International Monetary and Financial Committee

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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 20, 2013

We are encouraged by the recent signs of gradual improvement in the global economy outlook and financial stability, underpinned by policy actions in advanced economies and continued strong performance in emerging market and developing countries, including low income countries. However, substantial risks continue to weigh down on medium-term global prospects, particularly in view of the still difficult situation in the euro area and uncertainties regarding fiscal consolidation and public debt reduction in the US and Japan. Risks are also building up in some emerging market economies, including with respect to rapid credit growth and cross-border lending, facilitated by a search for yield in the current low global interest rate environment. Against this background, we agree with the Managing Director that there is no room for complacency. A renewed spirit of global cooperation and further determined actions to restore confidence, mitigate the downside risks, and strengthen growth and employment prospects remain crucial. Stronger efforts at completing global financial reform agenda will be crucial for financial stability and for enhancing growth of the world economy and its resilience.

The challenges are well identified and need to be decisively addressed. In the euro area, they include sustained efforts toward fiscal consolidation while minimizing its adverse effects on near-term growth, accelerating bank and corporate balance sheet repair to restore credit growth, improving access to credit for SMEs, putting in place the banking union, and implementing wide-ranging reforms in product and labor markets. Credible medium-term fiscal consolidation plans in the US and Japan to ensure gradual deficit and debt reduction will be key to alleviating downside risks and supporting a firm recovery, with positive spillover effects on the global economy and financial stability. While accommodative monetary policies continue to be warranted, their impact on asset and commodity prices and on capital flow volatility should be carefully monitored and mitigated. Continued strong economic performance in emerging market and developing countries provides scope to rebuild macroeconomic policy space. A careful calibration of macroeconomic, macroprudential and capital flow management measures will be needed to shield many emerging market economies from the adverse impact of volatile capital flows. It is heartening to note the sustained growth performance of low-income countries and we welcome the improved policy implementation in many countries. Further efforts are needed to build policy buffers, invest in infrastructure, and reduce poverty. We support efforts to strengthen PRGT self-sustainability but caution against a sharp decline in access norms and limits in quota terms and call for more determined efforts to mobilize PRGT financing from bilateral donors commensurate to LICs growing financing needs

In the MENA region, further rebalancing of fiscal policy, including through better targeting of subsidies, increased investment in infrastructure, and improvement in education and the business climate will help achieve broad-based high growth and job creation. MENA countries in transition face important challenges of addressing pressing social needs and putting their economies on a sustained path of high growth and employment creation while restoring macroeconomic stability. Strong support from the international community to these countries, including from the Fund, remains crucial. It will be also important to ensure that Fund advice as well as its financial and technical support is tailored to these countries' exceptional circumstances and needs and that macroeconomic and structural policy implementation remains consistent with the objective of achieving successful transition.

We regret that the review of the quota formula has been completed without an agreement on a new formula. We look forward to the completion of the 15th General Review of Quotas based on a revised formula, which should be guided by the critical objective of enhancing the legitimacy and effectiveness of the Fund by ensuring fair representation of all members. To this end, the new formula should result in a meaningful increase in the quota shares of dynamic EMDCs without such an increase coming at the expense of other EMDCs.