



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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IMFC Statement by Calixte Nganongo Minister of Finance and Budget Republic of Congo

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 Mr. Calixte NGANONGO
Minister of Finance and Budget
(Republic of Congo)
October 15, 2020

We extend our deepest sympathies to people and governments around the world for the losses of human lives due to the Covid-19 pandemic.

I. GLOBAL OUTLOOK AND POLICY PRIORITIES—RECOVERING FROM THE PANDEMIC

Global Outlook and Risks

1. The projection of a less severe global contraction in 2020 than anticipated a few months ago—mainly due to the reopening of some economies—does not hide the harsh impact of the Covid-19 crisis on people and economies. Output gaps remain significant and uncertainty around the pandemic persists. In addition, this pandemic will have a durable impact, including higher debt levels, further productivity losses and setback in living standards.
2. Low-income countries and many middle-income countries with similar characteristics are disproportionately affected as their economies structurally rely on contact-based and informal activities. Insufficient infrastructure for virtual learning—or the lack thereof—in those countries may ultimately dampen human capital accumulation in case of prolonged or renewed lockdowns. Commodity exporters face the concomitant fall in commodity production and prices due to a sharp decline in global demand. Particularly worrisome is the threat to hard-won gains achieved by low-income countries in poverty reduction and the sustainable development goals (SDGs).
3. We acknowledge a preponderance of downside risks related to developments in the rates of infection; advances in therapies; provision of safe, effective and affordable vaccines; and pursuit of policy support. We are also concerned that other risks would reemerge or intensify as soon as the crisis abates. These include social strife, geopolitical tensions, trade and technology frictions. In addition, the adverse effects of climate change continue to progress.

Short-Term Policy Priorities

4. Against this background, we, collectively, should continue to put priority on allocating adequate resources to healthcare systems and containing the economic fallout of the pandemic. We share the view that strengthening public health systems is a pre-requisite for overcoming the health crisis, restoring confidence and ensuring a resilient and inclusive recovery. Meeting these priorities requires a great sense of multilateral cooperation, notably in supporting developing countries, most acutely in Africa. We support multilateral solutions and open trade to allow countries' access to medical equipment, treatments and vaccines.

5. While priorities are shared across countries, specific policy actions should vary depending on national income level, pre-existing vulnerabilities, policy space, degree of informality, and the phase of the pandemic in each country. A key common concern is to maintain policy support as long as growth remains weak or negative.
6. We, policymakers, should continue to use fiscal tools to contain the adverse effects of the pandemic, support the recovery and strengthen social safety nets. This is even more necessary as monetary policy is increasingly constrained in the low interest rate environment and central bank balance sheets have already been expanded by the large asset purchase programs.
7. Fiscal space in low-income countries, notably in sub-Saharan Africa, remains extremely limited, not least because of the challenge to raise domestic revenue mobilization at this juncture. This difficulty, associated with the risk of decreased financing—both official and private—could reverse two decades of progress in economic and social development. It is therefore critical that this group of countries’ efforts to sustain the recovery, improve human capital and foster job creation while addressing debt vulnerabilities be supported by multilateral backing, notably through grants, concessional financing, debt restructuring and, in some cases, effective debt relief. In the near term, the IMF should continue to provide emergency financial assistance to the members in need. It should also respond, as soon as possible, to the needs of the members that had made early requests for financial support but have not yet received any resources from the Fund to help alleviate the impact of the crisis caused by the Covid-19 pandemic. On their side, low-income countries should continue to improve governance, enhance debt management capacity and benefit from sounder lending practices from creditors. The private sector needs to be stimulated to substitute for the public sector as a growth engine.
8. Sustaining the global recovery also requires containing financial stability risks stemming from banking and nonfinancial corporate sectors in advanced economies, notably through enhanced macro- and micro-prudential frameworks. This should help preserve credit flows. In the same vein, it is essential to facilitate stable capital flows, as financing needs to keep economies afloat are likely to remain large considering the protracted nature of the pandemic. This is particularly important for emerging markets and frontier economies. The unprecedented experience of the latter’s central banks with asset purchase programs bodes well for their ability to fend off domestic market stress in the future.

Medium-Term Objectives

9. Scarring from the pandemic, notably human capital and productivity losses, and increased inequality will add to debt vulnerabilities and climate change on the list of macro-critical challenges to address over the medium to long run. These will require significant resources. Regarding developing countries, multilateral initiatives aiming at debt restructuring and relief

should be extended as needed and involve official and private creditors alike given the composition of debt vulnerabilities.

