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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 Joe Oliver, 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

The global economy continues to face weak growth prospects and a number of important challenges. In this Statement, I outline these challenges and their implications for the role of the IMF. I also convey views on specific policy issues linked to the IMF's governance and effectiveness in fulfilling its mandate.

I. Global Outlook and IMF Policy Priorities

Since we last met in the autumn, medium-term global growth prospects were revised down despite the boost from the recent decline in oil prices and a strong recovery in the United States. This suggests that underlying global economic conditions are weaker than estimated only six months ago. In addition to the shift in oil prices, the most significant development since last autumn has been the strengthening of the U.S. dollar against most other currencies, which reflects diverging growth outlooks and monetary policy stances, including the recent announcement of quantitative easing by the European Central Bank. Many countries are still struggling with the legacies of the financial crisis, and economic growth is expected to be weighed down in some advanced economies by high levels of debt, below-target inflation, and low confidence, which is holding back productive investment.

Among the most significant downside risks are the potential for financial instability associated with asynchronous monetary policy in systemic economies and rapid movements in foreign exchange markets; market volatility stemming from slowing rates of growth in China and other large emerging markets; as well as geopolitical tensions, notably in Ukraine and the Middle East.

IMF members must not be complacent in the face of these challenges. There is a need for decisive and coordinated action to secure stronger and more sustainable global growth. Most critically, this means pursuing ambitious and well-targeted structural reforms to foster innovation and raise the productive potential of our economies. To be sure, it is essential that measures take place within a framework of balanced budgets and sustainable debt to ensure that confidence is maintained.

For many emerging markets, policy efforts should focus on building up a robust macroeconomic framework to help mitigate external shocks. Improving the quality of public fiscal management will also be critical in allowing economies to mobilize and allocate revenue efficiently in support of job-rich, inclusive growth.

Among IMF members, G-20 countries have additional responsibilities. Building on the good work from last year, the G-20 will ensure full and timely implementation of members' comprehensive growth strategies. It will also be proactive in addressing new and remaining gaps in the global economy, including fostering a durable reduction in current account imbalances and helping stem the rise in inequality.

The IMF has a central role to play in supporting this effort and can most effectively do so by focusing on its core mandate: effective and transparent surveillance, sound advice on fiscal and monetary frameworks, a targeted focus on macro-critical structural reforms, and effective adjustment lending when required. The IMF should emphasize its comparative advantages and look to engage and collaborate with other international organizations where appropriate. Finally, it is essential that the IMF be equipped with the governance structure and resources to continue to play its vital role in the global economy. I elaborate on each of these points below.

II. IMF Surveillance and Advice

The IMF should continue to strengthen its surveillance, supporting the membership with a rigorous assessment of the risks to the global economy and financial stability. The IMF should also continue to offer policy advice and analysis to members and help identify the scope to implement appropriate measures to support growth while ensuring fiscal sustainability.

Accommodative monetary measures continue to be an important component of the effort to support demand in the near term while providing space to strengthen the long-term drivers of growth. Nevertheless, prolonged monetary accommodation in advanced economies can increase vulnerabilities, particularly in emerging markets. We encourage the IMF to deepen its understanding of this phenomenon and help members reduce domestic vulnerabilities and manage potential volatility.

As the IMF has noted on several occasions, the structural reforms have lagged other policy responses to the crisis. A greater focus on macro-critical structural reforms by the IMF in its surveillance and advice can bolster members' efforts in this regard. However, we recognize that the necessary macro-critical reforms vary across the membership. We encourage the IMF to focus its resources on areas where the Fund's value-added is highest and to draw on the knowledge and expertise of other organizations, like the OECD, where possible. To improve the traction of its advice, we encourage the IMF to undertake efforts to estimate the cost/benefit trade-off of particular reforms and to use case studies to highlight successes.

We also emphasize the importance of exchange rate assessments. Monitoring the spillover effects of exchange rate policies on other members is fundamental to effective surveillance, and remains at the core of the IMF's mandate. We continue to see good value in the Fund's external sector report and look forward to greater integration of its findings into other aspects of the IMF's bilateral and multilateral surveillance.

Our constituency welcomes the forthcoming implementation of the 2014 Triennial Surveillance Review, as well as an ongoing assessment of its results.

