

**REPORT TO THE BOARD OF GOVERNORS OF THE
INTERNATIONAL MONETARY FUND
BY THE CHAIRMAN OF THE INTERNATIONAL
MONETARY AND FINANCIAL COMMITTEE**

Gordon Brown

Mr. Tom Scholar, Executive Director for the United Kingdom, presented the following report on the activities of the IMFC on behalf of Governor Gordon Brown, Chairman of the IMFC:

Gordon Brown unfortunately cannot be here today and has asked me to report on his behalf on the work of the International Monetary and Financial Committee in 2006. And I would like to express the Committee's gratitude to the Singapore authorities for the excellent arrangements for their meeting this weekend.

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

Much of the Committee's time has been devoted to discussion of the world economy. This has been a year of strong and broad-based global economic expansion. The Committee welcomed this, and noted that growth is expected to remain robust in 2007. However, there are downside risks, including 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 maintained its call for sustained actions to implement the agreed policy strategy for an orderly unwinding of global imbalances, and welcomed the ongoing multilateral consultation by the IMF.

The Committee remained concerned about high and volatile prices in world energy markets, and therefore welcomed the actions taken to address capacity constraints in oil production, while calling for continued measures from all sides to improve the supply-demand balance in oil markets over the medium term.

Mr. Pascal Lamy, Director-General of the World Trade Organization, reported to the Committee on the current status of the Doha Round, and the Committee expressed its deep disappointment that the trade negotiations have been suspended. It urged 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. It also called for leadership from the major trading nations to work urgently towards an early resumption of the negotiations, and an ambitious, successful outcome by the end of the year. The Committee also stressed the importance of implementing Aid-for-Trade assistance, independent of progress on the Doha Round.

Implementing the IMF's Medium Term Strategy

The Committee has also devoted considerable attention to implementing the IMF's medium term strategy.

Following the call at the Spring meeting to safeguard and enhance the IMF's effectiveness and credibility, the Committee stressed on Sunday the importance of IMF quota and voice reforms. The Board of Governors has now adopted the resolution to initiate an integrated set of reforms, to be completed no later than the 2008 Annual Meetings, and the Chairman of the IMFC has asked me to express his gratitude to the Managing Director and staff of the IMF for all their work to make this possible. Starting with initial quota increases for China, Korea, Mexico, and Turkey, this package of reforms, when implemented, will 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. The Committee urged the Executive Board to work constructively and expeditiously on all elements of the reforms so as to garner the broadest possible support, and underlined the importance of timely implementation of the program.

On other elements of the medium term strategy, the Committee welcomed progress on reform of the IMF's surveillance framework, including the multilateral consultation approach and the ongoing review of the 1977 Decision on Surveillance over Exchange Rate Policies, and took note of the work on a remit for surveillance. The Committee also called for a concrete proposal from the Managing Director at the next meeting for a new liquidity instrument for emerging market countries.

The Committee has also underlined the IMF's critical role in low-income countries, where it should focus on supporting sustainable growth to achieve the Millennium Development Goals. In April, the Committee welcomed the establishment of new instruments that will strengthen the IMF's support for low-income countries, including the Policy Support Instrument and the Exogenous Shocks Facility. The Committee has also welcomed progress on debt relief, and emphasized

the importance of the joint debt sustainability framework to avoid the reaccumulation of unsustainable debt.

Finally, the Committee expressed its appreciation to Anne Krueger and to Raghu Rajan for their services to the IMF and its membership, and welcomed John Lipsky as First Deputy Managing Director.