Communiqué of the Twenty-Second Meeting of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund

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Chaired by Dr. Youssef Boutros-Ghali, Minister of Finance of Egypt, on October 9, 2010

***Global economy*.** Economic recovery is proceeding, but remains fragile and uneven across the membership. Faced with this source of potential stress, we underscore our strong commitment to continue working collaboratively to secure strong, sustainable, and balanced growth and to refrain from policy actions that would detract from this shared goal. Our priorities are to address remaining financial sector fragilities; ensure strong growth in private sector demand and job creation; secure sound public finances and debt sustainability; work toward a more balanced pattern of global growth, recognizing the responsibilities of surplus and deficit countries; and address the challenges of large and volatile capital movements, which can be disruptive. The rejection of protectionism in all its forms must remain a key element of our coordinated response to the crisis; renewed efforts are urgently needed to bring the Doha Round to a successful conclusion.

***Financial sector reform*.** We welcome the recent Basel agreement on a substantial improvement in the quality and quantity of bank capital together with the introduction of a global liquidity standard and a leverage ratio. We look forward to full, timely, and consistent implementation across jurisdictions, which will improve financial sector resilience. Further action is needed to enhance regulation, supervision, cross-border resolution, and macro-prudential surveillance. Progress is also needed to strengthen balance sheets and market infrastructure, and to reduce risks from systemically important financial institutions and moral hazard, while ensuring a level playing field. We call on the Fund to contribute to this important agenda in collaboration with relevant bodies. We welcome the IMF-FSB progress report on data gaps and encourage further efforts to follow up on its recommendations.

***Low-income countries (LICs)*.** The resilience and rapid recovery of many LICs is a positive development. The significant reforms undertaken by these countries in recent years have cushioned their economies during the crisis. Rebuilding policy space is a priority, along with strengthening the capacity to invest efficiently and borrow sustainably in order to meet their growth and development needs. We welcome members' contributions for concessional lending and call for further such support, including from new contributors. The international community needs to redouble its efforts to achieve the MDGs by 2015, including by meeting aid commitments.

***IMF reform*.** We welcome the extensive and ongoing work by the Fund on the review of its governance and mandate that we had called for. The Fund has responded well in adapting to the membership's needs during the crisis. Further action is urgently needed to reinforce the institution's role and effectiveness as a global body for macro-financial surveillance and policy collaboration.

• *Quota and governance reforms*. We reemphasize that quota and governance reforms are critical to institutional legitimacy and effectiveness. The Fund is and should remain a quota-based institution. We urge members who have not consented to the 2008 quota and voice reform to do so promptly. We have made progress toward finding common ground on the core reform areas, and we are working actively to resolve outstanding issues. These issues relate to the size of the quota increase and the quota shift, in line with our October 2009 Istanbul communiqué; enhanced voice and representation of emerging markets and developing countries at the IMF's Executive Board; modalities for protecting the voting share of the poorest members; enhanced ministerial engagement and strategic oversight; and an open, transparent, and merit-based process for selecting the heads of the IMF and other IFIs. We call for progress in Board and management accountability, Board effectiveness, and staff diversity. Given the urgency of these issues, we call on the Managing Director to report to the IMFC on progress on quota and governance reforms by the end of October.

• *Surveillance mandate.* Fund bilateral and multilateral surveillance must be further strengthened, drawing lessons from the crisis. Stronger and evenhanded surveillance to uncover vulnerabilities in large advanced economies is a priority. Surveillance should also be better focused on financial stability issues and their macroeconomic linkages, and more attentive to cross-border spillovers. Synergies between surveillance tools should also be strengthened. We welcome the decision to make FSAP financial stability assessments mandatory for members with systemic financial sectors as part of surveillance. We call for the 2011 triennial review to consider the effectiveness of the Fund's framework for surveillance, including its rigor, candor, evenhandedness, focus on systemic issues, and ways to improve its traction. We call on members to fulfill their obligations under Article IV of the Articles of Agreement. We look forward to reviewing progress at our next meetings.

• *Financing mandate*. Having overhauled its lending facilities early in the crisis, we welcome recent decisions by the Executive Board to further strengthen the Fund's crisis prevention role by refining the Flexible Credit Line and establishing the Precautionary Credit Line. These are important initiatives that should now be assessed over time. Also, we call on the Fund to continue its work on ways to improve its capacity to help members cope with systemic shocks, and to cooperate with other relevant bodies, in particular regional financial arrangements. We look forward to progress reports.

• *Mandate for international monetary stability*. While the international monetary system has proved resilient, tensions and vulnerabilities remain as a result of widening global imbalances, continued volatile capital flows, exchange rate movements, and issues related to the supply and accumulation of official reserves. Given that these issues are critically important for the effective operation of the global economy and the stability of the international monetary system, we call on the Fund to deepen its work in these areas, including in-depth studies to help increase the effectiveness of policies to manage capital flows. We look forward to reviewing further analysis and proposals over the next year.

***Next IMFC meeting*.** Our next regular meeting will be held in Washington, D.C. on April 16, 2011. We call on our Deputies to prepare for our discussions in advance.