

Communiqué of the Thirty-Eighth Meeting of the IMFC
Chaired by Mr. Lesetja Kganyago, Governor of the South African Reserve Bank

We extend our deepest sympathies to the people and Government of Indonesia on the recent tragic events. We thank them for hosting the 2018 Annual Meetings in Bali and for their warm hospitality.

Global outlook and policy priorities

1. The global expansion remains strong. Growth is projected to be steady in the near term and moderate thereafter. However, the recovery is increasingly uneven, and some of the previously identified risks have partially materialized. Overall, risks are increasingly skewed to the downside amid heightened trade tensions and ongoing geopolitical concerns, with tighter financial conditions particularly affecting many emerging market and developing countries. Policy uncertainty, historically high debt levels, rising financial vulnerabilities, and limited policy space could further undermine confidence and growth prospects.
2. With the window of opportunity narrowing, we will act promptly to advance policies and reforms to protect the expansion, mitigate risks, rebuild policy space, enhance resilience, and raise medium-term growth prospects for the benefit of all. Fiscal policy should rebuild buffers, where needed; be flexible and growth-friendly; avoid procyclicality; and raise the quality of infrastructure and workforce skills, while ensuring that public debt is on a sustainable path. Central banks, in line with their mandates and mindful of financial stability risks, should maintain monetary accommodation where inflation is below target, and withdraw it in a gradual, well-communicated, and data dependent manner where inflation is close to or above target.
3. 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.
4. Advancing financial and structural reforms is critical to lifting potential growth and employment and strengthening resilience, 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, and the evaluation of the effects of those reforms. We will monitor and, as necessary, tackle financial vulnerabilities and emerging risks; and, through continued regulatory cooperation, avoid fragmentation. We will also continue to adapt regulation to structural changes and close data gaps. We will strive to address challenges from demographic shifts and enhance inclusion to widely share the gains from technological advancement and economic integration. We will

work together to reduce excessive global imbalances in a way that supports sustainable global growth.

5. We will enhance our cooperation to tackle shared challenges. We recognize the need to continue to step up dialogue and actions to mitigate risks and enhance confidence in international trade, including on ways to improve the WTO to face current and future challenges. We acknowledge that free, fair, and mutually beneficial goods and services trade and investment are key engines for growth and job creation. We reaffirm the importance of implementing the conclusions of the G-20 Hamburg Summit on trade. We will continue to work for a globally fair and modern international tax system, and where appropriate, address competition and tax challenges, including from digitalization. We will strengthen collaboration to leverage financial technology to enhance efficiency and inclusion while addressing associated risks, and tackle sources and channels of money laundering and terrorism financing, proliferation financing, corruption, and other illicit finance.

6. We support efforts toward achieving the 2030 Sustainable Development Goals (SDGs). In light of rising debt vulnerabilities in low-income countries (LICs), we are working together to enhance debt transparency and sustainable financing practices by debtors and creditors, both public and private; and strengthen creditor coordination in debt restructuring situations, drawing on existing fora. We will continue to support countries' 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.

IMF operations

7. 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:

- *Promote a resilient international monetary and financial system.* We welcome continued efforts to conduct a rigorous, evenhanded, candid, and transparent assessment of external positions based on updated methodologies. We also welcome the IMF's advice to members on dealing with large and volatile capital flows and call for further efforts to strengthen the global financial safety net (GFSN), including by deepening collaboration with regional financing arrangements.
- *Facilitate multilateral solutions for global challenges.* We call on the IMF to support efforts to mitigate risks and enhance confidence in trade, including through its trade-related macroeconomic analyses. We support the IMF's continued role in international tax issues and domestic resource mobilization, including through the Platform for Collaboration on Tax and by applying the experience with medium-term revenue strategies. We welcome the endorsement by the Executive Boards of the IMF and the World Bank of the [Bali Fintech Agenda](#) that brings together key considerations for policymakers and the international community. We ask the IMF to

support efforts to build on the Agenda, including through further work on financial technologies including crypto assets. Within its mandate, the IMF will provide guidance on members' implementation of climate change mitigation and adaptation strategies.

- *Help members enhance resilience and raise growth prospects.* We welcome the enhanced engagement on governance, including corruption, and the operationalization of the new governance framework; the development of a strategic framework for engagement on social spending; and work on corporate market power, the digital economy, infrastructure governance, demographic shifts, and gender and inequality issues. We support the IMF's continued assistance to countries affected by conflict and refugee crises, and look forward to proposals to help vulnerable countries build resilience to natural disasters.
- *Adapt policy tools to members' evolving needs.* We look forward to the 2020 comprehensive surveillance review and reviews of program conditionality, the Financial Sector Assessment Program, the AML/CFT strategy, and the policy on multiple currency practices. We support further efforts to address the causes and consequences of the withdrawal of correspondent banking relationships and help countries deal with them. We also look forward to further enhancing the effectiveness and accountability of the IMF's technical assistance and training in the context of the ongoing review of the capacity development strategy.
- *Strengthen debt sustainability and transparency.* We look forward to reviews of the debt sustainability framework for market access countries and the debt limits policy. 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 LICs. We support 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, as well as efforts to strengthen creditor coordination in debt restructuring situations, drawing on existing fora.
- *Support LICs, and fragile and small states.* We welcome the review of LIC facilities and the ongoing work on small states. We endorse the [Managing Director's Statement](#) on the IMF and Fragile States and call for full and timely implementation of management's plan in response to the IEO's recent evaluation. We support further work and analysis to help countries achieve the SDGs.

IMF resources and governance

8. 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 note the recent progress report to the Board of Governors and 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 call for full implementation of the 2010 governance reforms.

9. We call on the IMF to maintain a high-quality staff and strengthen efforts to meet 2020 diversity benchmarks. We are looking forward to the timely conclusion of the comprehensive review of compensation and benefits. We support increasing gender diversity in the Executive Board.

10. Our next meeting will be held in Washington, D.C., on April 13, 2019.