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Statement by Mr. Mouissi
Gabon

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

IMFC Statement by Mr. Mays MOUISSI
Minister of Economy and Participations of Gabon
April 19, 2024

Global Outlook and Priorities

We welcome the growing resilience of the global economy and the promising prospects for a soft-landing, but caution should be exercised. Owing to decisive action by policymakers, inflation is declining significantly while growth and employment are firming up. The recovery is sustained by strong labor markets in advanced economies, the normalization of supply chains following the COVID-19 disruptions, and supportive fiscal policy in advanced, emerging market and low-income economies. While stronger economic activity, driven notably by increased labor force participation, and productivity gains stemming from artificial intelligence, bode well for an upside scenario, downside risks remain significant and include the potential for disruptions in supply chains, continued geopolitical tensions, and difficulties in maintaining a broad-based consensus for fiscal consolidation required to address inflation and rebuild buffers. Against this backdrop, vigilance regarding macroeconomic policy stances remains of the essence.

Moreover, we note that global growth is projected to remain below historical averages on the back of the pandemic legacy and geopolitical and economic fragmentation, and is masking significant heterogeneity across different parts of the world and country income levels. In the case of Sub-Saharan African countries, we are concerned that medium-term projected growth, although improving modestly in 2024 and beyond, is not robust enough in a context of strong population growth, dimming the prospects for per capita income convergence. In addition, an increasing number of countries are joining the group of fragile and conflict-affected states (FCS), with profound implications for political stability, fiscal sustainability, poverty reduction, and the achievement of the Sustainable Development Goals (SDGs). Food insecurity remains prevalent in a number of countries, impacting livelihoods and raising balance-of-payment needs.

The financing squeeze confronting low-income countries (LICs) and developing middle-income countries (MICs) remains a daunting obstacle for achieving the goals of sustained and inclusive growth, debt sustainability and enhanced resilience. While frontier economies appear to regain access to international capital markets—at a high cost given elevated interest rates—we are concerned by the sizeable financing needs, estimated by the IMF at US$820 billion for the period 2024-28, to address LICs' multiple challenges. This challenge requires continued efforts by these countries in domestic revenue mobilization. Nonetheless, this financing requirement is unlikely to be accommodated with these countries' still low revenue ratios over the near to medium term therefore requiring scaled-up external financing flows. Significant concessional financing from international financial institutions and bilateral donors is critical considering the increased debt vulnerabilities. In this regard, we remain concerned about the prolonged high interest rate risk exacerbating debt service cost for LICs. In this challenging environment of depleted buffers from multiple crises, this situation is especially dire for most countries in this group which face debt distress or a high risk thereof, and limited policy space to react to economic shocks.

While global inflation has significantly declined, it has yet to fall within the central banks' target ranges in many countries. Inflation dynamics remain uncertain in many regions amid elevated core services prices and tight labor markets. Also, the positive global disinflation trend has yet to benefit fully the populations in many countries who continue to face a high cost-of-living, notably as a result of exchange rate depreciations, monetary financing of fiscal deficits, lagged adjustments of domestic prices to declining international food and energy prices, or the necessary reduction of energy subsidies.

Structural weaknesses remain important everywhere, constituting major barriers to improving medium-term growth prospects. Against the backdrop of notably slower growth in total factor productivity (TFP), widespread decline in post-crisis private capital formation, and slower working-age-population growth in major economies, more efforts are needed to address obstacles to market competition, trade openness, financial accessibility, labor market flexibility, as well as investment in human capital. While recognizing the potential of digitalization, including artificial intelligence (AI), to significantly impact global growth, we are concerned by the huge disparity in exposure between country groups. We are also disquieted by the potential risks stemming from such technological innovations, notably in terms of cybersecurity. The recent multiple global shocks have also shed light on some deeply rooted and macro-critical challenges specific to developing countries, including insecurity and insufficient preparedness to face the impacts of climate change, all calling for collective actions.

The Managing Director's Global Policy Agenda

Against the background of a still challenging outlook and daunting needs, we welcome the Managing Director's Global Policy Agenda (GPA) and broadly endorse its key priorities. Now that the global economy shows signs of resilience and good prospects for a soft landing, it remains crucial to continue strengthening macroeconomic and financial stability, rebuilding buffers against future shocks, and revitalizing growth.

