International Monetary and Financial Committee

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IMFC Statement by Mohammed Laksaci
Governor, Bank of Algeria

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

Statement by the Hon. Mohammed Laksaci
Governor of the Bank of Algeria
to the International Monetary and Financial Committee

Speaking on behalf of Afghanistan, Algeria, Ghana,
Islamic Republic of Iran, Morocco, Pakistan, and Tunisia
Saturday, April 18, 2015

I take this opportunity to express our sincere appreciation to Mr. Tharman for his highly effective leadership as Chairman of the IMFC, and wish to extend our warm welcome to his successor, Mr. Agustin Carstens, who is well known to all of us. We look forward to working together under his leadership to meet the expectations of our membership in these challenging times

In an increasingly volatile environment, the global recovery has continued, although at a moderate and uneven pace, reflecting the slight upturn in growth in advanced economies and slower, but still strong, growth in emerging and developing economies. The sharp drop in oil and, to a lesser degree, of other commodity prices has had a significant impact on the global economy, with differentiated effects on oil exporters and oil importing countries. While growth is projected to strengthen in 2015, the recovery is still too frail to put the global economy on a strong footing and reduce unemployment. Risks are more balanced than in the past, but significant downside risks persist. The Fund's work on potential output growth raises concern about medium-term growth prospects in all countries, and we look forward to further refinement of the analysis, including more elaborate assessment of the impact of recent structural reforms.

In the United States, the growth momentum continues to gather strength and has translated into steady job creation, while in the euro area there are welcome signs of a nascent recovery bolstered by lower oil prices and euro depreciation. While fragilities in the euro area remain, including from very low inflation, the recent start of the asset purchase program by the ECB bodes well for the recovery and mitigation of deflation risks. In emerging market economies, aggregate growth continues to decelerate from the high pace seen in past years, with cross-country differences reflecting specific circumstances and geopolitical factors. Nevertheless, emerging market and developing countries continue to account for the bulk of global growth.

The MENAP region continues to experience unprecedented challenges emanating from regional conflicts and security concerns. While the oil price decline is having a positive effect on oil importers, most oil exporters are using their buffers to soften the adverse impact on government spending and growth. Despite these challenges, it is somewhat comforting that growth in the region as a whole is projected to pick up to 3 percent in 2015 and further to 3.7 percent in 2016.

In light of the many challenges facing the global economy, we support the Managing Director's Global Policy Agenda, which sets forth appropriate goals and policies aimed at supporting growth and employment, strengthening financial stability and resilience to shocks, and promoting inclusiveness and equal economic opportunities, including for women. The primary responsibility for designing and implementing appropriate policies to deal with country-specific challenges rests with individual countries, but in our integrated global economy, it is necessary to take into consideration cross-border spillovers of domestic policies. Hence, we attach great importance to the coordination role of the IMF and its surveillance function both at the bilateral and the multilateral levels.

Supporting domestic demand across advanced economies remains critical to sustain the recovery. This requires continued accommodative monetary policy, a strengthening of monetary policy transmission, and appropriate communication with regard to monetary policy announcements to mitigate potentially destabilizing spillover effects. Fiscal policies should also be more supportive of growth and employment depending on available fiscal space and progress toward debt sustainability. Addressing the crisis legacy in the financial sector, especially in the euro area, will help improve the functioning of credit markets and boost private sector demand and economic activity.

Emerging markets and developing countries also face a number of challenges, including strengthening the resilience of their economies to shocks stemming from monetary policy normalization in advanced economies, including tighter financing conditions, more volatile capital flows, and abrupt shifts in key exchange rates. The policy mix will need to strike the right balance between supporting growth, containing inflation, building fiscal and external buffers, and further enhancing financial stability and strengthening domestic capital markets. Strengthening the fiscal framework and improving the business climate will be critical to enhancing investor confidence.

While low-income developing countries continue to experience steady robust growth, they are not immune to spillovers from lower growth in advanced and emerging markets and volatility in commodity prices. In addition, they still face the challenge of reducing high poverty, fostering unemployment, and improving social indicators. This underscores the importance of growth-friendly fiscal policies that strengthen revenue mobilization, improve the structure of government spending in favor of infrastructure investment and pro-poor spending, reform energy subsidies, and rationalize current spending. These policies, however, will not provide the expected outcome without adequate external financial support, and we look forward to the IMF's contribution to the upcoming conferences on financing for development and climate change. We welcome the establishment of the Catastrophe Containment and Relief Trust, which has already extended support to the countries affected by the Ebola epidemic, and call on the international community to provide adequate resources for this trust fund. We also look forward to flexible implementation of the new IMF debt limit policy to help member countries complement concessional external resources with market-based financing in addressing their infrastructure and other developmental needs, while preserving debt sustainability.

The World Economic Outlook document has provided a comprehensive assessment of the impact of lower oil prices on the global economy, as well as on selected groups of countries. We support this work and broadly agree with the differentiated policy advice for oil producers and oil importing countries in dealing with the fallout of this shock. We encourage the Fund to do more analytical work in this area to inform its policy advice accordingly.

Adequate capacity building assistance should help countries deal with subsidy reforms and strengthen fiscal frameworks to insulate fiscal policy from the fluctuations of oil prices.

We reiterate our call for the ratification and implementation of the 2010 IMF quota and governance reforms, and for stepped up actions to reach agreement on a revised quota formula and the 15^{th} general quota review by end-2015. Meanwhile, we call on the IMF Executive Board to pursue an interim solution that will meaningfully converge quota shares to the maximum extent possible to the levels agreed under the 14^{th} review.