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Statement by Mr. Taleb Algeria

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

Statement by the Governor of the Bank of Algeria on behalf of Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

The global economy is transitioning into a new, highly uncertain, phase. Aging population, digitalization, and climate change are transformative forces shaping the future economic structures of countries, with significant implications for growth and income distribution. Additionally, elevated debt levels and shifts in the international economic order are pushing the global economy into uncharted territory, further clouding long-term prospects.

Despite its current resilience, the outlook for global growth remains lackluster. This is due to the materialization of tariff shocks, persistent policy uncertainty, and ongoing geopolitical tensions. As a result, global growth—which was already expected to fall short of pre-pandemic averages—is projected to decline further in the medium term. This will challenge countries' efforts to boost employment, reduce poverty, and rebuild fiscal buffers. Meanwhile, inflation remains above target, but is gradually converging, albeit at varying paces across economies.

The outlook is subject to downside risks, including policy shifts in emerging sectors, conflict escalation, and tighter international financial conditions. While digitalization and peace negotiations present upside risks, they are unlikely to outweigh the downside risks, should they materialize. Furthermore, inflation differentials may necessitate divergent monetary policies and policy rates across countries, prompting capital flows. Combined with existing fiscal and financial vulnerabilities, these factors could heighten financial stability risks with cross-border spillovers.

In the current global environment, the most effective and efficient economic policy is to strengthen multilateralism and international cooperation. This is essential to restore economic order, prevent conflicts, limit protectionism, and coordinate policies. Relying uniquely on traditional economic policies, especially under binding constraints, is both ineffective and costly - costs that economies cannot afford. Reforming international economic and political dispute resolution mechanisms is necessary to provide countries with cost-effective alternatives and deter expensive actions. The concentration of excessive external imbalances in a few major economies presents an opportunity to leverage cooperation and realign domestic policies to restore external balance in a timely and sustainable manner.

Small Emerging Markets and Developing Economies (EMDEs), including those in the MENAP region, have already experienced the initial adverse impacts of tariff increases and slowing external demand. Additionally, the MENAP region continues to face challenges from protracted and recurring conflicts, which have imposed significant human and economic costs.

- For oil and gas exporters in our constituency, a volatile oil market could undermine external and fiscal balances. These countries have made efforts to diversify away from hydrocarbon exports; however, higher tariffs and weaker external demand present additional challenges. These economies should continue their transformative efforts to boost productivity, investment and private-led growth.

- For a few oil importers in our constituency, higher tariffs could intensify external pressures by reducing exports and increasing inflationary pressures through depreciating exchange rates. These economies should strengthen public finances by enhancing domestic revenue mobilization and prioritizing spending.
- Low-income countries, including those in the MENA region, face additional challenges due to their substantial development needs. In these countries, especially those emerging from conflict, policy options are extremely limited and post-conflict constructions tend to be costly, highlighting the need for international support.
- Peace—upheld by international law and mutual interests—is essential for creating a stable business environment in the MENA region. Therefore, we support peace efforts and hope that the latest peace agreement will bring lasting stability.

Macroeconomic policies should focus on rebuilding buffers and enhancing resilience against future shocks. Monetary policy must remain focused on price stability, anchored by central bank independence. Fiscal policy should aim to bring debt to sustainable levels and, where possible, support economic activity and vulnerable groups. Improving the efficiency of public spending can generate savings for investment in infrastructure, education, and health. EMDEs—which face challenges such as currency mismatches, shallow foreign exchange (FX) markets, and poorly anchored inflation expectations—can utilize capital flow management, FX intervention, and macroprudential measures to restore financial and price stability. Strengthening fiscal, monetary, and financial frameworks can expand policymakers’ room for maneuver by softening policy trade-offs. Structural reforms are also necessary to reinvigorate long-term growth.

We support the Managing Director Global Policy Agenda. The Fund’s policy advice, capacity development support, and lending are essential for international financial stability. The Fund is well-equipped to provide tailored policy advice that considers each country’s economic structure, cyclical position, and specific shocks. It can also help countries build capacity by assisting them in improving their policy frameworks and addressing their short-term external challenges through lending.

We welcome the Fund’s efforts to strengthen the implementation of key areas of its mandate, including the Comprehensive Surveillance Review, the Review of Program Design and Conditionality, and debt issues. Going forward, the Fund should continue its efforts to streamline debt restructuring by helping debtors and creditors reach timely agreements.

Finally, we reiterate our support for a strong, quota-based, and adequately resourced IMF at the center of the Global Financial Safety Net. All countries in our constituency have already agreed to the 16th General Review of Quotas (GRQ), and we urge all members to do so for the quota increase to become effective. We also encourage the development of appropriate guiding principles on IMF governance under the 17th and future GRQs. We continue to believe that an approach based on realism, pragmatism, and gradualism will facilitate the effective conclusion of future GRQs.