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### **Communiqué of the Twenty-Seventh Meeting of the IMFC**

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

*Policy actions have defused key short-term risks. An uneven recovery is emerging but growth and job creation are still too weak. New risks are arising while several old risks remain. We need to act decisively to nurture a sustainable recovery and restore the resilience of the global economy. Financial sector repair and reform remain a priority. Advanced economies need to balance supporting domestic demand with reforms to tackle structural weaknesses that weigh on growth, while implementing credible fiscal plans. Emerging market and developing economies that are experiencing relatively high growth should begin to rebuild policy space while those exposed to volatile capital flows should avoid financial vulnerabilities. We welcome the directions set forth in the Managing Director's Global Policy Agenda.*

**Advanced economies.** A moderate and steady private sector-led recovery is in the making in the United States, while Japan has stepped up efforts to combat deflation. Growth in the euro area as a whole has yet to materialize. Continued progress in improving public finances is essential in most advanced economies. Where country circumstances allow, fiscal policies should avoid pro-cyclicality, focus on structural balances, and let automatic stabilizers operate fully to support growth. Credible medium-term fiscal consolidation plans remain crucial, in particular for the United States and Japan. Accommodative monetary policy is still needed to help bolster growth but needs to be accompanied by credible medium-term fiscal consolidation plans and stronger progress on financial sector and structural reforms. This will also help contain any potential impacts of monetary easing on capital flows and exchange rates. Eventual exit from monetary expansion will need to be carefully managed and clearly communicated. In the euro area, further progress in repairing bank balance sheets and reducing financial fragmentation is crucial. Structural reforms to boost productivity and employment need to continue. Further tangible progress is needed on core elements of an effective banking union and a stronger fiscal union, to strengthen the resilience of the monetary union.

**Emerging market and developing countries.** With activity picking up, policies should be recalibrated to rebuild buffers and guard against financial vulnerabilities. When dealing with macroeconomic or financial stability risks arising from large and volatile capital flows, macroeconomic policy adjustment could be supported by prudential measures and, as appropriate, capital flow management measures. Such measures should not, however, substitute for warranted macroeconomic adjustment. We note the Fund's increased support for Arab countries in transition and welcome the bilateral support thus far. More needs to be done by the Fund and the wider membership to support countries undertaking difficult reforms. We also welcome the Fund's

strengthened engagement with small states to better reflect their needs in program design and technical assistance.

***Low-income countries.*** Continued robust growth in many low-income countries provides room for replenishing policy buffers while addressing pressing infrastructure and social needs, including targeted support to the poor through subsidy reform. We note recent changes to the Fund's facilities for low-income countries and the temporary extension of the zero interest rate. We urge members to unlock the financing necessary to ensure the self-sustainability of the Fund's concessional lending, following the 2012 decision on gold sale windfall profits. We call on the Fund to closely monitor the sustainability of the PRGT in relation to the needs of low-income countries. We also look forward to the finalization of the review of the debt limits policy in Fund-supported programs.

***Restoring resilience.*** We welcome the work of the Fund on jobs and growth as a basis for tailored policy advice, in collaboration with other organizations. Reforms to put debt on a sustainable trajectory are critical. We call on the Fund to draw lessons from experiences of dealing with high debt. Renewed commitment to implement financial reforms is needed. We stress the important role of the Fund's Financial Surveillance Strategy in moving this agenda forward, including assessing the global impact of regulatory reforms. Further progress should be made on closing data gaps. Global imbalances have continued to narrow, but more needs to be done to reduce the structural sources of these imbalances. To support rebalancing, deficit countries must continue to raise national saving and surplus economies must boost domestic sources of growth. In addition, fiscal and structural reforms, supported by greater exchange rate flexibility where appropriate, are needed to ensure that the correction continues. We affirm our commitment to refrain from competitive devaluations and any form of trade and investment protectionism. Fighting tax evasion is critical to help strengthen fiscal resilience of all our member states. In this regard, we are determined to promote transparency in the tax, anti-money laundering and counter-financing of terrorism areas.

***IMF surveillance.*** Evenhanded and effective implementation of the strengthened surveillance framework is necessary to improve the integration of multilateral perspectives in bilateral surveillance and the Fund's analysis of risks and spillovers. We welcome the Integrated Surveillance Decision, the outcome of the Fund's work on capital flows, the pilot External Sector Report, and the Spillover Report. We look forward to the upcoming review of transparency policy. We call for further analysis of the impact of unconventional monetary policy on capital flows and asset and commodity prices, the role of capital flows in driving exchange rates, and global liquidity.

***Governance reforms.*** We urge members who have yet to complete the necessary steps to ratify the 2010 reforms to do so without delay. We remain committed to complete the reform of the Fund's quota and governance structure, which is key to its credibility, legitimacy, and effectiveness. We will integrate work on a new quota formula with work on the Fifteenth General Review of Quotas. The quota formula should be simple and transparent, consistent with the multiple roles of quotas, produce results that are broadly acceptable to the membership, and be feasible to implement statistically based on timely, high quality and widely available data. We urge the Executive Board to agree on a new quota formula as part of the Fifteenth General Review of Quotas. 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 reaffirm our commitment to complete the Fifteenth Review by January 2014.

We welcome the conclusions of the second external evaluation of the Independent Evaluation Office and look forward to the implementation of its recommendations.

*Next IMFC meeting.* Our next meeting will be held in Washington, D.C. on October 11–12, 2013.

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