INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Mr. Fadli
Algeria

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

Statement by Mr. Rosthom Fadli
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On behalf of Islamic Republic of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

At the outset, we would like to express our sincere hope for an early, peaceful and durable resolution of the war in Ukraine. The war has confronted the world economy with a serious crisis just as it had begun to recover from the COVID-19 pandemic shock and its aftermath. The adverse spillovers of the war have already been felt far and wide, through a set of direct and indirect channels and with different degrees of intensity across countries. Most prominently, the war and associated sanctions on Russia, self-imposed sanctions, and disruptions in energy and grain trade have been manifested in steep increases in energy and food prices hitting the vulnerable groups worldwide the hardest. Food insecurity has emerged as a global crisis. The plight of the Ukrainian refugees and internally displaced peoples in Europe is a sad reminder of the plight of all refugees and displaced populations from other conflicts in other regions. Compounding the scarring effects of the pandemic, the war in Europe could substantially weaken—if not permanently rupture—the trade, financial and technology links that have been developed and strengthened over the past decades.

The war in Ukraine should not distract us, however, from the COVID-19 pandemic that is still there to be defeated—we have won the early battles but not yet the war. The recent mutations and spread of new variants of the virus should be of great concern, especially for the unvaccinated population. It is very disappointing that more than half of the Fund members will not be able to meet the Fund vaccination targets, and that the vaccination rates in many LICs, mostly in Africa, are still in single digits. Improving vaccine access and strengthening healthcare measures, particularly in regions and countries lagging in vaccine coverage, should remain in focus until the pandemic is over.

Faced with a new set of challenges, it is crucial for policymakers to clearly identify policy priorities and design well measured policies to safeguard macroeconomic stability and address the scarring effects of the two overlapping crises. Policies should be tailor-made and country-specific for full effectiveness. Supporting the recovery, in the context of limited fiscal space, calls for a careful calibration of withdrawal of pandemic-related emergency measures, while protecting low-income households through targeted subsidies and income transfers. The war, and its consequent impact on prices, has also accelerated the tightening of global financial conditions that was already underway in response to rising inflation before the war. With inflation now expected to remain higher for longer and be less transitory than expected only a few months ago, a protracted period of tight financial market conditions would be placing the highly indebted EMDCs at elevated risk through capital outflows, currency depreciation, higher debt service costs, and constrained access to international financial markets. The IMF played a pivotal role in successfully helping members to cope with the economic and financial fallout of the pandemic and is now expected to rise to the challenge again and help members address the negative spillovers of the new global crisis. We welcome the IMF's recognition of acute vulnerabilities of fragile and conflict-affected states (FCS) and its intention to customize financial and CD support to country circumstances and step-up partnership with other development partners and institutions, in the context of the new FCS Strategy.

The welfare gains of the past few decades, and our more recent successful collective effort in fighting a common enemy—the COVID-19 pandemic—are testaments to shared benefits of multilateralism. Strong multilateral cooperation is crucial now more than ever to protect the rules-based multilateral trade system, safeguard global financial stability and meet new challenges. The rapid growth of digitalization presents opportunities but also risks to financial stability and even to the international monetary system. We welcome Fund's deepening of its expertise for assessing the potential risks of digitalization and developing guideless to mitigate such risks through a multilateral effort.

Swift and coordinated international action is needed to prevent food insecurity becoming a full-blown humanitarian crisis. In this connection, we welcome the proposed joint action of the Fund, the World Bank, the World Food Program and World Trade Organization to help provide emergency food supplies and financial support to vulnerable countries through grants; facilitate unhindered trade; and invest in sustainable food production. We encourage other IFIs, UN agencies and NGOs to join and strengthen the initiative to prevent a new humanitarian disaster. The famines in Afghanistan, Yemen and pockets in Africa must not be forgotten. We note with deep concern that the rising food and energy prices are fueling social tensions and threatening political stability.

As in other parts of the world, the shock of the war in Ukraine is reverberating across countries in our constituency. Higher food prices have pushed the poor into deeper poverty and have made parts of the middle class vulnerable to food insecurity, while the tightening of global financial markets is placing some countries in our constituency at the serious risk of constrained access to external financing. The Fund should be attentive to the difficult trade-offs and competing challenges that our authorities are facing. The Fund's policy advice should be even more pragmatic and country-specific than ever, considering the delicate socio-political balance in many countries. The higher oil prices have provided a temporary respite for the oil and gas exporters in our constituency for sure, but it is important to keep in mind that these countries are also facing costly transitional challenges of their own. They recognize that their long-term efforts towards economic diversifications should not be side-lined by temporary windfall gains and that diversification is necessary to avoid boom-bust cycles of the past. As always, they continue to be committed to the stability of the international oil and gas markets.

The low-income countries (LIC) that have been hit hard by the double shocks need sustained international financial support at concessional terms and generous debt relief. The LICs emerged from the pandemic with little or no policy space, significant financing constraints and elevated debt levels, and with their fragilities aggravated by the pandemic and now by the crisis in Europe. We note with serious concern that 60 percent of LICs are already in debt distress or at high risk of distress. For them, their daunting challenges, including longstanding structural problems and fragilities, pose significant impediment to their financial stability and sustainable growth. The Fund policy advice and financial and CD support will be critical. IMF facilities—particularly the PRGT and the newly established Resilience and Sustainability Trust (RST)—would need to continue to address their imbalances and financing needs that are likely to rise in the aftermath of the two crises. The RST particularly will be expected to play a fundamental role in helping members to address structural shortcomings and to build resilience to external shocks by providing long-term financing. We extend our appreciation to countries that have expressed their intentions to support the PRGT and the RST by rechanneling their SDR allocations.

We are all committed to a greener world and attach great importance to transformational reforms required to address the existential threats of climate change. Unfortunately, LIDCs and small island economies with negligible carbon footprints are bearing the brunt of a problem essentially created and perpetuated by large carbon emitters over the past few decades. The RST will be expected to play an important role in helping the developing countries and small island economies vulnerable to climate change to build resilience. We also feel it is important that the Fund and other IFIs take a holistic approach to decarbonization addressing the concerns of energy importers and exporters alike during the transition. It is also important to recognize that the same green objectives could be achieved through different means and on different tracks depending on individual countries' circumstances.

Finally, we reiterate our call for a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net. We support the ongoing work on the 16th General Review of Quotas with the aim of completing it by December 2023, while protecting the shares of the poorest members. As before, we call for a revised quota formula and for an increase in the IMF's quota resources that is less dependent on temporary borrowed resources.