



# **International Monetary and Financial Committee**

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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 William 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**

## **I. Global Outlook and IMF Policy Priorities**

Indications that global economic growth is gaining momentum are encouraging. But the outlook continues to face strong headwinds. Growth remains uneven and the balance of risks remains skewed to the downside. We need to continue to work together to address ongoing structural challenges including demographic shifts, technological change, and weak trade and investment, as well as to strengthen our members' resilience to natural disasters and climate change, especially the small states. Together we must find actionable solutions utilizing all available policy levers. We also need to more broadly share the benefits that trade and openness provide. We cannot afford to weaken the key pillars of economic growth and poverty reduction that have served us well over the past 70 years. Instead, a renewed effort to address key challenges is needed.

Achieving this objective will require strong international institutions to foster coordinated efforts and to ensure the 'rules of the game' are fair, enforceable, and universal. In this regard, the IMF has an indispensable role to play. IMF members are looking to the Fund to promote the benefits of openness and multilateralism against strong and growing disillusionment. The Fund can best serve its membership by setting out clear, practical, and tested policy solutions through effective surveillance, policy advice, capacity building, and sound lending programs with the aim of ensuring the middle class and vulnerable people better share the benefits of growth and global integration.

## **II. IMF Surveillance and Advice**

Effective and candid IMF surveillance and policy advice have a crucial role to play in identifying vulnerabilities and imbalances – a role that is increasingly important amid heightened global uncertainty. As the premier institution for providing sound macroeconomic policy advice we support the continuation of work to further improve and better integrate bilateral and multilateral surveillance. Given the current conjuncture a few priorities are worth highlighting.

First, the Fund has a key contribution to make towards addressing global imbalances. This issue is really at the core of the Fund's mandate as set out in the institution's Articles of Agreement. We fully support a more focused and forthright Fund that will bring greater transparency and judgment to distortive policies, exchange rates, and capital flow measures through its surveillance. To be effective in this effort, the candor and visibility of this work will need to be increased in Article IV consultations and multilateral surveillance. In particular, we see considerable scope to raise the profile (and possibly frequency) of the External Sector Report (ESR) to a level similar to other flagship publications like the World Economic Outlook, Global Financial Stability Report and Fiscal Monitor. At a minimum, the ESR findings should be better incorporated and more prominently featured in other flagship reports.

Second, we support work to strengthen the Fund's coverage of spillovers. Having a more solid understanding of spillovers and spillback channels will be increasingly important, particularly given the diverging monetary conditions and fiscal stance in key economies. Moreover, in order for the Fund to provide effective surveillance it needs high quality data. Thus we strongly support continuing efforts to improve data quality and availability. In this regard, Canada is pleased to have recently joined the list of countries adhering to IMF's Special Data Dissemination Standard Plus aimed at countries with systemically important financial sectors.

Third, we also see a need to prioritize work aimed at raising awareness – in collaboration with other institutions - of the benefits of rules-based trade and openness, and review experiences with policies aimed at reducing and mitigating adjustment costs. In doing so, the Fund can help counter the unsubstantiated view that openness and multilateralism are an impediment to stronger and more equitable economic growth.

Fourth, we remain appreciative of the Fund's leadership on efforts to better understand the causes and impacts of the withdrawal of corresponding banking relationship. This is an important issue for many small states and for our constituency, in particular. We encourage the IMF to remain steadfast in pivoting towards identifying concrete and timely solutions, working closely with the Financial Stability Board, the Financial Action Task Force, the World Bank Group, and national regulators.

### **III. IMF Lending Toolkit, and Capacity Building**

A nimble and effective IMF is critical to a strong and resilient international financial architecture. Since the global financial crisis, measurable strides have been taken to strengthen the IMF and other parts of the global financial safety net (GFSN). However, the needs of the international community are not static and the Fund needs to adapt while still ensuring its tools and lending programs facilitate needed adjustment and remain targeted at the root causes of instability.

In this regard, we look forward to the completion of the ongoing lending toolkit review. We are open to exploring the possibility of a new precautionary tool and policy signaling instrument. We

also hope that the review will produce needed fixes to existing precautionary tools to better facilitate timely exit from support. For these tools to be effective they need to be properly designed and targeted. More specifically, they should target members with strong fundamentals, maintain a strong set of qualification criteria, include reasonable access limits, and incentivize a clear path to exiting precautionary support in line with the revolving nature of Fund resources.

It is also important to recognize that the Fund is not alone in the GFSN and strengthening the latter requires better coordination. We encourage the Fund to build on lessons learned in recent “test run” exercises and identify opportunities for similar engagement with other regional financing arrangements (RFAs). The Fund should advance coordination by developing clear operational guidelines for IMF-RFA cooperation to guide the work of Fund staff and management, as called for in the institution’s latest Crisis Program Review and by the Independent Evaluation Office.

In addition, the Fund’s provision of capacity development remains a key tool for promoting economic and financial resilience. This support by the Fund is highly valuable in helping countries strengthen their public institutions, which in turn promotes global economic and financial stability, a precondition for sustainable development. We continue to support a results-based management approach to capacity development programming and encourage the Fund to take into account the empowerment of women and girls in all aspects of its policies and programs. We encourage a holistic view of the capacity development landscape and think it is important that the Fund take into consideration greater coherence between itself and other multilateral institutions in order to reduce the duplication of efforts.

#### **IV. Equipping the IMF to Deliver on its Mandate**

Given the current period of heightened uncertainty our constituency welcomes that members have stepped forward to temporarily boost the Fund’s available resources. Canada is pleased to have finalized its SDR 8.2 billion credit line in January 2017 as part of the broader membership effort to ensure that the IMF has the resources it needs to properly carry out its mandate. We look forward to receiving a realistic, rigorous and transparent analysis of steady-state permanent needs as part of the 15<sup>th</sup> General Review.

The Fund also needs to remain equipped to support the poorest and most vulnerable among its membership. The IMF’s Poverty Reduction Growth Trust (PRGT) is a vital part of the financial safety net for the countries it benefits. Canada is therefore pleased to have finalized in January 2017 an additional SDR 500 million in loan contributions to the Trust.

We remain fully committed to working with other members to complete the 15<sup>th</sup> General Review of Quotas, including a new quota formula, by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019. The IMF must evolve alongside its membership so that quota shares accurately reflect the weight and integration of its members in the global economy. We

encourage members to be flexible and open to compromise. We will take a constructive approach in these discussions.

Finally, being well-positioned to serve its members goes well beyond voting shares and financial resources. The Fund needs a diverse and talented staff. While talent is not an issue, more can and should be done to improve gender and regional diversity, as noted by the recent IMF staff review. We encourage the Fund to redouble efforts in this regard.