

## Communiqué of the Twenty-Ninth Meeting of the International Monetary and Financial Committee (IMFC)

Chaired by Mr. Tharman Shanmugaratnam, Deputy Prime Minister of Singapore and Minister for Finance  
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*Global activity continues to strengthen. However, the recovery is still fragile and downside risks remain. Creating a more dynamic, sustainable, balanced, and job-rich global economy remains our paramount collective goal. We will implement ambitious measures to sustain the recovery, proceed with structural reforms, place government debt on a sustainable track, promote financial stability, and reinforce cooperation to manage spillovers. We welcome the Managing Director's Global Policy Agenda.*

**Global economy.** Activity in advanced economies picked up last year, notably in the United States and the United Kingdom. Growth in the euro area as a whole has turned positive but remains fragile. In many advanced economies, inflation remains below target and will likely remain subdued. Growth in emerging market economies has moderated, but continues to account for the bulk of global growth, and is expected to strengthen gradually, with stronger external demand being partly offset by the dampening impact of more difficult financing conditions. Growth in low-income countries has generally remained resilient. While the balance of risks has improved, downside risks remain to the global outlook, including notably renewed market volatility, very low inflation in some advanced economies, high levels of public debt, and geopolitical tensions. Unemployment is still stubbornly high in many countries.

**Monetary normalization and spillovers.** Monetary policy settings in major countries should continue to be carefully calibrated and clearly communicated, with cooperation among policymakers to help manage spillovers and spillbacks. Monetary policy in advanced economies should provide the necessary accommodation, with the eventual normalization being conditional on the outlook for price stability and economic growth. Continued tapering of asset purchases by the Federal Reserve remains appropriate. The European Central Bank has maintained accommodative monetary conditions and should consider further action if low inflation becomes persistent. The euro area should, building on recent progress, complete its banking union. Emerging markets and frontier low-income countries that do not face inflationary pressures and have credible policy frameworks and adequate policy space can use accommodative monetary policies in response to a growth slowdown. Those with high inflation should take appropriate measures, including tightening monetary policy. Those facing rising financial risks should strengthen regulation and supervision. Macroeconomic policies need to be sound, and in that regard, exchange rates should be allowed to respond to changing fundamentals and to facilitate external adjustment. When dealing with macroeconomic or financial stability risks arising from large and volatile capital flows, the necessary macroeconomic policy adjustment could be supported by prudential measures and, as appropriate, capital flow management measures. Low-income countries should consolidate recent gains on reduction in inflation.

**Ensuring robust, sustainable growth and reducing vulnerabilities.** High unemployment, especially among the youth, and rising inequality should be addressed by removing structural impediments to inclusive growth. Ensuring sustainable public debts, enhancing the quality of public spending, promoting growth potential including through a stronger role of women and older workers in the economy, and guarding against financial risks in the context of prolonged monetary accommodation remain priorities in all countries. Implementing concrete medium-term fiscal consolidation plans remains crucial in many advanced economies. Where country circumstances allow, medium-term fiscal plans should be implemented flexibly to take account of near-term economic conditions in order to support growth and job creation, while placing

government debt on a sustainable track. Emerging market economies with high public debt or financing needs should strengthen fiscal positions. Low-income countries should take advantage of their current resilience to rebuild policy space and maintain macroeconomic stability, while strengthening diversification and structural transformation to sustain growth momentum.

We recognize the challenges faced by Arab Countries in Transition (ACTs) and encourage them to step up the implementation of reforms for sustainable and job-rich growth. We welcome substantial donor support from the region and call on bilateral and multilateral partners to step up their contributions, as appropriate, in support of reforms. We look forward to the Fund's continued work with ACTs, including tailored policy advice, supported by financial and technical assistance. We encourage the Fund to continue strengthening its engagement with small states and low-income countries. We welcome the Fund's engagement with states in a fragile situation. We look forward to drawing lessons on how to sustain the recent high growth in Africa and make it more inclusive. We welcome the Fund's engagement with Ukraine as the authorities work to undertake important reforms.

**External rebalancing and policy coherence.** We call on the Fund to continue to provide analysis and a forum for policy dialogue, concerted action, and cooperation, which will help enhance global growth prospects and reduce policy risks. Global imbalances have declined, for both structural and cyclical reasons, but rebalancing remains a key priority. Deficit countries should raise their national saving and competitiveness, and surplus countries should boost domestic sources of growth or modify the composition of their growth. We reaffirm our commitment to refrain from competitive devaluations and all forms of protectionism.

Global financial reforms should be implemented promptly and consistently, and regulatory cooperation strengthened. Priorities include resolving the too-big-to-fail problem and implementing effective cross-border resolution of systemically important firms, addressing potential financial stability risks emanating from shadow banking, and making derivative markets safer, underpinning financial stability and integration. Further progress is needed to improve data provision, close data gaps, enhance fiscal transparency, and fight cross-border tax evasion and tax avoidance, and improve the transparency of beneficial ownership of companies and other legal arrangements, including trusts. We encourage the Fund to examine these issues as part of its bilateral and multilateral surveillance, and to work in collaboration with other international institutions.

**IMF surveillance and lending.** We welcome the progress in implementing the Fund's strengthened surveillance framework, including through the Financial Surveillance Strategy, pilot External Sector Report, Spillover Report, enhanced analysis of macro-financial linkages in Article IV consultations, and tailored advice on promoting inclusive growth and job creation. We underline the importance of regular consultations between the Fund and all its members. We look forward to the upcoming Triennial Surveillance Review, and support further analysis of the implications of monetary normalization. We stress the importance of an adequate global financial safety net. The Fund should be prepared to provide financing, including on a precautionary basis, to support appropriate adjustments and reforms and help protect against risks. We reiterate the importance of a follow-up crisis program review. We look forward to the completion of the comprehensive review of some key instruments (Flexible Credit Line, Precautionary and Liquidity Line, Rapid Financing Instrument), further consideration of the Fund's lending policy in high debt situations, including work on sovereign debt, and the finalization of the review of the debt limits policy, combining flexibility and preservation of debt sustainability in the approach to debt limits for low-income countries.

**Governance.** We are deeply disappointed with the continued delay in progressing the IMF quota and governance reforms agreed to in 2010 and the 15<sup>th</sup> General Review of Quotas (GRQ) including a new quota formula. We reaffirm the importance of the IMF as a quota-based institution. The implementation of the 2010 reforms remains our highest priority and we urge the United States to ratify these reforms at the earliest opportunity. We are committed to

maintaining a strong and adequately resourced IMF. If the 2010 reforms are not ratified by year-end, we will call on the IMF to build on its existing work and develop options for next steps and we will schedule a discussion of these options.

**Next IMFC meeting.** Our next meeting will be held in Washington, D.C. on October 10-11, 2014.