



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

## **Forty-Eighth Meeting October 13–14, 2023**

Statement No. 48-1

### **Statement by Mr. Wong Singapore**

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



**IMFC Statement by Lawrence Wong  
Chairman of the Monetary Authority  
Singapore**

**On Behalf Of:**

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

**Global and Regional Outlook**

1. The global economy has remained surprisingly resilient. Globally, central banks, including in major economies, appear to be approaching an advanced stage of their monetary tightening cycles. Significant progress has been made in the fight against inflation, but the battle has not yet been won. Nevertheless, the global outlook is confronted with multiple challenges such as weaker medium-term growth prospects, growing sovereign debt vulnerabilities amid an elevated interest rate environment, increasing magnitude and frequency of climate-related natural disasters, and geoeconomic fragmentation (GEF).

2. Notwithstanding a downward revision in the growth outlook for 2023, Southeast Asia's economic prospects remain resilient and the region continues to do well relative to the global economy, with medium-term growth projections remaining unchanged. However, the region's strong buildup of external trade linkages over the years, has rendered it susceptible to a slowdown in global growth and external demand. Moreover, financial stability risks could rise in the region from more aggressive monetary tightening in major advanced economies. This could trigger a disorderly tightening in global financial conditions, and negative spillovers from sovereign debt stresses.

**Fund Resources and Governance**

3. The case for a strong Global Financial Safety Net (GFSN) cannot be overstated. Given considerable uncertainty in the geopolitical and economic outlook, as well as higher frequency and intensity of global shocks, an adequately resourced IMF is critical to enable it to effectively fulfill its role at the center of the GFSN. Since the 14<sup>th</sup> General Review of Quotas (GRQ) in 2010, the Fund's lending capacity has stagnated. The temporary nature of the existing Bilateral Borrowing Agreements and New Arrangements to Borrow, which will expire in end-2024, also subjects the Fund's lending capacity to a high degree of uncertainty. Hence, it is critical to ensure a successful conclusion of the 16<sup>th</sup> GRQ to at least maintain the Fund's total resource envelope and restore the position of the Fund as a quota-based institution.

4. The Fund must also strive to remain a trusted advisor to member countries and safeguard its legitimacy. To do so, the Fund must continue its pursuit of critical governance reforms to improve the voice and representation of emerging market and low-income economies. This can be done in two ways:

- a. Ensure that members' quota shares are reflective of economic developments through the realignment of quota shares in a fair and transparent manner, while protecting the poorest and most vulnerable members. There has not been a realignment of quota shares since 2010. Should the 16<sup>th</sup> GRQ conclude with a purely equiproportional increase, the 17<sup>th</sup> GRQ must focus its efforts on quota realignment.
- b. Pursue a broader set of governance reforms in parallel with quota reforms. We welcome Fund management's efforts on this front, including the informal roundtable session on the "The IMF

for the Future”, as well as other high-level engagements to discuss the GRQ and IMF reforms. We will need to be open-minded, pragmatic and take the long-term view, as the Fund develops a package of options to achieve IMF governance reforms. In this vein, we support the call for a third Sub-Saharan African Executive Director as the 25<sup>th</sup> Chair at the IMF Executive Board.

### **Macro-economic and Financial Surveillance**

5. Fund advice to help policymakers navigate this uncertain environment must be nimble and responsive to the ever-changing situation. We welcome the Fund’s message that policymakers should use the full spectrum of policy tools to address potential financial stability concerns. We also acknowledge the continued work on the Integrated Policy Framework, which accords policymakers more flexibility in using a combination of policy tools in a consistent manner to preserve macroeconomic stability in a more shock-prone world. Nevertheless, we urge the Fund to conduct further analytical assessments on the benefits of pre-emptively implementing capital flow measures and macroprudential policy measures. In safeguarding macroeconomic stability, policymakers must act swiftly and decisively. Failure to do so could result in costly consequences.

### **Tightening Financial Conditions**

6. The Fund should continue to pay close attention to the risk of sovereign debt distress. As highlighted in the WEO, borrowing costs for emerging market and developing economies remain high. In addition, financial conditions are now projected to be tighter for longer. The Fund must therefore double down on its efforts to strengthen the global debt architecture. The operationalization of the G20 Common Framework and an enhanced debt treatment mechanism for middle-income countries are critical steps to improving the resilience of member countries against future crises. Through its convening powers, the Fund is best placed to bring this to fruition.

