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Statement by Mr. Taleb
Algeria

On behalf of
Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

IMFC Statement of Governor Taleb of Algeria

Speaking on behalf of: Algeria, Ghana, Iran, Libya, Morocco, Pakistan, and Tunisia

Following four years of permacrisis, the world economy is stabilizing, but risks and uncertainty loom large. The global economy is heading steadily towards a soft landing, with economic activity in leading countries becoming better aligned with potential. The progress in disinflation, facilitated by an unprecedent monetary tightening in leading economies, is also encouraging and inflation targets are within reach, although the last mile has proven challenging due to unique inflation dynamics. The softening of international commodity prices also helped disinflation and the large inflow of migrant labor is some advanced economies contained the upward pressure on wages. It is further encouraging to see that disinflation over the last two years has not been associated with a major loss of employment in leading economies, although "high-for-long" interest rates added to financial stability risks and adversely affected debt service costs, exchange rate, and capital flows in many emerging markets and developing economies. With output at potential and inflation at or close to target, monetary policy could safely return to a neutral stance in a data dependent manner. With inflation under control, the macro policy mix would also need to pivot to growth-friendly fiscal consolidation to ensure debt sustainability and facilitate a breakout from the low growth-high debt trap that is beleaguering many countries, large and small, rich and poor. Medium-term growth prospects remain tepid in many advanced and emerging market economies, some burdened by high debt. As medium-term fiscal consolidation addresses debt sustainability issues in a country-specific manner, broad-based structural reforms are critical to boost lagging productivity and raise potential growth in most countries. Moreover, fiscal policy should prioritize social protection and income and gender equality, as the post-crises economic recovery has been uneven, and the income gap has widened between, as well as within, countries.

Within this broadly encouraging outlook, there are, however, major reasons for heightened concern as the balance of risks to the global economy has decidedly shifted to the downside since our last meeting. In fact, regional risks emanating from the rapid escalation of Israel's war on Palestine and Lebanon have never been this elevated in the past few decades. The humanitarian catastrophe, the unfathomable loss of lives and human suffering, children hunger and diseases, and the mass displacement of people in Palestine and Lebanon have no parallels. All wars are tragic, but the tragedy of the war against Palestine is truly unprecedented, and its reverberations will be felt for generations to come. Added to the risks are the continued war in Europe, geoeconomic and geopolitical fragmentation, large recurrent climate shocks, and still tight global financial conditions. Any of these risks, and certainly a combination of them, could derail the economic prospects in the region and beyond. Upside risks are few and far between. The first building block for global prosperity and economic and social stability going forward is to end all hostilities immediately and secure enduring peace in Europe and the Middle East.

Within this uncertain and shock-prone global environment, the plight of many low-income and vulnerable countries facing food insecurity, poverty, climate disasters, and serious development challenges are worrisome. Their elevated debt levels and high debt service costs, combined with fast diminishing foreign grants and concessional loans from traditional sources, have seriously constrained their progress towards achieving their 2030 Sustainable Development Goals (SDGs). Halfway through the decade, the SDGs are already beyond the reach of many of them, even with strong budgetary efforts and structural reforms on their part. Reflecting directly and indirectly the global shocks and financing constraints, the 2020's is probably a lost decade for the SDGs, but bilateral donors and IFIs, including the Fund, should keep the discourse alive and help lay the foundation for success of the next generation of SDGs. In that vein, we welcome the IMF's emphasis on global efforts to tackle liquidity shortages and secure financing for SDG spending, including through the proposed joint IMF-World Bank 3-pillar approach that combines structural reforms, domestic revenue mobilization, debt treatment, adequate financial support from IFIs and development partners, and measures to incentivize FDIs and other private non-debt-creating financial inflows, with the recognition that only the combination of these elements guarantees success.

Our constituency is a mix of oil exporting and oil importing emerging and frontier economies. In the context of traditionally volatile international oil and gas markets, significantly influenced in recent years by the wars in Europe and the Middle East, the challenge for energy exporters is to create sufficient fiscal space to support their economies' long-term diversification plans as the world is moving away from fossil fuels. Periods of international energy market strength provide windows of opportunity to accelerate the process. The oil and gas importing countries in our constituency are undertaking economic adjustment and reforms, with policy advice and technical and financial support from the IMF to secure fiscal and debt sustainability and place their economies firmly on a growth and development path. Addressing poverty and promoting income equality is also high on their agenda. Some of our constituency countries are also hosts to a growing number of political, economic and climate refugees at a high fiscal cost to themselves and risks of social tension at home. The plight of all refugees deserves more international attention, and the relief efforts require closer international cooperation. Refugees are our collective responsibility.

We only have high praise for IMF management and staff for helping guide members through recent crises by their nimbleness, flexibility, creativity and proactivity. The IMF responded in a timely and proportional manner to the recent crises by adapting its toolkit and instruments and increasing its lendable resources and access limits in response to the evolving needs of members. In this connection, we welcome the recent IMF Board reviews of the Fund's charges and surcharges policy which resulted in a reduction of costs for borrowers from the General Resources Account; of the Poverty Reduction and Growth Trust which significantly enhanced the IMF's lending capacity to low-income countries; and of precautionary facilities to ensure they remain adequate to serve their intended purpose. The IMF will surely be called upon again—hopefully later rather than sooner—to assist members to address external shocks, including climate shocks, which are likely to increase in frequency and ferocity. The IMF's Resilience and Sustainability Trust (RST) has been a key instrument and an important addition to the toolkit to help members boost their resilience to climate shocks. Its extension to pandemic preparedness in collaboration with the World Bank and the World Health Organization is timely and welcome. The RST was established with the aim of providing affordable longer-term financing to help members address longer-term structural challenges, which in the case of many low-income countries go beyond climate change and pandemic preparedness, and include such formidable challenges as job creation, poverty alleviation, and gender and income equality. We encourage the Executive Board to consider broadening the RST's scope and mandate accordingly in the next comprehensive review of the facility.

The retreat from globalization that we have witnessed in recent years is cause for great concern. Cracks in global economic integration had in fact appeared even before the pandemic and the recent economic and geopolitical crises. The widening geoeconomic fragmentation, formation of trading blocks along political divides, rising protectionism and inward-looking industrial policies carry the serious risk of reversing the welfare gains of the past few decades. These worrisome developments are disrupting and raising costs of trade and finance on all sides and are slowing transmission of knowledge and technology; clearly, a lose-lose situation. Perhaps the inflection point has not been reached yet, but we are moving rapidly towards it. It is only through international cooperation, renewed and strengthened commitment to multilateralism, and dedicated efforts by all sides that the process could be slowed and, hopefully, reversed. Our constituency remains committed to working closely with all members on this front for the common good.

We remain firmly committed to a financially strong and adequately resourced IMF at the center of the Global Financial Safety Net. The IMF is, and should remain, a primarily quota-based financial institution, and we are determined to secure our constituency members' consents to the quota increase under the 16th General Review of Quotas by the deadline. The IMF should also be a representative institution with resolute commitment to evenhanded treatment of all members in all aspects, issues, and dimensions. We welcome the establishment of the 3rd Chair for Sub-Saharan Africa in recognition of the stronger voice that these countries deserve on the IMF Executive Board.

We hope by the time of our next meeting in April the uncertainties besieging the world economy have diminished and we can look forward to a sustained period of global economic and social stability.