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Communiqué of the Twenty-Fifth Meeting of the IMFC

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

The global economy is recovering gradually. Since we last met, important policy actions have been taken in the euro area, both at the national and regional levels, including through an enhancement of the European firewall. Economic indicators in the United States have improved. Emerging market and developing countries on the whole remain a source of strength for the world economy. But more remains to be done. The outlook remains one of moderate growth globally, and risks remain high. We will continue to act collectively to restore confidence, rekindle growth, and create jobs.

- In *advanced economies*, further actions are needed in many countries to achieve credible fiscal consolidation and government debt reduction, while avoiding excessively contractionary fiscal policies. Where conditions permit, automatic fiscal stabilizers should be allowed to operate. In all countries, viable medium-term consolidation strategies should be in place. Monetary policy will need to remain accommodative as long as inflation prospects remain anchored and weak growth persists. The potential impact and cross-border spillovers of such a policy should be closely monitored. Structural reforms to boost potential output and employment are critical, and need further momentum. In the euro area, continued progress on ensuring debt sustainability, securing financial stability, and undertaking bold structural reforms will be crucial to boosting confidence and productivity, facilitating rebalancing within the monetary union, and promoting strong and balanced growth.
- *Emerging market and developing countries* continue to grow, while facing spillovers from the advanced economies. Ongoing stresses in Europe, high and volatile oil and commodity prices, and large and volatile capital flows pose significant policy challenges. This requires the right balance between attenuating downside risks with appropriate policies to support growth and curbing inflationary pressures. Rapid credit growth in some economies warrants attention. Low-income countries should preserve macroeconomic stability and debt sustainability while pursuing their development objectives and addressing infrastructure gaps to enhance their growth potential. We call on the membership to complete the low-income-country financing package under the Poverty Reduction and Growth Trust through 2014–15, and will consider proposals to ensure its long-term sustainability, by our 2012 Annual Meetings. We call on the

Fund to support the efforts of Arab countries in transition with policy advice, technical assistance, and appropriate financing at this historic time; we support these efforts, including through collaboration with the Deauville Partnership, to facilitate economic transition while safeguarding financial stability. We encourage the Fund to enhance attention to small states, especially those that are most vulnerable to external shocks.

- **Global collaboration** is key to sustaining growth everywhere and ensuring stability. Further actions are needed to build on the progress made to date in reducing global imbalances. In general, deficit countries need to continue with their efforts to strengthen national saving while enhancing export competitiveness, and surplus countries need to continue to implement structural reforms to strengthen domestic demand, supported by continued efforts that achieve greater exchange rate flexibility. It is also crucial to press ahead cooperatively in strengthening financial systems by completing and implementing the agreed international financial reform agenda in an internationally consistent and non-discriminatory manner, including in the area of Basel standards, derivatives, and cross-border resolution of financial institutions. In addition, fostering and protecting investment is crucial for the global recovery. We reaffirm our collective responsibility to avoid protectionism in all its forms.

The next *Consolidated Multilateral Surveillance Report* provides an opportunity to assess progress in our efforts.

We will ensure that the IMF has the tools and resources to effectively support the membership and welcome the directions in the *Managing Director's Action Plan*.

- **Resources.** We remain committed to take the necessary actions to secure global financial stability. We welcome the euro area members' decisions in March to strengthen European firewalls as part of broader reform efforts and the availability of central bank swap lines. Together with the G-20, we have reached agreement to enhance IMF resources for crisis prevention and resolution. This is the result of a broad international cooperative effort that includes a significant number of countries. There are firm commitments to increase resources made available to the IMF by over \$430 billion in addition to the quota increase under the 2010 reform. These resources will be available for the whole membership of the IMF, and not earmarked for any particular region. The resources would be channelled through temporary bilateral loans and note purchase agreements to the IMF's General Resources Account. Should it become necessary to use these resources, adequate risk mitigation features, conditionality, and adequate burden sharing among official creditors would apply, as approved by the IMF Board. This effort, together with the national and regional structural, fiscal, and monetary actions that have been put in place in the past months, shows the commitment of the international community to safeguard global financial stability and put the global economic recovery on a sounder footing.
- **Governance.** We reaffirm the urgency of making the 2010 quota and governance reforms effective by the 2012 Annual Meetings, to enhance the Fund's legitimacy and credibility. We urge members to ratify these reforms expeditiously and call on the Fund to monitor progress

transparently and more frequently. We look forward to an agreement, by January 2013, on a simple and transparent quota formula that better reflects members' relative positions in the world economy. We reaffirm our commitment to complete the Fifteenth General Review of Quotas by January 2014. Any realignment is expected to result in increases in the quota shares of 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. We call on the Fund with the input from our Deputies to report on progress at our next meeting.

- **Surveillance.** We welcome recent initiatives on Fund surveillance, and agree that the current surveillance framework should be significantly enhanced. We welcome the progress by the Fund in advancing consideration of an integrated surveillance decision and commit to support the decision process. Strengthening surveillance should bring together bilateral and multilateral perspectives in Fund policy advice and enable better assessment of global and country level risks and spillovers to economic and financial stability, and engage more effectively with policymakers. The IMFC has a key role to play in regularly guiding strategic and operational priorities for Fund surveillance.

The next *Action Plan* provides an opportunity to report on progress.

Next IMFC meeting. Our next meeting will be held in Tokyo on October 12–13, 2012.

Attendance can be found at <http://www.imf.org/external/spring/2012/imfc/attendees/index.htm>