

Communiqué of the Thirty-Ninth Meeting of the IMFC

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

We express our sympathy for the human loss and devastating impact of the recent natural disasters in Iran, Malawi, Mozambique, and Zimbabwe.

Global outlook and policy priorities

The global expansion continues, but at a slower pace than anticipated in October. Growth is projected to firm up in 2020, but risks remain tilted to the downside. These include trade tensions, policy uncertainty, geopolitical risks, and a sudden sharp tightening of financial conditions against a backdrop of limited policy space, historically high debt levels, and heightened financial vulnerabilities. Other longstanding challenges also persist.

To protect the expansion, we will continue to mitigate risks, enhance resilience, and, if necessary, act promptly to shore up growth for the benefit of all. Fiscal policy should rebuild buffers where needed, be flexible and growth-friendly, and strike the right chord between ensuring debt sustainability, supporting demand while avoiding procyclicality, and safeguarding social objectives. In line with central banks' mandates, monetary policy should ensure that inflation remains on track toward, or stabilizes around targets, and that inflation expectations remain anchored. Central bank decisions need to remain well communicated and data dependent. We will monitor and, as necessary, tackle financial vulnerabilities and emerging risks to financial stability, including with macroprudential tools.

Strong fundamentals, sound policies, and a resilient international monetary system 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.

Advancing financial and structural reforms is critical to boosting potential growth and employment, enhancing resilience, and promoting inclusion. To this end:

- We stress the importance of timely, full, and consistent implementation and finalization of the financial sector reform agenda as soon as possible, and the ongoing evaluation of the effects of these reforms. We will also address fragmentation through continued regulatory and supervisory cooperation, adapt regulation to structural changes, and close data gaps.
- We commit to strong governance, including by tackling corruption. We will implement policies that foster innovation and fair market competition. We will strive to address challenges from demographic shifts, ensure that gains from technological change and

economic integration are widely shared, and effectively assist those bearing the cost of adjustment.

We will continue to take joint action to strengthen international cooperation and frameworks.

- We will work together to reduce excessive global imbalances through macroeconomic and structural policies that support sustainable global growth.
- Free, fair, and mutually beneficial goods and services trade and investment are key engines for growth and job creation. To this end, we recognize the need to resolve trade tensions and support the necessary reform of the World Trade Organization to improve its functioning.
- We will expedite work for a globally fair and modern international tax system and address harmful tax competition, artificial profit shifting and other tax challenges, such as those related to digitalization. We look forward to results as soon as possible. We will tackle sources and channels of money laundering and terrorism financing, proliferation financing, and other illicit finance. We will also address correspondent banking relationship withdrawal and its adverse consequences.
- We are working together to enhance debt transparency and sustainable financing practices by both debtors and creditors, public and private; and strengthen creditor coordination in debt restructuring situations, drawing on existing fora.

We recognize that joint action is also essential to confront broader global challenges. We will continue to support countries' and international efforts to build resilience to, and deal with, the macroeconomic consequences of pandemics, cyber risks, climate change and natural disasters, energy scarcity, conflicts, migration, and refugee and other humanitarian crises. We will also continue to collaborate to leverage financial technology while addressing related challenges, including from privacy and data security and fragmentation issues. We support efforts toward achieving the 2030 Sustainable Development Goals (SDGs).

IMF operations

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

- *Help members enhance resilience and secure sustainable higher growth:* We support the IMF's efforts to provide tailored policy advice and, when needed, financial support for balance of payments needs. We look forward to discussing the IMF's work on a more integrated policy framework that further considers the interactions between monetary, exchange rate, macroprudential, and capital flow management policies. We welcome the enhanced engagement on governance, including corruption, in line with the new

governance framework; work on central bank governance; and continued work on infrastructure governance and structural reforms, including market competition issues.

