International Monetary and Financial Committee

Thirty-Second Meeting
October 9, 2015

IMFC Statement by Joe Oliver
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, 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 Joe Oliver, 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

I. Global Outlook and IMF Policy Priorities

The global economy remains fragile, having fallen short of expectations every year for the last four years. Downside risks have intensified as volatility has reached levels not seen since the global financial crisis. Global economic uncertainty remains from the potential for a sharper slowdown in large emerging markets, divergent monetary policies in major economies, and mounting geopolitical tensions.

Emerging markets are facing slowing growth as they confront the impact of lower commodity prices (for exporters), sharp currency depreciations, and the tightening external financing conditions. Advanced economies that continue to have structural issues remain especially vulnerable to growth-slowing external shocks in an interconnected world economy.

We cannot be complacent in the face of these challenges. We must protect our economies against persistent global economic uncertainty and create jobs for our citizens. All IMF members need to implement sound macroeconomic policies and effective structural reforms to foster stronger and more resilient growth. While many emerging markets have strengthened their policy buffers and reserves, further credible steps are required to strengthen macroeconomic and financial sector policy frameworks. Advanced economies are maintaining accommodative monetary policies until the inflation outlook is in line with central bank targets. Exchange rates should be flexible, reflect underlying economic fundamentals, and avoid persistent misalignments so they can act as an adjustment mechanism for external shocks and imbalances. G-20 countries should ensure the full and timely implementation of the measures enshrined in their adjusted growth strategies.

In this global context, the IMF continues to have a vital role in supporting its membership by providing effective and transparent surveillance, sound policy advice, well-designed lending programs, and targeted capacity building. To be effective, the IMF also requires the tools and governance structures to support the achievement of these objectives.

II. IMF Surveillance and Advice

In light of the growing vulnerabilities in the global economy, the IMF must focus its efforts on its core surveillance role and on providing timely, high quality policy advice. In particular, the IMF will need to help member countries in managing through a period of greater financial volatility, significant exchange rate movements, low commodity prices, and balance sheet fragilities. Further sharpening risk assessments will assist members in building resilience and focusing their efforts on reforms with the biggest impact. To increase traction, the Fund can do more to demonstrate the merits of its advice, including through the quantification of the benefits of key structural reforms and by highlighting successful case studies from within the membership.

We encourage the IMF to continue to integrate its global, regional, and bilateral surveillance products, and to mainstream macro-financial surveillance with a view to ensuring the completeness and consistency of surveillance and policy advice. We also continue to see value in strengthening the IMF's exchange rate assessments, a core Fund responsibility. A good example of this is the planned updating and expansion of the External Balance Assessment methodology to a broader group of countries, as well as the integration of its conclusions into Article IVs and relevant policy discussions.

We recognize that structural reforms are an integral part of securing long-term prosperity. We welcome the IMF's intention to collaborate with other institutions (e.g. OECD, ILO, etc.) as it seeks to tailor its own advice towards macro-critical structural reforms. We encourage the Fund to elaborate for the membership how it will leverage its core competencies and operationalize this collaborative approach into its regular surveillance and advice.

The IMF also plays an essential supporting role for the G20 in its monitoring and assessment of the implementation of adjusted country growth strategies. The IMF's analytical work has provided an invaluable contribution to guiding the G20 towards policies that foster stronger and more inclusive growth and reduce external imbalances. As co-chair of this G20 process, Canada extends its appreciation for the Fund's contribution.

III. IMF Lending, Conditionality, and Capacity Building

Our constituency welcomes the IMF's ongoing efforts to ensure that it continues to provide effective lending programs with appropriate conditionality that addresses the root causes of imbalances and instability. Continuous efforts to foster a stronger learning culture within the Fund are an essential part of this process.

