International Monetary and Financial Committee

Thirty-Fifth Meeting
April 21–22, 2017

Statement No. 35-9

Statement by Mr. Mey
Cameroon

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

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Global Outlook and Prospects

Current Conjuncture

It is encouraging to note that, following years of sluggish growth, the world economy is gaining strength and that the momentum is expected to persist. We note that the recovery in advanced economies is firming up while activity in emerging market and developing countries is picking up anew. Financial markets are reacting positively to recent developments and expectations.

We welcome the positive signals coming from advanced economies. While vulnerabilities facing emerging market and developing countries (EMDCs) have not entirely abated, economic performance across these countries has improved recently. Activity is expected to accelerate, commodity prices are on the upside trend —albeit not anticipated to return to their pre-2014 levels in a foreseeable future—global market sentiment has strengthened, and the quest for higher yield has resumed amid continued monetary accommodation in many advanced economies.

Low-income countries (LICs) enjoy slightly brighter prospects although they continue to face the adverse impact of the commodity price shock. The broad stability of growth in non-commodity exporters once again showcase the benefit of economic diversification in a context of volatile commodity prices. Adjustment to the lower commodity price cycle is required, and should be growth-friendly, adequately paced, and supported by appropriate policies and adequate financing while protecting the vulnerable populations.

Regarding Sub-Saharan Africa, we look intently at the projection of a recovery—albeit modest—in 2017. However, the continent faces two long-term challenges that impose constraint on poverty reduction.

First, output growth is expected to exceed population growth only marginally over the IMF forecast horizon. However, demographic dynamics in those countries can be an opportunity if well utilized. In this regard, the IMF is encouraged to support the initiatives taken by country authorities in collaboration with development partners with a view to reaping the demographic dividend.

Second, the pass-through of recent large currency depreciations in a few large economies will contribute to keeping inflation in double digits in those economies. The ongoing famine and refugee crises in the Horn of Africa and part of the Middle East add to challenges which, along with vulnerabilities to external shocks, threaten to derail the economic and social progress achieved over the past two decades. This highlights the importance of continued international cooperation and, for the individual countries, to put in place policies and reforms to strengthen economic resilience.

Prospects and Challenges

Against the backdrop of improved outlook, it is worth noting that important downside risks remain, including mounting disillusionment with globalization in parts of the world, delays in addressing legacies from the global crisis, geopolitical tensions, and other threats of noneconomic origin. In addition, long-term challenges related to weak productivity growth, unemployment and inequalities brought about by technological advances, demographic change, and weather-related shocks, continue to weigh on potential growth. Protectionist sentiments threaten global trade and flows, and run the risk of reversing the economic and social gains achieved from openness, including efficient allocation and use of resources, access to goods and services for many, income gains, and employment.

Nevertheless, globalization has had undesirable effects. Lessons should be learned and appropriate remedial measures taken in order to ensure continued and smooth economic integration. The experience of advanced economies with global integration and the related technological changes highlights the importance of addressing inequalities brought about by automation. The growth gains emanating from integration should also be underlined, and labor adapted to the consequent transformation. Moreover, the decrease in the labor share of income induced by automation requires efforts to adapt labor skills through training and retraining, and to promote distributional equity.

Policy Priorities

Enhanced multilateral cooperation is needed to tackle current global challenges, notably safeguarding global financial stability, preserving trade openness, achieving inclusiveness and equity, meeting the Sustainable Development Goals (SDGs), addressing international taxation issues, and tackling climate change. In our view, the global challenges that need to be addressed collectively also include large refugee crises and threats to security. We agree with the need to calibrate policies and reforms towards enhancing economic resilience, promoting stronger and inclusive growth, and meeting development objectives. The specific policy choices and pace of reforms should depend on country circumstances, cyclical positions, and capacities.

We support the policy priorities set out in the Managing Director's Global Policy Agenda. Many countries should continue to support demand through accommodative monetary policy where output gaps remain; growth-friendly fiscal consolidation to sustain the recovery while targeting fiscal and debt sustainability over the medium term; and structural reforms to lift productivity and potential output. Commodity-exporting countries, many of which are LICs, should focus on restoring fiscal sustainability and rebuilding buffers. Domestic revenue mobilization, including tackling tax avoidance and evasion, remains critical.

