



# **International Monetary and Financial Committee**

Thirty-Eighth Meeting  
October 12–13, 2018

**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, and 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**

## **Global Outlook and Policy Priorities**

While global economic growth remains strong at present, the ongoing expansion has become less synchronized across countries, and the rate of growth is expected to moderate over the medium-term amid growing risks and uncertainties. Vulnerable emerging market economies with high debt are facing increasing pressures associated with a tightening of financial conditions and capital flow reversals as a result of monetary policy normalization in advanced economies and policy uncertainty, among other factors. Escalating trade tensions pose a significant risk to growth prospects globally, and are symptomatic of waning support for the multilateral order that has propelled prosperity and poverty alleviation for decades. Many countries, in particular small island states, remain vulnerable to the impacts of extreme weather events and climate change.

There is increasing urgency for the international community to take advantage of the current late-cycle opportunity to address shared challenges and strengthen resiliency against identified risks, including trade actions and financial vulnerabilities. We must work together to rebuild policy space and undertake the necessary reforms to modernize the multilateral trade system, reduce excess external imbalances, leverage technological change, close data gaps, and foster innovative solutions to achieve more inclusive long-term growth and global prosperity.

In this spirit, we welcome the Managing Director's Global Policy Agenda and reaffirm our endorsement of the IMF as a strong, vocal champion of shared solutions to collective international challenges at the centre of the Global Financial Safety Net (GFSN). The Fund can continue to best serve its membership by providing practical policy advice supported by effective surveillance, sound lending programs, targeted capacity building activities aimed at promoting macroeconomic and financial resilience, and robust governance frameworks that embody global best practices.

## **IMF Surveillance and Advice**

The provision of surveillance and policy advice are crucial components of the Fund's work, particularly in an environment of rising risks to global growth and the rules-based multilateral order. In order to be effective, practical and well-targeted policy advice that focuses on the key aspects of economic stability and growth must be matched by traction in member countries. As the foremost international institution for the delivery of sound macroeconomic evaluation and guidance, we welcome the Fund's work on the 2019 Comprehensive Surveillance Review, as well as ongoing efforts to enhance financial integrity and resilience in the face of an ever-evolving

global landscape. All member countries need to heed calls for structural reform in the narrowing window of opportunity at hand.

In light of diminished growth momentum and tighter financial conditions as monetary policy normalizes, we support the Fund's call for action to mitigate medium-term risks by rebuilding policy space, strengthening resilience, and advancing reforms to raise potential growth. Ensuring that gains from integration and technological innovation are shared more broadly, and that barriers continue to be removed from the full economic empowerment of women and girls, are important elements of this priority.

One of the challenges that could hinder such progress and further threaten global growth prospects is the seemingly waning support for multilateral cooperation. To ensure advances in stability and prosperity are not squandered, the Fund must continue to promote the benefits of a rules-based multilateral system, supported by robust analytical evidence with an increased focus on market interventions and the accumulation of reserves, in order to bolster trust in the international financial and economic architecture and the institutions that underpin it. We encourage a continued assessment of, and emphasis on, the costs and spillovers from rising trade tensions, the potential disruption of global supply chains, and the resultant and disproportionate impact on low-income households, along with solutions to address large and sustained excessive global imbalances that remain an important source of fragility and contention.

Further, challenges are arising from growing debt vulnerabilities, particularly in a number of low-income countries (LICs). The Fund has an important role to play in supporting member countries, particularly LICs, in their efforts to meet the spending needs required for the achievement of their Sustainable Development Goals (SDGs). Moreover, an increasingly complex and opaque debt landscape highlights the need for greater transparency and support for developing debt management capacity in LICs. We welcome the ongoing implementation of the updated Debt Sustainability Frameworks for LICs and encourage continued promotion of the need for enhanced debt transparency, supported by improved data and statistics. All debtors and creditors must work together within the existing architecture to curtail unsustainable lending practices and reduce uncertainty where vulnerabilities exist.

