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Algeria**

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

Statement of Governor Mohammed Lamine Lebbou

On behalf of

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

Global growth prospects remain extremely uncertain. The conflict in the Middle East has resulted in severe human suffering, alongside significant material destruction. Beyond its humanitarian toll, the war on Iran has triggered an economic crisis that initially emanated from the energy sector, but has rapidly expanded to other sectors. Unlike earlier conflicts in the Middle East, the current spillovers are being transmitted via new channels, including global supply chains and financial markets, alongside the traditional energy markets. These channels have propagated the shock well beyond the region. As a result, global growth is expected to weaken further, while inflationary pressures are reinforced.

We express our sincere hope that the nascent time-bound ceasefire will hold and evolve into a durable and just peace. A lasting resolution of wars would be critical not only to alleviate human suffering, but also to restore confidence, stabilize supply chains, and support a gradual normalization of global economic conditions.

Growth remains constrained by the persistence of conflict-related disruptions. While supply chains may normalize relatively quickly once peace is restored, rebuilding damaged infrastructure to pre-conflict levels will take considerable time, even where financing constraints are not binding. This reality imposes material constraints on productive capacity and carries important implications for policy design.

Risks to the outlook remain firmly tilted to the downside. These include renewed escalation of conflict, trade fragmentation, asset price revaluation, rising fiscal sustainability concerns, and weakening national and international institutions. While upside risks—such as stronger-than-expected productivity gains from structural reforms or new technologies—exist, they are unlikely to offset the prevailing downside risks.

Growth outcomes are expected to remain highly uneven across countries, reflecting differences in the relative importance of transmission channels and underlying structural characteristics. This divergence is likely to be amplified in economies with pre-existing fiscal and external vulnerabilities. Countries in my constituency offer a clear illustration of these asymmetric effects.

- Energy-exporting countries may experience strengthened fiscal and external balances as a result of rising energy prices. **Algeria** is actively engaged in supporting the energy market through sustained efforts to enhance its natural gas exports to the European Union.
- By contrast, conflict-affected countries within the war zone, such as **Iran**, have suffered severe damage, particularly to energy infrastructure, as well as to key sectors including transport, industry, health, and education. These losses far outweigh any gains from higher energy prices, especially given the impact of sanctions that restrict access to international trade and financial markets.
- Energy-importing economies face adverse impacts through higher import bills, weighing on fiscal and external balances. These pressures may be compounded by additional channels, such as lower remittances, weaker tourism revenues, tighter financial conditions, and slower capital inflows, effects that may be particularly acute in countries with pre-existing vulnerabilities, such as **Pakistan and Ghana**.
- Low-income countries, including **Afghanistan**, are likely to face the most severe consequences, given the high share of food in household consumption, inadequate social safety nets, and already elevated poverty levels.

In many countries, including several in my constituency, the crisis has significantly complicated policy trade-offs. In an environment characterized by persistent uncertainty and recurrent shocks, agile and credible policymaking is indispensable.

- **Monetary policy** should remain firmly focused on price stability. Enhancing exchange rate flexibility can help economies absorb shocks, particularly for food- and energy-importing countries facing balance-of-payments pressures. Where capital outflows pose imminent risks, it may need to be complemented by foreign exchange interventions, capital flow management measures, and macroprudential tools. Where exchange rate regimes are pegged, timely policy rate adjustments remain essential to preserve credibility, especially amid elevated risk premia. Transparent and consistent communication will be critical, particularly given the evolving nature of the shock.
- **Fiscal policy** should support monetary policy while continuing to protect vulnerable households, especially as higher food prices heighten risks of food insecurity and poverty. At the same time, measures must be firmly anchored in credible medium-term fiscal frameworks and clearly communicated to safeguard policy credibility. Where available, additional revenues should be used to rebuild fiscal buffers.
- **Financial policies** should focus on strengthening regulatory and supervisory frameworks and closely monitoring emerging risks. In particular, risks arising from financial digitalization, including crypto-assets, and from non-bank financial institutions should be well understood and effectively mitigated.

Strong international governance remains essential for a well-functioning global economy. Effective multilateral frameworks can help reduce the frequency and severity of shocks by facilitating coordinated and orderly policy adjustments. As a cornerstone of international economic governance, the Fund has a critical role to play. We welcome the Fund's work on addressing excessive external imbalances in large economies and emphasize the importance of systematically integrating external sector analysis into surveillance, including the assessment of spillovers from policies in systemically important economies to smaller and more vulnerable countries.

We welcome the Managing Director's Global Policy Agenda, which ensures sustained IMF support to member countries through policy advice, capacity development, and financial assistance. We note the ongoing key policy reviews, including the Comprehensive Surveillance Review, the Financial Sector Assessment Program Review, the Review of Program Design and Conditionality, and the Review of the Exceptional Access Policy, and we look forward to their timely completion to further strengthen the Fund's institutional framework.

Finally, we endorse the Diriyah Guiding Principles for Quota and Governance Reform and underscore the need for continued progress on the Fund's governance reform agenda. We call on remaining members to complete domestic approval processes for consent to the quota increase under the 16th General Review of Quotas (GRQ) without further delay, and we emphasize the importance of advancing discussions under the 17th GRQ.