INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Fortieth Meeting
October 18–19, 2019

Statement No. 40-23

Statement by Mr. Hiouani
Algeria

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

Algeria
Speaking on behalf of Afghanistan, Algeria, Ghana, Iran, Libya, Morocco, Pakistan, and Tunisia
Saturday October 19, 2019

The global economy continues to weaken across virtually all country groups and geographical regions and global trade growth has come to a standstill. The underlying reasons have not changed materially since the last time we met. The US-China trade and technology conflicts and geopolitical tensions have, in fact in many cases intensified since April 2019, thus continuing to undermine policy certainty and investor confidence. The uptick in global activity projected for 2020 is largely driven by anticipated turnaround in a relatively small group of emerging market and developing economies (EMDEs) in distress. Risks to the outlook are tilted to the downside in the absence of clear signs of a permanent solution to the US-China trade and technology tensions, disruptions to the global supply chains and technology flow, and a disorderly Brexit. Geopolitical frictions, climate change and the increased frequency of natural disasters, migration and refugee flows (mostly affecting developing countries), and aging and labor issues (mostly affecting developed countries) are also long-standing challenges weighing on the outlook.

In major advanced economies (AE), the near-term growth prospects are subdued. The buoyant US growth is expected to taper off as fiscal stimulus of the last two years is waning, and the euro area weakens due to sagging external demand. There is still great uncertainty regarding the nature and the timing of Brexit, although the planned fiscal stimulus is expected to absorb the adverse impact of a potential no-deal Brexit on UK. Growth in EMDEs is expected to weaken in 2019 before gaining strength in 2020, largely because of the projected robust growth in India and a turnaround in some distressed economies in this group. Growth in MENAP+ countries is expected to bottom out in 2019 and recover in 2020 because of the improved outlook in the oil exporting countries and sustained growth in non-oil exporters. Growth in the Sub-Sahara Africa (SSA) is generally satisfactory, but that belies the wide disparities in economic performance among the countries. Growth in the three largest SSA economies is below the average for the region and weaker than many other EMDEs.

Policies should continue to support growth through an appropriate macro-policy mix and structural reforms. Financial conditions are currently easy globally and the monetary policy stance of all key central banks is appropriately expected to remain accommodative for an extended period. Given the limitations of monetary policy, fiscal stimulus should be used in support of domestic demand by countries where there is fiscal space and no debt pressure. With monetary policy clearly aimed at anchoring inflationary expectations, exchange rate flexibility is the first line of defense against external shocks.

The EMDEs as a group share many challenges in meeting their economic and social goals. We believe their efforts should focus on building financial resilience and strengthening regulation and supervision and, in the fiscal area, on intensifying revenue mobilization, better targeting of subsidies, streamlining public expenditure and enhancing its efficiency, increased spending on education and training, and upgrading infrastructure and social safety nets.

MENAP+ countries' economic outlook is muted against a backdrop of oil price volatility, increased geopolitical risks, and social tensions. The weakening global economic activity is lowering oil demand, but international oil prices carry a substantial risk premium due to oil supply uncertainties related to international tensions and conflicts in some oil producing countries. The fiscal stimulus initiated by some oil exporters to support demand has had limited impact so far, while MENAP+ oil importers continue to suffer from fiscal stress, high public debt, and low growth. Faced with frequent boom-bust cycles related to a volatile oil market, oil exporters should continue to diversify their economies away from oil, create private sector jobs, and enhance social equity. For oil importers the priorities are to ensure debt sustainability by mobilizing revenue, enhancing spending efficiency, and undertaking bold structural reforms to increase productivity and competitiveness. Significant efforts are needed by both groups to strengthen fiscal institutions, deepen domestic financial markets, increase access to finance, promote a healthy business environment, and facilitate the absorption of educated youth and women in the labor force. Countries affected by conflicts in the MENAP+ region are facing a grave humanitarian crisis and international support is urgently needed.

Threats to multilateralism have never been so strong, and the emphasis in Managing Director's global policy agenda (GPA) on bridging the differences through multilateral cooperation is timely and appropriate. We support the GPA and its stress on promoting an open, stable, and transparent multilateral trading system through global cooperation at all levels and different fora. We welcome Fund's work on Fintech, cybersecurity and digital assets, and efforts to upgrade global financial regulation, tackle illicit financial flows and tax evasion, and address governance and corruption issues. We also appreciate Fund's support in addressing the withdrawal of correspondent banking relationships that some of our constituency members are facing. We endorse Fund's efforts to address climate change and help members meet their commitments under the 2015 Paris Agreement. We note plans to integrate climate change issues in Fund surveillance, and welcome measures to help build financial, structural, and post-disaster resilience in member countries, particularly small states and LICs vulnerable to natural disasters.

We support GPA's work on modernizing Fund's policy instruments – including through the reviews of Surveillance and FSAP – to help countries better monitor and provide safeguards against key financial stability risks. Given the different headwinds and country conditions, policy prescriptions should be well calibrated, be country specific, and designed in close consultation with country authorities to maximize effectiveness. We believe that the ongoing work on the Integrated Policy Framework and strengthening Fund's modeling capacity will help better assess financial stability risks, particularly given rising cross-border spillovers and deepening financial and external linkages.

We thank the Fund for its valuable support for the countries in our diverse constituency. At the same time, we believe that greater flexibility in program design and conditionality, and better understanding of political and social transitional issues in some of our countries, would increase the traction of Fund policy advice. We have benefited from Fund policy advice and capacity development and will continue to rely on Fund engagement going forward.

We welcome Fund's renewed commitment in helping countries meet their 2030 Sustainable Development Goals (SDGs), as reflected in the GPA as well as in management's recent public outreach. Policy priorities for LIDCs are to strengthen the fiscal framework, enhance domestic revenue mobilization, improve spending prioritization, and address governance issues. Stepped-up efforts are also needed on structural reforms to shore up inclusive growth while preserving financial safety nets. Despite these efforts, however, SDGs may still be beyond the reach of many LICs in the absence of a strong commitment by the donor community to increase flows of concessional assistance.

We reiterate our support for a quota-based and adequately-resourced IMF to preserve its role at the center of the global financial safety net. We call for the full implementation of the 2010 governance reforms. We continue to support the realignment of quotas that should ensure a meaningful increase in the quotas of dynamic EMDEs, without this being at the expense of other EMDEs, while preserving the voice and representation of all PRGT-eligible countries and small developing states. During this challenging period of heightened uncertainty, the New Arrangements to Borrow (NAB) and bilateral borrowing agreements play a useful role in augmenting Fund resources before an expected increase in quotas under the 16th General Review of Quotas.

We look forward to the upcoming comprehensive review of staff compensation and benefits with the aim of improving the attractiveness of Fund employment. We are concerned by the limited progress towards the 2020 diversity benchmarks, particularly for the MENAP+ region, and reiterate our call on the Fund to increase recruitment and promotion of staff from underrepresented regions, including at managerial levels. We look forward to IMF management's clear signal on its commitment to staff diversity.