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**Statement by Mr. Jensen**
**Denmark**

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

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

*The signs of a strengthened world economy are encouraging and need to be supported by necessary policies to bolster a lasting and sustainable recovery. In this context, it is essential to ensure that the global economy remains open and integrated as a key driver of increased prosperity, and that opportunities to contribute to and benefit from economic growth include all groups in our societies. The IMF should be the key institution in helping countries to adjust and reap the benefits of globalization and technological progress in an inclusive way.*

***Nordic and Baltic experience shows that economic openness underpinned by strong domestic policies is a cornerstone of sustainable and inclusive growth***

1. International trade and an **open global economy** are key drivers of growth, increased prosperity and welfare worldwide. The IMF and other multilateral institutions, together with their member countries, need to emphasize the beneficial aspects of globalization and the multilateral rules-based trade system. The IMF should be the key institution in helping countries adjust and reap the benefits of globalization and technological progress in an inclusive way. We call on all members to refrain from protectionist policies.

2. The Nordic and Baltic countries' experience is that well-designed domestic policies such as efficient and adaptable product and labor markets, high-quality education, and well-functioning tax systems have proven to **deliver inclusive growth and opportunities for all** and to meet the challenges of a fast-changing economy. In our case, an equitable welfare system has also helped growth benefit all.

***Countries' policies should aim at increasing economic and financial resilience while embracing technological innovation***

3. Over the past six months, the **world economy has strengthened** – largely due to a cyclical recovery in manufacturing and a pickup in trade – and financial stability concerns have receded and market sentiment improved. The latest positive developments should not distract from implementation of necessary policies to make the recovery durable, not least on the structural side. Structural challenges such as low productivity growth, fiscal sustainability concerns, as well as high income inequality, seem likely to persist. Economic policy choices will be crucial in reducing downside risks and securing a continued recovery.

4. Monetary policy remains an important pillar in supporting the recovery. At the same time, the effects of the **low interest rate environment,** on for example debt levels and asset prices, need to be closely monitored. Sound capital and liquidity buffers will help reduce the risk of instability and negative spillover effects as rates start climbing. In its bilateral

surveillance, the IMF should emphasize the importance of monitoring the resilience of households and the corporate sector to rising rates and potential exchange rate adjustments need to be monitored.

5. The responsible use of **fiscal policy** is an important part of a comprehensive policy mix and should depend on cyclical conditions and country-specific circumstances. In countries where there are clear signs that output gaps are closing, consideration should be given to the build-up of fiscal buffers. More active use of fiscal policy space, where it is available, could be warranted in countries facing domestic economic slack, constrained monetary policy, and if coupled with subsequent consolidations and implemented consistent with long-term sustainability. In most countries, much can also be done to ensure a more growth-enhancing composition of public finances. Fiscal policy cannot be used as a substitute for structural reforms, which should remain the focus to improve potential output growth. Elevated public debt levels and fiscal sustainability concerns in many countries remain a serious macro-economic vulnerability, and require timely action.

6. Parts of the **European banking sector** still struggle with low profitability, high costs and high levels of non-performing loans. Action needs to be taken expediently and comprehensive policies are needed to resolve profitability problems, reduce financial stability risks and to improve banks' ability to contribute to the recovery.

7. To **boost productivity growth** and improve living standards in the longer run, fostering an environment that supports innovation as well as development and diffusion of new technologies should be a priority.

8. Advances in **financial technology** come with possibilities to empower consumers as well as increase productivity and competition in the financial sector. It is already a proven vehicle for improving financial inclusion, for example through advancements in mobile payments. However, it is important that regulators stay abreast of financial technology development and, while encouraging innovation, also adequately monitor potential risks to the financial system and consumers. We encourage the IMF to liaise with global standard setters and to build expertise in this emerging area. We welcome the recent establishment of the High Level Advisory Group on FinTech.

