



International Monetary and Financial Committee

Thirty-First Meeting
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**IMFC Statement by Régis Immongault Tatagani
Minister of Economy, Investments, Promotion and Prospective, Gabon**

On behalf of Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros,
Democratic Republic of the Congo, Republic of Congo, Côte d'Ivoire, Djibouti,
Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania,
Mauritius, Niger, Rwanda, São Tomé and Príncipe, Senegal, Togo

Statement by Mr. Immongault
Minister of Economy, Promotion of Investments and Prospective (Gabon)

We would like first of all to commend the Fund for the prompt support provided to Ebola-affected countries in Africa. Countries that we represent, one of which was affected by the epidemic, are very appreciative of this rapid assistance. We also welcome the creation of the Catastrophe Containment and Relief Trust. In a period when countries are being more frequently impacted by natural or public health disasters, this Trust comes at an appropriate time. We call on all members to contribute generously to this Trust.

On the global economy, after a period of successive growth disappointments, the global economic outlook has improved and risks are more balanced albeit tilted to the downside. Nevertheless, we, individually and collectively, need to remain vigilant as the forces shaping the outlook—notably swings in oil prices and large exchange rate movements—are complex, each with varied implications for growth. Moreover, crisis legacies—particularly debt overhang, financial sector weaknesses, gaps in regulatory and supervisory frameworks—persist in a number of advanced economies, putting a drag on the whole global economy.

Low-income developing countries continue to experience robust growth, but they too should be attentive to the adverse forces underpinning the global outlook and address their need for structural transformation. Amid a continued uncertain environment, this growth can be halted as these economies remain vulnerable to external shocks such as continued commodity price declines. The Post-2015 development agenda is an opportunity to provide developing economies with instruments to transform, diversify and develop in a sustainable manner. We call on the international community to seize the opportunity and design an agenda of actionable, monitorable policies to accompany development efforts. We support the IMF engagement in such agenda, consistent with its mandate.

We share the view that efforts should be pursued to further lift today's growth through supportive macroeconomic policies where space exist, while strengthening medium to long-term prospects by advancing highly-needed structural reforms. The Managing Director's Global Policy Agenda (GPA) strikes the right balance between near-term policy priorities and medium-term reform requirements to sustain global growth. Concerted efforts are required to achieve these goals, and the IMF is uniquely placed to provide the platform for international cooperation towards global economic and financial stability. This role is however predicated on the institution being endowed with adequate resources, being representative of the membership and being able to provide a voice to all members. Thus, we strongly support pursuing the Fund's quota and governance reforms.

I. 2015 A PIVOTAL YEAR IN THE AGENDA FOR SUSTAINABLE DEVELOPMENT ?

Since the Monterrey Consensus in 2002, the issue of development financing has been at the forefront of the international agenda. While progress has been made, many commitments on development financing have not materialized. Needs remain significant. Thus, we welcome that 2015 could be a milestone in the development financing agenda, with three key events on Financing for Development in Addis Ababa (July), the Post-2015 Sustainable Development Goals in New York (September), and Climate Change in Paris (December). The success of efforts on sustainable development hinges on the capacity of the international community in general, and the IMF in particular, to formulate strong commitments in assisting developing countries mobilize domestic and external resources, and to deliver on those commitments.

The Fund has a critical role to play in implementing such agenda, in line with its mandate as stipulated in Article I of its Articles of Agreement. Infrastructure building, debt management, productive investment, financial sector development and soundness, trade policies, etc. are macro-critical. The IMF is in a unique position to provide those members not only with expertise and technical assistance but also with financial support as required.

We therefore welcome the proposed role for the IMF. The anticipated areas for Fund engagement on the development financing agenda converge with the priorities on structural transformation set forth by the African Union in March 2015. These priorities include mobilization and use of domestic resources, international public financing, private international financial flows, trade policies, as well as external debt and debt sustainability. In particular, we fully support Fund's proposals on increasing access limits to Fund resources; financing blending for performing low-income countries and precautionary support for frontier economies; greater Fund engagement with fragile and conflict-affected states; capacity building on growth-enhancing infrastructure investments; technical support on improving data availability and dissemination; as well as greater emphasis on equity, gender and inclusion issues.

The needed access of frontier economies to capital markets should be facilitated by avoiding undue negative signals and an excessively conservative approach in the context of debt sustainability analyses. We therefore encourage the Fund and the World Bank to reform their joint debt sustainability framework for the frontier and low-income countries by reviewing overly conservative sustainability thresholds. Full consideration should be given to the prospects for higher economic growth and government revenue over the medium term following the implementation of structural reforms and large infrastructure investment.

We also encourage the Fund to assist developing countries in recovering resources from tax avoidance, tax evasion and other illicit financial flows. The report by the High-Level Panel on illicit financial flows from Africa showcases significant resources lost by the

continent due to these illegal activities. The importance of these flows has aroused a special declaration by the African Union. We also call on the Fund to contribute to work on international taxation for development financing.

Climate change finance and environmental taxation can also be important sources for the development financing. Putting in place international tax schemes financing is an area where the Fund has comparative and yet unfulfilled advantage. There is scope for the institution to play an important advocacy role. More analytical work and technical assistance on environmental taxation is also needed, especially in resource-rich countries.

Closer collaboration of the Fund with regional institutions—notably regional development banks, regional commissions and UN economic commissions—towards increasing financial and technical resources for development is warranted.

