

# THE MANAGING DIRECTOR'S GLOBAL POLICY AGENDA 2019

Spring  
Meetings



Joint Responsibility  
Shared Rewards

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# JOINT RESPONSIBILITY, SHARED REWARDS A BLUEPRINT FOR MULTILATERAL ACTION

International cooperation, economic and financial integration, and technological progress have delivered enormous benefits across the globe during the past decades. Yet, in many countries, these benefits have not been shared adequately to prevent eroding trust in institutions and weakening support for the global system that has made these gains possible.

This rising disengagement comes at a time when the world is facing challenges from rapid technological advancements, uncertainty about the future of work, demographic shifts, environmental degradation, and climate change. These challenges can only be met in a new multilateralism that instills confidence that the costs and rewards of lasting solutions will be shared by all. It therefore falls on policymakers to re-orient domestic and international policies to better manage the economic and social consequences of international integration and technological advancements, while being mindful of the global footprint of their actions.

The concept of a new multilateralism hinges on three complementary and reinforcing areas of policy action: domestic policies to build more resilient economies and promote economic opportunities; upgraded global cooperation that will provide a more level playing field across borders; and a commitment to work together on broader global challenges.

## **Build more resilient and inclusive economies**

Policies must provide conditions at home for people to succeed. Macroeconomic policies, along with structural reforms, should secure growth and stability, while reducing inequality and managing cross-border spillovers. Amid deepening macrofinancial and external linkages, countries need to ensure that macroeconomic policy frameworks are capable of dealing with external shocks. Broader opportunities should empower people through access to quality education and training, healthcare, infrastructure, finance, and jobs, including for youth and women.

Policies must also strengthen market competition, encourage innovation, and facilitate labor mobility. Tackling weak governance, corruption, and tax avoidance is key for letting market forces prevail and overcoming perceptions of unfair sharing of benefits from trade and technology, and the economic system more broadly. Guided by each country's social and political preferences, fiscal policies can also have an important role to play in addressing excessive inequality, including through social spending policies and taxation.



### **Upgrade global cooperation**

Upgraded international frameworks should provide a more level playing field across borders. This requires cooperation to resolve trade tensions, modernize the rules-based multilateral trade system, upgrade and implement global financial regulations, improve debt transparency, tackle illicit financial flows, and rethink international corporate taxation. It also calls for reducing excess global imbalances and allowing exchange rates to broadly reflect economic fundamentals. Moreover, we have a joint responsibility to ensure the adequacy of the global financial safety net (GFSN), with a strong IMF at its center that continues to support countries in need.

### **Work together on broader global challenges**

Finally, stronger joint action is essential to confront broader challenges that no country alone can manage, including climate change, demographic shifts, and tensions caused by conflict and migration. We must find ways to share the benefits and address disruptions from borderless digital transformations, including from cyber risks and lack of control of personal data. Coordinated international support should also contribute to countries' efforts to achieve the sustainable development goals (SDGs).

# IMPLEMENTING THE BLUEPRINT: THE ROLE OF THE IMF

## GLOBAL SETTING

### **Upgrading policies and multilateral cooperation is becoming more urgent.**

After two years of strong expansion, the global economy has entered a delicate phase. Growth is slowing, reflecting trade and geopolitical tensions, policy uncertainty, and one-off factors. Although growth may pick up slightly next year, medium-term prospects continue to be moderate, mainly due to low labor productivity growth and population aging, especially in many advanced economies. At the same time, policy space remains constrained amid high public debt levels and heightened financial vulnerabilities. Risks persist on the downside, including from a further escalation of trade tensions and a sudden sharp tightening of financial conditions. With growth weakening, it has become even more urgent to act through both domestic and multilateral policies.

## POLICY ADVICE AND ECONOMIC RESEARCH

### **Policymakers should enhance resilience and inclusion at home to benefit all.**

Domestic policies need to strengthen growth, enhance resilience, and promote inclusion. The Fund will support members in designing tailored macroeconomic policies. Fiscal policy should strike the right chord between supporting demand, ensuring debt sustainability, and safeguarding social objectives, including by upgrading tax systems, mobilizing domestic revenue, prioritizing expenditure, and reducing public debt where needed.

