

# Path to Development

**International partnership, commitment, and flexibility are essential to improve the global condition**



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**T**HE Roman philosopher Seneca observed that “if a man knows not to which port he sails, no wind is favorable.” Two millennia later, this remains a timeless reminder of the importance of setting goals. Despite the cynicism frequently associated with such aspirations, the truth is that goals are invaluable—focusing minds, forging partnerships, and, ultimately, finding solutions.

Seneca's observation is especially relevant this year, as the international community comes together to agree on the next phase for development through 2030 and beyond. Crucial decisions will be made across the board—from the financing framework, to environmental targets, to the Sustainable Development Goals (SDGs), which will succeed the Millennium Development Goals (MDGs). This opportunity likely will not repeat itself for at least a generation.

Significant strides have been made since the MDGs were adopted in 2000. These include three key “halvings”—of global poverty, of the likelihood of a child dying before age five, and of the proportion of people without access to safe water. But progress has varied. Although a number of developing countries have graduated to “frontier” status, some fragile and conflict-affected states have tragically fallen behind.

We must also consider how much the world has changed over the past 15 years. The global economy has become increasingly interconnected through technology, trade, and finance, leading to larger spillovers across borders and greater interdependence among countries. The rise of many emerging market economies has contrasted with setbacks in advanced economies hit hard by the Great Recession.

## Guiding principles

From looking at the past, considering the present, and contemplating the future, I see three guiding principles for the post-2015 development agenda:

**Partnership:** Achieving our development goals will require comprehensive partnership to implement the right policies and provide the needed resources. This means advanced, emerging market, and developing economies working together—and with the private sector and civil society—nationally and internationally.

**Commitment:** Every partner needs to demonstrate sustained commitment that will endure well beyond 2030. In other words, political will can provide the spark, but it must be long-lived to sustain the flame.

**Flexibility:** Development efforts must be approached flexibly where possible. Policies must be tailored to the unique circumstances of individual countries, with room to adapt as the world evolves.

How can we translate these guiding principles into substantive action to address poverty and promote development?

## National priorities

Let me first make something clear—although they are not expected to do it alone, developing countries are in the best position to drive their own development.

Getting the basics right is a prerequisite. This means implementing sound macroeconomic policies—including containing inflation, boom-bust cycles, and public debt. Healthy fiscal positions and adequate international reserves prepare countries for adverse shocks over which they have little or no control. And strong institutions promote confidence and predictability to support policy implementation and private investment. With these basics in place, countries must also take additional steps to support development.

Mobilizing revenues is a priority. While there should be flexibility across countries, taxes must be simple, broad-based, and administered effectively. Transparency in extractive industries is also key.

Once revenues are raised, they must be used efficiently and effectively in pursuit

of development and supported by strong public financial management. Strengthening project management and procurement practices is particularly important as developing economies respond to urgent infrastructure needs with public—and, in many cases, private—investment.

Indeed, the private sector is an essential partner for development. Developing the financial sector—for example, by protecting creditor rights—can expand access to basic financial services for individuals and small enterprises. Carefully designed tax and trade regimes can help attract foreign investment, with vital development payoffs.

Beyond these measures, developing economies must also go the extra mile with policies to spread the benefits of growth to all segments of the population and contain environmental damage. Delivering effective public services, getting more women into the workforce, establishing social protection systems, and getting carbon pricing right are important ways to accomplish these goals.

### International support

I know that what I have described is a tough task. But it is the role of the international community to support these efforts by fostering an enabling environment and coordinating action on challenges that transcend borders. Cooperation cannot be optional for international partners; it is a responsibility, an obligation.

Why? Because we live in an interdependent world of spillovers and spillbacks, where multiple forces—financial, economic, social, political, environmental—reverberate across the globe. The results can be transformative, but they can also be devastating. The key to getting it right is international cooperation.

Besides the need for responsible policymaking to promote global economic and financial resilience, I see five other priority areas where commitment to international cooperation can support development:

**Trade:** Developing economies would benefit from a global trading system that is rules based, nondiscriminatory, and equitable.

**Revenue:** International tax cooperation to tackle avoidance and discourage tax competition among countries would safeguard revenues in developing economies, which are essential for social and development spending.

**Aid:** Advanced economies with the budget capacity to do so should make it a priority to increase aid, which is essential for many of the world's poorest countries.

**Debt:** Strengthening the framework for handling sovereign debt crises to promote efficient and timely resolution is a priority. The IMF has an active work program to advance reforms.

**Environment:** Global warming can only be addressed effectively through international partnerships, including containing CO<sub>2</sub> emissions and assisting low-income countries as they adapt to climate change.

It seems appropriate that the first letter of each priority spells out the word “trade”—not because of the word's modern connotation, which is a priority in its own right,

but because its underlying meaning as a form of exchange, partnership, and cooperation is so fundamental to global development efforts.

### The IMF's role

In both a national and international context, I see an important role for the IMF in the post-2015 development agenda. As the preeminent institution supporting global macroeconomic and financial stability, the IMF is already deeply involved in development—working with our 188 member

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countries on policy design and implementation, capacity building, and lending to countries in need.

But we are continually looking for ways to do more. In this pivotal year, I am committed to enhancing the IMF's support for developing economies across three broad fronts:

**Finance:** We will explore how we can boost access to our loans for developing countries to help them better handle external shocks. In particular, we will increase our focus on helping the poorest and most fragile countries.

**Policy:** To advance the inclusion of more people in the growth process, we will deepen our efforts to bring issues such as inequality, gender, and access to finance into our country-level advice. Leveraging the expertise of partner institutions will be of key importance.

**Capacity building:** We will boost our capacity building and advice to countries as they invest in their economic potential. Technical assistance will focus on the areas that need it most, including support for revenue mobilization and infrastructure investment. We will also intensify our efforts in the countries that need it most—fragile and conflict-affected states.

We must deliver on these fronts—and we will.

### Chance to shape the future

Seneca, whom I mentioned earlier, was a philosopher in the stoic tradition. One of the key stoic beliefs is commonly described today as “actions speak louder than words.”

This is a sentiment the international community must take to heart as it prepares for three conferences that together represent a once-in-a-generation opportunity for development. From July's Financing for Development conference in Addis Ababa, to September's Development Goals summit in New York, to the Environmental Targets gathering in Paris in December, we must grasp our chance to shape the future.

And if we are to be successful—not only in 2015 but through 2030 and beyond—we must be guided by three key principles: partnership, commitment, and flexibility. ■