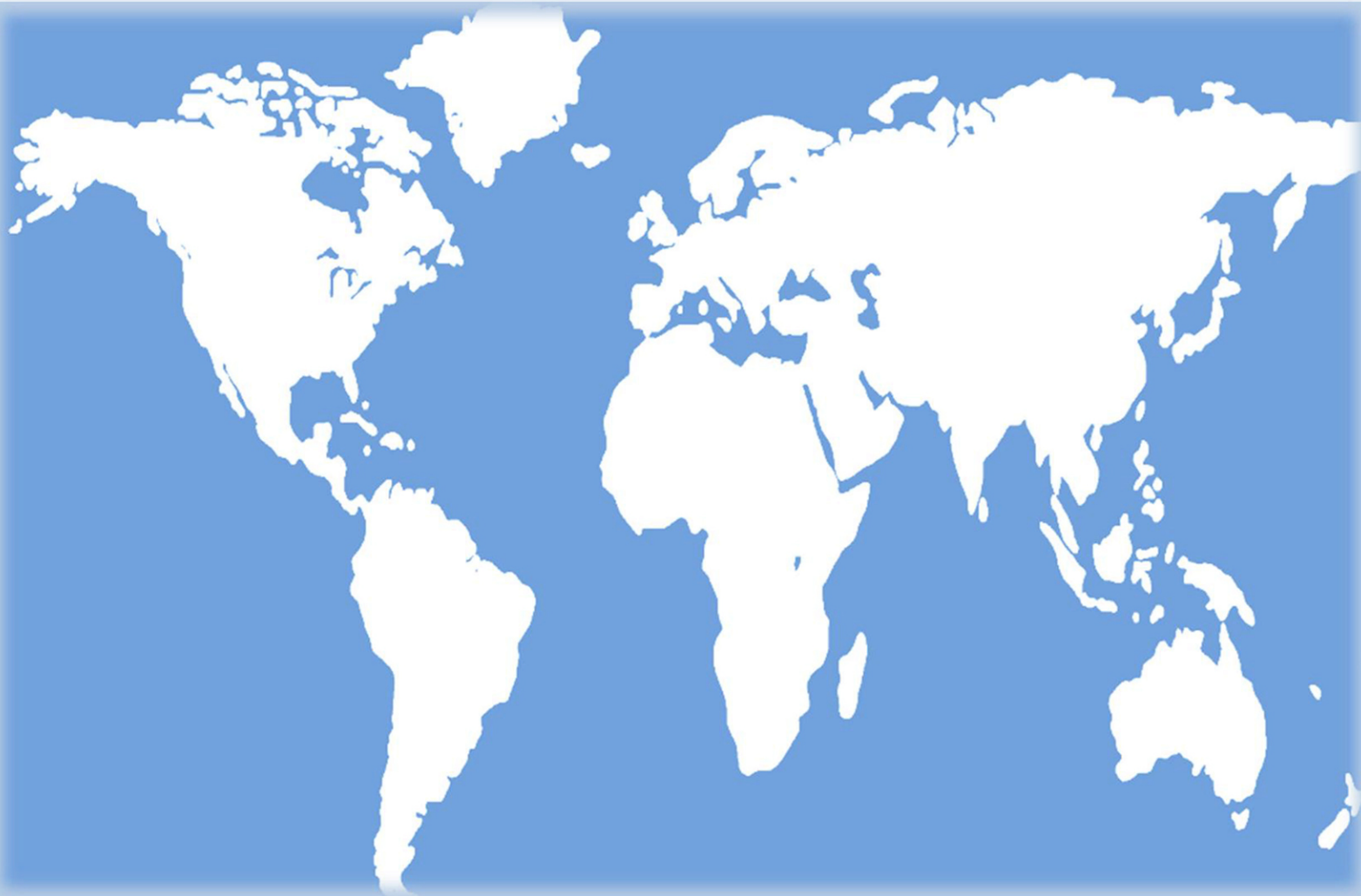




International Monetary Fund

The Managing Director's Global Policy Agenda

October 2013



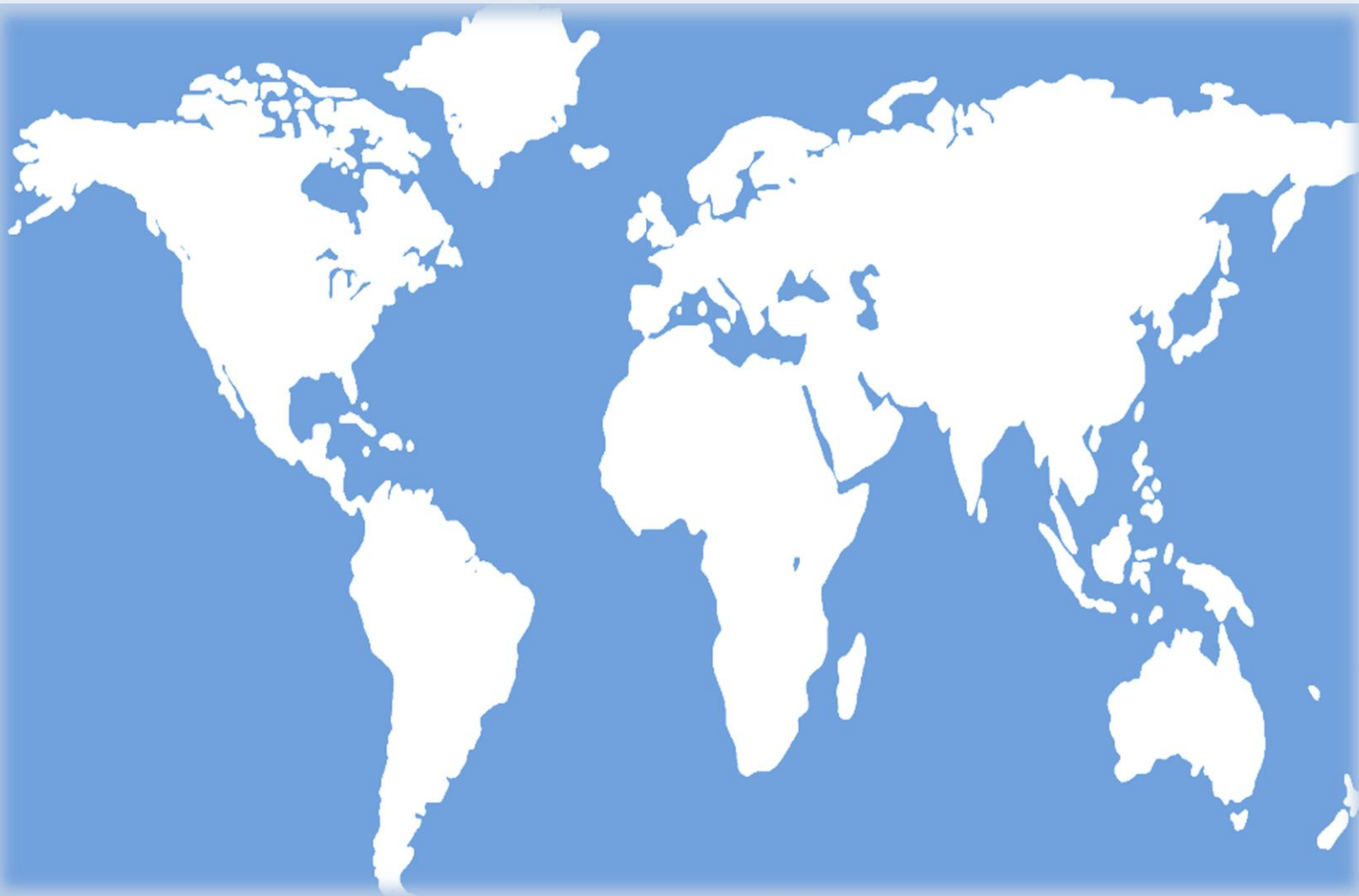
Prepared by Staff of the International Monetary Fund



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The Managing Director of the International Monetary Fund presented the first semiannual Global Policy Agenda (GPA) to the International Monetary and Financial Committee (IMFC)—the IMF’s policy-guiding body—in October 2012. The GPA identifies the policy challenges faced by the membership, outlines policy responses that are needed at the global and country levels to address these challenges, and lays out what the IMF can do to provide support.



THE MANAGING DIRECTOR'S GLOBAL POLICY AGENDA OCTOBER 2013

Over the past five years much has been done to avoid the worst and stave off a great depression. While the recovery has been disappointing until recently, there are some encouraging signs that activity is strengthening in advanced economies. Breaking the cycle of growth shortfalls and recurring market jitters requires carefully managing multiple transitions that are already underway. These transitions include the normalization of global financial conditions; a shift in global growth dynamics, and a rebalancing of global demand; and the completion of reforms to the international financial system. Much more ambitious reform implementation and policy coherence are needed to address these challenges and avoid five more years of growth disappointments.