Monetary policy should ensure that inflation remains on track toward target and focus on anchoring expectations where inflationary pressures persist. Financial resilience must be enhanced, including by continuing to buttress microprudential supervision and strengthen macroprudential frameworks that manage risks. Reducing excess global imbalances calls for a well-calibrated package of macroeconomic and structural policies, with exchange rate flexibility helping absorb shocks where feasible. To help members identify an appropriate policy mix in the context of rising spillovers and deepening macrofinancial and external linkages, the Fund is working to develop a deeper understanding of complementarities and tradeoffs among different policies within a more integrated policy framework.





Green highlighted text refers to selected key IMF activities that have been completed since October 2018.



Amid high global interconnectedness, the **Integrated Policy Framework (IPF)** aims to provide a more systematic assessment of an effective policy mix that could help countries pursue growth and stability objectives, particularly in the face of rising spillovers and deepening macrofinancial and external linkages. The IPF will consider jointly the role of monetary, exchange rate, macroprudential, and capital flow management policies, and the interactions with each other and other policy levers. The framework is being developed through modeling, empirical work, and a review of country experiences.

Policy frameworks should enhance inclusion and opportunities for all. The Fund will support a more systematic and effective engagement on social spending, with focus on sustainable financing, spending adequacy, and efficiency. We are undertaking analytical work on budgeting and gender gaps, and on the relationship between financial services and inequality. In countries with excessively skewed income distribution, we will continue to encourage progressive taxation and enhanced social safety nets and other social spending.

Structural reforms to boost productivity and medium-term growth remain imperative. The Fund is deepening its analysis of the macroeconomic effects of structural reforms in emerging and developing economies and their role in building resilience in advanced economies. In addition, the Fund is studying the political economy of structural reforms; competition issues, building on recent work on **corporate market power**; the labor market implications of infrastructure investment; and sectoral policies and growth diversification.

For policies to be effective, governance and trust in public institutions should be strong. Our analysis highlights the core elements of an effective fiscal governance framework and presents good practices to help **fight corruption** and improve policy outcomes. We will continue to support economic institution building for stronger infrastructure governance and will take stock of good practices in central bank governance to complement our ongoing assessment of governance frameworks. Transparency on economic data and policies would help reinforce trust. The update of the **Fiscal Transparency Code**, which fully integrates natural resource management, and ongoing work on Data Standards Initiatives and emerging data needs and priorities will contribute to this end.

## GLOBAL SOLUTIONS

### Joint efforts must upgrade global cooperation and address other shared challenges.

Countries need to act collectively to strengthen the rules-based multilateral trade system and promote more open, more stable, and more transparent trade policies. The Fund will support these efforts through advocacy and analyses,



informed advice on the potential impact of trade tensions, and continued close collaboration with other international institutions. We will also continue to conduct a rigorous and multilaterally-consistent assessment of external positions, including by further studying the role of exchange rates in the external adjustment process.

The Fund, together with the World Bank, will continue to implement the multipronged approach to address public debt vulnerabilities, focused on: enhancing debt sustainability frameworks; expanding publication of debt data and debt analysis; increasing technical assistance on debt transparency and debt management; and strengthening the debt limits policy framework to encourage prudent lending and borrowing.

Enhanced global cooperation should aim to reduce cross-border tax avoidance and help countries protect their revenue base. This requires global efforts to minimize profit shifting and harmful tax competition and rethink corporate taxation, notably in the digital economy. The Fund recently examined the international **corporate tax architecture**, highlighting the exposure of low-income countries to profit shifting. We will continue to help countries build capacity and work closely with international partners through the Platform for Collaboration on Tax.

Promoting global opportunities also calls for upgrading and implementing the global financial regulatory reform agenda and fighting against illicit financial flows, including through **AML/CFT** and improved tax compliance—areas where the Fund's assistance has proved effective. Work is ongoing on measuring and addressing illicit financial flows. And, to advance the **Bali Fintech Agenda**, we will focus on lessons from members' experiences and consider the implications of Fintech for financial stability, inclusion, and integrity.

