International Monetary and Financial Committee

Thirty-First Meeting
April 18, 2015

IMFC Statement by Ngozi Okonjo-Iweala
Coordinating Minister for the Economy and Minister of Finance, Nigeria

On behalf of Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, Republic of South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe

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Global Economy

1. Several years after the recent global financial crisis, the global economic recovery is yet to strengthen. Global economic growth continues to be weak and uneven with increasing possibility of a new mediocre becoming the new normal. In advanced economies, with the exception of the United States, economic performance has fallen below expectation, particularly in the euro area and Japan, due largely to muted investment arising from diminished medium-term growth prospects. There are, however, signs of recovery buoyed by the falling oil prices and supportive fiscal and monetary policies. For emerging market and developing countries, growth has remained generally stable although the outlook appears weak. Lower growth is also expected from major commodity exporters.

2. Alongside the lackluster global growth performance are risks whose dynamics have changed with the fall in oil prices. While the low oil prices could boost growth, especially in advanced economies, the uncertainties surrounding the future oil price path remains a major concern, particularly for the emerging market economies and oil exporters. On the downside, risks related to shifts in sentiments in global financial markets and bouts of volatility associated largely with anticipated US normalization of monetary policy and surprises of activities in major economies are still elevated. This is in addition to protracted low inflation in some advanced countries, and geopolitical risk arising from tension in Ukraine/Russia and the Middle East. Mitigating these risks and lifting growth would require strong policy actions –fiscal, monetary, financial, and structural - across all countries.

3. For sub-Saharan Africa, growth has been strong cutting across a broad range of country groups, including oil exporting countries, low income countries and fragile states. Increased public and private investments, particularly in infrastructure, buoyant services sectors, and strong agricultural production have been the main drivers of growth. The solid growth is expected to continue in the near term although at a much slower pace. The positive growth outcome notwithstanding, economic activity in a few countries in the region is facing headwinds from domestic policy challenges and circumstances, including Ebola outbreak, and security challenges, as well as risks stemming from the global environment. The primary policy objective should remain diversifying the economy and sustaining high growth while at the same time preserving fiscal, debt and external sustainability.

Fund's Lending

4. The Fund has continued to adjust its lending toolkit and policy to meet the diverse needs of members, particularly the poorest members. In this regard, we welcome the establishment of the Catastrophe Containment and Relief Trust which will cater for the needs of countries confronting major natural disasters, including the Ebola affected countries. We also see increased lending under the Poverty Reduction and Growth Trust (PRGT) concessional window, and the refinement of the interest rate structure, including the extension of the exceptional interest rate waiver on outstanding Fund loans to PRGT-eligible members till end 2016, as important support given to the low income countries. This is in addition to ongoing efforts to preserve self-sustainability of the PRGT, especially through the gold sales profits pledges. In the same vein, we welcome the reform of the policy on public debt limit in Fund-supported programs. The unified treatment of debt provides the flexibility needed by Low Income Countries to manage their financing needs while maintaining fiscal and debt sustainability.

Surveillance

5. Strengthening the Fund's surveillance framework through flagship studies and development of tools that provide better understanding of countries' policy implications on the global economy have continued. Of particular note in recent time are tools for assessing reserve adequacy, the link between financial deepening, stability and growth, and the opportunities and challenges of pan-African Banks. While we welcome more of these studies, we reiterate our call on the Fund Management to fully implement the recommendations of the 2014 Triennial Surveillance Review, including integrating and deepening risks and spillover analysis. Countries, and indeed the global economy, stand to benefit from a fully embedded macro-financial analysis in bilateral and multilateral surveillance; more tailored expert advice based on a deeper understanding of countries' macroprudential policy and its interactions with other policies; more client–focused, yet candid, communication; ensuring evenhandedness in surveillance, policy advice, and traction; and fostering global cooperation. We are pleased with the progress made with the Global Regulatory Reform Agenda, and urge full implementation of the agreed policies in order to safeguard global financial stability.

Quota, Voice and Diversity

6. We note the slow progress made with the 2010 Reform package and the interim steps being considered. We are of the view that the completion of the 2010 Reforms should remain a top priority and the most viable option that would address the concerns of emerging markets and developing countries, and strengthen the legitimacy, credibility and effectiveness of the Fund. Efforts should, therefore, continue to ensure that the 2010 Reform package comes into force. We also reiterate our commitment to ensure that the 15th General Review of Quotas is completed by end-2015. In this regard, we expect that the outcome would effectively address our long-standing call for enhanced quota share, in particular, through a revised quota formula that reflects fair and better shares of African economies in line with their new dynamism. We hope that the persistent erosion of Africa's quota shares

would be reversed, given the profound negative impact any action to the contrary would have on the Fund's credibility, legitimacy and effectiveness. In addition, we call for further enhancement of the voting shares of African countries through an upward revision of basic votes.

7. We would also like to reiterate our long-standing call for the establishment of a Third Chair for sub- Saharan Africa, at the IMF Executive Board. This would better align the IMF Executive Board with the growing mandate of the Fund and effective representation. Having 45 sub-Saharan African countries represented by only two Chairs at the IMF Executive Board weakens the Fund's legitimacy and effectiveness.

8. We are deeply concerned about the underrepresentation of Africa in high decision making structures and among staff at the Fund. The recruitment and promotion of African staff continue to fall short of the set targets. Accordingly, we reaffirm our call to strengthen the accountability frameworks for meeting the targets and to make every effort to expand the pool of institutions from which staff is recruited, including reputable Universities in Africa. We, however, welcome the new benchmark set for sub-Saharan Africa by the Diversity Working group through 2020 and urge the Fund Management to ensure that these targets are met.

Financing Sustainable Development

9. As the international community converges later this year at the three major conferences to chart development path for the next fifteen years, financing for sustainable development would be a critical issue. It is, therefore, important to begin right now to explore ways in which the requisite financial resources could be mobilized to support developing countries in meeting the sustainable development goals. In this regard, we support several initiatives under consideration by the Fund to support developing countries, including boosting country resilience, capacity building, tackling infrastructure gaps and promoting inclusive growth, as well as the renewed focus on fragile and conflict-affected states. Going forward, we would like to see increased Fund support to developing countries, including provision of long-term financial resources, strengthening of public institutions, capacity building on domestic revenue mobilization, tax issues, and public financial management. The proposed blending of concessional and non-concessional Fund resources for better-off LICs and precautionary support for frontier markets seeking insurance is most welcomed.