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**Statement by Mr. Morneau
Canada**

On behalf of
Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada,
Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and 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 Bill Morneau, 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

Global Outlook & Policy Priorities

Strong momentum and the uptick in trade and investment are providing encouraging signs for growth. However, we cannot expect the acceleration in economic activity to continue at the same pace, particularly if the contribution of trade and investment to the strength of the ongoing recovery is undermined by inward-looking policies. Rather, we must focus efforts on using the opportunity afforded by a coordinated global recovery to address our shared challenges and to prepare ourselves for the many evolving and less-well-understood global risks. Amid growing uncertainty on what the future economy will look like, we cannot lose sight of the tremendous opportunities new technologies and innovations will bring. We need to work together to adopt policies that support the transition to the new economy. Through strong multilateralism, we can collectively provide our citizens with the confidence to embrace change in a more integrated global economy. It is crucial that we remain committed to working together, under clear and fair rules, supported by strong international institutions to foster opportunities for growth and prosperity that benefit everyone. Our shared long-term prosperity depends on ensuring that everyone benefits from the growth we create and that trade and investment create equal opportunity for success, well-paying jobs, and an economy that works for everyone.

With this in mind, we are broadly supportive of the Managing Director's Global Policy Agenda and reiterate our endorsement of the IMF as a strong, vocal champion of shared solutions to collective global challenges. The Fund can best serve its membership by setting out clear and practical policy advice supported by effective surveillance, sound lending programs, and targeted capacity building activities aimed at promoting macroeconomic resilience and mitigating risks.

IMF Surveillance and Advice

Effective and candid surveillance and policy advice are crucial components of the Fund's work and it performs this role well. To continue to do so, surveillance must also be nimble and able to respond to pressing or emerging issues. In this respect, we commend the IMF for lending a powerful voice in support of the immense macroeconomic benefits of women's economic empowerment, analysis of the macro-critical impacts of climate change, consideration of how addressing inequality can promote sustainable growth, and the increasing impact of digitalization on the global economy and international finance.

The 2018 Interim Surveillance Review provides an opportunity to ensure that the Fund continues to adapt to meet traditional and emerging risks, challenges and opportunities head-on. In this

respect, we see five key areas in which the Fund could focus efforts to further strengthen its surveillance work.

First, drawing on lessons learned from its integration of financial sector risks into its overall assessment of macroeconomic risks, the Fund should strengthen its analysis of broader external spillovers and the external sector and provide greater elucidation of associated linkages with wider macroeconomic vulnerabilities. In this regard, we continue to see value in raising the profile of the External Sector Report and welcome the greater prominence of associated analyses within flagship publications.

Second, improvements in data and statistics will strengthen the Fund's ability to provide better quality surveillance. Fund efforts, in coordination with the FSB and through the G20 Data Gaps Initiative, have been essential in improving the quality of surveillance. However, gaps remain and it is incumbent on the membership to assist the Fund in filling them. We support the work to improve the External Balance Assessment and call upon the Fund and the membership to be ambitious in closing data gaps related to foreign exchange interventions and reserves. As the Fund's Independent Evaluation Office and others have noted, these data deficiencies continue to hamper the conduct of surveillance.

Third, rapid debt re-accumulation in many low-income countries and an increasingly complex and opaque creditor landscape present particular challenges. The Fund should redouble its efforts to draw important attention to growing debt vulnerabilities and sustainability issues. To help mitigate associated risks, the Fund should develop a joint multi-pronged action plan with the World Bank Group to help all stakeholders (debtors and creditors) increase debt transparency and support the implementation of the IMF's enhanced debt sustainability framework for low-income countries (LICs). All debtors and creditors must work within the existing architecture to curtail unsustainable lending practices and reduce uncertainty around where vulnerabilities exist.

Fourth, we fully support ongoing efforts to enhance Fund engagement on governance and corruption issues, including examination of both demand- and supply-side corruption. In this regard, we welcome the work to improve how the Fund assesses the extent of corruption and its macroeconomic impact, as these will improve the design and implementation of policies that promote inclusive and sustainable growth.