Our analysis on **fiscal policies for climate mitigation and adaptation** discusses policies to meet climate commitments for the 2015 Paris Agreement. Further work is underway on energy pricing and other instruments, while integrating macroeconomic policy implications of climate change in our surveillance, including through financial stress-testing for climate-related risks. We will continue to enhance our support for countries building up resilience to climate change, including countries vulnerable to natural disasters, and, in particular, small states.

*Green highlighted text refers to selected key IMF activities that have been completed since October 2018.*

The Fund is committed to helping countries meet the 2030 SDGs, including through deepening policy diagnostics and capacity development, participating in the Compact with Africa, and helping design strategies for financing, including from the private sector. We are enhancing our support for post-conflict recovery in fragile and conflict-affected states, in response to the 2018 IEO evaluation. We will also complete our work on the macroeconomic and fiscal implications of aging for Japan's G20 Presidency and study the challenges facing countries with young populations.

In the digital age, cyber security has become an essential public good. The Fund will support countries' efforts to strengthen resilience to cyber risks through enhanced financial supervision, while promoting the exchange of good practices across the membership.

## IMF POLICY

### The Fund will adapt its policy toolkits to lead and support change.

The Fund will continue providing state-of-the-art policy advice to its members. The 2020 Comprehensive Surveillance Review and the 2020 Review of the Financial Sector Assessment Program (FSAP; joint with the World Bank) are underway, providing guidance on how **surveillance** will need to adapt to the changing global environment. To further strengthen financial surveillance, we will propose actions to advance the recommendations of the recent IEO evaluation. We are also reviewing the debt sustainability framework for market access countries and revisiting the Fund's policy on multiple currency practices. To improve and strengthen our **lending**, we are reviewing program design and conditionality, the facilities for low-income countries, and the debt limits policy. In line with the recommendations of the recent **capacity development (CD) strategy review**, the Fund will continue supporting members through country-tailored and results-based CD firmly integrated with surveillance and lending. And, to further increase the efficiency of CD, we are strengthening prioritization, monitoring, and evaluation; increasing information sharing; and promoting global partnerships.

*The **Comprehensive Surveillance Review (CSR)** will develop a strategic plan for Fund surveillance over the next decade to provide high value-added to the membership, while leveraging new technologies. The CSR builds on the 2018 Interim Surveillance Review (ISR), which found that Fund surveillance has adapted to the global conjuncture and is more integrated and risk-based. The ISR also identified areas where further efforts would be needed, such as macrofinancial surveillance and coverage of outward spillovers in Article IV staff reports. With a forward-looking perspective, the CSR will explore key trends, establish surveillance priorities, and propose new ways to engage with member countries to enhance traction, in conjunction with other Fund work streams (e.g., CD, data, FSAP review, and human resources). Fund policy advice will likely be anchored in a mindset of risk management, with a longer-term focus, deeper discussion on spillovers, and enhanced frameworks for dealing with macrofinancial volatility that consider tradeoffs and complementarities of different policy levers.*

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Green highlighted text refers to selected key IMF activities that have been completed since October 2018.



## **The Fund aims to complete the 15th General Review of Quotas this year.**

In light of a weakening global expansion and elevated risks, it is even more critical to maintain a strong, quota-based, and adequately resourced Fund at the center of the GFSN. The Fund will continue efforts to work on IMF resources and governance. We aim to complete the 15th General Review of Quotas by the Annual Meetings of 2019.

## **To deliver for the future, the Fund continues to modernize itself.**

To ensure that the Fund remains competitive in attracting, developing, and retaining diverse talent, we are modernizing our human resource policies and practices, including through the HR strategy, the 1HR program, and the comprehensive compensation and benefits review. And, to continue our efforts toward greater cost-effectiveness and efficiency, we have embarked on major projects to overhaul work practices and systems, introduce modern digital platforms and tools, improve knowledge management, and foster a culture of innovation. The updated communications strategy continues to aim at building support for Fund policies, integrating communications and operations, and leveraging technology. We will maintain a prudent budgetary stance and further strengthen our internal risk management. All these initiatives are critical for the Fund to fulfil its role in the implementation of the Blueprint for Multilateral Action.



