INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Fortieth Meeting
October 18–19, 2019

Statement No. 40-19

Statement by Ms. Ahmed
Nigeria

On behalf of
Angola, Botswana, Burundi, The State of Eritrea, Kingdom of Eswatini, 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, United Republic of Tanzania, Uganda, Zambia, and Zimbabwe

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Statement by Honorable Mrs. Zainab Ahmed, Minister of Finance, Budget and Planning for Nigeria on behalf of Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, Republic of South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

1. Global economic activity is projected to slow down from 3.6 percent in 2018 to 3.0 percent in 2019, the weakest over the last decade. The weakening global growth reflects an escalation in trade disputes and the associated spillovers to business sentiment, commodity prices, investor confidence and global trade; continued policy uncertainty, including the no-deal Brexit; and adverse geopolitical developments. In emerging market and developing economies (EMDEs), growth remains constrained by the intensified trade tensions and weakening external demand in China, a weaker than anticipated outlook for domestic demand in India, and continued distress in major Latin American and Asian economies.

2. Looking ahead, global growth is expected to rebound to 3.4 percent in 2020, with recovery contingent upon stabilization in stressed EMDEs, as well as progress on resolving the ongoing trade tensions. The turnaround is nevertheless, clouded by the threats of broadening trade tensions, rising global financial vulnerabilities, and the lingering risk of a no-deal Brexit. In addition, easy global financial conditions could trigger a further build-up of financial and debt vulnerabilities. Growth in EMDEs is expected to rebound in 2020, subject to a moderation of key risks emanating from elevated debt vulnerabilities, short term capital inflows, and resolution of strains in several EMDEs.

3. Against the backdrop of significant risks to the outlook, we concur with the broad policy priorities outlined in the IMF flagship reports. We underscore the need for urgent policy actions to raise potential growth, improve inclusiveness, and strengthen resilience. Monetary policy at the country level should aim at price stability and lay a strong foundation for economic recovery and durable growth. At the same time, fiscal policy should support aggregate demand, subject to availability of fiscal space. Concurrently, stronger and broader macroprudential policies and stricter supervision are essential to mitigate emerging financial vulnerabilities, including in non-bank financial institutions. Decisive policy actions are also required to mitigate risks from climate change, improve governance, and address illicit financial flows as well as cross-border tax evasion and avoidance.

4. Growth in Sub-Saharan Africa (SSA) is projected to remain flat at 3.2 percent in 2019, before rebounding to 3.6 percent in 2020. The static growth reflects the constraining effects of the global slowdown alongside climate events that affected agriculture and electricity production in Southern Africa and weak performance in oil producing countries. Nevertheless, some economies are projected to register solid growth exceeding 5 percent in 2019. Medium-term growth prospects, however, remain challenged by elevated public indebtedness, volatile

commodity prices, the effects of the long-standing structural deficiencies including weak public finances and institutions, and a constrained business environment. Against this background, we concur on priority to growth-friendly fiscal consolidation to ensure debt and fiscal sustainability, and structural reforms aimed to promote economic diversification and resilience to external shocks.

Supporting Growth in Sub-Saharan Africa

5. We urge that the Fund sustains its advocacy role to reinforce the importance of a rules-based international trading system and de-escalation of trade tensions through multilateral approach. At the regional level, the recently ratified African Continental Free Trade Agreement (AfCFTA), presents immense trade and growth opportunities. Fund support would be required to help with implementation of key policy actions to unlock growth potential under this initiative.

6. We welcome the Fund's work in promoting sustainable and inclusive growth to foster greater economic participation, reduce regional and in-country disparities, narrow gender gaps, tackle debt vulnerabilities, and promote financial inclusion. In this regard, we support the Fund's strategy for engagement on social spending. This workstream alongside Fund support to enhance fiscal frameworks would help low income countries (LICs) in the attainment of the 2030 Sustainable Development Goals (SDGs) and thus narrow income gaps. Relatedly, we welcome the Fund's enhanced engagement with fragile and conflict-affected states to rebuild institutional capacity. In parallel, support to strengthen domestic revenue mobilization remains essential to ensure sustainable financing for development. Further, Fund support is required to help SSA countries strike an appropriate balance between securing development financing needed to close infrastructure gaps and preserving debt sustainability.

7. In view of the potential benefits and costs of the on-going digital transformation, we support the Fund's leadership role on fintech, following the adoption of the Bali Fintech Agenda and subsequent work on assessment of country experiences. We look forward to the analysis of the implications of fintech on macroeconomic policies and financial inclusion, financial stability and integrity, as well as further integration of the workstream into surveillance. We also welcome work underway to measure, monitor and combat illicit financial flows, as well as the Fund's initiatives to help member countries address pressures on correspondent banking relationships. We underscore the need for collaborative efforts to address challenges in international taxation, cyber risks, and upgrading global financial regulations to counter emerging vulnerabilities and prevent a rollback of the progress made.

8. Against the backdrop of increasing frequency and severity of climate events, we welcome the Fund's focus on climate change. Given the macro-criticality of climate change and its universal threats, the need to promote environmental resilience and sustainability as well as increased investment in disaster preparedness and climate-smart infrastructure, remains evident. We, therefore, welcome efforts to integrate work on climate change into Fund surveillance as well as enhanced advice on resilience building in small states. To this end, we see greater scope for

collaboration with other international institutions that have already established capacity in this area.

Fund Policies

9. Stronger policy toolkits are essential. Regular reviews to Fund policies to take account of the evolving membership needs are warranted. In this respect, we welcome recent reviews to improve program design, macroeconomic forecasting, and better tailoring and streamlining of structural reforms. We look forward to a flexible application of the policy toolkits to take account of country peculiarities, economic and political fragilities, and the need to enhance traction and program success. Relatedly, we welcome the completed reviews to the LIC facilities to better suit the needs of this group of countries and support the increase in access limits expected to address the financial needs of LICs. We also look forward to the completion of the 2020 Comprehensive Surveillance Review (CSR), the Integrated Policy Framework (IPF), and the reviews of the FSAP, as well as the debt sustainability framework for market access countries.

10. With respect to Fund resources, we view the limited support towards increasing the quota size under the 15th General Review of Quotas (GRQ) as regrettable. Despite the missed opportunity to place the Fund's permanent resources on a sound footing, our constituency remains firmly committed to a quota-based IMF at the center of the Global Financial Safety Net (GFSN). The uncertainties and elevated risks facing the global economic outlook underscore the need for an adequately-resourced Fund to provide confidence on the lending capacity. To this end, we welcome the update on IMF governance and resources including the assurances for further governance reforms under the 16th General Review of Quota. Meanwhile, accelerated discussions on the renewal and possible expansion of the Fund's borrowed resources remain crucial. Lastly, we emphasize our continued call for a third chair for SSA and a recommitment to future quota reviews and realignment of quota shares in the context of the 16th GRQ.

11. On human resource development, we look forward to the implementation of the HR strategy including the Comprehensive Compensation and Benefits Review (CCBR) and emphasize the need to attract, retain, and motivate competent and highly-skilled staff while increasing diversity, inclusion, and promotion of staff from under-represented regions, including at managerial level. In addition, we view implementation of the capacity development (CD) strategy as important to help further integrate and enhance surveillance and lending activities.