International Monetary and Financial Committee

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Statement by Mr. El-Abassi

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

Statement by Governor El-Abassi

Speaking on behalf of Afghanistan, Algeria, Ghana, Iran, Libya, Morocco, Pakistan, and Tunisia
Saturday, April 13, 2019

The global economy reversed its upward trend in the first half of 2018 and weakened further in the second half. GDP growth is expected to moderate in 2019 reflecting the impact of trade tensions, a decline in business confidence, and policy uncertainty. It is however projected to gradually recover in the second half of 2019 and in 2020 on the back of recently-improved market sentiment, including from reassessed perceptions about the Federal Reserve's interest rate course and the US-China trade negotiations, as well as renewed dynamism of emerging markets and developing economies (EMDEs), providing the main engine for global growth. Important near-term risks are however looming—including from further escalation of trade tensions, heightened financial vulnerabilities, and a no-deal Brexit—amid reduced policy space. These risks will be compounded by longer term challenges from climate change, migration, demographic shifts, and waning support for globalization and multilateralism.

Economic activity in most advanced economies (AEs) is projected to slow significantly in 2019, with a further softening in the United States in 2020, mainly linked to waning fiscal stimulus. In EMDEs, growth is projected to decelerate marginally in 2019, before strengthening significantly in 2020, with positive contributions from recovery or stabilization in some stressed economies. The recent easing of global financial conditions and the strengthening of EMDEs' fundamentals bode well for their access to capital markets. The MENAP+ countries continue to face strong headwinds dragging down growth through 2019, before rebounding in 2020. Growth in Low Income Developing Countries (LIDCs) is expected to remain buoyant and to strengthen further in 2019-20. It remains modest in Sub-Saharan Africa where many countries are stifled by high indebtedness. Within the global growth mix, the lack of income convergence for some 41 Sub-Saharan African and MENAP+ countries, with 1 billion in population, is a cause for grave concern as they continue to fall behind the AEs in per capita terms.

We support the Managing Director's Global Policy Agenda (GPA) which outlines the role of the Fund to build more resilient and inclusive economies, upgrade global cooperation, and undertake efforts to help resolve trade tensions, modernize the rules-based multilateral trade system, upgrade global financial regulation, improve debt transparency, tackle illicit financial flows, and rethink international corporate taxation. The Fund's readiness to support members' efforts to strengthen resilience to cyber risks and help address challenges arising from digitalization is welcome. We look forward to the upcoming comprehensive review of surveillance to improve its quality and traction, as well as the reviews of program design and conditionality, LIC facilities, debt limits policy, and Debt Sustainability Assessment for market access countries. We are encouraged by the ongoing Fund efforts to strengthen support to countries in fragile situation and those affected by natural disasters, climate change and conflicts. We urge the Fund to continue engaging with stakeholders, through various channels, to mitigate the impact of withdrawal of correspondent banking relationships that is restricting orderly external transactions for some members, including in our constituency.

We agree with the GPA's focus on strengthening growth and resilience and promoting inclusion in member countries. With due consideration to individual country conditions, fiscal policy needs to strike the right balance between ensuring debt sustainability, supporting growth and social cohesion, and building buffers to face future shocks, which are inevitable. Monetary policy should continue to aim at anchoring inflationary expectations, with exchange rate flexibility, where feasible, acting as the main shock absorber. Continued efforts at strengthening the soundness and resilience of the financial system will be crucial. We welcome the ongoing efforts at optimizing the use of monetary, exchange rate, and macroprudential policies within a more integrated policy framework. Structural reforms to boost productivity and increase growth potential will be essential in all countries, as will efforts to improve inclusion, address rising inequality, and increase labor force participation, especially for women and youth. In EMDEs, in particular, additional efforts are needed to reduce financial sector vulnerabilities, improve education and training, and upgrade infrastructure and social protection. Promoting fair competition and good governance and fighting corruption in all countries are crucial, and we look forward to a cautious and evenhanded engagement of the Fund in these areas.

After a slowdown in 2018-19, growth in MENAP+ countries is projected to rebound in 2020. The outlook for the region continues to be largely framed by oil price developments and geopolitical risks and conflicts in several countries. Iran is additionally adversely impacted by US sanctions, with the burden falling on its population. In response to disruptive boom-bust cycles and sharp relative price changes, oil exporting countries in the region have been pursuing policies to diversify their economies and revenue base, promote job-rich private sector-led growth, and upgrade human capital and skill levels to facilitate the absorption of their educated youth in the labor market. For oil importing countries, policy priorities are to build buffers during periods of subdued oil prices, support inclusive growth through structural reforms, preserve debt sustainability, while ensuring adequate protection of vulnerable groups. We thank the Fund for its support of economic reforms of those members in the region and call for greater flexibility in program design and conditionality as required by specific country circumstances. We also reiterate our call to the Fund and the international community to assist members facing a large number of internally displaced persons or hosting a large number of refugees fleeing conflict zones.

LIDCs need to cope with challenging and volatile external conditions with constrained resources. Policy priorities for these countries are an appropriate macroeconomic mix and structural reforms to support growth, reduce inequality, strengthen resilience, and ensure debt sustainability, including through gradual growth-friendly fiscal consolidation centered on revenue mobilization and enhanced spending control and efficiency. We commend the Fund for its commitment to helping countries meet their 2030 Sustainable Development Goals. However, LIDCs will need significant official and private financing to support their own revenue mobilization efforts, without worsening their debt dynamics.

We reiterate our support for an adequately-resourced and quota-based IMF to preserve its role at the center of the global financial safety net. We are of the view that the rising uncertainties and risks warrant maintaining the current overall level of IMF resources. We are deeply concerned by the lack of progress on the 15^{th} General Review of Quotas. We continue to stress that the realignment of quotas should ensure a meaningful increase in the quotas of dynamic EMDEs—but not at the expense of other EMDEs—while protecting the voice and representation of all PRGT-eligible countries and small developing states. We also call for full implementation of the 2010 governance reforms.

We look forward to the upcoming comprehensive review of staff compensation and benefits aimed at improving the attractiveness of Fund employment, not cost saving. We reaffirm our call on the Fund to meet its diversity benchmarks and increase recruitment and promotion of staff from MENAP+ and other severely underrepresented regions, including at managerial levels.