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Statement by Mr. Loukal
Algeria

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

Statement by Governor Loukal, Algeria
Speaking on behalf of Afghanistan, Algeria, Ghana, Iran, Morocco, Pakistan and Tunisia

The global economic recovery continues to gain momentum, thus confirming the path of moderate, but steady improvement observed since the second half of 2016. Although cross-country differences remain, the recovery is broad based and is supported by global demand growth, a rise in industrial production and trade, and improved market sentiment. Much uncertainty remains, however, on the medium-term outlook, which is fraught with risks that must be addressed through sound economic policies and steadfast implementation of reforms. We realize that serene times are not generally associated with acceleration of reforms, but we believe that strong political will and enhanced global cooperation can help us all take advantage of this window of opportunity. Reforms must be deepened and accelerated by all countries to address the rising and increasingly difficult challenges that we are individually or collectively facing.

Indeed, while some progress has been made in dealing with the legacies of the financial crisis in advanced economies and addressing long-standing financial system vulnerabilities, new areas of concern have emerged, including low productivity growth, financial stability risks arising from prolonged monetary policy accommodation, widening income inequality, protectionist trends, and the need to harness technology progress while softening its sharp edges. Emerging market economies, which continue to be the main drivers of global growth, are facing the challenge of strengthening their resilience and taming risks stemming from excessive leverage and vulnerabilities to potential capital flow volatility and tightening of global financial conditions. Other developing economies and low income countries are adjusting to low commodity prices, while addressing long-standing issues of economic diversification, high unemployment, and poverty reduction. The recent devastating hurricanes in the United States and the Caribbean, and the drought in a few Sub-Saharan African countries are stark reminders of the need to promptly address climate change and deal with the dire situation of the countries that are most vulnerable to its adverse impact, including small island economies.

The policy agenda and priorities going forward must be geared toward supporting the recovery and building solid foundations for higher, more inclusive, and more balanced growth. To this effect, we support the Managing Director's Global Policy Agenda, which lays out the policies and reforms that can deliver favorable outcomes if implemented in a globally consistent manner. Although cyclical conditions diverge across countries, supportive macroeconomic policies are still needed in many countries. In advanced economies, monetary policy accommodation has some room to run given the persistence of negative output gaps and inflation below central banks targets. However, monetary policy normalization should not be unduly postponed to avoid exacerbating its side effects. We trust that where it is initiated, monetary policy normalization will be gradual and take into consideration possible negative spillovers on emerging markets and developing economies.

Fiscal policy has a role to play in supporting long-term sustainable growth, promoting inclusiveness, and facilitating growth-enhancing structural reforms. In many countries, fiscal consolidation is still needed to bring down elevated public debt, build buffers to enhance resilience, and meet future demands of ageing population. Where there is fiscal space, fiscal policy can be geared to boosting domestic demand growth to close the output gap and facilitating global adjustment. In this regard, we welcome the ongoing work at the IMF on assessing fiscal space and providing member-tailored advice on its use, including in addressing infrastructure gaps. In this regard, priority should be given to promoting efficient and more progressive tax systems combat tax evasion, and improve spending efficiency. We support ongoing efforts by the IMF and other multilateral institutions to promote international tax cooperation and help developing countries strengthen their capacity to mobilize domestic revenues.

Structural reforms remain central to achieving sustainable and inclusive growth. They must be geared toward removing long-standing impediments to growth, competition, and innovation, as well as addressing new challenges brought about by rapid progress in technology and automation and growing income inequality. Reforms must be prioritized and calibrated to country-specific conditions to better manage the trade-offs between short-term costs and long-term benefits. In this regard, we are encouraged by the IMF's ongoing work, in close collaboration with relevant multilateral institutions, to help strengthen productivity growth, update the framework for assessing infrastructure management, as well as provide support to the G-20 Compact with Africa.

It is comforting that sustained efforts to strengthen the stability and resilience of the global financial system over the past years are yielding positive results, including reduced short-term risks, higher and better quality bank capital, and improved market sentiment. Nonetheless, there are medium-term stability risks that must be addressed, including weakening bank profitability, which can affect their capacity to support the recovery, rising corporate and household leverage, the growing financial intermediation role of less regulated non-bank institutions, and the risk associated with overstretched equity prices. Emerging markets and developing countries must also strengthen the resilience of their financial system to capital flow volatility. In this regard, we encourage the Fund to adapt its assessment of the use of macro-prudential and capital flow management measures in response to potentially destabilizing surges of capital flows, to member country circumstances and needs. We also call on the Fund to continue to play a leading role in the multilateral effort to address the withdrawal of correspondent banking relationships and support enhanced dialogue among all stakeholders to this effect.

In the MENAP region, adjustment by oil exporting countries to low oil prices has helped preserve macroeconomic stability, although with some cost in terms of lower growth and decline in buffers. Efforts are also underway in several countries to strengthen tax revenue mobilization, rationalize public spending, and implement structural reforms to diversify their economies and foster employment. Oil-importing countries have been experiencing a relatively strong economic recovery along with improved external positions. The challenge for these countries is to sustain strong and inclusive growth while addressing high unemployment, especially for the youth and women, by promoting education and skills development, improving the business environment, and strengthening institutions and policy frameworks. We call on the IMF to strengthen its support to our region through well-tailored policy advice, capacity building, and financial assistance under existing programs. A particular attention must be devoted to helping countries in the region deal with large inflow of refugees, and to prepare for the post-conflict reconstruction.

Low-income countries (LICs), including in Sub-Saharan Africa, continue to face the challenge of adjusting to low commodity prices, promoting economic diversification, and reducing poverty. We reiterate our call on the IMF to continue to support LICs, fragile states, and small states, including scaling up development spending capacity, strengthening domestic revenue mobilization, and deepening financial markets. We welcome the Fund's integration in its work of the 2030 Sustainable Development Goals. We look forward to implementation of the recently reviewed joint IMF-World Bank debt sustainability framework for LICs, which will require strong efforts from both institutions in enhancing members' capacity. Helping LICs smooth the adjustment and achieve their long-term objectives requires adequate resources including under the Poverty Reduction and Growth Trust (PRGT). We look forward to the review of LIC facilities, call for increasing PRGT lending capacity and members' access levels, and see merit in introducing a precautionary instrument for LICs.

We continue to support a quota-based, adequately-resourced IMF that is less dependent on borrowed resources. We underscore the importance of completing the 15th General Review of Quotas by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019, with the objective of strengthening Fund resources and its quota-based character. To this effect, we call for a revised formula that further shifts quota shares in favor of dynamic EMDCs, reflecting their growing weight in the global economy, without this being at the expense of other EMDCs and while protecting the quota shares of the poorest countries as defined by PRGT eligibility.