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March 10, 2021

**Statement by Mr. Hilbers and Mr. Tevdovski on Canada  
(Preliminary)  
Executive Board Meeting  
March 12, 2021**

We thank staff for the rich set of papers, and Ms. Levonian, Ms. Vasishtha, and Mr. Weil for their insightful Buff statement. We broadly share staff's main conclusions and recommendations and commend the Canadian authorities for the strong fiscal response to the pandemic. We agree with staff and the authorities that this crisis is an opportunity to "build back better" in terms of shared prosperity, productivity, and a green transformation.

**We support the continuation of policy support as long as the pandemic hampers economic activity.** We note that Canada's strong history of prudent policymaking provided the policy space to respond forcefully to the crisis. Fiscal measures concentrated around the two flagship programs – "Canada Emergency Wage Subsidy" and "Canada Emergency Response Benefit", have proven effective in supporting jobs and household incomes. In the recovery phase clear and credible communication about the path forward will be key.

**We welcome the authorities' data-driven approach to the withdrawal of policy stimulus.** It represents the authorities' commitment to support the economy in the current uncertainty around the crisis, where a predetermined calendar for the withdrawal of fiscal support is not the right tool. Moreover, we support staff's recommendation for a debt anchor supported by a well-understood operational rule, or the regular publication of longer-term fiscal projections, as a way towards ensuring that credibility in the fiscal framework is maintained over the medium-term.

**In the financial sector, support needs to be gradually eased as recovery picks up.** While current macroprudential policy settings are broadly appropriate, the pace of withdrawal should carefully balance short-term risks against longer-term macro-financial vulnerabilities. Given the high private-sector indebtedness, increased risks of household overleverage and a housing market correction, addressing FSAP's macro-critical recommendations are important, including the enhancement of regulatory capital requirements for banks' mortgage exposures and ensuring that mortgage insurers are adequately capitalized.

**Economic disruption caused by the pandemic represents an opportunity to reorient the economy and make it greener, more inclusive, and more productive.** We thus welcome the authorities' plan to "Build Back Better". More specifically the efforts to kickstart a job-rich green recovery, as well as the recently announced national early learning and childcare system, together with the creation of more opportunities for vulnerable groups, women, young, and minorities.

**Finally, we commend Canada's ambitious pledges to cut greenhouse gases by 30 percent below current levels by 2030 and to achieve net-zero emission by 2050.** We noted that staff views Canada's aggressive carbon pricing scheme as a possible global model.