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October 19, 2019

Dear Governor:

I am pleased to transmit to you the communiqué of the Fortieth Meeting of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund, which met on Friday-Saturday, October 18-19, 2019 in Washington, D.C.

The communiqué lays out the priorities and policy directions to guide our collective actions to boost opportunity and prosperity for all our citizens.

I would like to thank Governors for the constructive and frank discussions.

Sincerely yours

A handwritten signature in black ink, which appears to read "Lesetja Kganyago", is positioned above the printed name.

Lesetja Kganyago

Chairman, International Monetary and  
Financial Committee of the  
Board of Governors  
International Monetary Fund  
Washington, D.C.

## **Communiqué of the Fortieth 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 The Bahamas for the loss of human lives and the devastating impact of the recent natural disaster.

### **Global outlook and policy priorities**

The global economy is projected to grow by about 3 percent this year, but the pace has continued to weaken since April. Growth is projected to pick up next year, but the outlook is highly uncertain and subject to elevated downside risks. These include trade tensions, policy uncertainty, and geopolitical risks, against a backdrop of limited policy space, high and rising debt levels, and heightened financial vulnerabilities. Other longstanding challenges also persist.

We will employ all appropriate policy tools, individually and collectively, to mitigate risks, enhance resilience, and shore up growth to benefit all. Available fiscal space should be used to support demand as needed. Where consolidation is needed to ensure debt sustainability, fiscal policy should be carefully-calibrated, growth-friendly, and safeguard 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 continue to monitor and, as necessary, tackle financial vulnerabilities and risks to financial stability, including with macroprudential policies.

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.

We will advance structural reforms to lift growth, employment, and productivity; enhance resilience; and promote inclusion. We reaffirm our commitment to strong governance, including by tackling corruption. We will advance policies that foster innovation and more competitive and flexible markets, and strive to address challenges from demographic shifts. We will provide opportunities for all people to contribute to economic activity and share its benefits, and effectively assist those bearing the cost of ongoing transitions.

We will enhance our efforts to reduce policy uncertainty and strengthen international frameworks and cooperation.

- Free, fair, and mutually beneficial goods and services trade and investment are key engines for growth and job creation. A strong international trading system with well-enforced rules addressing current and future challenges would support global growth. 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 cooperate to reduce excessive global imbalances through macroeconomic and structural policies that support sustainable global growth.
- 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 financial regulation to structural changes and the evolving global financial landscape, and close data gaps.
- We are working toward a modern and globally fair international tax system, particularly taxation related to digitalization, and will address harmful tax competition, artificial profit shifting, and other tax challenges. We will continue to address correspondent banking relationship withdrawal and its adverse consequences. We will also continue to tackle sources and channels of money laundering and terrorism financing, proliferation financing, and other illicit finance.
- We will continue to work 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.

Sustained joint action is essential to address other challenges that transcend borders. We support efforts toward achieving the 2030 Sustainable Development Goals (SDGs). We will continue to support domestic and multilateral efforts to address, 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 continue to collaborate to leverage financial technology while addressing related challenges.

### **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 the World Bank, standards-setters, and other partners to:

- *Help members mitigate risks and support growth:* We welcome the IMF's broad agenda to enhance its advice on monetary and macrofinancial policies and look forward to progress on the ongoing work on the integrated policy framework. We also support the enhanced focus on governance, including tackling corruption, in line with the IMF's governance

framework. We ask the IMF to continue to work on structural reforms, including market competition issues, to boost potential output.