Finally, the IMF's oversight is inhibited by excessive delays by certain members in undertaking Article IV reviews. In light of the upcoming IMF review of approaches to strengthening its Article IV incentives framework, our constituency reiterates our support for strengthened enforcement mechanisms to encourage members to fulfill their Article IV obligations.

III. IMF Tools, Lending and Conditionality

We support efforts to ensure that the IMF can continue to provide effective lending programs with appropriate conditionality to address the root causes of instability and restore a timely path to recovery. The IMF continues to demonstrate, including within our own constituency, its effective role in supporting members as they respond to shocks and implement their plans for growth and prosperity. However, by its very nature IMF lending is risky and the Fund needs to continue to build appropriate safeguards and risk mitigation measures within its lending programs.

We should not shy away from these risks. That said, to give every program the best chance of success the IMF must also continue to learn and adapt from past experience. There are many ways to foster a learning culture within the IMF. The upcoming Crisis Program Review, with its focus on the IMF's performance in the wake of the financial crisis, is one such opportunity. Our constituency welcomes the review and encourages the IMF to translate the lessons learned from this review into a strategy of concrete steps to improve its instruments and their application.

Another example is the ongoing examination of Fund policies and approaches to managing sovereign debt. Our constituency welcomes the next installment of the IMF's review of the exceptional access framework. While it is important that some flexibility and room for judgement is maintained, this flexibility must be managed in a transparent and rigorous way to alleviate concerns about a lack of even-handedness. As the IMF continues to refine its approach to sovereign debt, an overriding focus should be to minimize moral hazard and ensure that taxpayers are not left to bail out private creditors in times of crises.

In addition, the IMF continues to play a valuable role as a trusted advisor to its membership and through the delivery of technical assistance and capacity development. As a significant donor to the IMF's activities, Canada would like to see a greater emphasis on demonstrating results and value for money. Our constituency also continues to emphasize the unique challenges faced by small and vulnerable states, and encourage the IMF to sustain its dedicated engagement with these states.

IV. Equipping the IMF to Deliver on its Mandate

The global economy continues to evolve and the international monetary system (IMS) should evolve with it. We therefore look forward to participating in discussions on whether and how the IMF can play a role in further strengthening the IMS. In doing so, we must recognize that much has already been done since the financial crisis, particularly with regards to strengthening global financial safety nets. We note that the IMF should continue to cooperate with regional financing arrangements (RFAs) and reiterate the principles adopted by the G20 on IMF-RFA cooperation, including respect for the IMF's independence and decision-making process, as well as its preferred creditor status.

The IMF can also explore ways to contribute to the global development agenda while remaining firmly rooted in its areas of expertise. It has done so already by developing, for instance, debt sustainability analysis templates that are tailored to the needs of low-income countries. The IMF could potentially apply a similar "development lens" to other areas where the Fund has both the expertise and a comparative advantage over other organizations. In doing so, the IMF should be careful to ensure that any work in this area is highly targeted, fits within the Fund's mandate, and does not dilute the focus and resources devoted to the Fund's key surveillance mandate.

This approach should apply to all of the Fund's work. It is vital that the IMF exert financial discipline, make strategic choices, and prioritize effectively in order to continue to deliver on its primary mandate within a fixed funding envelope in real terms. Any new IMF initiatives should involve a targeted reallocation of internal resources.

Finally, IMF reform is critical to sustaining the Fund's legitimacy among its membership in the context of the changing global economic landscape. Our constituency is open to considering all reasonable and pragmatic options for advancing IMF reform. It is important that we focus our discussions on three principles. First, we must avoid unravelling progress made to date. Second, we must maintain the effectiveness of the IMF by working towards member representation that is more aligned with relative economic weights. Third, we should ensure the Fund has adequate resources to assist its members.

Our constituency shares the frustration over the ongoing delay in the effectiveness of the 2010 reforms. In the interim, we must focus on what is possible. In our view, an ad hoc quota increase combined with a political commitment to ensure that the IMF is appropriately resourced (through continued New Arrangements to Borrow activations, as appropriate) is the most realistic way forward. The IMFC must give guidance to the IMF Executive Board to deliver such a package in time for agreement to be reached by Governors by the target date of June 30, 2015.