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International Monetary Fund
Washington, D.C. 20431 USA

Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund

1. The International Monetary and Financial Committee held its fourteenth meeting in Singapore on September 17, 2006 under the Chairmanship of Mr. Gordon Brown, Chancellor of the Exchequer of the United Kingdom. The Committee expresses its gratitude to the Singapore authorities for the excellent arrangements.

Quota and Voice Reform in the IMF

2. Following the call at our last meeting to safeguard and enhance the IMF's effectiveness and credibility, the Committee stresses the importance of IMF quota and voice reforms. The Executive Board has submitted a comprehensive two-year program of quota and voice reforms in a draft resolution to the Board of Governors. Subject to the adoption of the resolution, the September 2006 meetings would initiate an integrated set of reforms, to be completed no later than by the 2008 Annual Meetings. Starting with initial quota increases for China, Korea, Mexico, and Turkey, this package of reforms, when implemented, would make significant progress in realigning quota shares with members' relative positions in the world economy and, equally important, in enhancing the participation and voice of low-income countries in the IMF as set out in the resolution. The Committee urges the Executive Board to work constructively and expeditiously on all elements of the reforms so as to garner the broadest possible support, underlines the importance of timely implementation of the program, and calls on the Managing Director to provide a status report at its next meeting.

The Global Economy and Financial Markets—Outlook, Risks, and Policy Responses

3. The Committee welcomes the ongoing strong and broad-based global economic expansion. Growth is expected to remain robust in 2007. However, there are downside risks from the possibility of a continued build-up of inflationary pressures, a slowdown in consumption in a number of countries, continuing high and volatile energy prices, and the spread of protectionism. The Committee agrees that in the period ahead the IMF should focus on supporting its members in promoting policies for: reducing global imbalances while sustaining global growth; addressing the impact of high oil prices, in particular on the most vulnerable countries; managing the likely transition to less generous liquidity conditions; and ensuring medium-term fiscal sustainability

and financial stability. The Committee underscores that reinvigorating the momentum of multilateral trade liberalization is critical so as to sustain and strengthen the foundations of global growth.

4. In the advanced economies, monetary policy will need to continue solidly anchoring inflation expectations and to balance the relative risks to price stability and growth. The current favorable economic environment provides an opportunity for ambitious fiscal consolidation, backed up with credible policy measures to put social security and health care systems on sounder footings to cope with the challenges of population aging. Growth prospects should be bolstered by structural reforms needed in many countries to improve the business environment and product market flexibility, enhance the capacity of labor to adapt to globalization, and spur productivity advances.

5. In emerging market and other developing countries, improved fundamentals have underpinned the resilience of growth to high oil prices and tighter global financial conditions. Growth performance, especially in emerging Asia, has benefited from market-oriented reforms, open trade, and competition. In countries where vulnerabilities remain, further efforts are needed to strengthen public sector balance sheets, anchor inflation expectations, improve the functioning of financial sectors, and ensure the sustainability of external positions.

6. Growth in low-income countries overall, including in Sub-Saharan Africa, remains strong. The Committee emphasizes the importance of a strong partnership between poor countries and donors to underpin further efforts to accelerate growth to help achieve the Millennium Development Goals (MDGs). Countries should persevere with sound macroeconomic policies, strengthening institutions, and growth-critical reforms. The international community should also support countries' own poverty reduction efforts with increased and more effective aid, agreed debt relief, and bold market-opening initiatives.

7. The Committee calls for sustained actions to implement the agreed policy strategy to underpin an orderly unwinding of global imbalances. The strategy involves: steps to boost national saving in the United States, including fiscal consolidation; further progress on growth-enhancing reforms in Europe; further structural reforms, including fiscal consolidation, in Japan; reforms to boost domestic demand in emerging Asia, together with greater exchange rate flexibility in a number of surplus countries; and increased spending consistent with absorptive capacity and macroeconomic stability in oil producing countries. The Committee welcomes the multilateral consultation by the IMF, which provides an opportunity to support the agreed policy strategy.

8. The Committee remains concerned about high and volatile prices in world energy markets. It welcomes the actions taken to address capacity constraints in oil production, and calls for continued measures from all sides to improve the supply-demand balance in oil markets over the medium term. This will involve increased investment to build up adequate production and

refining capacity, incentives to encourage energy conservation by consumers, steps to improve the quality and transparency of oil data, and closer dialogue among oil producers and consumers. The Committee also calls on the IMF to continue to provide advice and support—in particular, to its low-income members—to help countries adjust to high oil prices.