The policy priorities for the period ahead vary across countries:

- *Advanced economies*—Macroeconomic policies should remain supportive, with gradual fiscal adjustment anchored by credible medium-term plans. The *United States* needs to raise the debt ceiling and agree on a medium-term fiscal adjustment roadmap, carefully manage the normalization of financial conditions, and strengthen appropriate oversight of shadow banks. The *euro area* requires more actions to reduce financial fragmentation and address architectural issues of the union, as well as structural reforms to revive growth. In *Japan*, reform success hinges on ambitious fiscal medium-term adjustment and measures to invigorate growth.
- *Emerging market economies*—Policy responses to recent financial turbulence should be anchored by sound and credible monetary policy frameworks. Exchange rates should be allowed to respond to changes in fundamentals, with buffers used to avoid excessive and disorderly adjustment. Gradual fiscal consolidation should continue in countries with high deficits and debt. Removing structural obstacles—including infrastructure deficits and entry barriers in markets—will be critical to support high growth going forward.
- *Low-income countries*—While growth has remained resilient in most countries, global downside risks point to the need for proactive macroeconomic policies. Bolstering foreign reserves and maintaining domestic fiscal space are priorities. Action on many fronts is needed to promote inclusive growth.
- *Globally*—Addressing remaining external imbalances requires further progress in closing policy gaps in major economies. Pending regulatory reforms must be completed to ensure that the global financial system will transition to a safer state.

The Fund will help its members move forward. We provide a unique forum for multilateral policy analysis, dialogue and cooperation, including on policy spillovers, global imbalances, and the policy mix, and offer targeted policy advice and capacity building. Moreover, the Fund has an expanded capacity to offer financial support through various facilities. However, to maintain our financial strength and credibility, swift progress on governance and quota reforms is key.

WHERE WE ARE

1. **When we last met.** At the time of the April Spring Meetings, the global economy had avoided the worst and a three-speed recovery was emerging. But the world faced lagging growth and job creation, lingering old risks, and emerging new ones. The message was to continue nursing the recovery, repairing damaged financial systems, and lay the groundwork for a stronger expansion (Figure 1).

Figure 1. Spring 2013 Policy Priorities

Invigorating a Sustainable Recovery		
Progress on banking repair and union	Euro	Assist on growth and reform balance
Adopt fiscal and structural plans	Japan/US	Analyze consistency of policy plans
Strengthen financial resilience	Emerging Markets	Examine response to capital flows
Rebuild policy buffers	LICs	Policy advice and concessional financing
Re-establish macroeconomic stability	Middle East	Provide support and build capacity
Restoring Resilience		
Avoid financial fragmentation	Financial Systems	Anticipate inconsistencies and spillovers
Reform subsidies and entitlements	Debt	Gauge debt sustainability and options
Link growth, job creation, and inclusion	Growth and Jobs	Tailor advice to different constraints
Achieve demand rebalancing	Global Imbalances	Study global impact of easy money

Source: Global Policy Agenda (April 2013)

2. **Where do we stand today?** Five years after the global financial crisis, moving from stabilization to strong, sustainable, and inclusive growth remains a work in progress. The global recovery is uneven and more subdued than anticipated in April. On the positive side, the recovery in the United States is gaining ground, implying an eventual normalization of financial conditions but also greater uncertainty about the implications of future policies. A stimulus-induced growth spurt is underway in Japan, while the euro area is slowly climbing out of recession. However, growth in emerging market and developing economies is slowing on tighter financial conditions and increasingly binding supply-side constraints. Moreover, downside risks to the recovery in advanced economies persist, and stability concerns have increased amid heightened market volatility, particularly in some emerging market economies (EMEs) with weaker fundamentals.

3. **Membership's policy record.** Policies implemented across the membership after the crisis staved off a depression and took tail risks off the table. Cooperative measures provided needed market liquidity, stimulated demand, and bolstered the global financial safety net, including by tripling IMF resources. However, progress in restoring resilience and supporting a more vigorous recovery by addressing deep-seated and widespread financial, fiscal, and structural impediments remains incomplete. Indeed, the membership's record on implementing the policy priorities identified in the last *Global Policy Agenda* has been uneven (Table 1).

