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Statement by Mohammed Laksaci
Governor, Banque d'Algerie, 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 16, 2011

Since our last meeting, the global economy has continued to recover and financial stability has improved, in line with earlier expectations. However, the recovery remains fragile and uneven, with strong growth in many emerging market and developing economies (EMDCs) and still sluggish growth performance and high unemployment in advanced economies (AEs). Moreover, the global outlook continues to be threatened by serious vulnerabilities in many advanced economies, including weak sovereign, households, and financial balance sheets and depressed real estate market. The sovereign debt crisis in some Euro area countries, the surge in energy and commodity prices, the recent catastrophes in Japan, and developments in some countries in the Middle East and North Africa have added to these uncertainties. In some EMDCs, signs of overheating, including as a result of large capital inflows, are also a source of potential risks.

Against this background, continued international cooperation and coordinated policies, which have been crucial in the early stages of the global economic and financial crisis, remain essential, particularly among systemic countries, to forcefully address these risks and support sustained and balanced growth and job creation. Fiscal consolidation in many AEs anchored in clear and credible medium-term frameworks is crucial for putting public finances on a sound footing and reducing the high public debt. Decisive progress must be achieved to strengthen the still fragile financial system in AEs. Implementation of the recent agreement on capital and liquidity buffers (Basel III) needs to be stepped up and substantial progress made in strengthening the regulatory and supervisory framework to address the issue of too-big-to fail and cross-border financial institutions and to include the shadow banking system and in supporting the recovery of the real estate sector. It is also essential to strengthen productivity and growth potential in the private sector through structural reforms so as to enable the withdrawal of accommodative policies and facilitate the fiscal consolidation process.

While the recent events in the Middle-East and North Africa are likely to have a negative impact on short-term growth prospects in the region, strong fundamentals in many countries should allow for a rapid resumption of growth as orderly conditions are restored, with a key challenge being to ensure sustained job creation to absorb the high unemployment, particularly among the youth. Adequate support from the international community to affected countries would help expedite the restoration of normal economic and social conditions and ease the financial burden of the growth-and-employment-accelerating programs.

We are encouraged by the robust growth in Sub-Saharan Africa, underpinned by strong domestic demand, continued terms-of-trade gains, and sound macroeconomic policies. Concerted actions are needed, including from the Fund, to help many of these and other developing countries cope with the fiscal and balance of payments burden of the recent surge in food and energy prices and its impact on the poorest segments of the populations. Strengthened assistance from the international community remains essential to support Low-Income Countries (LICs) in meeting the MDGs and other developmental needs, and in this regard, we support the use of a significant part of the windfall profits from gold sales to strengthen the Fund's concessional financing resources.

The role of the IMF in promoting continued international cooperation and policy coordination is central. More effective and candid surveillance over advanced economies, strengthened multilateral surveillance, and greater focus on regional and global spillover effects of systemic economies would serve this objective well, and we look forward to sustained progress in this regard in light of the lessons from the very helpful IEO's evaluation of IMF performance in the run-up to the financial and economic crisis. We also look forward to the upcoming Board discussion of the Triennial Surveillance Review and Review of the 2007 Surveillance Decision.

Addressing the risks associated with large and volatile capital flows is key to global financial stability, and we are encouraged by the ongoing work on members' experience with these flows. We look forward to further work toward developing a comprehensive approach in this regard, taking into account a broader range of country experiences and the diversity of policies affecting these flows both in capital receiving and capital originating countries, while giving due regard to country-specific conditions. In this regard, the outcome of this work should only help inform staff in their advice to members and should not be part of surveillance. It is indeed crucial to maintain national policymakers' flexibility in adopting the policies and tools most adapted to their countries' circumstances.

We see merit in exploring options to strengthen the role of the SDR in the International Monetary System, including through regular allocations, and to broaden the set of international reserve currencies, and we encourage further work on these issues. We look forward to further progress in advancing the governance reform agenda, including agreement on a revised quota formula that better reflects developing countries' vulnerabilities and needs, an open and transparent selection process of the Managing Director regardless of nationality, and more forceful efforts in addressing diversity issues, including the severe underrepresentation of the MENA region in Fund staff.