International Monetary and Financial Committee

Sixteenth Meeting
October 20, 2007

Statement by Mohammed Laksaci
Governor, Banque d'Algérie
On behalf of Islamic Republic of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, Tunisia

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Governor of the Bank of Algeria
Speaking on behalf of Islamic Republic of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, and Tunisia
Washington, D.C., October 20, 2007

The financial crisis in the US sub-prime market and the resulting slowdown in the US economy appear to have had only a limited impact on global growth, mainly reflecting continued strong growth and economic fundamentals and greater resilience of developing countries. It is encouraging that these countries have become the new driving force and an anchor of stability in the international economic and financial system. However, heightened uncertainties surrounding the magnitude and duration of the financial turbulence and its spillover effects have the potential of significantly dampening global prospects. Addressing these risks calls for enhanced vigilance on the part of the advanced countries, improved transparency, and strengthened financial regulation and supervision, particularly in relation to the risks arising from financial innovation. There is also a continuous need to address decisively other risks to global stability, particularly those arising from the persistently large global imbalances. The recent multilateral consultation is a welcome step forward, provided the stated policy intentions are steadfastly implemented. Moreover, it is essential that the new Surveillance Decision is implemented along the lines of the principles included in its preamble, namely ensuring evenhandedness, avoiding imposition of new obligations on member countries, maintaining flexibility, and paying due regard to members own circumstances. In view of serious methodological shortcomings, caution is required, however, in IMF's assessment of members' exchange rates alignment with their economic fundamentals. To reduce the likelihood of crises and contagion, efforts should be stepped-up to establish the new liquidity instrument –the Reserve Accumulation Line– for market access countries with strong fundamentals and sound policies, as called for in our last meetings, with high access to Fund's resources, front-loaded disbursements, and reduced charges to increase its attractiveness to members.

To enable the Fund to carry out its missions effectively, we see urgency in advancing with the development of a new income model. While supportive of expenditure rationalization, provided it does not come at the expense of the volume and quality of the services the Fund offers to its members, we see no justification to linking the finalization of the income model to progress on expenditure containment. Most of the sources identified by the Committee of Eminent Persons would provide the Fund with more predictable and stable sources of revenue. However, we strongly oppose charging member countries for IMF technical assistance and for reimbursement to the IMF regular Budget of the cost of administering the PRGF, which would reduce financing available to low-income countries under this facility.

We take note of the MD's report on quota and voice reform. However, we share other developing countries' disappointment with progress achieved thus far and call on all parties to take this unique opportunity to decisively restore the IMF's legitimacy, credibility, and effectiveness. To this end, strong political will, particularly from the advanced countries, is needed. It is essential that the reform package result in a significant redistribution of the voting shares from advanced to developing countries as a group, and benefit the most dynamic among the latter group without this coming at the expense of the other countries in the group. Equally important, the voting power of small and low-income countries has to be strengthened.

For the reform package to produce a meaningful outcome, it must include a simple, transparent and robust quota formula which stands on its own merits, without requiring additional filters and adjustment mechanisms. It is also critical that basic votes be substantially increased and protected. As a minimum, a tripling of their current level would be more than justified in view of their drastic erosion over the years. In addition, the staffing of Executive Directors representing a large number of countries should be increased meaningfully, including by early agreement on an amendment to the Articles of Agreement to allow these Executive Directors to appoint more than one Alternative Executive Director. We also call for efforts to address the significant under-representation of some regions in the staff and management of the IMF, particularly Africa and the Middle-East.