International Monetary and Financial Committee

Thirty-Seventh Meeting
April 20–21, 2018

Statement No. 37-17

Statement by Ms. Adeosun
Nigeria

On behalf of
Angola, Botswana, Burundi, The State of Eritrea, The Federal Democratic Republic of Ethiopia, The Gambia, Kenya, Kingdom of Lesotho, Liberia, Malawi, Republic of Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, Republic of South Sudan, Sudan, Kingdom of Swaziland, United Republic of Tanzania, Uganda, Zambia, and Zimbabwe

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Statement by Mrs. Kemi Adeosun, Minister of Finance for Nigeria

On behalf of Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, Republic of South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe

Global Economy

1. The global economy continues to gain momentum on the back of a broad-based cyclical upswing boosted by trade and investment, and the expansion of activity in several commodity dependent economies. Medium-term risks are tilted to the downside, including due to escalating trade conflicts, tighter financing conditions, and sharper monetary policy normalization, which may be exacerbated by procyclical fiscal policies in the US, along with worsening global imbalances. Growth is also vulnerable to high levels of global debt, geopolitical strains, and adverse effects of climate change.

2. In Emerging Market and Developing Economies (EMDEs), economic growth continues to be robust and there is a modest rebound in activity in commodity exporters. Growth is also threatened by poor industrial diversification and slower than expected adjustment to lower commodity prices.

3. Growth in sub-Saharan Africa (SSA) is projected to rise steadily through the medium term. However, vulnerabilities are rising in many of these countries with worsening fiscal positions, increasing debt and financial sector risks, as well as high inequality and poverty. Weather-related shocks, regional conflicts, and other non-economic factors are exerting further pressures, weighing on the countries' efforts to accelerate growth to attain the Sustainable Development Goals. Many low-income countries (LICs) and fragile states are at the risk of more severe impact when the prevailing accommodative market conditions change.

4. Against this background, policy priorities should focus on fostering growth friendly fiscal adjustments to raise living standards and reduce poverty, improving domestic revenue mobilization, strengthening financial sector resilience, and broad structural reforms to boost productivity and support economic diversification. Improving the business environment, better access to education, health-care, and increased labor market participation for women and youth are crucial.

Supporting Growth in sub-Saharan Africa

5. Sub-Saharan African countries have multiple challenges and would require comprehensive policies to achieve solid growth. Policy recommendations include continued efforts to strengthen their fiscal positions, promotion of inclusive growth, enhancement of

financial resilience, and diversification of their economies alongside coping with climate change. We commit to rebuilding buffers to tackle medium-term risks, maintain growth-friendly fiscal policies, maintain the momentum on financial sector reforms, and address structural impediments to growth.

6. Ensuring that the benefits of growth are widely shared and that inequality continues to fall is imperative. Our policies to foster inclusive growth include targeted efforts to improve the quality of education and increasing the availability of clean water and sanitation. Increasing access to financial services, expanding vocational skills, and improving quality of infrastructure will also boost opportunities for gainful employment. In this regard, we look forward to partnering with the Fund, the WBG and other partners to decisively tackle the identified challenges.

7. Reducing financial sector vulnerabilities will require efforts to accelerate proactive supervision, ensure adequate provisioning for losses by banks, reduce forbearance, and improve resolution frameworks to minimize expensive public bailouts. Further, exchange rate flexibility where applicable and the use of reserves to smooth volatility, should help absorb external shocks. In this regard, we appreciate the Fund's partnership to close gaps in macroprudential policies, to complement microprudential efforts against financial market risks. We also recognize that digital technology is creating increasing opportunities and challenges in our region, for which the Fund's support in collaboration with other international financial institutions (IFIs) will be critical. Sustained discussion on the modalities for dealing with illicit financial flows in the region would be appreciated.

8. Diversification and coping with climate-related shocks are some of the long-standing goals in our region. We call on the Fund to provide more granular advice on structural reforms, especially on economic diversification, fiscal consolidation, domestic resource mobilization, and other fiscal structural issues. We look forward to the continued collaborative work with relevant partners on governance, including by strengthening incentives to improve the efficiency of public administration, reducing policy uncertainties, and enhancing transparency in project selection and contracting.

Fund Policies

9. We welcome the recent Board discussion on the Interim Surveillance Review, and support the need to continuously adapt the Fund surveillance toolkit to the evolving needs of members. While acknowledging the progress made in the integration of micro-financial and macro-structural issues in surveillance, including on inequality and gender, we support the increase in the number of pilots on macro-financial issues.

10. We welcome the Fund's continued work to assist members' efforts to strengthen regulatory and supervisory frameworks. In particular, we support the Fund's efforts to enhance financial sector resilience, which are critical to addressing the withdrawal of correspondent

banking relationships (CBRs). In this regard, we look forward to the outcome of discussions on the Review of the Fund's AML/CFT Program in June 2018.

11. We reiterate our support for the Fund's work on the institutional view on the management of capital flows. In this regard, bilateral surveillance should reflect a balanced and appropriate application of capital flows management measures across the membership, with greater attention to country circumstances to mitigate risks associated with capital flight.

12. We look forward to the implementation of the revised Debt Sustainability Framework (DSF) for Low-Income Countries. We welcome the increased focus on small and fragile states in the review of Fund facilities, and the conclusion of the review of conditionality and design of Fund-supported programs.

Governance and Financing

13. We reiterate our support for a quota-based, adequately resourced Fund at the center of the global financial safety net (GFSN). We note with concern the slow progress made on Board discussions on the 15th General Review of Quotas and the quota formula. In our view, it is now time to build consensus based on commonly accepted principles if the agreed milestones are to be met. We call for the protection of the voice of vulnerable members, and the realignment of quota shares to reflect countries' relative positions in the global economy. Further, we emphasize the need to protect the quota shares of all countries eligible for the Poverty Reduction and Growth Trust (PRGT) and small developing states. In addition, we restate our call for a third Chair for sub-Saharan Africa.

14. Finally, we welcome the continued progress on diversity and inclusion in the Fund and look forward to sustaining the practice and bridging the gaps in both staff and the Executive Board. We welcome the new human resource strategy and look forward to an agile and inclusive workforce that is focused on modern performance management and career development.