



Office Memorandum

To: Members of the Executive Board

October 17, 2013

From: The Secretary

Subject: **Ms. Shafik's Report to the Executive Board on Her Travel to Kiel, Brussels and Saudi Arabia, October 1–5, 2013**

Attached for the **information** of Executive Directors is Ms. Shafik's report to the Executive Board on her travel to Kiel, Brussels and Saudi Arabia.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

FO/DIS/13/169

**MS. SHAFIK'S REPORT TO THE EXECUTIVE BOARD ON HER TRAVEL TO
KIEL, BRUSSELS AND SAUDI ARABIA
OCTOBER 1-5, 2013**

I visited Kiel, Germany (October 1-2) where I spoke at the Global Economic Symposium organized by the Kiel Institute for the World Economy. I then visited Brussels (October 2-3) where I participated in a high-level roundtable discussion organized by the Friends of Europe and met with senior officials of the European Commission (EC) and members of the European Parliament. I then traveled to Riyadh (October 4-5) to attend the meeting of finance ministers and central bank governors of the Gulf Cooperation Council (GCC).

In the plenary session at the Kiel event and at the roundtable in Brussels, I underscored the need for Europe to pursue reforms on multiple fronts to revitalize the economy. I argued that achieving a fully integrated economic and monetary union was key for Europe to avoid stagnation. In this respect, I highlighted the importance of completing the banking union, restoring the health of bank portfolios, supporting demand in the near term and pushing ahead with structural reforms. In Kiel, I also took the opportunity to highlight our work on jobs and growth at a session on promoting employment.

While in Brussels, I signed a contribution agreement with the EC for our regional technical assistance centers (RTACs) in the African, Caribbean and Pacific (ACP) regions. The generous contribution from the EC puts us on track to scale up our work through the RTACs in the ACP regions. My bilateral discussions with EC officials focused on mutual areas of cooperation, including in the crisis countries of Europe, while those with parliamentarians focused mainly on the future of Europe, including the need to undertake the reforms indicated above.

From my interactions, I perceived a sense in Europe that the worst was over. My remarks on the choice of risking stagnation or pursuing greater integration were met with agreement everywhere, with interlocutors often identifying the political calendar as a constraint in implementing the necessary reforms in a timely manner. The Fund's analytical contributions were much appreciated everywhere as was the caliber of our staff.

In Riyadh, I welcomed the continuing favorable performance of the GCC economies. Building on staff analyses provided to the authorities, I discussed policy priorities for the region in the areas of labor market reforms, strengthening budgetary frameworks and expanding the toolkit on macroprudential policies. The authorities agreed on these priorities and expressed appreciation for our analytical support for their reform agendas.

I also discussed the challenges and prospects for the Arab Economies in Transition (ACTs). The GCC authorities remain deeply concerned about the ACTs. They welcome the Fund's support for

those countries, which they emphasized needs to be provided in a flexible manner and in a way that is even handed across the membership. In turn, I expressed appreciation for the financial contributions made by the GCC countries to the ACTs while also underscoring the need for growth oriented reforms and measured fiscal adjustment in the latter to accompany the external support.