- *Strengthen debt sustainability and transparency:* We support the continued implementation of the IMF-World Bank multi-pronged approach to work with borrowers and creditors, including by assisting members to strengthen debt management capacity, debt transparency, and sustainable financing. We also ask the IMF to continue to work with members to strengthen fiscal institutions and frameworks, and enhance public reporting of sovereign debt. We look forward to continued implementation of the updated debt sustainability framework for low-income countries and to the reviews of the debt sustainability framework for market access countries and the IMF's debt limits policy.
- *Promote policies to foster inclusion and expand opportunities:* We welcome the IMF's efforts to operationalize the new strategy for engagement on social spending. We support the enhanced focus on fragile and conflict-affected states through country engagement strategies, tailored financial support, and strengthened capacity development. We also support the provision of analysis and advice to help countries achieve the SDGs. We ask the IMF to help members boost 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, with a tailored approach for countries with low capacity and for fragile countries. We welcome the macroeconomic analyses of gender and inequality issues, including in the area of gender budgeting.
- *Upgrade global cooperation:* We welcome the IMF's continued efforts to conduct a rigorous, evenhanded, and multilaterally-consistent assessment of global imbalances and of exchange rates. We support the IMF's efforts to mitigate risks and enhance confidence in trade through policy advice and trade-related macroeconomic analyses. We call for further efforts to address the causes and adverse consequences of the withdrawal of correspondent banking relationships and help countries deal with them. We appreciate the IMF's collaboration with other institutions on, and its contributions to, the global regulatory reform agenda; work on tackling illicit financial flows, including through AML/CFT; and work on international tax issues, including by analyzing the impact of global tax changes for low-income and developing countries. We support further efforts to strengthen the global financial safety net 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:* We welcome the IMF's work on the implications of fintech, consistent with the Bali Fintech Agenda. We also welcome work on supporting countries' efforts to enhance resilience to cyber risks in the financial sector. In line with its mandate, the IMF will respond to increased member requests 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 assistance to countries affected by conflict, migration and refugee crises.

- *Adapt policy tools to lead and support change:* We welcome the IMF's continued efforts to enhance its surveillance through the 2020 Comprehensive Surveillance Review and the reviews of the Financial Sector Assessment Program and the policy on multiple currency practices. We ask the IMF to continue incorporating the recommendations of the reviews of program design and conditionality and of concessional facilities to improve program design and outcomes in recipient countries. We look forward to the forthcoming reviews of Data Standards Initiatives and data provision to the Fund; the implementation of the overarching strategy on data and statistics; and continued efforts to integrate capacity development with surveillance and lending.

We welcome the IMF's efforts to continue providing high value-added support to its members and to enhance its efficiency. To this end, we welcome efforts to attract and retain high-caliber staff. We support ongoing modernization initiatives, including the HR strategy, the comprehensive review of compensation and benefits, and the work on enterprise risk management. We call on the IMF to make progress toward the 2020 diversity benchmarks. We support increasing gender diversity in the Executive Board.

### **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 global financial safety net. We note the lack of progress on a quota increase under the 15<sup>th</sup> Review and call on the Executive Board to complete its work on the 15<sup>th</sup> Review and on a package of IMF resources and governance reforms, and to report to the Board of Governors as soon as possible. We support maintaining the IMF's current resource envelope and welcome the extension of the 2016 Bilateral Borrowing Agreements by one year. We look forward to consideration of a doubling of the New Arrangements to Borrow and a further temporary round of bilateral borrowing beyond 2020.

Beyond the 15<sup>th</sup> Review, we are committed to revisiting the adequacy of quotas and continuing the process of IMF governance reform under the 16<sup>th</sup> General Review of Quotas, including a new quota formula as a guide, with the Review to be extended from 2020 to no later than December 15, 2023. In this context, we remain committed to ensuring the primary role of quotas in IMF resources. Any adjustment in quota shares would be expected to result in increases in the quota shares of 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.

**Other issues**

We express our deep gratitude to former Managing Director Christine Lagarde for her outstanding leadership of the IMF and distinguished service to member countries and the global community over the past eight years. Under Ms. Lagarde's leadership, the IMF undertook important reforms to maintain its relevance and responsiveness to members' needs, including by modernizing its macro-financial surveillance; enhancing its financial support, lending facilities, and capacity development; increasing attention to the social outcomes and human dimensions of IMF policies and operations; and integrating climate change, gender, governance, and income inequality into the work of the IMF. Ms. Lagarde also worked tirelessly to secure the financial resources necessary for the IMF to deliver on its mission, to ensure that dynamic emerging market and developing countries have greater voice, and to achieve support for IMF governance reforms. We wish Ms. Lagarde all the best in her new position as President of the European Central Bank. We thank Mr. David Lipton for his stewardship as Acting Managing Director during the transition.

We warmly welcome Ms. Kristalina Georgieva as Managing Director and look forward to working closely with her in meeting the challenges ahead.

Our next meeting will be held in Washington, D.C., on April 18, 2020.

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Attendance can be found at: <https://www.imf.org/en/News/Articles/2019/10/19/attendance-list-communiqué-of-the-fortieth-meeting-of-the-imfc>