



# **International Monetary and Financial Committee**

Thirty-Third Meeting  
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**IMFC Statement by Bill Morneau  
Minister of Finance, Canada**

On behalf of Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica,  
Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the  
Grenadines

# **Statement Prepared for the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund**

**The Honourable Bill Morneau, Minister of Finance for Canada, on behalf of Antigua and Barbuda, the Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines**

## **I. Global Outlook and IMF Policy Priorities**

We are facing a challenging period in global economic affairs, but also one of opportunity. The challenges are clear: the IMF's global economic outlook has once again been lowered, the latest in a series of downgrades over the last several years, while the risks of persistently disappointing growth are real and rising. Growth in advanced economies continues to be hampered by weak demand, waning productivity growth and crisis legacies including, in some countries, strained bank balance sheets or elevated levels of public debt. Many emerging markets have strengthened their policy frameworks and financial buffers, but face capital outflows and structural challenges that, in many cases, are exacerbated by low commodity prices.

Nevertheless, we have an opportunity not only to secure the recovery but to decisively strengthen it. We welcome the IMF's call to action and emphasize the need to redouble our focus on the global growth agenda. Doing so is a collective responsibility. We must hold each other to account and encourage even stronger domestic efforts to boost growth and strengthen resilience. Our highly interconnected global economy means we must also refrain from short-term, zero-sum policies that benefit one economy at the expense of the others.

Monetary, fiscal and structural reform policies need to better support one another. Monetary policy has shouldered much of the burden so far. Fiscal levers—where available—must support a recovery in demand while investing in future growth capacity. High quality infrastructure, including clean energy, is a good example of public investment that supports short-term demand while improving long-term competitiveness and growth. Macroeconomic and microeconomic reforms, including active labour market policies, have an important role, and must be responsive to the circumstances of individual economies. A bolder pro-growth agenda must emphasize innovation and inclusive growth.

The IMF has a central role to play in helping the membership address macro-critical challenges through effective and transparent surveillance, sound policy advice, well-designed lending programs, and targeted capacity building.

## **II. IMF Surveillance and Advice**

Sound domestic policy is the bedrock of a resilient international monetary system. A strong foundation is all the more important in light of the numerous challenges currently facing the global economy: an uncertain recovery, insufficient demand, low commodity prices, capital flow volatility, and significant public and/or private debt. Global forces are dynamic and complex, making the IMF's surveillance role a vital part of identifying domestic and global imbalances, strengthening resilience, preventing crises, and supporting sustainable growth.

In that context, our constituency supports continued efforts to strengthen and deepen IMF surveillance activities. This includes ongoing work to strengthen the integration of the Fund's bilateral surveillance with its multilateral and spillover reports, and the development of robust external sector assessments. We welcome ongoing IMF work to mainstream macro-financial analysis and assess balance sheet risks.

We recognize that gaps in the available data can hamper the effectiveness of cross-border surveillance activities by the IMF and other international bodies. In support of better data quality and transparency, the Government of Canada in the budget tabled March 22 has committed the funding to complete the statistical products necessary to become compliant with the IMF's highest standard of economic and financial statistical data: Special Data Dissemination Standard Plus.

The IMF also provides an essential supporting role for the G20 in its monitoring and assessment of the implementation of adjusted country growth strategies. The IMF's analytical work on macroeconomic and structural reforms, including a new policy framework for the latter, has helped guide the G20 towards policies that foster stronger and more inclusive growth and reduce external imbalances. As co-chair of this G20 process, Canada extends its appreciation to the Fund for this work.

We also welcome the IMF senior management's focus on financial sector "de-risking," a particular challenge for some members of our constituency. We encourage the IMF to work with the Financial Stability Board, Financial Action Task Force, and national regulators to complete a diagnosis of the situation and work towards a recommended course of action. Meanwhile, access to technical assistance to enhance compliance with regulatory standards should be a priority for national authorities seeking support.

## **III. IMF Lending, Conditionality, and Capacity Building**

Our constituency welcomes the current discussion on how the IMF can continue to provide effective lending programs with appropriate conditionality that addresses the root causes of imbalances and instability. Existing resources and instruments provide a solid foundation to assure the global community that the Fund is adequately resourced to respond in a timely and effective manner to the needs of its members. The global financial safety net (GFSN) has been strengthened,

notably with the doubling of Fund permanent quota resources, supported by significant reforms to improve financial sector resiliency.

Our constituency remains open to ideas to further improve the effectiveness of the IMF as the core of the GFSN, subject to careful determination of benefits, costs and efficient management of the balance sheet. We support efforts to further improve collaboration within the international monetary system, including reducing uncertainty by establishing clearly-defined roles and responsibilities for the Fund in its relationship with Regional Financing Arrangements. In doing so, we encourage the IMF to draw upon the key lessons of the recent financial crisis, as highlighted in the Crisis Program Review.

We also encourage greater promotion of market-based instruments to reduce the likelihood of members requiring Fund or GFSN resources in the first place. We welcome the IMF's recent revisions to its sovereign debt framework, as well as the re-examination of the Debt Sustainability Framework for low-income countries. In addition, the Fund could explore ways to improve the feasibility of hedging/insurance instruments or state-contingent debt (e.g., GDP-linked bonds) and to help build a consensus around their wider use, in collaboration with other relevant international bodies.

The Fund should also continue to promote the development and deepening of local currency capital markets which can strengthen the convergence of emerging and developing economies with advanced economies. Capacity development is critical in that regard. It can be the natural handoff from surveillance. We continue to support greater emphasis on results-based management of capacity development programs to deliver concrete and durable outcomes for the IMF's most vulnerable members.

Our constituency also recognizes that the membership faces a range of non-economic shocks that can have significant economic consequences. Natural disasters and geopolitical conflict are good examples. As the membership considers the role of the Fund in any global response to such non-economic shocks, we call for clear principles for engagement that allow for a case-by-case assessment to be made. These principles should build upon the IMF's comparative advantages and require close collaboration with other international organizations whose core mandates include responding to such events.

#### **IV. Equipping the IMF to Deliver on its Mandate**

We welcome the entry into force of the 14<sup>th</sup> Review and the corresponding doubling of the IMF's quota resources. This is a major milestone in equipping the Fund with the resources and governance required to address new challenges. As we shift our focus to the 15<sup>th</sup> Review, we note that the October 2017 deadline is an ambitious but important commitment. Meeting this deadline will require flexibility, compromise, and commitment across the membership to advance concrete, practical solutions.

On the adequacy of IMF resources, expectations should be measured. These important discussions have only just started, and they will need to be founded on rigorous and transparent analysis. The case will need to be strong. We could also examine the size and design of the temporary resource facilities, such as the New Arrangements to Borrow, which may continue to be important supplements to quota resources for systemic crisis events.

Further re-balancing of the IMF's governance to better reflect members' weight and integration in the global economy also remains an important objective of the 15<sup>th</sup> Review. Past experience has shown that targeted quota increases are capable of facilitating these necessary shifts without significant quota increases. We are therefore open to considering ad-hoc increases as a way to achieve this important objective.

We underscore the objectives of a more agile, integrated and member-focused Fund. The IMF benefited from a step-change in operational resources following the last crisis. Since then, a flat budget principle has forced a healthy reallocation towards highest priority activities over time. The operational budget should provide adequate resources to meet expected demands, while imposing appropriate constraints to incent the most efficient use of resources and the agility of the institution.

Finally, we emphasize our support for greater employment diversity and gender balance throughout the IMF.