



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Eighth Meeting October 13–14, 2023

Statement No. 48-11

Statement by Mr. Chalmers Australia

On behalf of
Australia, Kiribati, Republic of Korea, Republic of the Marshall Islands,
Federated States of Micronesia, Mongolia, Republic of Nauru,
New Zealand, Republic of Palau, Papua New Guinea, Samoa,
Seychelles, Solomon Islands, Tuvalu, and Vanuatu

**STATEMENT BY THE HON. JIM CHALMERS
TREASURER (AUSTRALIA)**

ON BEHALF OF ASIA AND THE PACIFIC CONSTITUENCY

As we meet for the 48th meeting of the International Monetary and Financial Committee, our constituency would like to extend our deepest condolences to the survivors and the families of victims of the earthquake in Morocco and flooding in Libya. Our thoughts are with the Moroccan and Libyan people. We greatly appreciate the hospitality of the Moroccan authorities, particularly at this difficult time.

We condemn Russia's invasion of Ukraine as a violation of international law, including the UN Charter. Russia's aggression has led not only to a direct humanitarian toll but has also contributed to food and energy insecurity and to economic instability in poor and vulnerable countries. We express our sympathy for the loss of life from this unprovoked and unjustified war and full solidarity with the people of Ukraine. We continue to underscore the need to reach a comprehensive, just, and lasting peace in Ukraine consistent with the UN charter and for greater international cooperation and strengthened multilateralism to prevent fragmentation and safeguard global peace and prosperity.

GLOBAL OUTLOOK AND RISK

We continue to face a challenging and uncertain outlook. The post-pandemic recovery remains uneven between and within regions and shows signs of slowing momentum. While global inflation appears to have peaked, for most countries it will be some time before inflation is back to target levels. The Fund's medium-term growth projections continue to be among the weakest in decades, and there is growing evidence of a slower convergence of per capita incomes across countries, while longer-term scarring from the pandemic is yet to be fully understood. The risks to the outlook are now more balanced than in recent updates, but they retain a downside bias. The effects of Russia's invasion of Ukraine, deepening property sector concerns in China, growing geo-economic fragmentation, slowing trade growth, a lack of fiscal space globally, and the threat of spreading debt distress continue to shape the outlook.

POLICY RESPONSE

The Fund's short-term policy priorities are broadly appropriate. While advice will be tailored to country-specific circumstances, the policy mix should aim to return inflation to target as a priority. Financial supervision continues to require a focus on market stability and decisive responses where data and regulatory gaps are identified. Fiscal policy should focus on rebuilding buffers and maintaining or in some cases restoring debt sustainability, while appropriately targeting support to those who need it most. Policies that can lower barriers to participation and investment will also support the growth required to move beyond the pandemic and engage the challenges of broad global decarbonization.

Over the medium-term, ongoing structural reforms are needed to address slowing productivity growth and demographic challenges, as these will facilitate real wage growth, enhance social inclusion, and further lift growth potential. Our constituency's economic prosperity remains heavily reliant on open, global trade supported by an effective and rules-based World Trade Organization. The smaller members of our constituency are amongst the most vulnerable to the effects of climate change. Coordinated global efforts are urgently needed to achieve net zero carbon emission-targets by 2050. It is also clear that advanced economies need to lead these efforts while

helping to provide small developing countries with access to reliable climate change adaptation financing. This is a challenge that has an outsized relevance to the smaller members of our constituency.

ROLE OF THE IMF IN SUPPORTING MEMBERS

Surveillance and capacity development are the primary means through which our constituency engages with the Fund. The Fund's bilateral and multilateral surveillance activities must continue to inform targeted policy advice to individual countries, while taking account of emerging challenges within their regions and globally. While each country retains policy independence, the Fund's ongoing surveillance reporting and associated guidance will remain a critical standard against which members can assess the efficacy of their own settings when mapping pathways to sustained and stable prosperity for their communities.

Over the coming year, there are important opportunities to take stock of the extent to which the Fund's lending toolkit meets the needs of small developing states through the planned reviews of access limits under the General Resource Account (GRA), the Fund's concessional lending arrangements via the Poverty Reduction and Growth Trust (PRGT), and the interim review of the Resilience and Sustainability Trust (RST). These reviews should include a consideration of how access limits are set, and whether the key qualifying criteria for these instruments are appropriate for small developing states. On a related note, we call on members who are well-placed to contribute to the PRGT and the RST to help ensure confidence in the Fund's ability to support its members by ensuring their pledges are appropriately sized and quickly activated. The Fund should also expedite analysis of the costs and benefits of options to use internal resources in supporting the long-term financial sustainability of the PRGT as part of its review.

The Managing Director's Global Policy Agenda sets out an ambitious work plan that shows the Fund is in heavy demand with members on top of its ongoing lending, surveillance and capacity development activities. We support the Fund's efforts to safeguard stability, enhance prosperity and to reinforce collective resilience, while stressing that this work must always reflect the Fund's comparative advantage and established experience with a focus on macrocritical issues and stability in the global monetary system. Of particular relevance to our constituency are the workstreams on: implementation of the Fund's climate strategy and in particular where that includes climate surveillance focussing on adaptation by small island developing states; enhancing the Fund's capacity development strategy and particularly the way it can support small and fragile members by strengthening in-field presence and deepening the effectiveness of Regional Capacity Development Centers; and the Fund's work to facilitate analysis and multilateral cooperation on the global debt restructuring architecture, global trade and spillovers, and digitalization.

We remain committed to the timely completion of the 16th General Review of Quota (GRQ), with an outcome that ensures that the Fund is largely quota-based, and adequately resourced to cover a reasonable expectation of the potential challenges ahead. We strongly support members' quota shares better reflecting their position in the global economy. If there is no agreement to improve the alignment of shares as part of the 16th GRQ, we urge the Fund to prioritize supporting the Executive Board to reach agreement on a new quota formula that can guide future realignment. The quota shares of PRGT-eligible countries and small developing states must be protected in any realignment of quota share.

Finally, we remain strongly committed to ensuring strong and robust Fund governance. We welcome the continued implementation of the enterprise risk management framework and look forward to the completion of

the Transparency Policy review. We urge further progress in fostering diversity, equity and inclusion at the Fund, including gender diversity on the Executive Board.