

# Web Document 4.C: The “Eleven Commandments”

Partnership for Sustainable Global Growth  
Interim Committee Declaration  
Washington, D.C., September 29, 1996

The Interim Committee has reviewed the Declaration on Cooperation to Strengthen the Global Expansion, which it adopted two years ago in Madrid. It notes that the strategy set out in the Declaration, which emphasized sound domestic policies, international cooperation, and global integration, remains valid. It reiterates the objective of promoting full participation of all economies, including the low income countries, in the global economy. Favorable developments in, and prospects for, many industrial, developing, and transition economies owe much to the implementation of sound policies consistent with the common medium-term strategy.

The Interim Committee sees a need to update and broaden the Declaration, in light of the new challenges of a changing global environment, and to strengthen its implementation, in a renewed spirit of partnership. It attaches particular importance to the following:

- Stressing that sound monetary, fiscal, and structural policies are complementary and mutually reinforcing: steady application of consistent policies over the medium term is required to establish the conditions for sustained noninflationary growth and job creation, which are essential for social cohesion.
- Implementing sound macroeconomic policies and avoiding large imbalances are essential to promote financial and exchange rate stability and avoid significant misalignments among currencies.
- Creating a favorable environment for private savings.
- Consolidating the success in bringing inflation down and building on the hard-won credibility of monetary policy.
- Maintaining the impetus of trade liberalization, resisting protectionist pressures, and upholding the multilateral trading system.
- Encouraging current account convertibility and careful progress toward increased freedom of capital movements through efforts to promote stability and financial soundness.
- Achieving budget balance and strengthened fiscal discipline in a multi-year framework. Continued fiscal imbalances and excessive public indebtedness, and the upward pressures they put on global real interest rates, are threats to

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financial stability and durable growth. It is essential to enhance the transparency of fiscal policy by persevering with efforts to reduce off-budget transactions and quasi-fiscal deficits.

- Improving the quality and composition of fiscal adjustment, by reducing unproductive spending while ensuring adequate basic investment in infrastructure. Because the sustainability of economic growth depends on development of human resources, it is essential to improve education and training; to reform public pension and health systems to ensure their long-term viability and enable the provision of effective health care; and to alleviate poverty and provide well-targeted and affordable social safety nets.
- Tackling structural reforms more boldly, including through labor and product market reforms, with a view to increasing employment and reducing other distortions that impede the efficient allocation of resources, so as to make our economies more dynamic and resilient to adverse developments.
- Promoting good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption, as essential elements of a framework within which economies can prosper.
- Ensuring the soundness of banking systems through strong prudential regulation and supervision, improved coordination, better assessment of credit risk, stringent capital requirements, timely disclosure of banks’ financial conditions, action to prevent money laundering, and improved management of banks.

The Committee encourages the Fund to continue to cooperate with other international organizations in all relevant areas. It welcomes the recent strengthening of Fund surveillance of member countries’ policies, which is an integral part of the strategy. It reaffirmed its commitment to strengthen the Fund’s capacity to fulfill its mandate. It will keep members’ efforts at achieving the common objectives of this strategy under review.

“Let me emphasize to you that this is not just another declaration, not just another call to action on top of so many others. It is something quite special: it is the distillation of Fund surveillance by the world’s most representative body of finance policy-makers. What do I mean by this?”

You know that Fund missions visit virtually every one of your countries at least once a year—and often much more frequently than that. On a typical day, the Fund has missions in about 30 of your countries, discussing in depth your countries’ policies and performance, their medium-term prospects, and their longer term problems. The staff report their findings to the 24 members of the Executive Board—officials of the Fund chosen by your countries—who discuss these issues in equal depth, transmit their

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conclusions back to all of your authorities, and twice a year bring the issues of global significance to the consideration of the Interim Committee. As you can see, then, this declaration by the Interim Committee reflects the lessons learned from the experience of each of your countries. Its message is thus universal, drawn up in acute awareness of the repercussions that national decisions can have on other countries’ policies and of the major support that each of your countries can draw from the good policies of others—not just the policies of your immediate neighbors, but of all countries, all around the world. This is the unique origin of these undertakings, and this is what makes the Madrid Declaration and today’s broadening and strengthening of it unique. This is also why I trust that you will use this declaration to guide your policies, and that you will make every effort—frequently in very demanding conditions—to implement it fully.”

Michel Camdessus  
IMF Managing Director  
September 29, 1996