International Monetary and Financial Committee

Twenty-Sixth Meeting
October 13, 2012

Statement by Mohammed Laksaci
Governor, Bank of Algeria, Algeria

On behalf of the 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, October 13, 2012

Since our last meeting, the global recovery has weakened and near term prospects have deteriorated under the effect of a worsening of the euro area crisis and policy uncertainty in the United States and Japan. The output contraction in the euro area and the growth deceleration in advanced economies, with spillovers on major emerging market economies, are feeding into each other, thereby increasing the fragility of the global economy, elevating downside risks, and putting downward pressure on growth and employment in developing countries. We should be under no illusion that decoupling between advanced and emerging and developing economies will be strong enough to insulate a group of countries from the recessionary forces that afflict the other. To be sustainable, the recovery must be strong and broad based.

Increased vulnerabilities and higher risks of global recession with far-reaching social implications, crucially call for a renewed spirit of global cooperation and determined actions to restore confidence and avoid materialization of downside risks. In the Euro area, the reforms that have been agreed at the June 2012 Summit and the recent initiatives announced by the ECB are welcome steps. Accelerated implementation of these reforms and initiatives will be critical for a successful resolution of the Euro area crisis and early resumption of confidence and growth. In the United States, alleviating uncertainty regarding the debt ceiling and the fiscal cliff is key to avoiding adverse market reactions and supporting growth. In the U.S., Japan, and other advanced economies, it will be important to ensure that medium-term fiscal consolidation plans provide a credible path toward fiscal sustainability while minimizing adverse effects on near term growth. Emerging market and developing countries will need to provide additional support to economic activity as warranted by domestic circumstances while preserving or rebuilding policy space to counter potential exogenous shocks. Strengthened support to Arab countries in transition is key to stability, growth, and employment in the region, and strong support from the international community, including from the Fund, will be crucial. We welcome the Fund's recent decision to use the remaining windfall gold profits to strengthen PRGT financing capacity, and would support the establishment of a regular fundraising mechanism to ensure its long term self sustainability so as to respond to LICs growing needs.

We support the Managing Director's Global Policy Agenda and look forward to its implementation. We welcome the progress achieved in enhancing the Fund's bilateral and multilateral surveillance, including through the integrated Decision, which will hopefully enhance effectiveness and evenhandedness.

Quota and governance reforms are critical to enhancing the legitimacy and effectiveness of the Fund. Credible progress is needed for timely completion of the comprehensive quota formula review with the objective of ensuring fair representation of all members. We reiterate our view that the review should result in a meaningful increase in the quota shares of dynamic EMDCs without such an increase coming at the expense of other EMDCs. In this spirit, it would be essential that a greater role is given to GDP PPP in the GDP blend variable, to account for the dynamism of EMDCs, and that the size bias in favor of large economies be mitigated by higher compression. Serious steps to address the severe shortcomings of openness and variability would be crucial. Absent credible steps in this direction, we would support dropping both variables altogether, which would also serve the objectives of simplicity and transparency. Consideration should also be given to a higher weight for reserves. We reiterate our support for protecting the voting share of LICs and the creation of a third chair in the Board for Sub-Saharan Africa.