International Monetary and Financial Committee

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Statement by the Honorable 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 12, 2014

Since our last meeting, the global recovery has continued to strengthen, led by a rebound of growth in advanced economies, including in the euro area, and supported by robust, albeit declining, growth performance in emerging markets and developing economies. The overall situation, however, is precarious, and important downside risks and fragilities remain, which need to be addressed through policy actions. Chief among these risks are destabilizing capital flow and exchange rate volatility, which could significantly affect emerging market and developing countries, a worsening of geopolitical risks that could undermine the recovery, including by destabilizing energy markets, and inadequate policy responses, which could entrench anemic growth and high unemployment.

We are currently witnessing important shifts in global conditions, with advanced economies renewing with moderately higher growth, while inflation remains very low, and emerging markets undergoing a transition to a slower, but more sustainable growth, partly reflecting domestic vulnerabilities and a tightening of global financial conditions. Many developing countries, including low-income countries, continue to show strong growth and resilience, but their near-term prospects depend on the growth outlook in advanced countries and large emerging economies, as well as on developments in global financial conditions and commodity prices. Unfortunately, unemployment in many parts of the world remains high, especially among the young, while income inequality seems to have worsened.

The policy agenda ahead is challenging, and should continue to give priority to supporting growth and job creation, further reducing financial sector vulnerabilities, implementing credible medium-term fiscal consolidation plans to put public debts on a sustainable path, while remaining attentive to their impact on growth, and paying adequate attention to adverse spillover effects of domestic policies. The Managing Director's Global Policy Agenda appropriately sets a clear road map to achieve these objectives, and we look forward to strong efforts by all countries and the IMF to implement it.

In the United States, the unwinding of the asset purchase program by the Federal Reserve should continue at an orderly pace and with adequate communication to the markets to avoid volatility and minimize cross-border spillovers. A gradual and credible medium-term fiscal consolidation plan would go along the way of putting the public debt on a firm declining trend.

In the euro area, the pickup of growth and the continued improvement in market sentiment toward this region, including economies under stress, are welcome developments. While output gaps remain significant, the risk posed by a very low inflation, possibly leading to deflation similar to the experience of Japan in the 1990s, is a source of concern and should be appropriately addressed through more accommodative monetary policy. Much needs to be done on the structural reform front to strengthen competitiveness and productivity, while completing the banking union and balance sheet repair, and addressing financial fragmentation to enhance the resilience of the financial system and spur credit growth.

Emerging markets and developing countries continue to account for the bulk of global growth, despite the recent deceleration. Macroeconomic policies would need to be recalibrated to better reflect cyclical positions as well as changing external conditions, including tighter access to external funding and volatile capital flows. Addressing country-specific vulnerabilities will also help strengthen investor confidence and minimize sudden capital flow reversals, while enhancing resilience to exogenous shocks. In low-income countries, growth remains resilient, with stable public debt. Further efforts to build policy buffers, alleviate infrastructure bottlenecks, and strengthen and deepen financial systems are essential. Higher and more inclusive growth remains vital to accelerate poverty reduction and raise living standards.

The MENA region countries continue to face important challenges of fostering high and inclusive growth, providing employment opportunities for a growing labor force, diversifying their economies, and strengthening resilience to exogenous shocks. Arab countries in transition face the additional challenges of restoring macroeconomic stability, supporting growth and job creation, and addressing pressing social needs. We call on the Fund to provide adequate financial support to these countries with greater flexibility to take into account the transition-related constraints. Moreover, the Fund will need to play a greater role in catalyzing financial resources to address substantial needs of pro-growth public investments and social spending. In other MENA countries, stepped up efforts are needed to diversify the production base, reduce macroeconomic imbalances, and implement ambitious structural reforms to strengthen efficiency and raise potential growth.

We welcome the review of the Fund’s precautionary facilities (the Flexible Credit Line, the Precautionary and Liquidity Line, and the Rapid Financing Instrument). These facilities have played an important role in strengthening the global financial safety net and should remain in the Fund’s lending toolkit. We look forward to early completion of the review of debt limits policy in Fund-supported programs, which should cover all country categories, instead of targeting low-income countries in particular, be based on debt sustainability analysis, and be flexible enough to accommodate member countries’ needs and constraints.

We are disappointed that after missing the deadline for reaching a consensus on the reform of the quota formula, the deadline for effectiveness of the 2010 quota and governance reform has also been missed. We call on members who have not yet ratified the amendment of the Articles of Agreement to act diligently to ensure early ratification and effectiveness of the reform. While stressing the crucial role of the IMF in the international financial architecture, we attach high priority to early implementation of the 2010 reform.