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Statement by Mr. Øystein Olsen
Norway

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

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Governor, Norges Bank
on behalf of Denmark, Estonia, Finland, Iceland, Latvia,
Lithuania, Norway and Sweden

Growth is slowly picking up in advanced economies while weakening in many emerging market economies, leading yet again to downward revisions of global growth. Decisive policy action continues to be a priority. Structural reforms should be implemented to raise potential output, while moderate global demand and low inflation warrant continued supportive macroeconomic policies. Appropriate, transparent, and clearly communicated policies must be pursued to reduce current volatility and uncertainty. To increase the robustness of the financial system, regulatory reforms should be resolutely pursued. Implementation of the 2010 Quota and Governance Reforms is of the highest priority. We welcome the Managing Director's Global Policy Agenda.

Supportive policies remain appropriate…

The global economy remains fragile with only a gradual pickup of activity in most advanced economies and a marked growth slowdown in many emerging market ones. Growth projections continue to be downgraded. Global growth is now expected to pick up moderately in 2016, aided by low interest rates, less fiscal restraint, and lower commodity prices. However, risks are primarily on the downside. Financial markets are volatile, and geopolitical risks persist. Moderate global demand and low inflation warrant continued accommodative monetary policies and growth-friendly composition of fiscal policies. Countries with high public debt should ensure that the debt is set on a sustainable path within a medium-term fiscal framework.

Disappointing global growth and volatile financial markets have added to uncertainty. Advanced and emerging market economies must pursue appropriate, transparent and clearly communicated policies to reduce volatility and uncertainty. Governments and credit market participants also need to prepare for the impact of interest rates rising from historic lows. Falling commodity prices and limited macroeconomic policy space in many emerging market economies make their situation particularly challenging. Determined policy formulation and implementation are required, aimed at fostering growth while managing vulnerabilities and rebuilding confidence. Macroprudential policies may be necessary to deal with specific vulnerabilities.

Structural reforms should be implemented across a wide front in advanced and emerging economies alike, including the euro area, aimed at increasing flexibility of product and labor markets and raising potential output. This includes fiscal policy reforms which can positively affect long-term growth. Higher growth is necessary to reduce unemployment and to facilitate a return to sustainable fiscal positions in highly indebted countries.

Large global gains can be derived from more open markets, but they need to be combined with appropriate safety nets and tools to mitigate concentration of wealth. The IMF should actively support a multilateral approach to trade liberalization.

…and financial stability risks continue to demand attention.

The global financial system is now more robust thanks to stronger capital and liquidity buffers and the ongoing work on bank resolutions without the use of taxpayers' funds. Agreeing on the size and composition of total loss absorbing capital later this year will be an important milestone in addressing the too-big-to-fail problem. Full implementation of all other agreed reforms will be crucial for safeguarding financial stability.

Accommodative monetary policies may result in elevated valuations of financial and real assets. At the same time, debt levels have been on the rise in many countries. This entails risks to financial stability. Continued low interest rates require the use of structural or macroprudential tools. The IMF should continue to support the development of a broader macroprudential toolkit.

Stimulating safe and sound capital-market-based financing will be a useful complement to bank finance and would make the whole financial system more robust by improving private risk distribution. For instance, developing a harmonized framework for securitization could stimulate essential investments in infrastructure. We support the strong role of the IMF in the ongoing Data Gap Initiative to ensure high quality data for financial stability analysis.

Incidents of market manipulation and misconduct are of serious concern. Financial markets must be based on fair rules and fair competition. We strongly support recent initiatives by the FSB on governance, compensation, and benchmarks. Market collusion, insider trading, and manipulation of prices and benchmarks must be eliminated. These issues warrant attention in the Fund's financial sector assessment programs.

IMF should continue to be attentive to spillovers and advise on structural reforms…

The IMF should continue to promote appropriate policies aimed at stronger growth and higher potential output. The increased focus on structural reforms is appropriate, and the IMF should encourage their implementation. The IMF should thoroughly analyze and advise on country-specific macro-critical reforms. Also important is the monitoring of potential spillover effects from the expected tightening of US monetary policy as well as the continuing slowdown in EMEs. The IMF should monitor currency market developments and capital flows and advise members as necessary.

We reiterate our support for the IMF's work on the macroeconomic consequences of income inequality, for including equity and gender considerations in surveillance and program-related activities and in contribution to the fight against tax evasion and corruption. We encourage the Fund to analyze the macroeconomic impact of demographic changes, including migration.

…continue its work on sovereign debt issues…

We support the IMF's work on its exceptional lending framework. We welcome the introduction of debt re-profiling to increase flexibility in the Fund's lending framework and the removal of the current systemic exemption clause. This will reduce moral hazard and foster market discipline while enhancing clarity and increasing safeguards for Fund resources. The IMF is the proper forum for discussions on sovereign debt restructuring issues. We strongly emphasize the importance of respect for the IMF's preferred creditor status.

We welcome the agreement on the terms of the debt exchange offer between the Ukrainian government and private creditors. With the continued commitment of the authorities and the help of the IMF and the international community, Ukraine has the opportunity to lay the basis for stability and growth over the medium term.

…assist countries in need and define its approach to climate change.
This year is pivotal for promoting financing for development *and* sustainable development goals. We support the IMF's work in low-income countries, based on its mandate and competence. We welcome the recent changes in the IMF's financing facilities for low-income countries. Through its policy advice, capacity building, and financing where needed, the IMF will play a vital role in assisting developing countries to prosper in the period ahead.

We look forward to further elaboration of the IMF's work relating to the effects of climate change and to discussing the Managing Director's Statement on climate change policies ahead of the UN climate conference in December.

Historic review of the SDR basket…
We welcome the increasing international role of the renminbi (RMB) which is driven both by policies of the Chinese authorities and by market forces. Inclusion of the RMB in the SDR basket will be predicated on continued liberalization of financial markets in China. We note the progress made by China and look forward to further steps to ensure the free usability of the RMB.

…while stalemate continues on quotas, governance and resources.
The stalemate in ratifying the 2010 Quota and Governance Reforms should be resolved as soon as possible. Entry into force of the 2010 Reforms would help preserve the character of the IMF as a cooperative and quota based institution. We call on the United States to promptly ratify the Reforms.

As a second best option, we are committed to working towards agreement on interim steps in the key areas of the 2010 Reforms. This would be a down payment and not a substitute for the Reforms. Protection must be put in place such that no countries fall below their 14th review quota share. Agreement on interim steps should be arrived at in the IMF's own bodies where the interests of all members are represented. It must be acceptable to the broad membership.

The current quota formula, which was a carefully calibrated compromise, captures well members' changing relative positions in the world economy. This was confirmed yet again by the latest data update that generates significantly increased quota shares of emerging market and dynamic countries.

The IMF should be quota based. Countries in our constituency have supplemented the IMF's lending capacity when needed. Borrowed resources are however only temporary supplements. We encourage the IMF to provide an in-depth analysis on resource adequacy.

The vital role of the Independent Evaluation Office (IEO)
We strongly support the activities of the IEO which plays a vital role for the IMF. Management and staff should be receptive to its advice, and it is incumbent on the Executive Board to follow up on IEO recommendations.