7. Financial stability threats could emerge as the monetary policy stance of major economies stay tighter for longer. While the impact of recent bank failures was contained through the swift actions of the US and Swiss authorities, corporate and household balance sheets could come under strain as a higher proportion of income is channeled to meet rising borrowing costs. This could potentially spill over to the broader banking system and pose broader financial stability implications. Thus, the Fund needs to step up its bilateral surveillance on possible emerging risks and remain vigilant on potential blind spots.

### **Green and Digital Transition**

8. The Fund must step up its efforts in pushing for the transition to a greener global economy. It has made good strides in advancing its climate agenda such as the successful introduction and operationalization of the Resilience and Sustainability Trust, and the Climate Macroeconomic Assessment Program. Nevertheless, the world is still nowhere near investing what is required to get to net zero by 2050. The prospect for a just and orderly transition remains elusive. Moreover, climate-related natural disasters are increasing in frequency and magnitude. As a result, fiscal budgets, which face consolidation pressures in the near term, are increasingly being stretched as governments provide urgent financial support to the affected segments of the population. This is especially concerning for Small Developing States that are susceptible to climate-related natural disasters and lack the resources to mitigate the impact. We therefore support the Fund’s continued focus on the climate transition and adaptation agenda. We also urge the Fund to be cognizant of the interrelated nature of three major shifts in the global environment, namely global warming, an out-of-balance global hydrological cycle and the loss of biodiversity, with each risk reinforcing

the other. This interaction warrants careful monitoring and necessitates coherent and integrated policy responses.

9. We urge the Fund to continue supporting members in their transition to a digital economy, including in leveraging on Artificial Intelligence (AI). The Fund can share experiences and distill lessons from members who have made significant progress in their digital transition. The Fund's research papers have been useful in showcasing AI's potential benefits, while highlighting that it is still relatively new with many unknowns. There is scope for more analytical work on the effects of AI on productivity and jobs. The Fund should also continue to collaborate with the BIS on topics related to digital money to promote a more consistent global framework and approach.

### **Strengthening Resilience**

10. We welcome the recent review of the Fund's lending and non-financing instrument toolkit to be fit-for-purpose in an increasingly complex global economic and financial landscape. Going forward, we see scope to further enhance the effectiveness of the Short-Term Liquidity Line (SLL) as a liquidity backstop to manage risks from large and volatile financial flows. There is also room for greater differentiation between the SLL and Flexible Credit Line (FCL). Additionally, we see value in continued close collaboration between the Fund and Regional Financing Arrangements to strengthen the GFSN.

11. We commend Fund staff for the significant fundraising efforts to close the funding gap of the Poverty Reduction and Growth Trust (PRGT). Amidst tighter financial conditions and an increasingly shock-prone world, demand for concessional financing is expected to increase. It is thus imperative to ensure the self-sustainability of the PRGT. In addition, the Fund can also consider other options, including various modes of internal resource mobilization and revisiting lending terms and modalities in the next comprehensive review, to deliver longer-term financial sustainability for the PRGT.

12. The Fund's work on GEF has been well-received. While some adjustments to supply-chains have taken place as member countries took steps to enhance their resilience after the COVID-19 pandemic, the Fund has highlighted that the membership could collectively be worse-off if GEF risks were left unchecked. The Fund should deepen its work on GEF to inform the broad membership regarding the associated risks.

13. We call on the Fund to continue with its efforts in promoting inclusive growth (gender and diversity), which is key to ensuring sustainable growth. In this regard, we call on the Executive Board to lead by example and improve its gender and diversity representation. Since the turn of the century, the OEDST has been led by an equal mix of women and men.

14. We call on the Fund to increase its resources dedicated to Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) efforts. AML/CFT risks have been increasing, especially with the growing use of crypto assets, which increases the anonymity of financial transactions. Additionally, given the rise of financial scams, there is a need for greater collaboration between the Fund and FATF in ensuring the relevant AML/CFT requirements and standards related to crypto assets and digital financial services are implemented effectively and coherently across borders.

15. Finally, the Fund's role in promoting capacity development (CD) will be critical in helping member countries build resilience and cope with potential shocks and disruptions in an uncertain economic environment. We support the Fund's ongoing review of its CD strategy to further improve outcomes. We

also urge the Fund to continue its focus on delivering CD in key areas such as digital money and climate change, and leverage on digitalization to scale up CD in the Asia and Pacific region.