



## INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

### **Forty-Eighth Meeting October 13–14, 2023**

Statement No. 48-10

**IMFC Statement by Ahmed Osman Ali  
Governor of the Central Bank**

**Djibouti**

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

**IMFC Statement by Mr. Ahmed OSMAN ALI  
Governor of the Central Bank of Djibouti  
October 14, 2023**

*We express our deepest sympathies to the people of Morocco and Libya for the loss of life and profound suffering caused by recent natural disasters. We are grateful to the people of Morocco for hosting the Annual Meetings of the IMF and the World Bank Group in difficult circumstances.*

***Global Outlook and Policy Priorities***

**The global economy continues to experience an uneven and slow recovery from the COVID-19 pandemic and the continuing war in Ukraine.** While global growth has shown relative resilience in 2023, global economic activity has yet to fully rebound to pre-pandemic levels, particularly in emerging market and developing economies (EMDEs). Although risks to the outlook are more balanced than last spring, they are still tilted to the downside with widening divergence among regions and countries. Core inflation has been more persistent than initially expected, despite the welcomed decline. Financial stability risks remain elevated in a tight credit environment, and vulnerabilities continue to build up in many sectors, including the commercial real estate as well as in the non-bank financial institutions. We welcome the reduced likelihood of a hard landing. Nonetheless, significant challenges remain amid the elevated geopolitical tensions, tight financing conditions, and trade growth at a historical low. Security and emigration issues remain key challenges in a number of regions, including the Sahel region and the Horn of Africa.

**We are particularly concerned by the dimmed income convergence prospects in this uncertain global environment.** Medium-term prospects for countries to catch up to higher living standards have weakened. In particular, we note that, compared to pre-pandemic levels, real growth loss is much more pronounced for low-income countries, which also have limited fiscal space and weaker social protection systems.

**In the case of the Sub-Saharan African region, while growth is expected to recover to 4.0 percent in 2024, the funding squeeze is continuing for many countries, and borrowing costs are elevated amid declining aid flows.** Moreover, this projected growth is below the historical average of 4.8 percent due to several factors, including worsening weather-related shocks, the global slowdown, and domestic supply challenges. If persistent, this development, also observed in many low-income countries outside the region, will translate in decelerated per capita income growth, and will make the sustainable development goals even less attainable. Additional challenges are posed by commodity markets and global trade facing an increasing risk of fragmentation due to geopolitical tensions and conflicts. This fragmentation could lead to severe adverse impacts in agricultural and mineral commodity sectors, particularly for low-income countries, aggravating food insecurity and clouding their development prospects.

**In this context, there is room for neither error nor complacency on the policy front.** The implementation of bold and comprehensive policies is warranted, at both global and domestic levels, to safeguard macroeconomic and financial stability, while fostering a balanced recovery across the different regions of the world. We share the view that policy responses must be carefully calibrated to address identified challenges while ensuring the protection of vulnerable groups and financial stability. Given potential risks to the economy, it is vital for central banks to hinge on steering inflation towards set targets and ensure that inflation expectations remain firmly anchored through effective monetary policy frameworks and communication.

Fiscal consolidation should bolster monetary policies and avoid central banks taking on sole responsibility for combating inflation, which could hinder growth, and fiscal and debt sustainability. Enhanced domestic revenue mobilization in EMDEs is critical to achieve fiscal and debt sustainability. However, we continue to be concerned by the risks of adverse spillovers to EMDEs of tighter monetary policies in advanced economies, including the negative impacts of higher-for-longer interest rates on borrowing costs, external balances, and fiscal sustainability already under stress from policy reactions to the surge in food and energy prices. While we share the view that food and energy subsidies should be better targeted, we caution for a careful and gradual withdrawal of those support measures in low-income countries in light of social demands and potential unrests.

**The prospects of lower growth combined with inflation, call for structural policies to boost supply.** In this perspective, medium to long-term challenges, including those posed by climate change, digitalization, macro-critical security challenges, and geoeconomic fragmentation, must be addressed. EMDEs face important climate-related risks, which require substantial financing to address them. Reliable and timely provision of official finance is essential to sustain the needed structural reforms and create an enabling environment to secure more climate and other finance, notably from the private sector, and scale up the much-needed investment spending. However, securing climate finance has remained challenging from both official and private sources. In particular, failure to deliver on official financial commitments over the past two decades, despite the urgency of the climate agenda, has made the quest for adequate climate finance quite elusive. We call for the materialization of pledges made in the Paris Agreement.

