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Communiqué of the Twenty-Eighth Meeting of the International Monetary and Financial Committee

Chaired by Mr. Tharman Shanmugaratnam, Deputy Prime Minister of Singapore and Minister for Finance

The global recovery is continuing. Growth remains subdued, however, and downside risks persist, with some new risks emerging. There are encouraging signs of improving activity in advanced economies, while growth in many emerging market economies has moderated. Growth has generally remained resilient in low-income countries. We will build on recent progress and implement more ambitious and coherent policies for strong, sustainable, and balanced growth, while reducing market volatility. This requires carefully managing multiple transitions, including a shift in growth dynamics, normalizing global financial conditions, achieving fiscal sustainability, a rebalancing of global demand, and moving to a more stable global financial system. Structural policies to boost productivity, reduce unemployment and to achieve more inclusive growth are warranted in many countries. We welcome the directions set forth in the Managing Director's Global Policy Agenda.

Advanced economies. The recovery in the United States has gained ground, stimulus measures have induced a recovery in Japan, the euro area is emerging from recession, and in some other advanced economies including the United Kingdom growth is already picking up. Accommodative monetary policies have helped support global growth while maintaining stable prices, and remain appropriate, and should be accompanied by credible fiscal policies and further financial sector and structural reforms. The eventual transition toward the normalization of monetary policy in the context of strengthened and sustained growth should be well timed, carefully calibrated, and clearly communicated. Where country circumstances allow, medium-term fiscal plans should be implemented flexibly to take account of near-term economic conditions to support growth and job creation, while placing government debt on a sustainable track. These actions will help to mitigate risks and manage spillovers, including those stemming from increased capital flow volatility, and to achieve strong, sustained and balanced growth. The United States needs to take urgent action to address short-term fiscal uncertainties. The euro area should build on progress toward banking union and further reduce financial market fragmentation. Japan should implement medium-term fiscal consolidation, and structural reforms to invigorate growth.

Emerging market and developing countries. Growth in emerging market economies continues to account for the bulk of global growth, but has moderated, in a few cases to a more sustainable level. Fundamentals and policy frameworks are generally stronger, but domestic structural challenges remain. Recent volatility in capital flows and financial markets has created new challenges in some countries. Macroeconomic policies, including exchange rate policies, need to be sound. 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. Fiscal consolidation remains a high priority in countries with large fiscal imbalances, while others should rebuild buffers, unless growth deteriorates significantly. Policies to address structural obstacles and enhance productivity are an ongoing effort toward strong, sustainable, and balanced growth. We recognize the effort in many smaller developing economies, especially in Africa, to sustain higher growth, increase participation, and transform their economic structures. We welcome the Fund's strengthened engagement with small states and look forward to the implementation of the work program in their support. We recognize the challenges faced by the Arab countries in transition and encourage these countries to implement reforms needed for sustainable growth and job creation. Substantial donor support from the region has been provided and we call on bilateral and multilateral partners to step up their contributions as appropriate in support of reforms. We encourage the Fund to provide strengthened financial support, policy advice, and capacity building tailored to country-specific needs and circumstances.

Low-income countries. Growth has generally remained resilient. Strengthening fiscal and reserve positions, including through revenue mobilization and better targeting of subsidies, can provide buffers that could be used in the event that downside risks materialize. Sustained and more inclusive growth requires continued actions to promote financial deepening, productive public investment and services, and sound natural resource wealth management. We welcome the receipt of assurances needed for making the Fund's concessional lending to low-income countries self-sustaining, and urge members now to make good on their pledges.

Policy coherence. The Fund should continue to provide a forum to stimulate analysis and multilateral dialogue that promotes policy coherence and concerted action to manage spillovers, including those arising from the eventual and welcome normalization of monetary policy, mitigate risks, and support strong, sustainable and balanced growth, and job creation. Global imbalances have declined, for both structural and cyclical reasons, but rebalancing remains a key priority. Looking forward, policies in many countries will need to play a larger role in sustaining adjustment. Deficit countries should continue to raise national saving and competitiveness, while surplus countries need to boost domestic sources of growth. We reaffirm our commitment to refrain from competitive devaluations and all forms of protectionism. Global financial reforms, including in the areas of "too-big-to-fail," international capital standards, cross-border resolution, derivatives markets, and addressing the potential systemic risks in shadow banking, need to be implemented promptly and consistently. Further progress is needed to close data gaps, enhance fiscal transparency, combat money laundering and the financing of terrorism, and fight cross-border tax evasion and tax avoidance. 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. We welcome the progress in implementing the Fund's strengthened surveillance framework, including through the Financial Surveillance Strategy, pilot External Sector Report, Spillover Report, and enhanced analysis of macro-financial linkages in Article IV consultations, and tailored advice on promoting inclusive growth and job creation. We look forward to the upcoming Triennial Surveillance Review, as well as further analysis of monetary and macroprudential policies and associated spillovers, reserve adequacy, global liquidity indicators, capital flows, and the interaction of public and private sector vulnerabilities.

IMF lending. External financing, including on a precautionary basis, can help facilitate orderly adjustment. The Fund continues to be prepared to offer financing to support appropriate adjustments and reforms. We look forward to a flexible and voluntary dialogue between the Fund and regional financing arrangements on an ongoing basis, the review of some key instruments (Flexible Credit Line, Precautionary and Liquidity Line, Rapid Financing Instrument), a follow-up crisis program review, and further consideration of the Fund's lending policy in high debt situations. We look forward to the finalization of the review of the IMF debt limits policy, recognizing the importance of strengthening and promoting sustainable financing practices by all stakeholders.

Governance. We continue to attach the highest priority to the IMF governance and quota reform to enhance the Fund's credibility, legitimacy and effectiveness. We urge all members who have yet to ratify the 2010 reforms to do so without delay. We remain committed to completing the 15th General Review of Quotas by January 2014, and urge the Executive Board to agree on a new quota formula as part of that review. We reaffirm that any realignment in quota shares is expected to result in increased shares for dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. Steps shall be taken to protect the voice and representation of the poorest members.

Next IMFC meeting. Our next meeting will be held in Washington, D.C. on April 11-12, 2014.

Attendance can be found at http://www.imf.org/external/am/2013/imfc/attendees/index.htm