International Monetary and Financial Committee

Thirteenth Meeting
April 22, 2006

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

Statement by the Hon. Mohammed Laksaci
Governor of the Bank of Algeria
to the International Monetary and Financial Committee

Speaking on behalf of Islamic Republic of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, and Tunisia

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I join other members in welcoming the continued global expansion and favorable near-term growth prospects. It is encouraging that, although the United States, China, India, and many developing countries remain the engine of growth, expansion is becoming more broadly based, with growth strengthening in Japan and the euro area recovering slowly. However, medium-term global economic prospects remain subject to major downside risks, not least the risk of disorderly unwinding of global imbalances. As the Honorable Governor for Brazil, Mr. Mantega, underscores, it has become commonplace in our meetings to point to the same risks and to underline the required policy responses. Yet little or no progress has been achieved in addressing these risks, which may reflect a persistent lack of willingness on the part of the major players to move ahead with concrete, strong, and coordinated actions.

We reiterate our belief that, as a universal institution, the IMF has a major role to play in promoting effective responses to the global risks. In this respect, we welcome the Managing Director's proposal to strengthen surveillance, particularly the multilateral. Like Mr. Mantega, we believe that, to be meaningful, multilateral surveillance and consultation should lead to a coordinated and verifiable package of policy measures for major economies that would address the problems that Fund's bilateral surveillance identifies. The Fund should then be tasked to monitor and provide the international community with an assessment of the effectiveness of the coordinated policy package in achieving its objective.

We appreciate the Managing Director's medium-term strategy and view it with cautious expectation as its significance will be measured by its implementation. Of particular importance is the proposal on voice and representation. If the international community has indeed reached the realization that the present governance structure of the Fund is unsustainable and demonstrates the political will to address the issue honestly and resolutely, all issues related to governance could and should be addressed together and without much delay. It is generally acknowledged that the core problem of voice and representation—itself at the heart of the poorly structured governance of the IMF—is the flawed and arbitrary quota formula, which should be corrected without delay along the lines of the proposals made by the G-24. We, therefore, see no justification for the proposed two-stage approach. That said, we may be able to join a consensus to request the Executive Board of the IMF to propose a plan, provided that it would be designed along the lines suggested in paragraphs 18 and 19 of the statement of Mr. Mantega. The enhancement of Fund governance and the correction of democratic deficit also require the overhauling of the selection process for the

Managing Director of the Fund. As the developing countries have emphasized repeatedly, the process should be open, transparent, and based solely on competence and merit.

On financing of the Fund, our views are similar to those expressed by Mr. Mantega in paragraphs 20-27 of his statement.

On low-income countries (LICs) and debt sustainability, we urge that the "one-size-fits-all" approach to these countries be avoided by all concerned. It is time that the IFIs, the development community, and creditors exercise a high degree of differentiation between and among these countries. In particular, in the case of post-MDRI countries, it is crucial that the concern for debt sustainability is attenuated by a sober resistance to the anxious views that post-MDRI countries would rush to accumulate unsustainable, nonconsessional debt as they have in the past. This view tends to ignore changes that have taken place in LICs. There is ample evidence that these countries are now keenly aware of the critical importance of sustained macroeconomic stability to growth and of the threat that unsustainable debt accumulation could pose to that stability. In no small measure, this recognition and the accompanying efforts of these countries to achieve and maintain macroeconomic stability are due to the hard work and contribution of the Fund and the World Bank in LICs over the last decade.

It is, however, equally important to acknowledge that accelerated growth in many of these countries, required to achieve the MDGs, is constrained by lack of sufficient financial resources. Also, the prospects for mobilizing additional concessional resources, required to achieve the needed progress, are currently not encouraging. Moreover, the evolution of many high-growth developing countries demonstrates that economic progress would not have been achieved without, inter alia, efficient mobilization of domestic resources and access to external savings. Therefore, dogmatic position against access to nonconcessional resources needs to be attenuated with realistic and sound consideration of the total resource envelope to accelerate growth and achieve MDGs. The legitimate concern for debt sustainability should, therefore, be translated into a proactive role for the Fund and the World Bank to help LICs to rapidly develop their domestic capital markets and to prudently access international capital markets, in order to accelerate growth, achieve their MDGs, and alleviate poverty. For this approach to succeed, the new department combining ICM and MFD at the Fund must assume a central role.