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IMF members endorse policy checklist; warn on growth

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By Stanley White and David Milliken

TOKYO (Reuters) - World finance leaders endorsed on Saturday a checklist of policy reforms aimed at defusing debt troubles in Europe and the United States and promised to review progress in six months as they tried to revive a flagging economic recovery.

The 10-page global policy agenda, however, largely summarised previously planned steps, such as deploying the European Central Bank's bond-buying programme and resolving the U.S. "fiscal cliff" of automatic spending cuts and tax increases that go into effect early next year unless Congress acts.

The checklist and the six-month checkup are designed to hold countries accountable for following through on their commitments, an acknowledgement of frustration within the International Monetary Fund as well as many emerging market economies over the piecemeal policy response.

IMF Managing Director Christine Lagarde said members had narrowed their differences over how to implement policy, seeking to downplay disagreements between the Fund and Germany over how quickly debt-laden countries such as Greece should cut budgets.

"There was no objection to the recommendation that we gave to the membership, which was A-C-T," Lagarde said, spelling out the word letter by letter.

"We might not always agree on everything, but I think there is a general consensus that collective action is going to produce results," she added.

In a communique released after two days of talks, IMF members warned that global economic growth was decelerating and that substantial uncertainties and downside risks remained.

But the IMF's governing panel, representing the 188 member countries, praised policy steps, particularly in Europe, which they said made the world financial system safer, even if they had not yet gone far enough.

"Members all agreed that we are in a better position today than we were six months month ago," said Singapore's Tharman Shanmugaratnam, who chairs the committee, in a press conference following the IMF's meeting.

Spain's economy minister, Luis de Guindos, said he felt the mood toward his country lifting too. Spain is under pressure to seek a bailout as it struggles to cope with high government debt and the cost of recapitalising its banks.

"The atmosphere, from International Monetary Fund policymakers or from the private sector, is much more positive than it was before the summer," de Guindos said.

EMERGING STRAINS

Reports from the IMF this week downgraded global economic growth forecasts for the second time since April and warned of the need for policy action in advanced economies, including the United States, to deal with their debt problems, a hangover from the global financial crisis.

The call for action reflected some frustration among other governments at what they see as plodding progress in Europe and a lack of urgency from Washington to resolve its fiscal cliff.

"Asia alone can't carry the global economy," said Australian Treasurer Wayne Swan. "It is time for the other players to get off the benches and start to pull their weight on global economic growth again."

Emerging markets have been caught in the downdraft as the euro zone recession and sluggish U.S. growth drag down export demand. Former IMF official Eswar Prasad, a senior fellow at the Brookings Institution in Washington, said emerging economies were frustrated with the slow pace of reform in the rich world.

"Little progress has been made at these meetings in dealing with festering problems in the euro zone and their fallout on the rest on the world," Prasad said.

European leaders argued this week they had made considerable progress toward building a stronger fiscal and banking union, a point which German Finance Minister Wolfgang Schaeuble reiterated on Saturday, earning at least some recognition from the rest of the world.

"This broad framework offers a more promising strategy for addressing the crisis," U.S. Treasury Secretary Timothy Geithner said. "However, what is important is how it will be applied in practice."

Schaeuble pointed out that euro zone decision-making involves 17 national governments, many of which need parliamentary approval, and that takes time.

"If we are not fast enough for markets, sorry but markets have to wait," he said.

(Reporting by Reuters IMF team; Writing by Emily Kaiser; Editing by Neil Fullick)