**More than ever, solidarity and collective action is needed to confront our shared challenges.** Climate change threatens the very survival of our planet, most acutely LICs, small developing states and small island states. We call for increased cooperation among bilateral and multilateral partners to provide the significant resources to implement effective mitigation and adaptation and technology transfer strategies in these countries. We also call to diplomatically resolve geopolitical tensions and prevent the intensification of geoeconomic fragmentation which will aggravate food insecurity and poverty in LICs and will be detrimental for all countries. Support to LICs in strengthening their capacities to produce, store, and transport agricultural products is also paramount to improve their long-term food security.

## *The Global Policy Agenda*

We support the Managing Director's Global Policy Agenda (GPA) and broadly agree with its priority areas. We appreciate the call for improved international cooperation with the view to "Building Shared Prosperity and Collective Resilience." More than ever, solving the challenges we face requires strong collective action.

**The Fund's surveillance of members' policies should continue to be enhanced with fast-evolving challenges, to contribute to its mandate of safeguarding stability and enhancing growth.** Bilateral surveillance should pay attention to the issue of decelerating per capita income growth in low-income countries, touching on all contributing factors—including climate change, food insecurity, lack of economic diversification, other consequences of the geoeconomic fragmentation, weak digital infrastructure and energy, security, and migration challenges. Migration and insecurity issues are emerging as macro critical, and their impact on policies cannot be ignored. Their spillovers should also be analyzed thoroughly, while their implications on public finances and external balances should be addressed through financial support as needed.

**The Fund should focus on advising member countries in rebuilding fiscal buffers while protecting the most vulnerable populations amid high cost of living.** The withdrawal of support measures should be tailored to suit the specific circumstances of each country while preserving price signals to the extent possible. This approach can help increase policy space to address more structural challenges, which would be sustained in more stable socio-political conditions. The Fund also plays a key role in helping low-income member countries enhance domestic resource mobilization, and we welcome the joint initiative taken with the World Bank and other partners in this regard.

**Coordinated international response is crucial to addressing shocks, including from climate change, food and commodity price volatility, and digitalization.** Notwithstanding the gradual decline in inflation, food and fertilizer prices remain elevated, and food insecurity is rapidly rising as well as the proportion of people living in extreme poverty. In this context, we consider that a longer extension of the Fund's Food Shock Window beyond the recently approved expiration date of end-March 2024 will be desirable. Additionally, it remains crucial to address the devastating consequences of climate change. Enhanced cooperation among bilateral and multilateral partners is necessary for climate resilience, as significant resources are needed to implement effective mitigation and adaptation strategies and meet global climate goals. We also highly value the Fund's analytical work and technical support on central bank digital currencies.

**We call for speedy multilateral coordination for achieving significant progress on debt resolution.** Rising debt service costs have contributed to placing more than half of LIDCs at a high

risk of, or in, debt distress, highlighting the need for swift and stronger progress on debt resolution initiatives. Global debt restructuring mechanisms such as the G20 Common Framework and the Global Sovereign Debt Roundtable are essential, and the Fund should continue to play a central role in these initiatives by facilitating complex debt restructuring processes, including appropriate coordination and participation among traditional, new officials, and private creditors.

**Reinforcing collective resilience entails that the Fund maintains its capacity to meet the growing balance of payments needs of its members as the institution at the center of the global financial safety net.** We appreciate the GPA's focus on supporting the poorest and vulnerable EMDEs. In this regard, the timely completion of the 16<sup>th</sup> General Review of Quotas (GRQ) by December 15, 2023, with a broad consensus on a meaningful quota increase is key to increasing the Fund's permanent resources, and strengthening the institution's effectiveness. We also stress the need to protect the quota shares of at least all the PRGT-eligible members and small developing states and maintain their voice and representation in the institution. In this perspective, we laud the call for an additional Chair for Sub-Saharan Africa in the IMF Executive Board.

**We commend the Managing Director's fundraising efforts to reduce the funding gaps of the PRGT and strengthen the lending envelop of the Resilience and Sustainability Trust (RST) as a matter of priority.** We support her call to close the remaining gap for the PRGT subsidy account. We look forward to the review of access limits under the PRGT as part of an interim review once substantial progress with fundraising has been made. Aligning the PRGT access limits to the GRA's would also be an important improvement in the toolkit to preserve evenhandedness across members. The urgency of rolling out climate strategies require augmenting the resources of the RST and enhancing the catalytic role of its instrument. Likewise, we support the process of redirecting a small portion of SDRs from the 2021 general allocation to multilateral development banks.

**The attention to capacity development in the GPA is well appreciated.** We fully agree that this core activity of the Fund helps strengthen economic institutions and build resilience.