risk analysis in a few Financial Sector Assessment Programs.
13. **We commend the Fund's work on digitalization of the economy and finance, especially on digital money.** This is right at the core of the Fund's mandate to secure international monetary stability and members' financial stability. The Fund needs to provide strategic advice to members on how to design, regulate, and reap the benefits of digital money, including the surveillance and regulatory framework on crypto asset. We expect more collaborative work between the Fund, BIS and Financial Stability Board (FSB), with the Fund focused on international monetary and financial stability implications. We also commend the Fund for the early discussion on implications for capital flow management in the digital era. We look forward to further engagements on the broader effects of digitalization to the international monetary system, including policy advice on cross-border payment, decentralized finance platform (DeFi), central bank digital currency, and cybersecurity.

Fund Resources and Governance

14. **A successful General Review of Quotas (GRQ) is more important than ever for the Fund to enhance its role, credibility, and relevance at the center of the GFSN.** The Fund's lending capacity cannot stagnate at levels last determined over a decade ago, during the 14th GRQ, which have significantly eroded in real terms. Other than the impact on the Fund's General Resource Account (GRA) lending capacity, the 16th GRQ must reflect members' relative positions in the global economy. The proposed quota increase also has multi-faceted implications for a wide range of issues such as access limits and future general SDR allocations, among others. The ability of the Fund's broad membership to cement an agreement would also have tremendous signaling effects on the state of multilateralism, and the Fund and its membership's ability to be more inclusive and adaptive to the new global economic realities. Members must take on a cooperative

perspective to achieve collective benefit of a stronger IMF. We also see a clear case for a sizeable quota increase that restores the primary role of quotas in the Fund's governance structure.

15. **To make tangible progress in the 16th GRQ, all stakeholders must at this juncture focus on narrowing down options and approaches**, as opposed to opening up new permutations and dimensions, to afford adequate time to forge common ground and consensus. Discussions must evolve, from the current narrow and standalone focus on each and every variable and parameter, and towards a package approach to build consensus while meaningfully reducing out-of-lineness as currently measured. Here, we call for management to step up engagement efforts with members to forge the necessary consensus.
16. **Lastly, as emphasized above, we are clearly not operating in a business-as-usual world.** Hence, the Fund cannot continue on its business-as-usual operating model with regards to its resource, income and risk management models. We support a timely review of the financing model, including an assessment on the appropriate use of internal resources, to enhance the Poverty Reduction and Growth Trust's ability to support our most vulnerable members. We also look forward to a more integrated and comprehensive strategy to anchor the IMF's fundraising efforts across multiple initiatives amidst growing donor fatigue. We commend Fund's recent efforts in refining the Enterprise Risk Management framework to better support responsible risk taking in fulfilling the Fund's mandate.