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

Statement by Mr. Immongault
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(Gabon)

I. THE GLOBAL ECONOMY

The global economic outlook remains fragile, and growth projections are, once again, revised downwards. Obviously, global factors as well as region- and country-specific developments point to a weaker-than-anticipated recovery. These include volatile financial markets; lower capital inflows and currency depreciations in emerging markets; adverse effects of climate change; fiscal and financial sector legacies from the global economic crisis; delays in structural reform implementation; geopolitical tensions; and forced migration.

We note that the negative growth revisions apply to all income groups and to all regions. Moreover, the global growth weakness reflects a slow recovery in advanced economies and declining activity in emerging economies. Commodity exporters are adversely affected by the downswings in commodity prices. The one bright note is the improvement of financial stability in advanced economies, where however, monetary stimulus is yet to be effective in raising prices.

Unfortunately, negative risks to the outlook have increased and the balance of risks is further to the downside. Financial market turmoil is a distinct new risk. One may be concerned that a protracted period of low or declining activity and unaddressed vulnerabilities may begin to have a toll on investment sentiment and asset prices.

Sharp volatility in financial markets, declining commodity prices and changes in asset prices will have a significant impact on the balance sheets and financing conditions of emerging market and developing economies (EMDCs). The latter need to be vigilant on developments on these three fronts. Nevertheless, EMDCs have overall registered rather strong economic performance following the crisis; their growth is expected to rebound in 2016; and they will remain the main drivers of global growth. Furthermore, their institutional and policy frameworks have improved significantly, including in low-income countries. In addition, in many of those countries, while declining—mostly on account of declining commodity prices—buffers remain significant.

The prospects of commodity-exporting economies are challenging as prices of oil and metals through the medium-term are now forecast to remain below levels previously anticipated, on grounds of resilient supply and weaker demand. Following a decade-long strong growth which helped build resilience throughout the global crisis, Sub-Saharan African economies show signs of deceleration and deteriorating fiscal and external balances. These externally-driven developments (terms-of-trade shock from commodity prices and tightening financial conditions) are a reminder of the need for low-income and middle-income developing economies to diversity, transform commodities in value-added activities, and generate more domestic demand-driven growth. It is clear that, in spite of the observed resilience, a prolonged period of low commodity prices could threaten macroeconomic stability in many countries.

Against this backdrop, reducing uncertainties through effective policy and reform implementation is of the essence. The Fund, as a unique global institution, has a critical role in assisting the membership support growth, enhance resilience and secure the future. In so doing, the Fund must be well equipped and adequately resourced.

II. POLICY PRIORITIES

The policy priorities outlined in the Managing Director's Global Policy Agenda (GPA), with the dual objectives of raising actual and potential growth, remain relevant. In our view, the GPA strikes an adequate balance between the priority of advancing structural reforms and that of supporting demand. The global collaborative approach advocated by the Managing Director is welcome.

Supporting Growth and Enhancing Resilience

We share the view that reducing financial vulnerabilities in *emerging market economies* (higher private sector leverage, increased foreign currency exposures, narrow bank capital cushions, rising nonperforming loans along with the deterioration of corporate earnings and asset quality will be challenging, especially in the current environment. A right balance has to be found with the need to support growth. Policy priorities for emerging markets and developing countries should also include building—or rebuilding—buffers where needed, and preserving financial stability through regulatory and macro-prudential measures.

In *advanced economies*, addressing crisis legacies is essential to both sustaining activity and enhancing resilience. In particular, completing the financial sector repair agenda will help further improve financial stability while reviving credit circuits. Maintaining accommodative monetary policies is still needed to sustain the recovery and, in some instances, to raise prices. A smooth normalization of monetary conditions will require a clear communication on the part of central banks to prevent market volatility and contain risks of spillovers. Fiscal policies need to be more attentive to country circumstances. We agree that countries without fiscal space needs to pursue growth-friendly fiscal consolidation—including by taking into account multipliers—while countries with fiscal space may adjust more gradually but they need to put in place credible medium-term adjustment plans.

Overall, we agree with the policy prescriptions for *low-income countries (LICs)*. In many commodity-exporting developing countries, adjustment seems unavoidable to preserve or restore fiscal sustainability. Strong fiscal rules and institutions could help them use resources for an objective of stabilization and also contribute to successful upscaling of public investments. These countries need to make growth more inclusive and advance diversification and structural transformation to promote more sustainable growth and development.

Noting exchange rate movements, notably the generalized depreciation of currencies of emerging economies, it is advisable to reflect on their impact on the competitiveness of low-income countries and that of African economies in general, given the strong trade links between the latter and emerging economies.