Developing countries have strong expectations on the IMF's contribution to the development financing agenda and its implementation. As regards African countries in particular, the Maputo Joint Declaration by the IMF and African finance ministers in May 2014 lays out priorities, including on structural transformation. The IMF must be innovative and follow through to meet these expectations.

II. GLOBAL ECONOMIC OUTLOOK AND POLICY PRIORITIES

Global Prospects and Policy Implications

We welcome the positive developments in advanced economies, but note that recent progress in the euro area and Japan stem much from external adjustments, notably declining oil prices and currency movements. We are nevertheless encouraged with the more neutral fiscal policy stance in the euro area and the quantitative easing by central banks. Risks of stagnation and deflation remain and, ultimately, boosting demand—including through public infrastructure investment—coupled with well-anchored inflation expectations is required to lift what seems to be well-entrenched disinflation pressures.

Policy uncertainty continues to weigh on investment and on growth prospects. The timing of the anticipated increase in U.S. policy rates remains uncertain as the Federal Reserve has signaled that such action is predicated on developments in activity and labor market, whereas recent developments in U.S. labor market warrant cautious optimism. The persistence—or not—of other crisis legacies in many countries, notably weak credit flows, fiscal vulnerabilities, and debt overhang will also continue to affect activity.

Against this backdrop, we agree with the view to raise actual growth and potential output as a policy priority notably through real investment which could lead to a more

vigorous recovery. We broadly share the thrust of the near- and medium-term policy challenges laid out in the Managing Director's GPA and their implications, including necessary accommodative monetary policies where appropriate. Fiscal policies in general should remain countercyclical, i.e. supportive of the recovery, with an emphasis on infrastructure investment.

There is still a need for restoring financial sector balance sheets and strengthening financial regulation and supervision, with the view to promoting the resumption of credit flows in a number of countries and to tackle private debt overhang. We also share the view that many countries would benefit from increased infrastructure investment and total factor productivity to sustain the recovery and medium-term growth. Structural reforms to lift up labor force participation and improve the business environment need to be pursued more vigorously.

Implications from Lower Oil Prices

Lower oil prices provide most countries with an opportunity to reform energy subsidies and taxes, and increase room for investment and priority social spending. However, the pace of energy subsidy reforms notably in low-income countries should be attentive of social, political and technical constraints. On the other hand, we share the view that oil exporters should adjust to the adverse external and fiscal impact of oil price decline but the Fund should also stand ready to support those with low buffers.

Tackling Financial System Risks

Financial market volatility has increased. We fully agree that in the US continued clear communication of monetary policy, based on the evolution of key economic fundamentals, is essential for smooth market adjustment.

In emerging markets as well as frontier economies, financial system resilience should be safeguarded through enhanced surveillance and capital flow management measures as appropriate. We agree that given the large portion of debt denominated in foreign currencies, micro- and macro-prudential measures have an important role to play in limiting the risks from shocks. Foreign currency and commodity price risks should be more closely monitored.

Continued Resilience in Africa: Vigilance and Structural Transformation

Growth in Sub-Saharan Africa (SSA) remains robust despite the drag from oil exporters and the Ebola crisis. The depreciation of the Euro (against the U.S. dollar) to which a large number of African countries' currencies are pegged could help exports. However, weak economic activity in major trading partners, lower commodity prices and security concerns pose significant downside risks.

We share the view that policymakers on the continent should continue to put emphasis on large public investments and structural reforms in the areas of public financial and debt management, education, product markets and business environment. Indeed, pursuing reforms and investments, taking into account reduced buffers in some countries, will help these economies realize structural transformation that will put them on a more sustainable growth and development path. To this end, enhancing domestic revenue mobilization, attracting foreign capital flows, and accessing external resources within well-designed debt management strategies—including through sovereign bond markets—all remain critical. We also welcome the Fund’s work on cross-border oversight of pan-African banks and encourage its incorporation into bilateral surveillance.

III. IMF’S QUOTA AND GOVERNANCE REFORMS

We are of the strong view that the interim steps advised by this Committee to advance quota and governance reforms should not substitute for the 2010 Reforms, which remain of critical importance for the legitimacy, credibility and effectiveness of the Fund. It is therefore essential to pursue the entry into force of these reforms.

In the context of interim steps, progress should be made on all three areas of the 2010 Reforms, as a “package”. First, the Fund—as a quota-based institution—should be endowed with increased *permanent resources* to enhance its capacity to meet members’ needs. Second, while preserving incentives to implement the 2010 Reforms, interim steps should also result in a meaningful improvement of *representation* that is a significant realignment of quota shares towards dynamic emerging market and developing countries (EMDCs). Third, *voice* should be an integral part of interim steps. Fourth, *protecting the quota shares of the poorest members* should also be a requirement of interim steps, consistent with the 2010 Reforms.

Against this backdrop, we are of the view that delinking the proposition of quota increases from the reform of the Executive Board is the most appealing approach to achieve progress on enhancing Fund’s resources while also realigning quota shares. It is also consistent with the requirements on voice and protection of the poorest members. However, with a sense of urgency and compromise, we stand ready to support an alternative option provided that the overall size of the quota increases is meaningful and yields a significant shift of quota shares to dynamic EMDCs. The Fund should remain a quota-based institution.

Finally, we strongly support pursuing work on a new quota formula and the 15th General Review of Quotas. We call on efforts to enhance Fund staff diversity, especially through the increase of staff from underrepresented regions.