10. Increased investment in health, education, as well as digital-based and “green” infrastructure is of the essence to achieve structural transformation of economies. At the same time, the tradeoffs between those investments and preventing further buildup of debt burdens must be minimized through prioritization and quality public investment seeking high rates of return. Upgrading existing infrastructure in viable sectors is also needed to enhance resilience to shocks and boost long-term economic growth. Many low-income countries, small states and fragile states should be supported by multilateral development partners to prevent them from having recourse to cuts in public investments deemed critical for economic growth.
11. Global coordination should be scaled up to tackle climate change and contain the impact of climate policies on vulnerable groups and countries. We agree that public actions are needed to ease adjustment costs to carbon pricing and support activities in low-carbon sectors. However, as emerging market and developing economies are faced with limited fiscal space, high debt burdens and potentially reduced access to capital markets, they are likely to encounter challenges in financing their low-carbon future. There is an important role to be played by the private sector, technology and financial systems in helping mobilize finance for low-carbon solutions. Joint efforts are also needed to enable oil-producing countries make the green transition.

II. GLOBAL POLICY AGENDA

12. We welcome the content of the policy program for countries and the IMF laid out by the Managing Director and appreciate the focus on catalyzing a resilient recovery while recognizing that many members still have much to do to tackle the economic fallout of the pandemic. We commend the Fund for its enhanced policy advice, strengthened lending toolkit, provision of debt service relief and advocacy for debt service suspension in favor of vulnerable countries. The IMF’s delivery of capacity development assistance—adapted to current circumstances—rightly remains a central piece of its engagement with members, notably vulnerable ones. We applaud the institution for stressing the importance of multilateral approach and solutions to addressing the crisis and longer-term macro-critical challenges. We support the Managing Director’s Global Policy Agenda (GPA).
13. We cannot agree more on the need to suppress the virus as a pre-condition for a sustainable global recovery. In this regard, we endorse the strong message that all would benefit from coordinated and broad-based production and distribution of medical treatments and vaccines, across and within countries.
14. We support the efforts by member countries to raise additional revenues to rekindle growth and employment. To this end, promoting progressive taxation, combatting illicit financial

flows and closing loopholes conducive to tax avoidance, including through international collaboration is paramount.

15. The Fund should continue to play a central role in the global financial safety net. As the uncertainty surrounding the global outlook and the potential financing gaps facing member countries remain elevated, it is imperative that the Fund be able to meet their needs, within the confines of its usual burden sharing as a catalytic lender. To this end, we support exploring options to further raise access limits under its lending instruments, notably concessional facilities.
16. On assisting vulnerable countries to cope with the crisis, we welcome the GPA's call for improving creditor participation in debt restructuring under the G-20's Debt Service Suspension Initiative (DSSI). We stress the importance of private creditors effectively joining the initiative in a way that will not be detrimental to debtor countries' access to financing and to their credit rating assessments. We are also pleased with the progress in securing additional grants for the Catastrophe Containment and Relief Trust (CCRT) but more remains to be done to ensure adequate support to vulnerable countries in these trying times and throughout the recovery period. Care should be given to expanding eligibility to temporary debt relief under the CCRT to countries facing vulnerabilities other than low GNI per capita, notably debt vulnerabilities.
17. Greater efforts are needed to improve the self-sustainability of the Poverty Reduction and Growth Trust (PRGT). While we welcome the good progress on loan resource mobilization, we share the view that meeting the financing needs of low-income countries entails additional subsidy resources as those members' access to Fund resources has continued to erode in real terms and in relation to key macroeconomic metrics. We therefore look forward to the forthcoming Review of Fund Concessional Financing which should result in further enhancing its PRGT envelop. We continue to see merit in a new SDR allocation to replenish the IMF's concessional resources.
18. Regarding the General Resource Account (GRA), we welcome the pledges made to double the New Arrangements to Borrow (NAB) and preserve bilateral borrowing agreements (BBA). We encourage participants to make these arrangements operational as swiftly as possible to maintain the lending capacity of the institution. We continue to stress the importance of maintaining the Fund as a quota-based institution by augmenting quota resources. We also call for advancing IMF governance reforms notably by realigning quota shares based on a new quota formula. This exceptional crisis offers an opportunity to meet these objectives through timely completion of the 16th General Review of Quotas.
19. We continue to emphasize the need to improve diversity within the IMF, notably by raising the number of staff from underrepresented regions, including sub-Saharan Africa.