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

Statement by Mr. Regis Immongault Tatagani
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The global outlook has deteriorated further, and risks have risen along with financial and commodity market volatility. We share the view that growth has consistently failed to meet expectations for the past few years of post-crisis in large part because of low confidence in the implementation of the required policies which remains subpar. Therefore, we welcome the emphasis put in the Managing Director's Global Policy Agenda (GPA) on reinforcing the commitment to stronger, sustainable global growth and effectively implementing a comprehensive mix of policies.

CURRENT CONJUNCTURE AND OUTLOOK

It is concerning to note that, despite recent positive developments—actions by major central banks to improve sentiment, reduced market pressures in emerging market economies outflows, and overall lower energy prices—global growth remains well below what is required to tackle long-term challenges in many parts of the world, including stagnating living standards, high unemployment and poverty incidence.

Many downside risks that were projected at our last meeting six months ago have materialized, bringing down—one again—global growth projections. We note that the general decline of oil and commodity prices over the past 18 months has not helped bolster global growth or even growth in oil and commodity importers; worse, the price fall stems from excess capacity, puts downward pressures on manufacturing goods and lead to disinflation—and in some cases, risk of deflation--forcing central banks in advanced economies to keep interest rates near zero. Closing excess capacity, with ramifications on activity and employment, would be undesirable in the current environment. Lifting demand is the appropriate way forward.

The growing signs of risk aversion in financial markets, widening spreads, and corporate indebtedness are also concerning. Exposure of banks to sectors with falling prices does not bode well with confidence, credit recovery, needed investment and growth prospects.

Growth in low-income and lower middle-income countries remains solid albeit slowing. Those countries have averaged about 6 percent annual growth in the past decade and, within this group, Sub-Saharan African countries have greatly improved their macroeconomic and financial frameworks and positions, not only relative to others but also relative to their own past performance. However, they remain vulnerable to external shocks as the current oil and commodity price volatility makes evident, with implications for fiscal and external positions. Those countries continue to face infrastructure gaps and poverty, which need to be addressed. In this regard, most of them—in spite of wrong perceptions to the contrary—enjoy significant financing space, with debt-to-GDP ratios below 40 percent on average and below 35 percent for many. While cautious fiscal and debt policy should be the rule, those countries are not near a new debt crisis. The pace of increase in the debt-to-GDP ratio for low-income countries—an average of 4 percentage points of GDP since the financial crisis, that is half a point of GDP per year—is not conducive to a debt crisis particularly as the borrowing has mostly financed public infrastructure projects which help sustain their growth momentum. Once the infrastructure gaps are reduced, one can expect that the curves of debt ratios will flatten and even reverse.

POLICY CHALLENGES AND PRIORITIES

Against the backdrop of persistently weak growth and elevated risks, the main policy challenges are to lift demand in a way to boost short-term growth; raise potential output while maintaining demand and supply on balance; and address financial stability issues. We agree that fiscal, monetary and structural policies are all needed to achieve these objectives. Coordination of policies among member countries remains critical to prevent adverse spillovers. In this regard, Fund's surveillance, technical assistance and financial support to the membership are essential.

Accommodative ***monetary policy*** has been very useful in sustaining somewhat the recovery, and we share the view that it should be pursued where inflation remains subdued and output gaps persist. In the meantime, preparing for an orderly exit from extraordinary monetary measures is critical to preventing adverse spillovers, notably to emerging markets and frontier economies. In this regard, the strong communication strategy used by central banks that are at an advanced phase of this exit cycle, is commendable.

To lift demand, ***fiscal stimulus*** should be used appropriately, i.e. where needed and feasible. We very much welcome the priority put in the Managing Director's GPA on promoting public investment in advanced economies to update their infrastructure, as well as in emerging markets and developing countries to close their sizeable infrastructure gaps. We look forward to the IMF's pilot on a new Infrastructure Policy Support Initiative to make infrastructure investment more efficient, and hope that a variety of members will be included in this pilot. There is also a case for actions as regard workers' wages to favor private consumption whose high multiplier will help boost growth in the short-run.