### **IMF Lending Toolkit**

While strong surveillance and policy advice remain a cornerstone of IMF functionality, so too does its lending toolkit. The Fund must be adequately equipped to facilitate macroeconomic adjustment and financial stability in member countries in the event of adverse shocks. The current environment of heightened downside risks further underscores the need for an effective, efficient, and flexible lending toolkit, while recognizing the importance of remaining even-handed in the consideration of financial support for member countries. Over the next year, we see three priority areas for Fund work in this sphere.

First, we encourage the Fund's continued efforts to support the poorest and most vulnerable among its membership. The IMF's Poverty Reduction Growth Trust (PRGT) is a vital part of the financial safety net for the countries it benefits, as the programs it funds help to unlock growth potential and build resilience against both economic and non-economic shocks in lower-income countries. It is

important for the Fund to continue to consider the appropriateness of existing eligibility criteria, access limits, and post-catastrophic disaster debt relief in the context of its upcoming review of reform proposals to LIC facilities.

Second, in addition to strong support for LIC efforts, there is a persistent need to strengthen the Fund's toolkit supporting small and remote states given the unique challenges they face associated with climate change, debt sustainability and resiliency, and the loss of correspondent banking relationships and its associated implications for financial inclusion. We welcome further consideration of the most effective tools to assist this diverse cohort, making up more than a fifth of membership, and call on the IMF to increase efforts to address the challenge of improving their macroeconomic resiliency and to ensure that the post-natural disaster response for this group is sensitive to their distinct needs.

Third, as the IMF remains central to the GFSN, there is a need for more systematic coordination and leadership to enhance capacity at all levels. We urge the Fund to fully embrace its role as a mentor and facilitator, drawing on seven decades of expertise to continue work with Regional Financing Arrangements (RFAs) to improve coordination. The strength of the GFSN is not determined solely by its size but also from the ability of its many parts to function as a cohesive whole. Through a continued dialogue between the IMF, other international financial institutions, and RFAs, the Fund can share best practices and improve the capability of all layers of the GFSN.

### **Capacity Development**

We support the Fund's efforts to strengthen the alignment between capacity development, surveillance, and lending along with its continued focus on innovative delivery and monitoring of results. The upcoming review of the IMF's capacity development strategy provides an effective and relevant context for furthering this more holistic approach to the Fund's core business lines.

In addition to this constructive integration work, we call upon the IMF to further leverage capacity development efforts to advance gender equality and promote women's economic empowerment and financial inclusion with a view to fostering more equitable growth outcomes. The broader use of gender- and age-disaggregated data along with the endorsement of gender budgeting would be useful elements in support of key policy areas to facilitate these goals, as well as support members' reporting on SDGs.

Lastly, we see broader space to employ Fund technical assistance and capacity development efforts to improve members' macroeconomic and financial resiliency, stability, and inclusivity. These aims can be attained via: enhanced financial sector regulatory and supervisory frameworks; support for domestic resource mobilization efforts; support for addressing data gaps, specifically with respect to debt; and through promotion of the development of resilient debt instruments, particularly for small island developing states vulnerable to natural disasters and climate change.

### **IMF Governance and Accountability**

To remain relevant within the global economic and financial landscape, the Fund must continue to evolve. We urge all members to take a constructive and flexible approach to achieving consensus

on governance reform. The 15th General Review of Quotas provides an opportunity to ensure that members' relative economic weight and integration in the global economy are well reflected in their voice at the Fund. It also presents an occasion to ensure that the IMF remains an adequately resourced institution that plays an integral role in the GFSN. We remain committed to completing the 15th Review according to the agreed timeline.

Additionally, we are supportive of revisiting considerations to further strengthen the IMF's governance and accountability structures in line with IEO's recent governance evaluation update. A number of the Fund's governance controls have remained largely unchanged since inception and may now be lagging behind modern best practices. As part of this effort, we encourage the Fund to continue to encourage the equal representation of women in all roles and leadership positions.

In closing, it is essential to note that an effective, legitimate, and above all relevant institution is one that meets the needs of all members while acting as a leader within the multilateral architecture. As such, we endorse the IMF's ongoing efforts to identify opportunities to collaborate with and capitalize on the expertise of other organizations by leveraging improvements in its network of strategic partnerships. These approaches will leave the Fund well equipped to respond to a rapidly evolving global environment and to set an example for the membership at large.