## POLICY ADVICE AND ECONOMIC RESEARCH

### Annex. Key IMF Activities since the Fall 2018 Global Policy Agenda

- Analyzed risks to future house price growth and implications for monetary and macroprudential policies.
- Presented a preliminary strategy to guide Fund's engagement on social spending, in response to an IEO evaluation.
- Delivered a study on youth labor market outcomes in emerging market and developing economies and policies to enhance youth job market prospects.
- Investigated corporate market power in advanced and emerging market economies and its macroeconomic implications.
- Studied how improved governance in fiscal frameworks and institutions can reduce corruption vulnerabilities and improve policy outcomes.
- Finalized the update of the Fiscal Transparency Code to fully integrate natural resource management.
- Initiated discussions of data provision to the Fund under Article VIII, Section 5, focusing on recent experience, emerging data needs, and the framework for data provision.



## GLOBAL SOLUTIONS

- Studied the drivers of bilateral trade balances and the impact of tariffs on productivity, output, and employment; examined the drivers and implications of the decline in the relative price of capital goods; discussed key developments in the global trading system.
- Outlined the work program of the joint World Bank-IMF multipronged approach for addressing emerging debt vulnerabilities.
- Examined corporate taxation in the global economy, and deepened collaboration within the Platform for Collaboration on Tax.
- Completed the Review of the Fund's Strategy on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).
- Proposed a conceptual framework for assessing central bank digital currencies.
- Held the 2nd IMF Fintech Roundtable, including a session on financial innovation and AML/CFT, jointly with Japan's G20 Presidency and the Financial Action Task Force.
- Delivered a study on fiscal policies for climate mitigation and adaptation to implement the 2015 Paris Agreement strategies.
- Held high-level meetings on building resilience to natural disasters for the Caribbean and Pacific regions; advanced work on small states vulnerable to natural disasters.
- Investigated the costing of attaining selected dimensions of the 2030 Sustainable Development Goals.
- Analyzed the role of pension system design in an aging world; advanced work on a G20 note on the macroeconomic and fiscal implications of aging.



## IMF POLICY

- Advanced work on the Fund's 2020 Comprehensive Surveillance Review and the 2020 Review of the Financial Sector Assessment Program (the latter joint with the World Bank).
- Presented selected technical aspects of the Fund's Review of Program Design and Conditionality.
- Outlined reform proposals for the Fund's 2018–19 Review of Facilities for Low-Income Countries.
- Presented an assessment of the Debt Sustainability Framework for Market Access Countries and options to enhance it.
- Presented initial considerations on the Review of the Fund's Policy on Multiple Currency Practices.
- Discussed preliminary options to strengthen the Article IV Excessive Delays Framework.
- Completed the Review of the Fund's Capacity Development Strategy.



## GOVERNANCE AND INTERNAL SUPPORT

- Continued work on Fund resources and governance reforms.
- Discussed cyber security issues and how to strengthen the Fund's cyber resilience.
- Advanced work on the Fund's Comprehensive Compensation and Benefits Review.
- Advanced work on modernizing HR policies and practices, implementing the Fund's digital platform, and incorporating results-based management in capacity building.

## SURVEILLANCE

121

2018 Article IV consultations

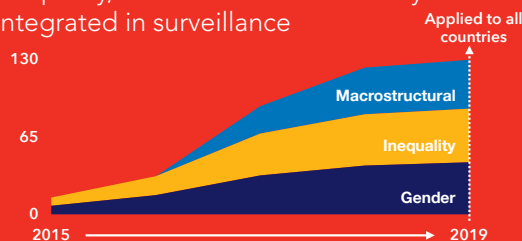


9

Financial System Stability Assessments in 2018

127

country studies on gender, inequality, and macrostructural analyses integrated in surveillance



New low-income country debt sustainability framework used in

25

country cases since its implementation in July 2018



46% increase in the number of countries publishing key economic indicators under IMF's Data Standards Initiatives



## LENDING

162 billion

total lending commitments in Special Drawing Rights (SDR)\*



6 new programs since October 2018

5

largest outstanding General Resource Account (GRA) credit (SDR bn)



