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Statement by Mr. Dondra
Central African Republic

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 Henri-Marie J. DONDRA
Minister of Finance and Budget
(Central African Republic)

I. GLOBAL SETTING AND POLICY PRIORITIES

Prospects and Risks

We welcome the fact that global growth has gained pace since last October. The stronger activity is anticipated to continue throughout 2019. This momentum is broad-based, driven by investment and trade, and it concerns all categories of countries, including commodity exporters albeit a slow recovery. Nevertheless, we note that growth is expected to decelerate over the medium-term as a result of waning impulse from current supportive policies. Moreover, there remain significant downside risks to the medium-term outlook**.**

An important risk is related to monetary policy normalization in advanced economies which, if less gradual than anticipated today, could contribute to tightening global financial conditions. We agree that this can have spillovers to emerging and frontier market economies, notably through an abrupt reversal of capital flows and more onerous debt servicing. On the other hand, continued accommodative financial conditions are increasing financial vulnerabilities and could also threaten medium-term growth.

Trade protectionism pressures and inward-oriented policies are another negative risk to the global outlook, and call for increased global cooperation.

As they carry immense potential threats, we welcome the attention being paid to the emerging challenges posed by cryptocurrencies and cybersecurity breaches. We agree that vigilance is needed regarding the development of cryptocurrencies to ascertain financial stability risks. Likewise, less-supervised segments of financial sectors, including shadow banking, carry risks to financial stability.

Policy and Reform Priorities

Given the nature and intensity of key downside risks, it is essential that monetary policymakers in advanced economies where normalization is warranted proceed gradually and communicate carefully on their action, and the financial regulatory agenda be completed while taking on board emerging security challenges.

As the outlook improves, there could be a risk of complacency, notably on the fiscal and structural fronts. The current momentum should be used, where appropriate, to implement the type of fiscal, macro-prudential and structural reforms needed to re-build buffers, strengthen resilience and create jobs.

We concur that specific policy and reform priorities going forward depend on country circumstances. However, one can agree that advanced economies broadly should address fiscal imbalances, use macro-prudential tools to tackle leverage and minimize liquidity and market risks, and tackle the challenges for growth potential brought about by population ageing and infrastructure bottlenecks. Emerging economies should address risks arising from fast credit expansion and from foreign currency-denominated debt. Low-income countries (LICs), fragile countries and small states continue to face difficult circumstances, notably in rebuilding buffers and strengthening resilience to shocks. They must continue to improve policy frameworks, advance financial deepening and inclusion, and foster economic diversification.

We all must contribute to improving medium-term prospects by boosting growth potential. This implies investing in human capital and R&D, advancing global interconnectedness, overhauling tax systems and regulatory frameworks to increase productive capacities, and promoting policies to improve labor force participation.

We should also aim at equitable growth as inequalities have widened across countries in part due to technological changes. Efforts should be pursued towards re-training and adapting labor skills, and putting in place adequate social safety nets.

The rapid diffusion of technologies has provided numerous benefits in terms of facilitating the availability and processing of huge amount of information in a timely and accurate manner, with potentially significant fiscal implications. However, the risks inherent to this new potential need to be clearly identified and mitigated. The challenges on the road to e-government can be daunting, especially for low-income developing countries who require important investments in digital capacities.

Challenges Facing Low-Income Countries

While fiscal consolidation is unavoidable in many LICs, its pace should be carefully balanced against the need to preserve growth and foster inclusiveness. Strong and sustained growth is key to securing increases in per capita GDP, reducing poverty, and improving living standards.

It is important to recognize that fragility is a common feature of vulnerabilities in LICs, including those that have experienced significant debt buildup in recent years, made little progress towards improving per capita GDP or failed to reduce other forms of poverty incidence. Therefore, helping countries in fragile situation overcome this challenge is key to restoring their macroeconomic stability and putting them on a strong, sustainable growth path.

II. THE GLOBAL POLICY AGENDA

We broadly agree with the directions of the Managing Director's Global Policy Agenda (GPA) Update, including the policy priorities confronting member countries and ways on how the Fund intends to assist them at this juncture and going forward.

