



# **International Monetary and Financial Committee**

Twenty-Second Meeting  
October 9, 2010

Statement by Mohammed Laksaci, Governor, Banque d'Algerie, Algeria

On behalf of Afghanistan, Algeria, Ghana, Iran, I.R. of, 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, October 9, 2010**

Since our last meeting, the global economy has continued to recover from the global economic and financial crisis. However, the recovery is uneven, showing continued strength or gaining momentum in many emerging markets and developing economies (EMDCs) while remaining weak in advanced economies (AEs) with key vulnerabilities, including in sovereign balance sheets, the financial sector, and real estate, thus hindering growth and employment in many of these countries. In addition, the sovereign debt crisis in Europe has been a setback for financial stability and has shaken market confidence in many advanced countries, heightening uncertainties and downside risks to global recovery.

Against this background, continued cooperation and coordinated policies remain crucial to support a sustained, strong, and balanced recovery. While the fiscal consolidation underway in many AEs is key to putting public finances on a sounder footing and addressing the high public debt issue over the medium-term, the potential dampening impact on growth and employment in these countries and on global demand in the short-term should not be overlooked. Decisive progress also needs to be made to strengthen the financial system in AEs. In this regard, welcome steps have been taken with the recent agreement on capital and liquidity buffers (Basel III), but much more needs to be done, including strengthening the regulatory and supervisory framework and addressing the issue of too-big-to fail institutions. A clear commitment to avoiding protectionist measures is also essential to support a more balanced and sustained growth. Greater attention needs to be devoted to the risks associated with the surge in capital inflows to some EMDCs, particularly in view of diverging monetary stances, as well as those that could potentially emanate from disorderly exchange rate movements.

We are encouraged by the expected strong growth performance in the Middle East and North Africa where years of prudent macroeconomic management, sound fundamentals, resilient financial systems, and forceful policy response have helped weather the global crisis relatively well and supported economic activity. Nonetheless, some countries in particular would be adversely impacted by prolonged slowdown or financial instability in Europe in view of the strong linkages with this region.

We are also encouraged by the prospects of strong output growth in Sub-Saharan Africa, underpinned by the implementation of countercyclical policies, a recovery in commodity

prices, and robust domestic demand. Strengthened assistance from the international community is essential to support Low-Income Countries (LICs) in meeting the MDGs.

We take note of the ongoing work on the review of the Fund's mandate and governance. The decision to make the financial stability assessment compulsory for members with systemic financial sectors should enhance surveillance. The refinement of the Flexible Credit Line and the establishment of the Precautionary Credit Line are important steps in strengthening the Fund's crisis prevention role. Evenhandedness in implementation will be essential in this regard. We also expect the Fund to demonstrate the same degree of responsiveness and flexibility in lending to LICs.

Quota reform is central in addressing the skewed quota distribution between AEs and EMDCs, thereby enhancing the Fund's legitimacy, relevance, and effectiveness. In this vein, the ongoing fourteenth general quota review should result in a shift of at least 5 percentage points of quota shares from AEs to dynamic EMDCs, without such a shift coming at the expense of other EMDCs. Also, pending the necessary revision of the current flawed quota formula, quota shares of all EMDCs and LICs need to be protected against any decline, particularly as many of them were adversely affected in the previous quota realignments. We can support a large increase in quotas only to the extent that these two objectives are met.