

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

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

We welcome Minister Tharman as our new Chairman. We thank Dr. Youssef Boutros-Ghali for his service as IMFC Chairman during challenging times.

Global economy. The global recovery is gaining strength but remains vulnerable. We discussed the significant risks to the outlook and decided to take necessary actions to strengthen the recovery. Credible actions are needed to accelerate progress in addressing challenges to financial stability and sovereign debt sustainability, and to ensure timely fiscal consolidation in advanced economies, whilst taking steps to avoid overheating in emerging market countries, and dealing with risks from higher commodity prices. We also underscore the importance of employment creation for medium-term sustainability. Against this background, the immediate economic impact of the tragic events in Japan and of developments in some Middle Eastern and North African countries also warrants close attention. As policies can have significant cross-border effects, we commit to continue to work together to address policy spillovers and to secure robust and balanced global growth.

Global financial stability. We are committed to accelerate efforts to strengthen the resilience of the financial sector and its ability to support economic recovery. Further progress is needed to address excessive financial risk taking and moral hazard, and strengthen supervision and regulation in financial centers. Recent international agreements on enhancing financial regulation must now be implemented and accompanied by more effective supervision. More cooperation and progress are needed to address risks posed by global systemically important financial institutions, including through heightened prudential standards, and on cross-border resolution. We welcome IMF contributions in these areas and on macro-prudential policy frameworks, as well as upcoming Financial Sector Assessment Program reports on economies with systemic financial sectors. We call for enhanced financial sector oversight of risks related to shadow banking activities and agree to maintain momentum to tackle noncooperative jurisdictions. We welcome the update on the data gaps initiative and look forward to concrete progress.

International Monetary System (IMS)

We welcome the IMF's analytical work on the functioning of the IMS.

Surveillance. We look forward to a thorough assessment in the Triennial Surveillance Review of the effectiveness, evenhandedness, and traction of the Fund's surveillance, including an assessment of possible gaps and any needed updates of the surveillance framework. Continued emphasis is needed on improving bilateral and multilateral surveillance, and enhancing the linkages between the financial and macroeconomic dimensions. Benefitting also from the recent IEO reports, we call for concrete proposals, by our next meeting, to further strengthen IMF surveillance, including on identification of risks, surveillance of countries that pose the largest systemic risks, and the coherence and integration of surveillance products. We look forward to candid and comprehensive spillover reports on economies with greatest systemic significance, and to discussing a consolidated multilateral surveillance report at our next meeting.

Capital flows. The IMF's recent work on managing capital inflows is a step that should lead toward a comprehensive and balanced approach for the management of capital flows drawing on country experiences. Giving due regard to country-specific circumstances and the benefits of financial integration, such an approach should encompass recommendations for both policies that give rise to outward capital flows and the management of inflows. We urge the IMF to deepen its analysis of global liquidity, the varied experiences of member countries with capital account management, liberalization of cross-border capital flows, and development of domestic financial markets.

Liquidity. We welcome the upcoming discussion of global financial safety nets for dealing with systemic crises, including liquidity provision mechanisms, with adequate safeguards. We also welcome the significant expansion of resources in the New Arrangements to Borrow. We urge the Fund to work with regional financing arrangements to develop broad principles for

cooperation with the IMF. We call for further work on a criteria-based path to broaden the composition of the SDR basket.

Low-income countries (LICs). Largely due to strong pre-crisis macroeconomic policy buffers, LICs were more resilient during the global crisis than in the past and have been recovering well but most remain vulnerable to the recent surge in food and fuel prices. It is important to address the economic and social impact of these price shocks. The IMF should continue to provide policy support and financing to help LICs overcome their balance of payments problems. We ask the IMF to refine its tools to assess LICs' vulnerabilities and debt sustainability, and explore avenues to help LICs better manage volatility.

Governance. We welcome the entry into effect of the 2008 quota and voice reform and urge all members to work to make the 2010 quota and governance reform effective by the 2012 Annual Meetings. We look forward to enhancing the role of the IMFC as a key forum for global economic and financial cooperation.

Earthquake in Japan. We extend our sympathy and support to the government and people of Japan as they grapple with the impact of the recent natural disasters.

Next IMFC meeting. Our next meeting will be held in Washington, D.C. on September 24, 2011.

Attendance can be found at

<http://www.imf.org/external/spring/2011/imfc/attendees/index.htm>