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Statement by Mr. Mey
Cameroon

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

Statement by Minister Alamine Ousmane Mey

(Cameroon)

Current Conjuncture

Encouragingly, global activity has strengthened and prospects have improved. Growth projections for 2017 and 2018 were slightly revised upward compared with forecasts at the time of our meeting in last April. This upswing is attributable to improved business and consumer confidence. It also derives from increased investment, production and cross-border trade amid differences in cyclical positions across countries and regions. We therefore welcome the continued strengthening of the global financial system, as evidenced by the increasing resilience of large international banks and the continued cleanup of their balance sheets.

Nevertheless, we share the view that the recovery is not complete and needs to be sustained. Reasons are the still weak growth and below-target inflation in many countries, the ongoing adjustment in commodity exporters, but also the legacies of the global financial crisis including the heightened debt levels and the unfinished financial regulatory reform agenda. In addition, we note that while risks in the near term are broadly balanced, risks over the medium-term are clearly to the downside.

Medium-term risks are multiple and significant. These include notably: (i) policy uncertainties in some major countries; (ii) adverse developments in global financial conditions which might tighten abruptly if monetary policy normalization proved to be faster than anticipated; (iii) financial strains in emerging market economies that could be brought about by adverse implications of a significant growth slowdown in those countries; (iv) persistently low inflation in advanced economies which could complicate the conduct of monetary policy in sustaining the recovery; (v) adverse developments in the financial regulatory agenda or trade policies such as protectionist practices; and (vi) numerous challenges of noneconomic origin, notably geopolitical tensions, climate changer-induced shocks, security and cyber-related concerns. These risks underscore the need to boldly address key challenges that hold back growth and potential output; tackle supervision of nonbank financial sector; and monitor private sector leverage.

Regarding Africa, the continent as a whole continues to face a challenging outlook although some strong performers stand out. The decline in commodity prices has significantly reduced buffers, increased debt ratios, and put strains on financial sectors in commodity exporters, while frontier economies face the prospect of tightening financial conditions. Security-related threats, political tensions, and weather-related shocks in some countries add to challenges. We note that large fiscal consolidation efforts weigh on the economic outlook among commodity-exporting countries, notably oil exporters. The countries concerned need adequate and sizeable support to their adjustment efforts to preserve the economic and social gains accrued over the last decade.

Policies and Priorities

There should be no room for complacency. Macroeconomic policies should remain broadly accommodative albeit commensurate with cyclical positions. Structural reforms should be pursued to boost potential output and improve longer-term prospects.

We agree with—and strongly support—the Managing Director's Global Policy Agenda (GPA). We indeed welcome the three-pronged policy goals of boosting potential output alongside efforts to ensure broadly-shared benefits; building resilience against shocks; and addressing common challenges through multilateral actions.

Raising potential output must be achieved through fiscal policies and structural reforms aimed at raising productivity growth from its declining trend, and enhancing labor supply. In addressing challenges to labor employment and wages brought about by economic integration and technological changes, policymakers must significantly make efforts to minimize the social costs of structural transformation through adequate safety nets while investing resolutely in human capital to adapt to the fast changing environment.

Pursuing the double objective of *sustaining the recovery and fostering resilience* requires finding an appropriate pace for the withdrawal of accommodative monetary policies. One that balances the need to stimulate demand and the necessity to preserve financial stability while preventing adverse spillovers of normalization to emerging economies. We also share the proposition of addressing the income security for underemployed workers through skill training, wage protection, and/or adequate social insurance where fiscal space exists.

Sustaining the momentum and building resilience would also gain from sound financial sectors which are key to efficient resource allocation. Policies in this regard should focus on containing financial vulnerabilities as an abrupt tightening of financial conditions could trigger a large asset repricing and derail the global recovery. Therefore, policymakers must complete the regulatory reform agenda, engage in close micro- and macroprudential supervision, and enhance the regulatory and supervisory frameworks for the insurance sector in which reporting standards are subpar.

Fiscal policy should support structural reforms in a way that minimizes the adverse impact of reforms. We appreciate the insightful lessons in the October 2017 World Economic Outlook highlighting the benefits of fiscal stimulus not only for domestic potential output but also for activity in other countries through positive spillovers. Fiscal policies can also help achieve redistributive objectives through well-designed progressive taxation and greater allocation of public spending on education and health. In any case, broadening the tax base and raising substantial revenue, including through tapping into the potential that property and land taxes can represent in some countries, and taxing goods whose production generates negative externalities, remains essential to finance inequality-reducing spending measures.