Structural policies in advanced economies should be geared at enhancing labor market flexibility where needed, and tackling challenges to long-term growth and fiscal sustainability, including the effects of population aging. In the financial sector, the unfinished regulatory agenda should be completed to address the crisis legacies and resume credit and investment. Developing countries need to put in place structural reforms aimed at increasing productivity and efficiency, and to maintain efforts in improving the business environment to attract financial flows, particular the more stable direct investments.

Many low-income and lower-middle-income countries are commodity exporters. They have seen their growth momentum significantly affected with the sharp decline in commodity prices. Growth deceleration has been accentuated in some cases by major spending cut in response to budgetary pressures. Efforts toward additional domestic revenue mobilization are required but there is so much those measures can achieve in a short period given the magnitude of the impact of commodity price shocks; thus financial support is required. ***Economic diversification and structural transformation*** should remain at the forefront of their reform agenda. The Fund, which has developed a toolkit on diversification and transformation, should continue to make this advice and to support those countries' adjustment and reform efforts.

How the Fund Can Help the Membership

We welcome the intention of the IMF to provide the membership with support to meet their commitment to growth through focused surveillance, capacity development and financial assistance as needed, to underpin more forceful policy implementation, preserve financial stability and protect the most vulnerable members. We broadly endorse the directions of the proposed Fund's agenda. Some areas of action deserve particular attention.

Commodity Exporters

The peculiar situation of commodity exporters that are severely hit by the commodity shocks should be given particular attention. We call for the establishment of an instrument tailored to the needs to those members as they face daunting fiscal and macroeconomic challenges stemming from commodity shocks.

Non-economic Sources of Shocks

We support Fund's engagement with members in managing spillovers from shocks emanating from non-economic sources but that are macro-critical. Refugee crises and epidemics are clearly identified in the GPA but the institution needs to make sure that other non-economic shocks with significant macroeconomic impact such as *terrorism and security-related shocks* are part of the challenges for which the Fund should help affected members. These shocks threaten macro stability, and have regional and global ramifications.

Integration and Trade

Trade growth has been slowing, its contribution to global growth is declining, and there are increasing pressures of protectionism. We would welcome a stronger agenda of the Fund on advancing regional integration as well as resuming multilateral trade negotiations, which could be significant sources of additional growth in many parts of the globe.

The Post-2015 Sustainable Development Goals

It is important to recall that the Post-2015 Sustainable Development Goals (SDGs) is a development agenda endorsed by the global community. The IMF has committed to play an active role, consistent with its mandate, in helping countries achieve these goals. The agreement reached in Addis Ababa on Financing for Development puts great emphasis on resources, notably the importance of domestic revenue mobilization, but also that of tackling *illicit financial flows*. Illicit flows should be on the agenda of the Fund which is a universal institution directly concerned with fiscal imbalances and financial stability issues. The membership expects the Fund to support efforts by developing countries in tackling these flows, notably by helping strengthen their capacities.

Access to Fund's General Resource Account

We welcome the progress made by the Fund in its AIM approach (Agility—Integration—Member-focused). Going forward however, this approach also requires addressing the fundamental issue of the effective access of all members to the Fund's General Resource Account (GRA), irrespective of income level.

IMF Resources

The uncertain economic outlook, the major structural shifts taking place in the global economy, the heightened downside risks and the assistance that the Fund intends rightly to play in helping the membership meet daunting policy challenges, call for a strong and adequately equipped IMF. This requires appropriate human and financial resources, including both in the GRA and Poverty Reduction and Growth Trust (PRGT).

The Fund is a quota-based institution, and the composition of its resources should reflect this nature. We look forward to the completion of the 15th General Review of Quotas, which should proceed alongside work on a new quota formula and its outcome based on such formula. We continue to stress the importance of a more diverse Fund staff, in particular efforts to enhance the presence of nationals from underrepresented regions, notably Sub-Saharan Africa.