INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Mr. Nganongo
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
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I. IMPACT OF COVID-19—GLOBAL OUTLOOK AND POLICY PRIORITIES

Global Outlook and Risks

1. The world is going through exceptionally challenging times with the deadly coronavirus pandemic. Human losses are staggering. The health crisis and the necessary containment measures are disrupting economic activity tremendously through direct effects as well as spillovers. Global financial markets have declined substantially, and financial conditions have tightened. We expect an unparallel negative global growth this year.

2. The unprecedented nature and size of the shock have prompted extraordinary public health measures and macroeconomic and financial responses. In advanced countries and many emerging economies and low-income countries, policy responses have been large and exceptional. However, with the extreme uncertainty associated with the projections and the risk of a more severe and prolonged coronavirus crisis, we, policymakers, should stand ready to do more on containment measures and macroeconomic policies to minimize human fatalities and preserve the prospects of a swift and sustained recovery in the aftermath of the pandemic.

A Global Challenge Requiring a Coordinated Global Response

3. We share and greatly appreciate the IMF's call for multilateral actions and solutions to effectively combat the pandemic and its socio-economic consequences. As rightly pointed out in the IMF's flagships, "*no country is safe from the pandemic as long as transmission occurs elsewhere*". Strong global cooperation is highly needed to slow the transmission of the virus; develop a vaccine and therapies; assist vulnerable countries with financing to strengthen and enable their health systems in countering the pandemic; and provide adequate global liquidity and financing.

4. Developing economies, especially low-income countries (LICs), fragile states, small states but also several middle-income countries face weak health systems and lack adequate medical supplies, testing and treatment to properly face the COVID-19 outbreak. Whereas the disease epidemic is at an early stage in those countries, one should fear the worst when and if contagion accelerates. Their efforts to fight off the crisis should be supported by adequate material, technical and financial assistance as well as capacity development.

5. Moreover, like other emerging market and developing economies (EMDEs), LICs are incurring significant economic damage through reduced domestic activity, tourism, trade and financial flows, including remittances. Real per capita output losses will be significant this

year in those countries, most notably in Sub-Saharan Africa (SSA). The economic impact of the COVID-19 is compounded by the commodity price shock in commodity-exporting economies, large capital outflows, the continued effects of climate change and, in some countries, security-related threats. The large number of LICs requesting the Fund's emergency financing, is an indication that their buffers are depleting rapidly.

Policy Priorities

6. The utmost priority everywhere should remain the reduction of contagion and the protection of human lives through continued containment measures as needed while increasing health care spending. It is also indispensable to limit the impact of the downturn on the populations, businesses and financial systems and ensure speedy post-pandemic recovery.

7. Based on these priorities, fiscal policy is the prime response tool. The necessary scaling up of health sector spending implies that large fiscal expansion is needed. Significant parts of the stimulus should be envisaged for the period following the decline of the disease when it is most effective to sustain activity as economic agents are able to move and act more.

8. Protecting vulnerable populations from loss of income and unemployment, and businesses, especially small and medium enterprises from bankruptcies is another paramount objective that fiscal policy must meet. We see merit in the fiscal measures recommended by the IMF and already undertaken in advanced economies, notably paid sick and family leaves, targeted cash transfers, unemployment benefits, wage subsidies, and deferral of tax payments.

9. On the other hand, most developing economies were facing a difficult situation prior to the COVID-19 outbreak and many are now impacted by the multiple shocks highlighted above. They may not have adequate fiscal space, which is likely to raise debt vulnerabilities to fight off the health crisis. It is therefore essential that appropriate grants and concessional financing be provided urgently to developing countries to address the fallout of the virus while preparing medium-term adjustment programs to adapt to the other shocks once the health crisis is brought under control.

10. We share the emphasis on also implementing strong and decisive monetary policies in addressing the crisis, welcome the actions already taken by many central banks, and see merit in similar measures by others where feasible. We share the view that there is a need to promote synchronized actions in monetary policy easing and liquidity provision and facilitate EMDEs' conduct of monetary policy commensurate with domestic conditions.

11. We agree that financial regulatory requirements need to be temporarily relaxed by lowering provisionally the capital adequacy ratios and helping reduce banks' losses. Banks should also be allowed to renegotiate loan repayments from distressed households and businesses while keeping credit risk under control. Governments should provide credit guarantees where possible to mitigate the rapid decline in the financial sector's credit to the economy.

12. Exchange rate flexibility where feasible can act as a shock absorber while central banks should stand ready to intervene in case of excessive exchange rate volatility. Capital flow management measures should be allowed to prevent disorderly outflows from EMDEs. In addition, there is a need to strengthen cross-border private transfers to sustain the flows of remittances by migrants in advanced countries towards developing economies, especially those relying on these flows.

II. Global Policy Agenda

13. We recognize the leadership role played by the IMF in coping with the current global crisis. We welcome its enhanced policy advice, strengthened lending toolkit and provision of debt service relief to respond quickly to members' large and urgent needs, and adaptation of the delivery of its capacity development activities to current circumstances. At the same time, the IMF is rightly advocating for multilateral approach and solutions to the crisis, including policy coordination and solidarity, the call for support to the most vulnerable members through bilateral debt service relief, and increased collaboration with other international financial institutions, multilateral development banks as well as specialized organizations. We support the Managing Director's Global Policy Agenda.

14. We encourage the Fund to swiftly complete its work on a short-term liquidity line to assist emerging markets with strong fundamentals facing liquidity pressures.

15. We commend the IMF for the recent reforms of its rapid-disbursing instruments, notably the doubling of annual access limits under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI) and fast-track provision of this support through streamlined procedures. In such exceptionally challenging circumstances, especially for LICs, it is critical to ensure that this assistance is flexible enough and cover all eligible members in need regardless of their debt vulnerability or Fund program status. We encourage the IMF in its efforts to mobilize additional resources for the Poverty Reduction and Growth Trust (PRGT) and commend countries that have announced contributions in this regard. In the same vein, an SDR allocation will help boost members' buffers while allowing contributions to the concessional trust.

16. Likewise, care should be given to expanding eligibility to the temporary debt relief under the Catastrophe Containment and Relief Trust (CCRT) to countries facing vulnerabilities beyond GNI per capita and include other criteria such as debt vulnerabilities. Moreover, significant contributions to the CCRT is essential for the success of this initiative. We commend the recent contributions and pledges from a number of donors and call on others to follow suit.

17. While we welcome the recent efforts to renew the IMF's borrowed resources under the New Arrangements to Borrow (NAB) and the Bilateral Borrowing Agreements (BBA) to ensure

that the institution is able to meet its members' needs, we continue to stress the importance of maintaining the Fund as a quota-based institution by augmenting quota resources and realigning quota shares based on a new quota formula. We also continue to emphasize the need to improve geographical diversity within IMF staff.

18. Beyond the current crisis, the IMF should continue to deepen its analysis and support to members on coping with long-term challenges, notably climate change.