



# **International Monetary and Financial Committee**

Ninth Meeting  
April 24, 2004

**Statement by Honorable Mohammed Laksaci,  
Governor of the Bank of Algeria  
On behalf of Islamic State of Afghanistan, Algeria, Ghana,  
Islamic Republic of Iran, Morocco, Pakistan, and Tunisia**

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Governor of the Bank of Algeria  
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Since our last meeting, global recovery has strengthened in several regions, in a context of expanding world trade and financial markets' activity. The upturn continues to be strongest in the United States, while remaining modest in the Euro area. In Japan, growth has exceeded expectation, and activity has strengthened in emerging Asia and has rebounded in many developing countries. Encouraging indicators are pointing to further strengthening and broadening of the recovery. However, global prospects remain subject to major risks. These relate to the still large global imbalances, the timing and magnitude of future movements in interest rates, the difficult medium-term fiscal positions in many countries, and the worsening of the geopolitical environment. Medium-term growth prospects are further hampered by persistent obstacles to the conclusion of the Doha Round. Achieving sustained and broader global recovery hinges, therefore, on effectively reducing these uncertainties.

Paving the way for an orderly unwinding of global imbalances is a key challenge. This requires more effective policy coordination among major countries. While we acknowledge Fund's efforts, thus far, in advocating greater policy coordination, the impact of possible disorderly unwinding on global recovery and stability warrants more proactive involvement of the institution. In this regard, early Fund work on appropriate ways for such proactive role to materialize will be welcome. Major challenges for concerted strategies include bold efforts toward medium-term fiscal consolidation in the United States; deepening structural reforms in the Euro area, particularly in the product and labor markets and in the pension systems; and further reforming the financial and corporate sector in Japan, while adopting more flexible exchange rate policies when warranted in some surplus countries. Monetary policies will have to be geared toward ensuring a smooth transition to higher interest rates, while remaining supportive of the recovery where room for maneuver still exists. In particular, existing scope for further monetary policy easing in the euro area should be utilized. Global recovery could also benefit from greater oil price stability, which in turn depends on effective coordination among producers and consumers in this area.

Overall performance in many developing countries continued to strengthen, reflecting adherence to sound macroeconomic policies and implementation of wide-ranging structural reforms, with, in a number of cases, welcome assistance from the international community, including the Fund. These efforts need to be sustained through maintaining macroeconomic discipline, pursuing deeper structural reforms, including in the financial and corporate

sectors, and the labor and product markets; and promoting private sector participation through better governance and improved institutional environment. In view of the limited capacity in many developing countries, their efforts will continue to rely on substantial technical assistance. Fund's catalytic role will continue to be crucial in this regard.

Achieving sustained world trade expansion that benefit all countries requires enhanced global trade liberalization. Important accomplishments in this respect have been made in most developing countries and efforts should be sustained. Bringing the Doha Round on multilateral trade to early conclusion, taking into consideration developing countries' concern, is crucial to sustain growth prospects. In this regard, tangible efforts, particularly from the advanced countries, are needed. We acknowledge the Fund's efforts to encourage decisive steps in this direction. We reiterate our call for removing the existing obstacles to greater access for exports from developing countries to advanced countries' markets, as well as early elimination of agricultural subsidies. We look forward to a more proactive role of the Fund in this area of global concern. We welcome the recent establishment of the Trade Integration Mechanism as an instrument for the Fund to help mitigate, when necessary, the costs associated with trade liberalization.

The Fund has made considerable progress in strengthening surveillance over the past years, including at the multilateral and regional levels. The recent broadening of its analytical tools to encompass analyses of balance sheets, within and across sectors, is a welcome step. The use of the balance sheet approach in Article IV consultations, along with debt sustainability analysis, FSAPs, and ROSCs, should further improve surveillance. These efforts should be complemented by further exploring ways to strengthen the impact of surveillance in an evenhanded manner across all Fund's membership. We welcome recent Board discussions on public investment and fiscal policy, and encourage flexibility in IMF assessment of the fiscal stance to create space for infrastructure investment and key social spending. We look forward to further work on alternative financial mechanisms to help shield members from contagion or capital account crises. At the same time, the existing precautionary arrangement with low access, as instrument to help countries exit from Fund arrangements, should be maintained to avoid sending the wrong signals to markets.

Notable efforts continue to be made in helping low-income countries face their growth and poverty reduction challenges. Strong track records, achieved under PRGF-supported programs, have helped an increasing number of these countries reach the completion point under the enhanced HIPC Initiative and achieve debt sustainability, including through topping-up of debt relief when necessary. While these results are encouraging, much remains to be done, as two thirds of the eligible countries are either still at the decision point or yet to reach it. Against this background, we support the extension of HIPC-Initiative beyond end-2004 to enable more countries to benefit from the Initiative, and call on the international institutions, including the Fund, and bilateral donors to provide the necessary technical and financial assistance to speedily bring all remaining cases to completion point. At the same time, countries are encouraged to press ahead with the needed institutional and structural reforms.

Debt sustainability, when achieved, will be effective only if maintained over time, durably freeing needed resources for growth and poverty-reduction objectives. In this regard, we are encouraged by Fund's ongoing work, in collaboration with the World Bank, to develop a debt sustainability framework for low-income countries, and look forward to its completion by the next Annual Meetings. We welcome Fund's recent steps to help address low-income countries' vulnerabilities to exogenous shocks, including through introducing a subsidy for emergency assistance for natural disasters and establishing explicit principles for augmenting PRGF arrangements.

Enhancing voice and participation of developing and transition countries in decision-making in the IMF, as part of Fund's efforts to improve its effectiveness as a cooperative institution, hinges on tangible progress in quotas and associated voting powers issues. We reiterate our call on the Fund to press ahead with reaching agreement on concrete proposals in this regard.

We would like to express appreciation and gratitude of the members of our constituency to Mr. Horst Köhler for the valuable work undertaken in the Fund under his leadership and for his support to our countries and his dedication to world stability and to improving the living conditions in many parts of the world.