9. Almost a decade has passed since the onset of the global financial crisis. Through joint efforts the global community has managed to put together a comprehensive **regulatory reform agenda** that has strengthened the international financial system. To ensure that the intended effects are reached in full, progress made so far must be safeguarded and the remaining reforms should be finalized and implemented in a timely and consistent manner. Risk sensitivity of banking regulation should be preserved.

***IMF surveillance must remain agile and comprehensively cover macro-critical issues***

10. Countries' first line of defense against adverse developments should always be sound domestic policies and resilient macroeconomic frameworks. IMF surveillance and clearly communicated policy advice play a crucial role in promoting stability and helping countries fulfil and strengthen their potential. We support continued work on mainstreaming **macro-relevant aspects of inequality of income and opportunity, gender inequality, climate change and migration** and to fold it into multilateral and bilateral surveillance, building i.a. on the recent Article IV pilots on inequality and gender.

11. We welcome that macroprudential policies have become more prominent in Fund analysis and policy recommendations. Moreover, we support the ongoing work on the interaction between **macroprudential policy** and **capital flows**. The primary policy objective of macroprudential measures should always be to limit systemic financial risks. If engaging in capital flow management, care should be taken to ensure that measures are not used longer than necessary, or as a substitute for domestic macroeconomic or macrofinancial adjustment. Further analysis and collection of best practices are needed to better understand the effectiveness of and possible cross-border spillover effects from such policies.

12. The quality of the Fund's analysis hinges to a large degree on the **availability of data**. We strongly support and encourage the Fund to continue its work on assisting countries to build up their statistical capacity, e.g. through technical assistance. Priority should be on helping countries graduate to the Special Data Dissemination Standard (SDDS), and we call on countries with larger financial sectors to adhere to the SDDS Plus which has more emphasis on financial data.

13. We appreciate the practice of an annual formal Board discussion of macroeconomic and financial conditions in **low income and developing countries**. We also support international initiatives to strengthen private investments in Africa, including in infrastructure. Close cooperation between the IMF, the World Bank, the African Development Bank, together with possible partner countries on the African continent is crucial for successfully promoting growth and stability. The sustainability of public debt patterns of recent years should be a key focus area of the IMF.

***The IMF should be equipped to continue playing a central role in the Global Financial Safety Net***

14. We welcome the continued discussion on the **Global Financial Safety Net (GFSN**) and the role of the IMF's lending instruments. It is important that IMF member countries are able to deal effectively with episodes of high volatility or crises, and we support a key role for the IMF at the center of the GFSN. We welcome further analysis on how to fill gaps in the GFSN by possibly providing a predictable and rules-based liquidity backstop to countries with strong fundamentals, especially for those lacking access to standing bilateral swap arrangements or Regional Financing Arrangements. In this context, a thorough review of current and potential new lending instruments is warranted, including an analysis of the potential implications for the Fund's resources. We look forward to further discussions on IMF cooperation with Regional Financing Arrangements.

15. To remain at the core of the GFSN, the IMF continually needs to learn from past experience. The **Independent Evaluation Office (IEO)** is an invaluable source in this regard, and has a pivotal role in ensuring transparency. We continue to support the important work of the IEO, and appreciate the openness and willingness to probe difficult issues.

16. The Nordic-Baltic Constituency is a strong supporter of the IMF. Countries in our constituency are contributing with **SDR 20.5 billion in new bilateral loans** to secure the Fund's resources and lending capacity for the coming years. We are also contributing with additional loan resources to the IMF's Poverty Reduction and Growth Trust. We are ready to complete the **15th General Review of Quotas** as an integrated package. The current quota formula, which is a carefully calibrated compromise, well captures members'

changing relative positions in the world economy. Changes in the formula should preserve this balance and not result in gains for only a small group of large economies at the expense of the broader membership. The IMF's prolonged reliance on borrowed resources makes it essential to recognize voluntary financial contributions in the 15th General Review of Quotas.