

Communiqué of the Thirtieth Meeting of the IMFC Chaired by Mr. Tharman Shanmugaratnam, Deputy Prime Minister of Singapore and Minister for Finance

Press Release No. 14/466
October 11, 2014

The global recovery continues, but is uneven and weaker-than-expected, and downside risks have increased. We are committed to lifting potential growth and to creating a more robust, sustainable, balanced, and job-rich global economy. We will pursue bold and ambitious measures to: invigorate demand and remove supply constraints through appropriate macroeconomic policies and critical structural reforms; place government debt on a sustainable track; safeguard financial stability; reinforce cooperation to manage spillovers; and continue to rebalance global demand. We are deeply concerned about the human and socioeconomic impact of Ebola. We welcome the Managing Director's Global Policy Agenda.

Global economy. An uneven recovery continues, despite setbacks. A number of countries face the prospect of low or slowing growth, with unemployment remaining unacceptably high. A revival in economic activity is underway in some advanced economies, notably in the United States and United Kingdom. The recovery is modest in Japan, and tentative in the euro area. Growth remains firm and should increase moderately across many emerging market economies, and will generally remain buoyant in low-income developing countries. Downside risks arise from the challenges associated with monetary normalization in some advanced economies, protracted below-target inflation in others, increased risk-taking amidst low volatility in financial markets, and heightened geopolitical tensions.

Ensuring robust, durable and inclusive growth. Bolstering today's actual growth and tomorrow's potential growth, while ensuring resilience and sustainability, must be our utmost priority. Accommodative macroeconomic policies should continue in economies with economic slack, accompanied by decisive implementation of critical structural reforms in all countries. Particular emphasis must be placed on measures to: boost labor demand and supply, including through reducing youth unemployment and increasing opportunities for women and older workers in the economy; improve credit flows to productive sectors; and enhance the business environment to support private investment. Additional public and private infrastructure investment is also important for supporting the recovery and lifting growth potential, particularly in countries with clearly identified needs, economic slack and fiscal space. Raising the efficiency of investment will benefit all countries.

Fiscal policy. Fiscal strategies should continue to be implemented flexibly so as to support growth and job creation, while placing debt as a share of GDP on a sustainable path. To enhance the contribution of fiscal strategies to growth, countries should consider changes in the composition and quality of government expenditures and revenues. Formulation and implementation of concrete medium-term fiscal consolidation plans remains crucial in many advanced economies. Emerging market and low-income developing economies should rebuild fiscal buffers where needed, including through revenue mobilization. Countries should strengthen institutional frameworks to manage fiscal risks, while reorienting expenditure toward essential public services and better targeting subsidies.

Monetary policy. Monetary policy in advanced economies continues to support the recovery and should address protracted below-target inflation in a timely manner, being mindful of financial stability risks and consistent with central bank mandates. Eventual normalization of monetary policy in the context of strengthened growth and price stability will be needed. Carefully calibrated and well-communicated normalization would minimize adverse spillovers and spillbacks and be beneficial to the global economy. Emerging market economies should rebuild policy buffers where limited. 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 and 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.

Increasing the resilience of the financial system remains a priority in all countries, including through well-designed micro- and macro-prudential measures in the context of prolonged monetary accommodation and excessive risk-taking in some asset markets.

Policy cooperation and coherence. Global imbalances have narrowed for both structural and cyclical reasons, but rebalancing remains a key priority, calling for continued action by both deficit and surplus countries. Global financial regulatory reforms should be implemented promptly and consistently, including addressing too-big-to-fail problems through capital requirements and effective resolution regimes, aligning cross-border application of over-the-counter derivative rules, and mitigating potential financial stability risks emanating from shadow banking. We support the IMF's ongoing work on international taxation and revenue mobilization, including to address tax evasion and tax avoidance and enhance fiscal transparency, in close cooperation with relevant international bodies. Further progress is needed to improve the transparency of beneficial ownership of companies and other legal arrangements, including trusts. We stress the importance of strengthening the global trading system to support growth.

IMF lending and surveillance. We welcome the Fund's scaled-up assistance to Guinea, Liberia, and Sierra Leone, affected by Ebola, and call for its continued support. We also support the Fund's stepped-up engagement with states in a fragile situation. We call on the Fund to sustain its engagement with small states. We support the Fund's continued engagement with Arab Countries in Transition and call on the international community to step up its support for these countries, including by implementing the Deauville Partnership. We call on the Fund to work closely with the World Bank and other international institutions to support the countries affected by the humanitarian crisis in the Middle East, in order to mitigate the adverse effects on the economies of the region and spillovers to the global economy.

The temporary waiver of interest rates on Poverty Reduction and Growth Trust (PRGT) loans from 2009 through 2014 has benefitted low-income countries. We call on the Fund as trustee to consider a further temporary extension of interest relief, while safeguarding the self-sustaining capacity of the PRGT.

We stress the importance of an adequate global financial safety net. The Fund should continue to provide support, including on a precautionary basis, for appropriate adjustments and reforms and to help protect against risks.

We welcome the Triennial Surveillance Review, the review of the Financial Sector Assessment Program (FSAP), and the ongoing work on developing macro-prudential policy advice. We call for deeper analysis of risks, spillovers, and the external sector; enhanced and better integrated financial and macroeconomic surveillance; integration of bilateral and multilateral surveillance; and the provision of evenhanded, tailored and well-communicated policy advice. We underscore the importance of regular consultations between the Fund and all its members. We welcome the work on modified *pari passu* clauses and strengthened collective action clauses, and call on the IMF, its member countries, and the private sector to actively promote their use in new international sovereign bond issuances. We look forward to continued work on sovereign debt restructuring issues, to the crisis program review, and to 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 15th 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 strongly 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 stand ready with 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 April 17-18, 2015.