INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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IMFC Statement by Said Chayhane SAID ALI
Minister of Finance and Budget
Union of the Comoros

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, Republic of Madagascar, Mali, Islamic Republic of Mauritania, Mauritius, Niger, Rwanda, Democratic Republic of São Tomé and Príncipe, Senegal, and Togo

Statement by Hon. Said Chayhane SAID ALI
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On behalf of the 23 countries that we represent at the International Monetary and Financial Committee (IMFC), we wish to congratulate Ms. Kristalina Georgieva for her appointment as Managing Director of the IMF. We would also like to thank Ms. Christine Lagarde for her strong leadership of the institution during her tenure.

I. Global Economic Outlook, Risks and Policy Priorities

Global Economic Outlook and Risks

The global economic activity has gotten even weaker than six months ago, with some sectors such as manufacturing falling to levels reminiscent of the last global recession albeit more resilient sectors such as services. Advanced and emerging economies are moving in the same direction. This takes place in an environment of excess external imbalances, heightened trade and related policy uncertainty, and geopolitical tensions, which are impacting significantly business confidence, investment and global trade. We note that idiosyncratic factors are also at play, including low productivity growth and adverse demographic shifts in some advanced economies, notably population aging.

The world economy faces difficult headwinds over the forecast horizon. We note that the global growth projections for 2019 and 2020 are revised downward, with most advanced, emerging and developing countries experiencing this negative change. The situation could be even bleaker if not for the monetary policy accommodation being taken or signaled by several central banks.

The multiplicity and significance of risks add to the possibility of a severe downturn. If not addressed, the factors that hold back activity could further affect growth, aggravate financial vulnerabilities and cause more instability in commodity prices. Moreover, the search-for-yield flows to emerging and frontier markets have been driven by external factors rather than domestic factors, which leaves countries, especially those with asset overvaluation, vulnerable to capital flow reversals.

We welcome the full recognition of climate change as a significant risk to the global economy given its long-term effects as well as its immediate macroeconomic impact on many countries, particularly islands, small states and low-income countries. This challenge is carrying significant humanitarian and physical costs. Insufficient resources for, and inconsistent implementation of, domestic mitigation strategies make difficult to alleviate the effects of climate change.

Regarding sub-Saharan Africa (SSA), growth figures indicate a slight slowdown, driven by the sluggish outlook in the three largest economies of the continent. The overall growth however hides strong growth performance in the bulk of countries, including a rebound in commodity exporters that were sharply affected by the price shocks of recent years. However, what is most worrisome is the contraction of per capita GDP growth, which undermines the gains achieved in the last two decades. The projected bounce in SSA growth over the longer term might not be sufficient to reverse the current per capita GDP trend.

All in all, the global economic outlook appears precarious. We feel an even greater sense of urgency to act than was six months ago. This calls for coordinated actions to address policy uncertainty and tackle global challenges. Macroeconomic and structural policies should support growth, promote inclusiveness, and enhance resilience.

Reducing Policy Uncertainty and Enhancing International Frameworks through Joint Actions

We share the view that priority should be given to lowering trade tensions by rolling back recent bilateral tariff increases, resolving the challenges and uncertainty stemming from Brexit, advancing multilateral resolution of trade disputes and strengthening international trading system within the framework of a stronger World Trade Organization (WTO).

We also call for greater multilateralism in tackling international taxation issues and illicit financial flows. This would contribute, *inter alia*, to increasing critical budget resources in developing countries where some of those flows originate. We, collectively, should enhance international institutions in shaping global tax rules and promote more inclusive international cooperation in tax matters with due consideration to the specific needs of low-income and other developing countries.

Sustaining Growth and Building Resilient and Inclusive Economies

Supporting growth should remain a key concern for policymakers. At national levels, macroeconomic policy mix should be geared at sustaining economic activity as needed while tackling fiscal and debt vulnerabilities. Monetary policy should remain accommodative where possible whilst being mindful of spillovers, notably abrupt capital flow reversals from emerging market and developing economies. That said, monetary policy may be constrained in this environment of enduring low interest rates. Fiscal policy should be supportive where there is space and growth developments warrant it. Where there is little or no space, fiscal consolidation should remain as growth-friendly as possible and attentive of country-specific circumstances such as infrastructure gaps.