Regarding ***Sub-Saharan Africa*** in particular, short-term growth prospects have been affected by the terms-of-trade shock, as well as the tightening of financial conditions for frontier economies. Nevertheless, there are bright spots on the continent, especially among non commodity exporters, that give reasons for optimism. In addition, growth for the region is bound to pick up in 2016, and the continent will still contribute to shape, to a certain extent, growth in LICs and developing countries as a whole.

Securing the Future

We note that, overall, implementation of *structural reforms* has been slow in many countries. There has been resistance to reforms on the fiscal front but also in the labor, goods and services markets. As the sharp drop in energy and metal prices has not given the boost to most economies as expected—at least thus far—it is important for countries to effectively implement the needed structural reforms to maintain momentum. Raising potential growth will require enhancing productivity and removing bottlenecks on production. In advanced economies in particular, which face growth sustainability issues—with notably low total factor productivity and aging populations—labor market reforms to promote participation and improve skills are of the essence. Improving human capital and enhancing infrastructure continue to be highly needed in emerging markets and developing countries.

Better managing the volatility of commodity prices

Growth in commodity-exporting countries has been significantly affected by price volatility of the last three years. According to the new issue of the IMF's *World Economic Outlook*, this new cycle will be reflected in an average annual growth rate that would be 1 percentage point lower for commodity exporters. In this regard, it would be advisable to put in place policy instruments aimed at limiting channels of transmission to the rest of the economy and containing the impact of volatility on growth.

III. IMF Support and Governance

Against the backdrop of a prolonged weak global recovery and elevated uncertainties, IMF support is all the more critical. We welcome Fund's recent efforts in assisting members in need, including through enhanced technical assistance, the establishment of the Catastrophe Containment and Relief (CCR) Trust, the expansion of precautionary and/or blended arrangements for frontier economies, the use of exceptional access arrangements, and the 50-percent increase in limits of access to concessional facilities. We encourage the Fund to make further steps to sustain an adequate support to the membership. Notably:

- *Fund surveillance* should continue to keep pace with new challenges and integrate its components—multilateral, regional and bilateral surveillance—to better comprehend spillover risks and enhance policy advice. We also see merit in Fund reflecting on the macroeconomic challenges stemming from demographic changes, migration, refugee crises and security crises. We look forward to an active role of the Fund in the COP21 agenda.

- The IMF should assist developing countries that have access to capital markets in conduction liability management operations, with the view to preserve debt sustainability, especially in the context of pre-announced withdrawal of accommodative monetary policy by the U.S. Federal Reserve (Fed).

- On *Fund lending*, the institution should stand ready to respond to the financial needs of commodity-exporting countries as they arise. On a different front, additional contributions to the CCR Trust are needed to preserve its capacity in addressing the needs of members affected by a natural disaster or a public heath catastrophe in the future. As for access limits to concessional resources, we call on the Fund to revise its 2013 decision to halve these access limits upon the entry into force of the 2010 Reforms on Quotas and Governance.

- In our view, securing the future also entails a successful implenentation of the *Post-2015 Development Agenda*. We support an active role for the IMF, with a concrete set of deliverables in areas such as infrastructure investment, resource mobilization, economic transformation and diversification, and financial inclusion. We would like to make a few remarks on these areas of action:

  First, regarding i*nfrastructure investment*, the Fund should enhance its advice and technical assistance on the quality of spending and on public financial management. It should also take into account, in its program design and conditionality, the daunting infrastructure and human capital needs of developing countries while preserving their debt sustainability. The upcoming review of the joint Fund-Bank Debt Sustainability Framework for LICs should also integrate the evolving circumstances and development priorities of those members.

  Second, the ambitious post-2015 development agenda requires important *resource mobilization* efforts. The Outcome Document of the Third International Conference on Development Financing held in Addis Ababa in July 2015 raises expectations on an active and forward-looking contribution from the IMF. In this regard, we look forward to the completion of the joint Fund-Bank Domestic Resource Mobilization (DRM) framework, which should entail expanding tax bases, reducing exemptions, and improving the effectiveness of revenue agencies. But we see an equally important role for the Fund, in conjunction with the World Bank and other specialized organizations, on providing advice and technical assistance on policies to combat tax avoidance, tax evasion, profit shifting, and other illicit financial flows. These practices, put together, deprive many of developing countries, notably in Africa, of significant budget resources every year.

Third, we call on the IMF to develop, in conjunction with the World Bank and the Financial Stability Board, policy options to assist developing countries affected by the de-risking behavior of large banks and their correspondent banking relationships, and by the scaling back of banking and correspondent banking relationships that contribute to financial exclusion.

To be effective, the Fund must continue to reform and be adequately resourced on a permanent basis. In this context, implementation of the 2010 Reforms remains critical. We also continue to stress the importance of increasing staff diversity at the Fund.