Policymakers in emerging market and developing economies should make use of fiscal space, if any, towards increasing infrastructure investment and improving human capital. Fostering resilience in those countries will also entail enhancing policy frameworks and the business environment to attract necessary direct investments.

In low-income countries (LICs), developing local financial markets and promoting financial inclusion are critical as financing remains an important constraint to growth and poverty reduction. Looking ahead, these countries should prepare to reap the benefits of demographic dividend by transforming their economies and investing today in health, education and skill training to absorb the abundant youth into the labor market. Their medium- to long-term reform agendas should also focus on economic diversification and transformation, especially in commodity exporters. In the meantime, *commodity-exporting countries* should continue to adjust to the less benign environment; pursue fiscal consolidation in a growth-friendly manner--combining spending rationalization and domestic revenue mobilization—and rebuild buffers.

Multilateral cooperation is needed in many policy areas, notably maintaining an open trading system, preserving global financial stability, preventing competitive taxation, supporting LICs achieve development goals, and addressing macro-critical challenges such as security crises, refugee flows, pandemics, and climate change. We welcome the emphasis of the GPA on international taxation and illicit financial flows issues, including the need to tackle or prevent the effects of corporate tax evasion, tax avoidance and other illicit practices on the public budgets of developing countries. Tackling governance issues and corruption is a global challenge which also calls for international collaboration. Likewise, the 2030 Sustainable Development Goals should remain at the fore of the global agenda.

Regarding climate change, it is important to stress that global warming is a “public bad” as evidenced most recently by hurricane disasters and which effects can be alleviated in the most effective and efficient manner through market-based solutions and mitigation measures. The impact on LICs—which face low capacities and limited resources—should be treated through international support to mitigation and adaptation efforts by these bystanders.

Role and Actions for the IMF

We broadly agree with the program set forth for the Fund in the GPA, and welcome its central role in helping tackle many of the policy priorities, consistent with Fund’s mandate, building on its expertize and comparative advantage, and relying on surveillance, financial support, and capacity development.

We reiterate our support for an active role of the Fund in helping members address international taxation issues, tackle illicit financial flows, and cope with the impact of declining correspondent banking relationships. We encourage the integration of these issues in Fund surveillance activities as needed.

IMF's financial assistance remains key to many LICs facing balance-of-payment needs, particularly at this juncture. We expect that the 2018 Review of Fund facilities for these members will result in adequate tools that cover all these needs, including on a precautionary basis.

We continue to stress the importance of Fund's work on enhancing infrastructure through its assistance in the G20's *Compact with Africa* and its own Infrastructure Policy Support Initiative while paying attention to members' public financial management, public investment assessment, and debt sustainability. In this regard, we look forward to the Review of the Debt Sustainability Framework for Market-Access Countries (MAC DSF) and a flexible implementation of the new DSF for LICs, one that would not penalize countries from mechanical downgrading of their debt ranking and would not unduly constrain their capacity to finance development.

IMF Institutional Issues

IMF should preserve its central role in the global financial safety net (GFSN); and as such, it should be adequately resourced. We agree with promoting complementarity between regional financial arrangements (RFAs) and the Fund. However, the universal nature of its mandate and the fact that many members rely only on the Fund in case of need, warrants a sufficiently-resourced IMF, one that can meet the needs of members if necessary. The transitions taking place in the global economy, the related challenges, and emerging vulnerabilities call for strengthening the Fund's lending capacity.

In this vein, quotas should be increased in the context of the 15th General Review, with the aim to raise their relative share in IMF's total resources and preserve the nature of the Fund as a quota-based institution. This is an opportunity to ensure that resources of the Poverty Reduction and Growth Trust (PRGT) are also adequate to meet the needs of eligible countries which are equally exposed to changes and shocks. In this regard, we welcome the ongoing mobilization of resources for the concessional Trust, and call on traditional and new contributors to provide more financing.

We reiterate our support to realigning quota shares along the lines agreed by the membership while protecting the shares and representation of the poorest members. We welcome the Report of the Executive Board to the Board of Governors on Progress on the 15th Review. Going forward, the Outcome achieved under the 2013 Quota Formula Review should serve as the basis to advance on a new formula.

We continue to put high value on enhancing diversity within IMF staff, management and Executive Board, and call on the Fund to address the long-standing underrepresentation of certain regions, notably sub-Saharan Africa, at both staff and management levels.