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Communiqué of the Thirty-Seventh Meeting of the IMFC

Chaired by Mr. Lesetja Kganyago, Governor of the South African Reserve Bank

The Committee expresses its deep gratitude to its former Chair, Mr. Agustín Carstens, for his invaluable contribution to the work of the Committee during 2015-17, and extends its best wishes to him as the General Manager of the Bank for International Settlements. The Committee welcomes Governor Lesetja Kganyago as its new Chairman.

Global outlook and policy priorities

Global growth has further strengthened and is increasingly broad-based, driven by a strong rebound in investment and trade. Risks are broadly balanced in the near term, but remain skewed to the downside beyond the next several quarters. Rising financial vulnerabilities, increasing trade and geopolitical tensions, and historically high global debt threaten global growth prospects. Demographic headwinds and subdued productivity growth may reduce the potential for higher and more inclusive growth going forward.

The window of opportunity remains open and should be used expeditiously to advance policies and reforms that sustain the current upswing, enhance resilience, and raise medium-term growth for the benefit of all. We will continue to use all policy tools to achieve strong, sustainable, balanced, inclusive, and job-rich growth. In line with central bank mandates and mindful of financial stability risks, monetary accommodation should continue where inflation remains weak and be gradually withdrawn where inflation looks set to return to central bank targets. Fiscal policy should be flexible and growth-friendly, rebuild buffers where needed, avoid procyclicality, create space to invest in infrastructure and workforce skills, and ensure that public debt as a share of GDP is on a sustainable path.

Structural reforms should aim to lift productivity, potential growth, and employment, while effectively assisting those bearing the cost of adjustment. We stress the importance of timely, full, and consistent implementation and finalization of the financial sector reform agenda as soon as possible to further strengthen financial sector resilience. We will continue to monitor and, if necessary, address emerging risks and vulnerabilities in the financial system. Policies should also enhance inclusion to widely share the gains from technology and economic integration and manage associated risks. We will work together to reduce excessive global imbalances in a way that supports global growth by pursuing appropriate and sustainable policies.

Strong fundamentals, sound policies, and a resilient international monetary system (IMS) are essential to the stability of exchange rates, contributing to strong and sustainable growth and investment. Flexible exchange rates, where feasible, can serve as a shock absorber. We recognize that excessive volatility or disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will refrain from competitive devaluations, and will not target our exchange rates for competitive purposes.

We will cooperate to tackle shared challenges. We reaffirm the importance of implementing the conclusions of the G-20 Hamburg Summit on trade and recognize the need for further dialogue and actions. We are working to strengthen the contribution of trade to our economies. We will continue to work for a globally fair and modern international tax system, address tax and competition challenges, including from digitalization, as appropriate; and tackle the sources and channels of money laundering and terrorism financing, proliferation financing, corruption, and other illicit finance.

We support efforts toward reaching the 2030 Sustainable Development Goals (SDGs). We will work toward enhancing debt transparency and sustainable financing practices by both debtors and creditors and addressing debt vulnerabilities in low-income countries (LICs). We will support countries dealing with the macroeconomic consequences of pandemics, cyber risks, climate change and natural disasters, energy scarcity, conflicts, migration, and refugee and other humanitarian crises.

IMF operations

We welcome the Managing Director's *Global Policy Agenda Update*. In line with its mandate, the IMF will continue to support its members and collaborate with others to:

- *Promote a stable international monetary and financial system.* We welcome efforts to conduct a rigorous, evenhanded, candid, and transparent assessment of excessive global imbalances and exchange rates in the 2018 External Sector Report. We look forward to the stock-take on capital flow management measures based on the Institutional View.
- *Help members tackle shared challenges.* We support the IMF's collaboration with relevant stakeholders on financial technology, crypto assets, and cyber security. We support the IMF's continued role in international tax issues and domestic resource mobilization, including through the Platform for Collaboration on Tax. We call on the IMF to set out a clear process for supporting country authorities in developing their medium-term revenue strategies. We support further efforts to address the withdrawal of correspondent banking relationships and its adverse consequences, including on remittances, trade flows, and financial inclusion. We reaffirm our support for the IMF's work to help countries achieve the 2030 SDGs. We support the IMF's continued efforts to assist countries in dealing with the macroeconomic consequences of large refugee inflows.
- *Safeguard debt sustainability.* Debt vulnerabilities are rising in many countries, particularly in LICs. We call on the IMF and the World Bank Group to work together on a multi-pronged work program to enhance debt transparency and sustainability and address LIC

debt vulnerabilities. We urge the IMF to work closely with members to strengthen fiscal frameworks and improve debt management capacity, and to work with debtors and creditors on promoting sustainable lending practices and tackling data gaps.

- *Enhance resilience and raise medium-term prospects.* We welcome the IMF's enhanced engagement on governance issues, including corruption, as well as efforts to establish a framework to guide its involvement in social protection issues. We agree that the IMF will need to consider the effects of technology and digitalization in its macroeconomic analysis, including on inequality, productivity, labor and financial markets, fiscal policy, monetary policy, and measurement of the digital economy. We also welcome work on youth unemployment and the impact of gender inclusion and labor force participation on growth. We look forward to the IMF's management implementation plan in response to the *IEO Evaluation—The IMF and Fragile States*.
- *Upgrade policy tools to develop tailored policy solutions to members.* We welcome the findings of the Interim Surveillance Review and look forward to further improvements in surveillance practices to ensure evenhandedness, enhance traction and effectiveness for crisis prevention, improve the coverage of spillovers, and adapt to evolving macro-critical challenges. We support work on the reviews of the AML/CFT program, the Financial Sector Assessment Program, the capacity development strategy, and the debt sustainability framework for countries with market access.
- *Strengthen the IMS.* We continue to support work toward further strengthening the global financial safety net (GFSN) and collaboration with regional financing arrangements. We support the IMF's contributions to the G-20 Data Gaps Initiative. We look forward to the reviews of LIC facilities, including with regard to small and fragile states, and of conditionality and design of IMF-supported programs. We appreciate continued efforts to strengthen the effectiveness and accountability of capacity development and assist countries in implementing the updated LIC debt sustainability framework.

IMF resources and governance

We reaffirm our commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the GFSN. We are committed to concluding the 15th General Review of Quotas and agreeing on a new quota formula as a basis for a realignment of quota shares 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, while protecting the voice and representation of the poorest members. We call on the Executive Board to work expeditiously toward the completion of the 15th General Review of Quotas in line with the above goals by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019. We note the progress report to the Board of Governors and look forward to further progress by the time of our next meeting. We welcome the progress made in

securing commitments under the 2016 Bilateral Borrowing Agreements. We call for full implementation of the 2010 governance reforms.

We reiterate the importance of maintaining the IMF's high-quality staff and strengthening efforts to meet the 2020 diversity targets. We support promoting gender diversity in the Executive Board.

Our next meeting will be held in Bali, Indonesia, on October 13, 2018.

Attendance can be found at <http://www.imf.org/en/News/Articles/2018/04/20/april-2018-imfc-attendance-list>