



International Monetary and Financial Committee

Twelfth Meeting
September 24, 2005

Statement by Honorable Mohammed Laksaci

Governor of Banque d'Algérie

On behalf of Islamic State 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**

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Since our spring meeting, the global economy has continued to expand although at a moderate pace, underpinned by generally supportive macroeconomic policies and favorable financial market conditions, and inflation remains subdued. The large global imbalances, however, continue to widen, reflecting the persistence of growth divergences, with the United States, China and many developing countries leading global expansion, Japan regaining momentum, whereas growth in the euro area remains weak. Consequently, while the near-term outlook remains favorable, the risks of abrupt adjustments in the exchange rates of the major currencies and in interest rates have increased. Other downside risks are associated with increasing housing prices in several industrial countries, the possibility of further oil price increases and volatility, and the rising protectionist sentiment in some countries.

Effectively addressing these risks leaves no room for complacency and hinges on strong and coordinated actions on the part of the major actors. Welcome signs in this direction have recently materialized with the improved fiscal position in the United States, the move towards greater exchange rate flexibility in China and Malaysia, and rising domestic demand in Japan. However, the magnitude of global imbalances and associated risks call for stronger efforts, including more ambitious fiscal adjustment in the United States and further structural reforms in Japan and the euro area to reinvigorate growth.

Economic performance in an increasing number of developing countries strengthened further, underpinned by continued adherence to sound macroeconomic policies and implementation of wide-ranging structural reforms. Sustaining these efforts, including through deeper structural reforms and improved governance and institutional environment, is necessary; greater global stability is crucial to ensure continued economic and social progress in these countries. For LICs, enhanced international assistance continues to be required to help them reap the benefits of globalization.

While the high oil prices have had only a limited impact on global economy thus far, more stable oil markets would enhance predictability, encourage investment in the sector, and contribute to sustained global expansion. This, in turn, requires effective cooperation between consumers and producers and concerted actions from all parties, including to improve market data and transparency, strengthen energy efficiency and conservation, and promote diversification of energy sources. To help mitigate the impact of high oil prices on

oil-importing developing countries, particularly the poorest, the Fund should stand ready to provide balance of payment assistance.

As widely recognized, global economy will benefit from enhanced multilateral trade liberalization. In this connection, successful and timely conclusion of the Doha Round is crucial. The upcoming WTO Ministerial Conference in Hong Kong provides a unique opportunity to make decisive progress in this direction. While developing countries need to persevere in their commitment to further trade openness, it is of vital importance for their growth and poverty reduction objectives, as well as for bolstering global growth, that advanced countries commit to removing obstacles to exports from developing countries, including by eliminating tariff and non-tariff barriers, and to phasing out agricultural subsidies.

As a universal cooperative institution and in line with its core mandate of ensuring the stability of the international monetary system, the Fund has a central role to play in promoting and coordinating the global adjustment process. Ongoing work to shape its medium-term strategy to adapt to the challenges of globalization is in the right direction and should be stepped up, including to make bilateral, regional, and multilateral surveillance more effective. In this connection, greater efforts should be directed to identifying the implications of systemic countries' policies on global economy and other countries, and providing persuasive policy advice to promote sound policy implementation.

Low income countries (LICs), especially in Africa, continue to face considerable challenges notwithstanding important progress in achieving macroeconomic stability and in implementing key structural reforms. Sustained efforts on the part of these countries and stronger international support are vital if these countries are to meet the Millennium Development Goals. In this regard, commitments in the context of the recent United Nations Millennium Review Summit, including the establishment of timetables by many donors to achieve the UN target of ODA, are important steps as are ongoing initiatives to establish additional sources of development financing. As part of the Fund medium-term strategy, welcome progress is being made in strengthening the Fund's role in low income countries, including through establishing a Policy Support Instrument, making permanent the Poverty Reduction Growth Facility (PRGF), establishing a shocks facility within the PRGF, and providing further debt relief to the poor countries.

In this latter regard, we welcome and fully support the recent proposal of the G8 for 100 percent cancellation of heavily indebted poor countries (HIPC) to the International Association, the African Development Fund, and the International Monetary Fund. The initiative should contribute to achieving debt sustainability in these countries and freeing resources to promote growth and poverty reduction. It is important, however, that no conditionality additional to HIPC eligibility be required. We hope that an early decision on the proposal be achieved to maximize its benefits for eligible countries.

We attach high importance to enhancing voice and representation of developing countries in the Fund's decision-making processes. This will enhance the credibility of the institution and the legitimacy of decisions and strengthen governance. We note the ongoing discussions in the Fund on the issues of quotas and votes and look forward to significant progress in this regard towards a consensus in this direction, including through appropriate quota increases and increases in basic votes.