Learning and adapting from past experience is particularly relevant in the Fund's framework for addressing sovereign debt vulnerabilities. Our constituency closely participated in discussions of the IMF staff's recent proposals to strengthen the IMF's exceptional access framework by eliminating the systemic exemption waiver and introducing the flexibility to pursue a market debt reprofiling under situations of uncertainty. In our view, these measures, carefully structured and timed, have the potential to introduce greater transparency and even-handedness to the Fund's treatment of sovereign debt, while at the same time minimizing moral hazard and other market distortions. We recognize that there is more work to be done to refine the proposal and build a consensus, and encourage the IMF to continue its work in this area, while noting that the communication and timing of any change in policy would need careful consideration. We also support the IMF's continued work to encourage stronger contractual clauses in foreign currency debt to facilitate resolutions.

Our constituency is of the view that the IMF has a flexible range of lending tools at its disposal. Any assessment of potential gaps in that toolkit should be grounded in a comprehensive assessment of recent lending and adjustment experiences. For example, we look forward to the upcoming Crisis Program Review.

The IMF also has a role to play in supporting the economic resilience of poor and fragile states by applying its core competencies, for example in fiscal matters, to immediate and emerging development challenges. This is brought to the fore with added emphasis in 2015 as the global community embraces Sustainable Development Goals to the year 2030, addresses the challenge of financing for development, and comes together to lay out plans and commitments to tackle climate change. We also encourage sustained work on small states to identify common challenges and solutions bolstered by IMF policy advice and capacity building.

In that vein, we welcome the latest Board-approved initiatives to enhance the IMF's policy advice to developing countries in areas such as building revenue generating capacity, the financing of infrastructure, financial inclusion (including access to correspondent banking relationships), energy pricing, and inequality. In doing so, it will be important that the IMF retain its macro-critical focus for each of these topics, integrating them into the regular operations of the Fund. Wherever possible, we encourage the IMF to partner with other international organizations (e.g., the World Bank Group and the OECD) to build on existing work and expertise in order to ensure consistency and avoid duplication.

We also support raising the access limits to the IMF's concessional and general account facilities so that small and vulnerable states have a bigger safety net for negative shocks, including natural disasters. We expect that Fund programs will continue to be evaluated on a rigorous basis and will retain a pragmatic mix of financing and adjustment. We also expect that the IMF will closely monitor the impact of these changes on the long-term self-sustainability of the Poverty Reduction and Growth Trust.

IV. Equipping the IMF to Deliver on its Mandate

In light of the evolving global economic landscape, it is essential that the IMF is equipped with the governance structures and tools to continue to play its vital role. We will continue to promote a sound and thorough analysis of the Fund's role in strengthening the international monetary system, including through careful review of the risks to global economic and financial stability and the components and adequacy of the global financial safety net. Mindful of the ongoing evolution of global trade and financial transactions, we also look forward to the successful completion of the 2015 quinquennial review of the Special Drawing Right valuation basket.

Quota and governance reform is critical for the IMF's credibility and effectiveness, and our constituency shares the frustration over the ongoing delay in implementing the 2010 reforms. We remain open to considering all reasonable and pragmatic options for advancing IMF reform, and stand ready to agree on interim solutions. In our view, pending implementation of the 2010 reforms, and without diminishing the priority accorded to them, an early ad hoc quota increase is the most practical way to achieve progress and demonstrate ongoing collaboration.

Finally, efforts to strengthen the institutions should not just be limited to "shares and chairs." No matter how well run, every institution can benefit from strengthened management systems and corporate governance. We will advocate for the implementation of best practices and management tools (e.g., multi-year budget forecasting and better linking costs to activities, enhanced performance assessments including more structured dialogue between the Managing Director and the Executive Board, etc.) to further strengthen the internal governance of the Fund, including in the upcoming FY2017-2019 Medium Term Budget. Notwithstanding high demands placed on the Fund in an ever more complex and challenging global economy and financial system, we continue to advocate, as baseline, a budget that is flat in real terms as an important anchor to drive priority setting and management excellence.