- *Strengthen debt sustainability and transparency:* We support the continued implementation of the IMF-World Bank multi-pronged approach to work with borrowers and creditors to improve the recording, monitoring, and transparent reporting of public and private debt obligations. We ask the IMF to continue to work with members to strengthen fiscal frameworks, improve debt management capacity, and implement the updated debt sustainability framework for low-income countries. We look forward to reviews of the debt sustainability framework for market access countries and the IMF's debt limits policy.
- *Promote policies to foster inclusion and opportunities:* We look forward to the IMF proposing a strategy to more systematically engage on social spending issues. We welcome the macroeconomic analyses of gender and inequality issues. We appreciate further efforts to strengthen the effectiveness of engagement with fragile and conflict-affected states, and provide analysis and advice for developing countries to achieve the SDGs. We call on the IMF to help members improve domestic resource mobilization, including through collaboration with other partners of the Platform for Collaboration on Tax and by applying the experience with medium-term revenue strategies and tailoring efforts to support domestic resource mobilization in countries with limited capacities. We welcome the IMF's continued support for the G20 Compact with Africa initiative to improve investment frameworks.
- *Upgrade global cooperation:* We support the IMF's efforts to mitigate risks and enhance confidence in trade through policy advice and trade-related macroeconomic analyses. We welcome continued efforts to conduct a rigorous, evenhanded, and multilaterally-consistent assessment of external positions and look forward to further analysis of the role of exchange rates in the external adjustment process. In collaboration with other institutions, we welcome the IMF's contributions to the global regulatory reform agenda; its continued role in international tax issues; and its work on measuring and addressing illicit financial flows. We call for further efforts to strengthen the global financial safety net (GFSN) and promote a resilient international monetary and financial system, including by reconsidering elements of the IMF's lending toolkit and deepening collaboration with regional financing arrangements.
- *Facilitate global solutions to global challenges through macroeconomic analysis and policy advice:* We welcome the IMF's work on the implications of fintech for cross-border flows and financial stability, inclusion, and integrity, consistent with the Bali Fintech Agenda; on supporting countries' efforts to enhance resilience to cyber risks through enhanced financial supervision and promotion of good practices; and on addressing the causes and consequences of the withdrawal of correspondent banking

relationships and helping countries deal with them. We look forward to further work on challenges faced by countries with demographic shifts. In line with its mandate, the IMF will continue to provide guidance on members' implementation of climate change mitigation and adaptation strategies. We support the IMF's continued assistance for resilience-building in countries vulnerable to natural disasters, especially small states and low-income countries, in collaboration with other institutions. We also support the IMF's ongoing assistance to countries affected by conflict and refugee crises.

- *Adopt policy tools to lead and support change:* We welcome the IMF's efforts to enhance its surveillance through the 2020 Comprehensive Surveillance Review; the reviews of the Financial Sector Assessment Program and the policy on multiple currency practices; and work on the Data Standards Initiatives and data provision to the IMF for surveillance purposes. We support improving lending policies, including through the reviews of program design and conditionality and concessional facilities; and integrating capacity development with surveillance and lending.

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 note the recent report to the Board of Governors on progress on the 15th General Review of Quotas. We request the Executive Board to continue its work on IMF resources and governance reform as a matter of the highest priority, and to report on its outcome when it concludes its work on the 15th General Review of Quotas and by no later than the Annual Meetings of 2019. We call for full implementation of the 2010 governance reforms.

To continue providing high value-added support to its members, we call on the IMF to maintain a high-quality staff and strengthen efforts to meet the 2020 diversity benchmarks; and look forward to the IMF's initiatives to modernize its operations, including through the timely conclusion of the comprehensive review of compensation and benefits. We support increasing gender diversity in the Executive Board.

Our next meeting will be held in Washington, D.C., on October 19, 2019.

Attendance can be found at: <https://www.imf.org/en/News/Articles/2019/04/13/attendance-list-for-the-thirty-ninth-meeting-of-the-imfc>