In this perspective, fiscal consolidation must be pursued while providing room for growth-enhancing investments and social safety nets for vulnerable populations. We recognize that the pursuit of this objective entails difficult policy trade-offs, particularly in LICs confronted with weak or stagnant growth, financing squeeze, and limited policy space amid high debt vulnerabilities. In this context, enhancing spending discipline and quality along with domestic revenue mobilization, including appropriate targeting of available social safety nets remains all the more critical to alleviate pressures on public finances. We welcome the new Domestic Resource Mobilization Initiative promoted jointly by the IMF and the World Bank. Relatedly, mainstreaming in the IMF policy advice the need to reduce illicit financial flows, and base erosion and profit shifting (BEPS) practices is critical to broaden the revenue base in LICs. The possibility of channeling Special Drawing Rights (SDRs) to multilateral development banks (MDBs) also deserves to be recognized as an innovative mechanism that has the potential to increase financing capacity, and contribute to mitigate the income divergence facing LICs. In our view, the option of channeling SDRs to MDBs should be high on the global agenda, and we call on the IMF to support such initiative.

Addressing the heavy debt and debt service burden is also a priority to provide fiscal space for investment and social spending. While there has been some much-appreciated progress, the deliverables under the G-20 Common Framework and the new Global Sovereign Debt Roundtable should be accelerated to avoid more countries defaulting on their external debt payments and suffering undue delays in the implementation of their IMF-supported reform programs. In the same vein, the Fund should continue to enhance its policies to support countries undertaking debt restructuring. We also look forward to the next review of the Debt Sustainability Framework for LICs with the expectation that the outcome will strengthen the analysis and management of debt risks, and effectively enable LICs to make sustainable progress towards meeting their development goals.

Controlling inflation and anchoring inflation expectations should remain firmly on track. In this light, monetary policies should remain prudent, supported by carefully crafted communication strategies to sustainably anchor expectations. On the other hand, deflation risks should also be carefully monitored, as inflation is declining at a faster pace than expected in some countries, resulting in unduly elevated real interest rates. In such instances, central banks should remain agile and consider an easing of policy rates if needed in a data-dependent approach.

The deep structural weaknesses confronting LICs and developing MICs, compounded by the negative impact of recent shocks, require transformative policies. We share the view that strong economic growth is a precondition for improving living standards and accelerate the convergence of emerging market and developing economies (EMDEs) towards higher income status. This implies manifold agendas to address structural impediments to growth, including tackling climate issues, resolving trade disruptions, facing challenges caused by refugees and people displacements, and addressing food and energy insecurity; all of which have become major concerns or even macro-critical for many **LICs and developing MICs**. These call for international solidarity and collective solutions. In particular, there is a need to put the food insecurity challenge in perspective with the expiring Food Shock Window under the IMF Rapid Credit Facility (RCF).

We underscore the importance of not opposing climate preservation to economic development in certain regions. Indeed, some countries have made efforts to preserve the environment and which are in favor of the climate. International institutions should show ingenuity in order to mobilize more funding to support these efforts. Determined actions could be taken to encourage these countries in their policy in favor of the green economy. This could involve measures related to public finances or the debt burden.

We appreciate the emphasis put by the GPA on multilateralism and international cooperation, and commend the Managing Director for her leadership on the global stage. As part of the multilateral dialogue, the international community should support more vigorously the efforts by EMDEs to build resilience, notably against climate change, which requires more resources than being offered. In this regard, the interim review of the Resilience and Sustainability Trust (RST) is timely, not the least because of the importance of the catalytic role of the Resilience and Sustainability Fund (RSF).

On the IMF ability to respond to members' evolving needs, **we commend the Fund for the constant effort to adapt its policy advice and lending toolkit, provide adequate capacity development (CD), while enhancing its governance, with the view to better serve members.** To this end, bilateral surveillance should address emerging macro-critical issues, such as rising security spending in FCS and related spillovers in neighboring countries. The GPA rightly highlights the importance of reviewing and improving the FCS strategy. Fundamentally, the Fund's central and effective role at the core of the global financial safety net (GFSN) must be backed by adequate resources. The effectiveness of quota increases decided under the 16th General Review of quota will be an important step, as will be the realignment under the 17th Review. In line with the IMFC Chair Statement in Marrakech, it is important to pursue further broad-based contributions to the PRGT and the RST, including by making use of internal resources, notably partial gold sales, and scaling up voluntary contributions in SDRs or equivalents. We welcome the broad support to a third chair for sub-Sahara Africa at the IMF Executive Board. We also support the call to improve gender diversity in the Executive Board, including voluntary actions to increase the number of women in leadership positions at the Board. We strongly encourage the IMF to make further strides in improving the presence of nationals from under-represented regions, including in senior positions.