Finally, we would underscore that the ultimate objective of Fund policy advice is to get better outcomes. Therefore, looking ahead to the Comprehensive Surveillance Review, we would like to see a greater emphasis placed on measuring and improving the traction of Fund advice.

IMF Lending Toolkit

While strong surveillance activities will continue to provide an invaluable contribution to the identification of risks and vulnerabilities, the Fund still needs to be adequately equipped and able to respond quickly in the event of shocks. The current environment of heightened risks underscores a need for the IMF to be equipped with an effective, efficient and appropriate lending toolkit in order to facilitate macroeconomic adjustment and support financial stability. Over the next year, we see three priority areas of Fund work in this regard.

First, the 2018 review of Fund facilities for LICs is both timely and appropriate. We support the Fund's continued efforts to support the poorest and most vulnerable among its membership. It will be important for the Fund to continue to consider the appropriateness of existing eligibility criteria, access limits, and debt relief for PRGT-eligible countries. This is of particular importance given growing vulnerabilities associated with climate change and the catastrophic impact that extreme weather events can have on vulnerable countries' productive capacity.

Second, but closely related to efforts in LICs, there is a pressing need to further strengthen the Fund's toolkit for assisting small states. We welcome the plan to consider the most appropriate tools to assist the diverse group of small states that make up more than a fifth of the membership. These countries face a unique set of size- and/ or remoteness-related challenges including a high relative vulnerability to external shocks and a particularly macro-critical susceptibility to the impacts of climate change and natural disasters. We call on the Fund to increase efforts to address the challenge of improving the macroeconomic resiliency of small states and ensure that the Fund's post-natural disaster toolkit for small states is responsive to their particular needs.

Third, since the Global Financial Crisis there has been considerable progress in terms of strengthening the Global Financial Safety Net (GFSN). While the current global conjuncture is favourable, downside risks on the horizon remind us that we cannot afford to be complacent. Therefore, we urge the Fund to consider its role at the centre of the GFSN as a mentor and facilitator, drawing on seven decades of expertise to work with Regional Financing Arrangements (RFAs) to improve coordination. The strength of the GFSN is not strictly drawn from its size but also from the ability of its many parts to function as a cohesive whole. We encourage the Fund to continue to actively improve the GFSN's functioning including by engaging in joint IMF-RFA test run exercises and continuing work to develop clearer operational guidelines on IMF-RFA cooperation.

Capacity Development

We welcome the augmentation and further integration of IMF capacity development efforts with its surveillance and lending activities. Taking a more holistic approach to the Fund's core business lines is particularly relevant in the context of the 2018 Quinquennial Review of IMF capacity development. In addition to ensuring that associated projects are more impactful and innovative by carefully targeting individual membership needs, we call upon the Fund to leverage this opportunity to assess how capacity development efforts are advancing gender equality and the empowerment of women and girls.

IMF Governance

The Fund will need to continue to evolve in step with the global economic and financial landscape. This will require members to take a pragmatic approach to reaching consensus on governance reform. The 15th General Review of Quotas provides an opportunity to reduce the out-of-lineness among the membership and increase the voice and representation of underrepresented members in order to better reflect their relative economic weight and integration in the global economy. It also presents an opportunity to ensure that the IMF remains an adequately resourced institution that plays an integral role in the GFSN. We remain committed to completing the 15th Review according to the agreed timeline.

In closing, it is important to note that an effective, legitimate, and above all relevant institution is one that meets the needs of all members. Moving forward, the Fund must continue to strive for a more diverse and inclusive environment across the institution (at all levels), setting an example for the broader membership and the global community. The on-going review of the Human Resources Strategy provides an important opportunity to ensure that the institution continues to attract, enable, and motivate a diverse workforce that is equipped to respond to a rapidly evolving global environment in a manner that resonates with the membership.