

# 1 OVERVIEW



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The period from May 2013 through April 2014—the IMF’s financial year 2014<sup>1</sup>—saw the world economy reach a critical juncture: emerging from the greatest financial crisis in almost a hundred years. Recovery was taking hold but was too slow and faced many obstacles along the road. In her Global Policy Agenda, the IMF’s Managing Director set out bold policy steps that could overcome these obstacles and take the global economy toward more rapid and sustainable growth. The top priority was to strengthen the coherence of the policies and cooperation among policymakers, both at home and across borders: national prosperity and global prosperity are linked and depend, more than ever before, on countries working together. The IMF is indispensable for this global cooperation.

Through assessments in its various multilateral and bilateral surveillance products and active engagement with its 188 member countries via policy and financial support and capacity development, during the year the IMF continued to assist members in identifying systemic risks and designing strong policies to respond to threats to domestic and global stability.

## THE GLOBAL ECONOMY

As the year drew to an end, global activity was strengthening, largely because of improvements in advanced economies, but the recovery was uneven and remained too weak for comfort. Growth remained weak, and millions of people were still out of jobs. Rising geopolitical risks had injected new concerns. Policy actions during the year helped stabilize the global economy, but global financial stability was facing new challenges from the slowdown in emerging markets and the risk of very low inflation in Europe, even as the legacy of the crisis was receding, so the recovery remained modest and fragile. Chapter 2 discusses the year’s economic and financial developments in greater depth.

## SURVEILLANCE AND FUND-SUPPORTED PROGRAMS

During the year, the global recovery was uneven and more subdued than had been hoped. Moving from stabilization to strong, sustainable, balanced, and inclusive growth remained a work in progress. Actions to break the cycle of subdued growth and recurrent market jitters included strengthening policy implementation and carefully managing a series of transitions already under

way: normalization of global financial conditions, with the attendant policy spillovers and spillbacks; a shift in growth dynamics, with a rising contribution from advanced economies, lower underlying growth in emerging market economies, and a rebalancing of global demand; and completion of global financial system reform to promote greater stability.

The IMF assisted its members during the year through assessments on such topics as vulnerabilities, diversification, and structural transformation in low-income countries, growth in emerging markets, fiscal policy in advanced economies, and structural issues such as income inequality and the participation of women in the economy. It provided targeted policy advice in the context of bilateral and multilateral surveillance, including spillover reports and cluster reports, as well as financial support. Chapter 3 provides additional information about IMF surveillance and Fund-supported programs during the year.

## POLICY ADVICE, GOVERNANCE, AND CAPACITY BUILDING

The IMF provides policy advice to member countries on a variety of issues pertaining to economic stability in the course of overseeing the international monetary system, underpinning programs in member countries, helping countries strengthen their institutions and capacities, and monitoring member countries' economies.

During the year, the Executive Board discussed such issues as fiscal policy, unconventional monetary policy, and macroprudential policy. It also reviewed progress in the major reforms of its governance structure, including quota reform, and reviewed Fund facilities such as the Flexible Credit Line, the Precautionary and Liquidity Line, and the Rapid Financing Instrument, as well as monetary policy conditionality.

The IMF's capacity development through technical assistance and training helps member countries build strong institutions and boost skills to formulate and implement sound macroeconomic and financial policies. In FY2014 the IMF launched new standardized assessment tools and courses, opened a new Regional Technical Assistance Center in Ghana, and received \$181 million in new donor contributions. The Board reviewed the Fund's capacity development strategy and endorsed reforms. Chapter 4 provides additional details on the IMF's policy advice, governance, and capacity building.

## RESOURCES AND ACCOUNTABILITY

Ensuring adequate resources to support members' financing needs has been a priority since the onset of the crisis. In January 2013, the Executive Board adopted new rules and regulations for the IMF's Investment Account to provide the legal framework for implementation of the investment authority expanded under an amendment to the Articles of Agreement. In addition, the threshold was reached for a distribution of the general reserve attributed to windfall gold sales profits for the benefit of the Poverty Reduction and Growth Trust to subsidize loans for low-income countries.

**Previous top** A robotic production line at a factory in Spain  
**Previous bottom** A control center at a gas company in the Czech Republic  
**Far left** A stock market indicator board in Tokyo, Japan  
**Far right** A container ship at the Miraflores Locks on the Panama Canal  
**Left** Women sell vegetables in the United Arab Emirates  
**Right** Charging mobile phones at a gold mine in Mubende district, Uganda



The changing needs of the IMF's membership have been met within a flat budget through efficiency measures, reprioritization, and better utilization and reallocation of existing resources. During the year, the IMF continued its focus on strong recruitment, quickly responded to the results of the 2013 Staff Survey, and devised a new leadership development framework to

strengthen people management skills. The Executive Board agreed on enhancements to the IMF's transparency policy to improve the effectiveness of the IMF surveillance and policy advice. Chapter 5 provides additional information about the IMF's financial operations and policies, its work in human resources, and its efforts to enhance transparency and accountability.