International Monetary and Financial Committee

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Statement by Mohammed Laksaci
Governor, Bank of Algeria, 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 21, 2012

The recent relative improvement in the global economic and financial situation, as a result of notable actions in the euro area, improved activity in the United States, and still strong growth in emerging market and developing countries (EMDCs), provides a welcome breathing space following last year's heightened tensions and uncertainties. However, the recovery remains fragile and the global outlook is clouded by significant downside risks, including from renewed stress in the euro area and a sharp increase in oil prices driven by geopolitical tensions. It will be critical to address these risks and put the global recovery on a sustainable footing, which requires renewed commitment to coordinated actions and policies and a broad range of reforms. The Consolidated Multilateral Surveillance Report and the Managing Director's Action Plan offer useful directions to achieve these objectives.

We agree that adequate calibration of fiscal policies is needed in advanced countries to avoid unduly constraining short-term growth and job creation while remaining strongly committed to medium-term fiscal consolidation and debt sustainability to strengthen confidence. Reforms of entitlement and tax systems, where needed, would provide key support to these objectives. Monetary policy in these countries should generally remain accommodative, in the current low inflation environment, to support demand, while remaining attentive to its adverse effects on global liquidity and capital flow volatility. It is also crucial that financial reforms are steadfastly pursued building on the progress thus far, including through strengthening banks' capital buffers and restructuring or resolving weak banks in the euro area while safeguarding against excessive deleveraging through credit contraction. Repairing households' balance sheets and reviving the housing market in the US remain critical. We also call for stronger momentum toward completion and implementation of the global agenda for financial regulation.

Although decelerating, growth in EMDCs remains strong. Policies should remain geared toward sustaining high growth despite spillovers from advanced countries, while rebuilding adequate buffers and mitigating the adverse impact of large and volatile capital flows. In this regard, the ongoing work on developing a comprehensive, balanced, and flexible approach to the management of capital flows should not compromise members' ability to adopt policies and tools which they deem appropriate to their specific circumstances, drawing on other members' experience.

In the Middle East and North Africa (MENA) region, while conditions vary among groups of countries, the key challenge will be to achieve high, sustainable, and inclusive growth, despite an unfavorable external environment, including by restoring macroeconomic stability and investor confidence. The task is particularly arduous in Arab countries undergoing political transition, in view of their large social and employment needs, which calls for effective policies to foster investment and job-creating, equitable growth. Adequate international support, including financial and technical assistance, will be critical, with the Fund playing a key role. In particular, commitments under the Deauville Partnership initiative in terms of financing and market access should be effectively and timely delivered. In the same vein, in this difficult global environment, low-income countries (LICs) will need enhanced international support, including from the Fund, to help address their substantial development needs and mitigate the impact of the rise in energy costs and potential additional price hikes. In this regard, we call on Fund members to agree to contribute their share of the $0.7 billion gold profit distribution to increasing Fund concessional financing capacity, and look forward to further actions toward achieving long-term sustainability of PRGT financing, including from further donor pledges and gold profit distribution.

We take note and support the ongoing work in the Fund on enhancing surveillance. We look forward to further progress in developing an integrated and more evenhanded and effective bilateral and multilateral surveillance framework. We agree on the need for timely entry into force of the 2010 quota and governance reform. We also stress the importance of completing the comprehensive review of the quota formula by January 2013 and the Fifteenth General Review of Quotas by January 2014, which should result in a further realignment of quota shares in favor of dynamic EMDCs, without such an alignment coming at the expense of other EMDCs.