International Monetary and Financial Committee

Thirtieth Meeting
October 11, 2014

Statement by Mr. Regis Immongault
Minister of Economy, Promotion of Investments, and Prospective,
Gabon

On behalf of the Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Congo, Democratic Republic of the Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Mali, Madagascar, Mauritania, Mauritius, Niger, Rwanda, Sao Tome and Principe, Senegal, Togo

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Representing the following countries:

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Statement by Mr. Regis Immongault
Minister of Economy, Promotion of Investments, and Prospective
(Gabon)

The global economy continues to suffer from the legacy of the Great Recession, notably in a number of advanced economies, and growth continues to fall below projections in many emerging economies. In this environment, it is heartening to note that activity remains robust in low- and middle-income developing countries, although these countries continue to be vulnerable to external shocks, notably sharp declines in commodity prices. We note that downside risks have increased, with geopolitical tensions and financial excesses adding to old risks notably related to potential deflation and to the withdrawal of accommodative monetary policies in advanced economies.

Growth disappointments and increased downside risks call for more pro-active and decisive policies to put the global economy on a sustained growth path while also raising potential output. We welcome the emphasis of the Managing Director's Global Policy Agenda (GPA) on supporting the recovery, ensuring financial stability, and lifting potential growth through critical structural reforms. We support the policy priorities and directions laid out in the GPA.

BOOSTING ACTUAL GROWTH AND LIFTING POTENTIAL OUTPUT

The materialization of downside risks, notably a prolonged period of low inflation or a deflation in advanced economies, could trigger significant spillovers to other economies or the global economy at large. Thus, ***macroeconomic policies*** should be more supportive of the recovery. Central banks in advanced economies have rightly signaled the pursuit of accommodative monetary policy for some time. The line of action to further stimulate demand should be on the fiscal front, with the view to support the recovery and lay the ground for longer-term growth. Raising public infrastructure investment is a relevant option in countries with infrastructure needs. The quality and magnitude of fiscal boost should take into account debt issues that still pose a challenge to many countries.

Implementing ***structural reforms*** remain critical to making the recovery more sustainable and to enhancing potential growth. Especially, countries where growth is buoyant –or has been sustained—should seize the opportunity to engage in reforms that require otherwise stronger political and social support. High unemployment remains an acute challenge in a number of countries, advanced or developing. Implementing labor market reforms is critical to improve productivity, reduce disincentives to work, enhance training, and increase labor force participation.

BUILDING RESILIENCE IN DEVELOPING COUNTRIES

We are delighted to note that low- and middle-income developing countries, including in Sub-Saharan Africa, continue to grow at remarkable rates. However, considerable progress is still needed to reduce poverty and inequalities. Long-term fiscal sustainability, in conjunction with the durability of the growth momentum and strength of fiscal institutions, is a key challenge. Those economies also remain vulnerable to external shocks, including commodity price developments, capital flow reversals and prolonged weak external demand. In these relatively tranquil times, low- and middle-income countries should accumulate sufficient buffers for difficult times while strengthening policy frameworks and building the foundations for economic diversification and structural transformation, notably through increased physical and human capital.

There is a strong case for increasing ***infrastructure investment*** in advanced economies with economic slack and infrastructure needs, as well as in emerging economies and developing countries---to sustain growth momentum and support development efforts. For all countries, investment efficiency is a critical factor to maximizing the capital stock gains of raising public infrastructure investment. Thus, we call on adequate technical assistance to those countries to improve investment efficiency.

Countries that have no or limited access to capital markets suffer from declining concessional resources, and they need to tap on complementary sources of financing. Thus, the ***Fund's debt limits policy*** should be revised in a way that makes debt conditionality less constraining and more flexible for borrowing countries under Fund-supported programs while preserving debt sustainability. The need for more flexibility for low-income developing countries (LIDCs) to finance investment is grounded on the basis that their debt situation is generally not a concern whereas they still face significant infrastructure gaps and need to tackle poverty and inequalities. We call on the Fund to help LIDCs strengthen their capacity to prepare, negotiate and put in place sound, costeffective financing strategies that can bring about efficient investment and high-return infrastructure.

ENSURING FINANCIAL STABILITY

We note the optimism of financial markets thus far, which does not account for the persistently subdued investment, particularly in advanced economies. The build-up of excessive risk-taking and other financial excesses in corporate and nonbank financial sectors needs to be addressed. Financial sector reforms in the euro area (effective common fiscal backstop, banking union) are still needed to reduce financial fragmentation and promote financial stability. Countries, including emerging market economies and frontier LIDCs ought to tackle their financial vulnerabilities, notably through macro prudential measures and stronger regulatory and supervisory frameworks. We support the completion of reforms to the global financial regulatory system, and call on the Fund to play its role, consistent with its mandate, notably by strengthening macro-financial surveillance.

ENHANCING POLICY COHERENCE AND STRENGTHENING THE ROLE OF THE FUND

Close dialogue and policy cooperation are needed to tackle the impact of the downside risks if they were to materialize; enhance the global financial safety net, including by ensuring that the Fund is properly funded; meet common macroeconomic challenges, notably on further reducing global imbalances; and promote a stronger multilateral trade system.

We support efforts to strengthen the Fund's credibility and effectiveness in assisting the membership, and welcome its recent and ongoing work to enhance surveillance and advice, notably the Triennial Surveillance Review (TSR), the review of Financial Sector Assessment Programs (FSAP), sovereign debt restructuring, and Fund's debt limits policy. Capacity development through technical assistance should continue to be a central part of Fund's assistance to members, especially low-income developing countries.

The outbreak of the Ebola disease is a new challenge that could break Africa's momentum and spill over to other regions. Given the humanitarian and economic impact of the disease, it is imperative that more significant efforts be made by the international community to slow down and remove this global threat. We welcome the Fund's rapid assistance to the three countries most affected, and call on the institution to stand ready to provide further assistance to the membership in case the epidemic were to spread.

More generally, the Fund should be equipped with adequate *permanent resources* to support members in pressing needs. Thus, we reiterate our call for the entry into force of the 2010 Reforms, with the view to increase the quota resources of the institution and enhance governance. This will also help complete the Fourteenth General Review of Quotas and, subsequently, proceed with the Fifteenth Review. Care should also be given to ensure that the *Poverty Reduction and Growth Trust* (PRGT) is adequately funded, on a continuous basis, and that its facilities are adapted to the needs of eligible members. In this regard, we call on the institution to extend for two years the current waiver of interests on PRGT loans that is set to expire at year-end.

Finally, on *staff diversity*, there has been encouraging progress recently. However, Sub-Saharan Africa remains one of the two underrepresented regions in Fund staff, especially at managerial levels. We would expect sensible progress on this front. We continue to view staff diversity as an important component of the strategy to strengthen the institution.