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Tunisia

On behalf of

Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, Tunisia

Statement by Mr. El-Abassi
On behalf of Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

After showing promising signs of stabilization in early 2023, the world economic activity has slowed down, against a backdrop of renewed high uncertainty and recent financial sector turmoil, compounding the daunting challenges to global economic prospects. While the global economy is still struggling with the recent crisis, dominated by the lingering supply-demand imbalances created by the pandemic, the war in Ukraine, high and rising consumer prices, we are encouraged to note a gradual restauration of the supply-chain. In parallel, we note that the labor markets are generally strong, inflation is decelerating moderately but remains stubbornly high, compelling central banks to further raise interest rates and keep them high for long. Spillovers from sustained tight policies in AEs are putting pressure on EMDEs, and especially highly indebted countries, in the form of currency depreciation, increase in debt servicing, and restricted access to capital markets.

We support the GPA's emphasis on "safeguarding economic stability, supporting vulnerable countries and sustaining our future prosperity". Under the current gloomy environment, it is critical for policymakers to establish clear priorities and have in place well-calibrated policies to achieve them. We believe that ensuring a sustained decline in inflation while safeguarding financial stability is paramount. Another policy imperative is the protection of low-income households through targeted support. There is an even more immediate need to address the incidence of acute food insecurity in vulnerable countries. We commend the Fund for the flexibility and nimbleness it has shown during the recent crises by adjusting its toolkit, in particular the establishment and operationalization of the Food Shock Window (FSW) and the Resilience and Sustainability Trust (RST) and increasing access limits on GRA financing. Additionally, we call for maintaining the uniformity of access limits between the GRA and PRGT facilities by increasing the PRGT access limits, even on a temporary basis as in the GRA, and further reinforcing precautionary facilities, including by increasing the SLL access limit.

The recent financial market turbulence, following a period of swift interest rate hikes, has created another layer of uncertainty, warranting close monitoring and timely response to the shortcomings in banking supervisory and oversight. Although its impact on EMDEs has been limited so far, we are concerned by the potential risk of increase of sovereign spreads should global financial conditions tighten further. Fiscal policy has a complementary role to play with respect to monetary policy where and to the extent possible, while protecting the vulnerable population. We reiterate our concern about the very difficult debt situation and the limited debt service capacity of LICs and EMDEs, with many of them already in debt distress or at high risk of debt distress. The cost-of-living crisis and limited fiscal space, especially in the LICs, calls for decisive global response to protect the vulnerable population, including by lifting bans on exports of food and fertilizers. We, therefore, endorse the recent joint statement made by the FAO, IMF, WB, WTO and WFP on the Global Food and Nutrition Security Crisis, calling on governments and donors to support country-level efforts to address the needs in hotspots, share information, strengthen crisis preparedness and response, and repurpose harmful subsidies with careful targeting and efficiency.

We support the call for greater multilateral cooperation in areas of common interest, including addressing fragmentation of the global economy, fostering global trade, and accelerating the green transition to build resilience to climate change. We welcome the ongoing Fund's work towards pragmatic multilateral solutions, including on cross-border multilateral currency exchange and contracting platforms, that are critical for safely integrating crypto assets and digital money in the IMS.

We are pleased to note that the Fund's CD continues to support members' efforts to build macro-financial resilience and call on further integration of CD with bilateral surveillance and programs supported by the Fund.

We commend the Fund's efforts to support members' debt restructuring and strengthening the global debt architecture, including through the Common Framework, the Global Sovereign Debt Roundtable, and debt sustainability and transparency initiatives. We welcome the recent completion of the Framework for Enhanced Fund Engagement on Governance and the Role of Trade in the Work of the Fund.

We are concerned by the intensification of global economic and financial fragmentation, which potentially carries significant and lasting macro-financial stability risks. Policymakers should guard against these critical threats and properly assess geopolitical shock transmission to financial institutions as highlighted in the April 2023 Fund Flagship reports.

Finally, we reiterate our call for a well-resourced, quota-based IMF at the center of the global financial safety net. We call on all members to work collaboratively to ensure a successful 16th General Review of Quotas by the end of the year, with quota share realignments reflecting recognition of the growing contribution of certain EMDEs in the global economy, but not at the expense of other EMDEs.