9. Following our meeting with business leaders, we reconfirm our shared commitment to strengthen the foundations of a globalized economic and financial system that promotes growth and poverty reduction and provides equitable opportunities for all. The Committee also received a report on the current status of the multilateral trade negotiations under the Doha Round from Mr. Pascal Lamy, Director-General of the WTO. The Committee expresses its deep disappointment that the trade negotiations have been suspended. It urges all WTO members to maintain their commitment to the rules-based multilateral trading system, resist protectionist calls, and preserve progress that has already been made. The Committee calls for leadership from the major trading nations to work urgently toward an early resumption of the negotiations, and an ambitious, successful outcome by the end of the year, based on a commitment to a comprehensive package on agriculture, industrial products, and services, to which all countries will need to contribute.

10. The Committee recognizes the importance of achieving the MDGs. In this context it also stresses the importance of implementing Aid-for-Trade assistance, which is firmly grounded in national development strategies, independent of progress on the Doha Round. We welcome the reports of the taskforces on the Integrated Framework and on Aid for Trade and the financing commitments by donors for the enhanced Integrated Framework.

Implementation of the IMF's Medium-Term Strategy

11. Following the agreement at its last meeting, the Committee welcomes the progress made in the reform of the IMF surveillance framework. It welcomes the steps to put greater focus on financial and capital market issues in the IMF's work. The Committee welcomes the multilateral consultation approach, which aims at fostering discussion and cooperation on common economic and financial issues. The Committee looks forward to the conclusions of the first multilateral consultation on global imbalances, and proposals by the Managing Director for possible further consultations and work on issues of multilateral concern. The Committee welcomes the ongoing review with a view to updating the 1977 Decision on Surveillance over Exchange Rate Policies to secure a common understanding and consensus on the responsibilities under Article IV and the foundations and objectives of surveillance, covering monetary, fiscal, financial, and exchange rate policies. The Committee takes note of the work to date by the Board on a remit for surveillance, which would provide a statement of objectives, priorities, and responsibilities for the medium term, and it looks forward to further work as part of the wider program to improve the effectiveness of surveillance. The Committee will discuss progress on the remit at its Spring meeting.

12. The Committee supports the strengthening of IMF policies to better assist its emerging market members. The Committee welcomes the recent discussion in the Executive Board on a new liquidity instrument for countries that are active in international capital markets, aimed at supporting these countries' own strong policies, and ensuring that substantial financing will be available if needed while safeguarding IMF resources. The Committee calls on the Executive Board to continue its work on the necessary design features of a new instrument, while paying due regard to the interaction with existing IMF facilities, and invites the Managing Director to present a concrete proposal by the time of its next meeting. The Committee also looks forward to the upcoming review of the IMF's policy on lending into arrears.

13. The Committee considers that the IMF should give priority to enhancing the effectiveness of its work in low-income countries by focusing on sustainable growth and macro-critical areas that support the achievement of the MDGs. It welcomes implementation of the MDRI by the IMF, World Bank, and African Development Bank; the provision of debt relief under the HIPC Initiative to two further countries (Cameroon and Malawi); and the decision to grandfather all eligible HIPC countries when the sunset clause of the HIPC Initiative takes effect at end-2006. The Committee underscores the importance of helping countries reap the benefits of higher aid and debt relief, and avoid a new build-up of unsustainable debt. The Committee stresses that the debt sustainability framework jointly developed by the IMF and the World Bank is the primary tool to be used by borrowers and creditors in assessing alternative financing strategies, identifying emerging debt-related vulnerabilities, and developing coherent lending practices, and urges all creditors and borrowers to use the framework in their lending and borrowing decisions. The Committee urges all creditors to work with the IMF and the World Bank to adhere to responsible lending. The Committee looks forward to further refinements to the framework and the development of practical guidelines for borrowers and creditors.

14. At its next meeting, the Committee will consider further work on ways to enhance collaboration and clarify the division of responsibilities and accountabilities between the IMF and the World Bank, taking account of the work of the External Review Committee on World Bank-IMF Collaboration.