The long-standing agenda to address financial sector weaknesses, take on financial sector regulatory reform, and repair corporate balance sheets in advanced economies should remain at the forefront of their priorities towards strengthening resilience. The tightening global financial conditions would have adverse spillovers on emerging and frontier economies which have benefited from access to financial markets in a low interest rate environment in recent years. This trend could exacerbate existing vulnerabilities in corporate and banking sectors following a period of credit boom and carries rollover risks for these countries. Therefore, we share the view that emerging and frontier economies should enhance their macro-prudential frameworks to cope with financial volatility and potential spillovers. LICs must focus on striking the right balance between their infrastructure building objectives and the need to preserve debt sustainability.

Agenda for the IMF

We agree with the directions of IMF's interventions presented in the Managing Director's Global Policy Agenda, in assisting the membership meet the challenges of sustaining the recovery, tackling vulnerabilities, lifting productivity, and promoting a fairer global economy. We commend the approach towards facilitating multilateral solutions to common challenges, including in implementing the Institutional View on capital flows, integrating spillovers from national policies to the global economy, promoting multilateral trade and global financial stability, while advancing the SDGs.

Understanding the factors behind the global productivity slowdown should be a priority in efforts to lift growth potential. Many developing economies still contemplate considerable improvement scope as they have yet to reap the benefits of structural transformation.

We share the view that economic fairness and inclusiveness contribute to sustain stronger growth. We therefore welcome the stated objective of ensuring that the Fund plays a key role in creating a fairer global economy. In particular, we favour the emphasis put on tackling tax evasion, tax avoidance and illicit financial flows within a global agenda. We share its appropriateness in enhancing fairness while uncovering significant sources of additional budget resources, especially for LICs. In this regard, we commend the IMF for its resolve in the joint Platform for Collaboration on Tax.

The IMF has an important role in supporting the low- and middle-income developing members in strengthening public investment management and enhancing spending efficiency. We look forward to the completion of the joint IMF-World Bank Debt Sustainability Framework for Low-Income Countries (LIC DSF) which should result in a framework that strikes an appropriate balance between providing those members with the financing space indispensable to bridge their infrastructure gaps and the need to preserve debt sustainability. We seize the opportunity to welcome the German-proposed G20 Compact with Africa initiative to foster long-term investment on the continent, and call on the G20 to swiftly expand the pilots to a larger set of countries and follow suit on partners' commitment.

We very much welcome the continued integration of capacity development with surveillance and the intended cooperation with new partners in support of IMF's capacity development efforts as well as more flexible funding arrangements.

We welcome the Fund's work on the withdrawal of Correspondent Banking Relationships (CBR). We support a continued active role for the Fund to monitor risks and advise its membership on policies to help tackle the adverse impacts from CBR pressures, and endorse the multipronged approach, in collaboration with other agencies, to find a solution to this problem.

We continue to support Fund's advocacy and integration into its surveillance activities, of macro-critical issues related to job creation, inequalities, climate change, and migration.

IMF Capacity to Meet Members' Needs

The membership should continue to pay attention to strengthening the International Monetary System (IMS) and, in particular, enhancing the Global Financial Safety Net (GFSN) in light of the gaps in this framework in relation to the multiple transitions taking place in, and persistent risks to, the global economy. We continue to see a central role for the IMF in the global monetary and financial system.

Against the backdrop of current transitions and uncertainties, the IMF need to be adequately equipped to serve the membership in case tail risks come to materialize. We welcome the renewed borrowing arrangements. We also call for continued efforts by all members to enhance the IMF's quota resources, consistent with its nature as a quota-based institution. In this regard, the 15th General Review of Quotas, alongside the work on a new quota formula, should be completed within the new timeframe agreed upon collectively, that is by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019.

Low-income countries are uniquely confronted with a set of risks, including massive capital flow reversals, volatile commodity prices, persistent poverty and inequalities, and low per capita income levels. The IMF plays a critical role in assisting these countries—financially and with policy advice— challenged by external shocks and protracted balance of payment needs. We, therefore, welcome the institution's continued commitment to ensure a well-resourced and adequately-equipped Poverty Reduction and Growth Trust (PRGT). We commend the contributions to the Trust and call on new donors to help achieve a stronger envelop of concessional resources. We also call on the Fund to ensure LICs' adequate access to the General Resources Account (GRA), as appropriate.

We continue to put high value on staff diversity at the IMF, and call for resolute efforts to recruit and promote nationals from Sub-Saharan Africa. We welcome the progress being achieved on gender diversity in general, and trust that efforts will be made to improve gender diversity through increased staff from underrepresented regions. We greatly support the emphasis put on the IMF's intention to manage its budget prudently, promote knowledge-sharing and advance inclusion.