Argentina 20.2



Ukraine 7.7



Greece 7.6



Egypt 7.2



Pakistan 4.2

\*As of end-March 2019

Current GRA and PRGT arrangements

to 34 countries

16

of which have a Poverty Reduction and Growth Trust (PRGT) facility



## CAPACITY DEVELOPMENT

Capacity Development (CD) targets priority groups, with

fragile states receiving

22%

of total CD

CD is focused in **core areas**

Domestic Revenue Mobilization



Public Financial Management



Financial Supervision and Regulation



Statistics



Macroeconomic Training



Online training represents

30%

of total training

# 11.3 million

followers on social media



# 6.2 million



unique visitors at **IMF.org**  
since October 2018

Flexible Credit Line/  
Precautionary and Liquidity Line

● Other GRA ● PRGT



# 77%

of CD recipients agreed that  
CD contributed effectively to  
the implementation of IMF's  
policy advice

# OUTSTANDING CREDIT AND COMMITMENTS

(as of end-March 2019, in billions of SDR)<sup>1</sup>

	CURRENT PROGRAM SIZE	OUTSTANDING CREDIT <sup>2</sup>
<b>GRA FINANCIAL ARRANGEMENTS</b>		
<b>MEMBERS WITH CURRENT ARRANGEMENTS</b>		
<i>Stand-by Arrangement</i>		
Argentina	40.71	20.21
Iraq	3.83	2.16
Jamaica	1.20	0.50
Ukraine	2.80	7.66
<i>Extended Fund Facility</i>		
Angola	2.67	0.72
Barbados	0.21	0.04
Bosnia-Herzegovina	0.44	0.17
Côte d'Ivoire	0.43	0.30
Ecuador	3.04	0.73
Egypt	8.60	7.16
Gabon	0.46	0.29
Georgia	0.21	0.15
Jordan	0.51	0.46
Moldova	0.09	0.12
Mongolia	0.31	0.16
Sri Lanka	1.07	0.72
Tunisia	2.05	1.25
<i>Flexible Credit Line</i>		
Colombia	7.85	–
Mexico	53.48	–
<i>Precautionary and Liquidity Line</i>		
Morocco	2.15	–
<b>Total Current Programs</b>	<b>132.1</b>	
<b>o/w: Undrawn Balance<sup>3</sup> (A)</b>	<b>98.2</b>	
<b>Total Outstanding Credit (B)</b>		<b>42.8</b>
<b>MEMBERS W/O CURRENT ARRANGEMENTS</b>		
<b>Total Outstanding Credit (C)</b>		<b>13.2</b>
o/w: Greece	–	7.6
o/w: Pakistan	–	4.2
<b>TOTAL GRA COMMITMENTS (A)+(B)+(C)</b>		<b>154.2</b>

	CURRENT PROGRAM SIZE	OUTSTANDING CREDIT <sup>2</sup>
<b>PRGT FINANCIAL ARRANGEMENTS</b>		
<b>MEMBERS WITH CURRENT ARRANGEMENTS</b>		
<i>Extended Credit Facility</i>		
Afghanistan, Islamic Republic of	0.03	0.04
Benin	0.11	0.11
Burkina Faso	0.11	0.15
Cameroon	0.48	0.33
Central African Republic	0.13	0.14
Chad	0.22	0.23
Côte d'Ivoire	0.22	0.68
Guinea	0.12	0.23
Guinea-Bissau	0.02	0.02
Madagascar	0.25	0.22
Malawi	0.08	0.16
Mauritania	0.12	0.09
Moldova	0.04	0.10
Niger	0.12	0.16
Sierra Leone	0.12	0.26
Togo	0.18	0.12
<b>Total Current Programs</b>	<b>2.4</b>	
<b>o/w: Undrawn Balance<sup>3</sup> (D)</b>	<b>1.0</b>	
<b>Total Outstanding Credit (E)</b>		<b>3.0</b>
<b>MEMBERS W/O CURRENT ARRANGEMENTS</b>		
<b>Total Outstanding Credit (F)</b>		<b>3.4</b>
<b>TOTAL PRGT COMMITMENTS (D)+(E)+(F)</b>		<b>7.4</b>

**TOTAL LENDING COMMITMENTS =  
SDR 162 BILLION**

<sup>1/</sup> Numbers may not add up due to rounding.

<sup>2/</sup> Includes outstanding credit under expired arrangements and outright disbursements.

<sup>3/</sup> Available balance not yet drawn under current arrangements.