15. The Committee looks forward to the development of proposals for more predictable and stable sources of IMF income, in the context of the IMF's overall budgetary position. It looks forward to the recommendations of the Committee of Eminent Persons appointed by the Managing Director.

Other Issues

16. The Committee calls for closer cooperation between the IMF and Financial Action Task Force in promoting stronger implementation of international anti-money laundering and combating terrorist financing (AML/CFT) standards and encourages publication of comprehensive country evaluations.

17. The Committee recommends members' acceptance of the Fourth Amendment of the Articles of Agreement.

18. The Committee welcomes the external evaluation of the Independent Evaluation Office (IEO). The IEO is continuing to make a valuable contribution to the IMF's learning culture and facilitating oversight and governance.

19. The Committee expresses its heartfelt appreciation to Anne Krueger for her exceptional contributions to a shared vision of a globalized economy providing equitable opportunities for all, and for serving the IMF and its membership with unwavering dedication and decisive intellectual leadership. It extends a warm welcome to John Lipsky, who has succeeded her as First Deputy Managing Director. The Committee also expresses its appreciation of the work of Raghuram Rajan as Economic Counsellor.

20. The next meeting of the IMFC will be held in Washington, D.C. on April 14, 2007.

INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

ATTENDANCE

September 17, 2006

Chairman

Gordon Brown

Managing Director

Rodrigo de Rato

Members or Alternates

Hamad Al-Sayari, Governor, Saudi Arabian Monetary Agency

(Alternate for Ibrahim A. Al-Assaf, Minister of Finance, Saudi Arabia)

Christian Noyer, Governor, Banque de France

(Alternate for Thierry Breton, Minister of Economy, Finance and Industry, France)

Mervyn King, Governor, Bank of England, United Kingdom

(Alternate for Gordon Brown, Chancellor of the Exchequer, United Kingdom)

Palaniappan Chidambaram, Minister of Finance, India

James Michael Flaherty, Minister of Finance, Canada

Eero Heinäläoma, Minister of Finance, Finland

Mohamed K. Khirbash, Minister of State for Finance and Industry, United Arab Emirates

Aleksei Kudrin, Minister of Finance, Russian Federation

Okyu Kwon, Deputy Prime Minister and Minister of Finance and Economy, Korea

Mohammed Laksaci, Governor, Banque d'Algérie

Guido Mantega, Minister of Finance, Brazil

Hans-Rudolf Merz, Minister of Finance, Switzerland

Felisa Miceli, Minister of Economy and Production, Argentina

Tommaso Padoa-Schioppa, Minister of Economy and Finance, Italy

Henry M. Paulson, Jr., Secretary of the Treasury, United States

Guy Quaden, Governor, National Bank of Belgium

(Alternate for Didier Reynders, Minister of Finance, Belgium)

Pedro Solbes, Second Vice-President and Minister of Economy and Finance, Spain

Peer Steinbrück, Minister of Finance, Germany

Toshihiko Fukui, Governor, Bank of Japan

(Alternate for Sadakazu Tanigaki, Minister of Finance, Japan)

Paul Toungui, Minister of State, Minister of Finance, Economy, Budget and Privatization, Gabon

Nenadi E. Usman, Minister of Finance, Nigeria

Nor Mohamed Yakcop, Minister of Finance II, Malaysia
Gerrit Zalm, Minister of Finance, Netherlands
Zhou Xiaochuan, Governor, People's Bank of China

Observers

Mohammad Alipour-Jeddi, Head, Petroleum Market Analysis Department,
Organization of the Petroleum Exporting Countries (OPEC)
Joaquín Almunia, Commissioner, Economic and Monetary Affairs,
European Commission (EC)
Dirk Bruinsma, Deputy Secretary-General, United Nations Conference on Trade and
Development (UNCTAD)
Duncan S. Campbell, Director, Policy Integration Department, International Labour
Organization (ILO)
Alberto Carrasquilla, Chairman, Joint Development Committee
Mario Draghi, Chairman, Financial Stability Forum (FSF)
Angel Gurría, Secretary-General, Organisation for Economic Co-operation and
Development (OECD)
Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development,
Department of Economic and Social Affairs, United Nations (UN)
Malcolm D. Knight, General Manager, Bank for International Settlements (BIS)
Pascal Lamy, Director-General, World Trade Organization (WTO)
Jean-Claude Trichet, President, European Central Bank (ECB)
Paul Wolfowitz, President, World Bank