It is critical that all members and member groupings contribute to multilateral cooperation efforts that are required to address common challenges, including trade conflicts, illicit financial flows, undesirable effects of globalization, climate change and security-related threats. We join the GPA's call for more—not less—multilateralism, and welcome the emphasis put on promoting an open and rules-based global trade system.

IMF Support to the Membership

We encourage the Fund to continue enhancing its toolkits, notably surveillance, lending and technical assistance, with the view to improve traction and adapt to emerging challenges. In this vein, we welcome the findings of the recent Interim Surveillance Review. Regarding its lending capacity, the institution should remain at the center of the global financial safety net (GFSN) and be adequately resourced to meet the potential needs of members. On technical support, we strongly encourage the Fund to continue scaling up its capacity development (CD) activities, in partnerships with donor countries and institutions, to better assist members—notably those with weak capacities—meet the 2030 Sustainable Development Goals (SDGs) and other challenges. In this vein, we very much welcome the new China-IMF CD center.

We see scope for the Fund to play a key role on promoting good governance and tackling corruption, in an evenhanded manner and within the confines of its mandate. Emphasis should be put on the need for members to establish enduring governance institutions and adopt best practices. Capacity building is of the essence. There is also merit in enhancing international cooperation on information sharing regarding illicit transnational flows and in engaging with jurisdictions that host stolen assets.

We note a renewed concern over the indebtedness in LICs. Highly-indebted countries are poised to gain from enhancing debt management and improving the quality of investment. We share the view that scope exists for all to work collaboratively, in a holistic approach, towards: (i) greater debt transparency; (ii) more effective modalities for debt restructuring; (iii) mutually beneficial and sustainable lending practices; and (iv) helping LICs make inroads toward the SDGs, including by improving their access to more affordable resources notably through innovative financing mechanisms and de-risking initiatives. A cooperative approach—involving debtor countries and official creditors—is critical to securing desirable outcomes.

We share the view that the Fund should play a key role in impelling discussions on this holistic approach. In the same vein, the Fund should finetune its analytical work on the deep causes and macroeconomic impact of fragility, and help fragile countries tackle this daunting weakness, notably through institutional, human and technical capacity building in its domains of expertise. These include enhancing domestic revenue mobilization, strengthening debt management and improving economic data collection. Addressing infrastructure and other development needs while preserving debt sustainability also require favoring private sector development. In this regard, the Fund should continue to support initiatives to promote private investment such as the G-20's Compact with Africa.

Strengthening the resilience of developing economies also requires strong and stable financial sectors. Hence, we urge the Fund notably to step up efforts in helping countries address the challenges brought about by the withdrawals of correspondent banking relationships.

We look forward to modifications to the Fund facilities for LICs to better assist those members prepare for, and respond to, shocks stemming from natural disasters, commodity price declines, conflicts, and security-related threats. It is critical to adapt Fund instruments to these challenges, notably in the context of program design. Moreover, we urge the membership to enhance the lending capacity of the Poverty Reduction and Growth Trust (PRGT).

IMF Governance and Institutional Matters

We take note of the progress report of the Executive Board to the Board of Governors regarding the 15th General Review of Quotas. Observing that the deadline for completing the 15th Review is fast approaching, we call on efforts by all to reach a consensus on quota increases and a new quota formula, in a spirit of compromise and keeping in mind the agreed objectives. These include maintaining the Fund as a quota-based institution and realigning quota shares with members' relative positions in the world economy—thus likely increasing the shares of dynamic emerging market and developing countries—while protecting the quota and voting shares of the poorest members. We view poorest members as comprising all PRGT-eligible countries. We also support the protection of shares of small developing states.

We concur with the Managing Director's approach to leverage institutional experience and modernize the Fund's operations, notably through effective strategies on human resource and knowledge management. We stress the importance of promoting a quality, diverse and inclusive workforce, including by ensuring the presence of more staff from underrepresented regions such as Sub-Saharan Africa. We also see merits in advancing gender diversity, including at the Executive Board.