It is also important to address financial vulnerabilities, including those stemming from monetary policy accommodation, notably through macro-prudential measures, completion of the financial regulatory agenda to increase financial resilience, and the strengthening of the global financial safety net to adequately respond to disruptive financial flows. Financial inclusion strategies which potentially leverage Fintech are also needed. At the same time, it is important that regulation strike a sensible balance between creating a supportive space for innovation and maintaining a robust regulatory framework. While structural reforms should also be tailored to country conditions, they should aim at raising productivity growth, improving labor market participation and promoting inclusiveness, particularly for youth and women. Enhancing inclusiveness will also require investing in education and training, as well as addressing intra-national economic disparities.

Policymakers in low-income countries (LICs) continue to face additional challenges arising notably from the need to strengthen institutional and policy frameworks and build capacity. We agree on the need to carefully tailor reforms to country circumstances, including political-economy factors, to maximize the payoffs of structural policies. Adequate sequencing and pacing of structural reforms also carry weight. Among LICs, commodity-exporting countries must also secure economic diversification away from resource extraction and structurally transform their economies.

Tackling Global Challenges

Multilateral action is needed to address the common, long-term challenge of climate change, notably by adhering and committing to the Paris Agreement and curbing greenhouse emissions to mitigate the impact of global warming. We support the call for urgent action as the window of opportunity to bring down carbon dioxide emissions to manageable levels is shrinking, and mitigation costs may rise as policy inaction continues.

In pursuing development objectives, notably the Sustainable Development Goals (SDGs), low-income countries face the daunting challenge of increasing spending and mobilizing external resources to close their infrastructure gaps while striving to preserve debt sustainability.

For some countries, notably in Africa, efforts towards the SDGs take place in an environment of security threats which heavily weigh on their budgets. Security-related challenges can prove to be macro-critical and carry significant spillovers. They require important resources at national levels, which should however be complemented by international support.

II. The Global Policy Agenda

Against the backdrop of a precarious economic outlook and rising risk of a downturn, the Managing Director's Global Policy Agenda is all the more crucial to guide policymaking going forward. We agree with its policy priorities. We appreciate the emphasis on growth and the Sustainable Development Goals. We broadly support the Global Policy Agenda.

We welcome the IMF's plan of developing an Integrated Policy Framework to enhance its role in monetary, financial and macro-financial policy advice.

A comprehensive approach to enhancing the multilateral trading system is warranted. We look forward to the IMF's advocacy for strengthening rules in agricultural and industrial subsidies as well as technology transfer as part of advice to modernize the global trade system.

While supporting global solutions to address common challenges, the IMF should also strengthen its support for regional solutions as appropriate, such as the African Continental Free Trade Area agreement (AfCFTA) which has been recently ratified.

We welcome the IMF's efforts to enhance its engagement with fragile and conflict-affected states and appreciate the recent access increase under the review of facilities for low-income countries. We also welcome Fund's increased focus on climate change, consistent with its mandate and in collaboration with other institutions, notably the World Bank. In this connection, we look forward to IMF's analytical work on sustainable finance which should examine financial stability issues but also support, in the context of surveillance and program design, countries' efforts to mobilize resources and develop climate-smart sectors.

We continue to support Fund's engagement with countries in efforts to meet the SDGs, including support in domestic revenue mobilization, financial market deepening, and contribution to the Compact with Africa to attract private investment on the continent.

We also see a significant advocacy role for the IMF in favor of multilateral actions to address international taxation and illicit finance matters. While leveraging the expertise of other institutions such as OECD, the Fund should develop its own agenda and policy guidance to better assist all countries given its near universal membership. We also welcome the IMF's continued emphasis on the challenge posed by the withdrawal of correspondent banking relationships which continues to affect financial sectors in several developing countries.

IMF Resources and Governance

The IMF should remain a quota-based institution at the center of the global financial safety net (GFSN). We expect the 16th General Review of Quotas to build on the progress made under the 15th Review and call on the Executive Board to continue its work on quota formula and quota share adjustments as a matter of priority.

In the meantime, the heightened risks and policy uncertainties facing the global economy call for a well-resourced IMF capable of meeting the needs of members at any point of time, including in the most extreme-case scenarios. We can go along with doubling the New

Arrangements to Borrow (NAB) while keeping bilateral borrowing agreements (BBA) to a level that will ensure that the Fund's resource envelop is at least maintained.

We continue to value improving staff diversity, notably by promoting the recruitment and promotion of staff from underrepresented regions, including at managerial levels. We also see merit in pursuing greater gender diversity.