Table 1. Assessment of the Implementation of Member Policy Priorities

Policy Priorities	Assessment	Comment
	<div style="display: flex; justify-content: space-around;"> <div style="background-color: #90EE90; padding: 2px;">Completed</div> <div style="background-color: #FFFF00; padding: 2px;">Partially implemented</div> <div style="background-color: #FF0000; padding: 2px;">Little or no progress</div> </div>	
Advanced Economies: Summary score		Uneven implementation.
Euro Area: Accommodative monetary policy. Ensuring access to financing at manageable cost for program countries. ESM should provide direct bank recapitalization.		Monetary policy continued to be accommodative, but more support is needed. Assisted program countries in regaining market access. Direct bank recapitalization framework not finalized.
Euro Area: Progress on single resolution authority, deposit insurance backed by common fiscal backstop. Integrated fiscal frameworks with stronger enforcement at union level.		Work to establish a single resolution authority begun. Little progress towards common deposit insurance framework or further fiscal integration.
Euro Area Countries: Tailor fiscal consolidation to country needs and anchor it in structural targets. Structural reforms to rebuild competitiveness and widen the tax base.		Many delivered fiscal adjustment; some still need to pace consolidation based on economic conditions. More progress needed on structural measures to rebuild competitiveness.
Euro Area Countries: Bank and corporate balance sheet repair to improve credit flow to SMEs.		Bank and corporate balance sheet repair has been progressing slowly.
Japan: More ambitious medium-term fiscal adjustment plans. Structural reforms to support future growth.		Monetary and fiscal stimulus increased. Consumption tax hike announced, but concrete medium-term plan still lacking. Structural reforms under discussion.
United States: Credible medium-term fiscal roadmap. Raise the debt ceiling in a timely manner.		Debt ceiling reset in May but no durable solution yet as renewal is pending again in October. No medium-term fiscal roadmap.
Other advanced countries: Rebuild policy space eroded by the crisis, and strengthen financial systems.		A number of countries have rebuilt policy space. Further reforms to improve financial stability are warranted.
Emerging Market Economies: Summary score		Policy implementation has slowed.
Recalibrate policies to guard against financial excesses, rebuild macroeconomic policy space, and to make their financial systems more resilient.		EMEs have delayed plans to rebuild macro policy space. Some progress on strengthening financial system resilience.
Tighten regulation and supervision, including macroprudential measures and capital flow measures when appropriate.		Several EMEs have tightened financial regulation and supervision. Limited progress in others that face rising corporate leverage and volatile capital flows.
Low-income Countries: Summary score		Encouraging progress.
Reform poorly-targeted subsidy regimes.		Many countries have taken steps toward reforming subsidies.
Commodity exporters: budget frameworks that smooth the impact of volatile commodity prices.		Some LICs have adopted mechanisms to smooth the impact of volatile commodity prices. Flexible budget frameworks remain to be established.
Financial sector deepening and improvements in regulation and supervision.		Some progress in banking regulation and supervision reform. Measures to improve financial sector deepening are still lacking.
Arab Countries in Transition: Summary score		Political instability constrains implementation.
Fiscal consolidation. Reform inefficient and poorly-targeted subsidies.		Fiscal consolidation has been postponed in a number of countries. Limited progress on fuel subsidy reforms.
Secure donor support for external official financing and improved trade access; greater exchange rate flexibility to protect international reserves.		Substantial regional donor support. Limited donor support from outside region, including Deauville partners. Greater exchange rate flexibility in some countries, but more progress is needed.






















Members are assessed on their progress implementing policy priorities identified in the Spring 2013 Global Policy Agenda (GPA). The income groups are aggregated using PPP GDP weights.

4. **Remaining legacy issues.** Reforms to address the legacy of the financial crisis and other previously identified structural weaknesses remain incomplete. The breathing space provided by accommodative monetary policies should be used to make progress on these issues.

- **Growth and jobs.** Progress is slow across the membership and unemployment, particularly among the young, remains unacceptably high in many places. Further policy actions are needed in advanced economies to avoid long-term unemployment turning structural, especially in many countries of the European Union. In many EMEs and low-income countries (LICs), efforts to create more employment are closely linked to reforms to remove supply-side bottlenecks.
- **High deficits and debt.** Fiscal consolidation is proceeding but at varying speeds, with policy buffers thinning as many countries are postponing adjustment in the face of weaker growth. Strengthening fiscal balances and reducing elevated debt burdens through credible adjustment programs that are tailored to country circumstances and supportive of long-term growth remains a key priority. Well specified medium-term consolidation plans are still lacking in some advanced and emerging market economies (including *Japan*, the *United States*, and *India*).
- **Global imbalances.** External imbalances have continued to narrow but only partly due to better policies. Further narrowing beyond cyclical effects requires fiscal consolidation and structural reforms for deficit countries and stronger domestic demand in surplus countries. The recent extension of the standstill on protectionist measures through 2016 by the G-20 leaders has reaffirmed the importance of free trade as an engine of global growth.
- **Financial system reform.** In spite of some progress, important gaps remain including in the areas of OTC derivatives markets and liquidity, cross border resolution, monitoring of shadow banking, and accounting standards. Fragmentation remains a concern, despite some steps to preempt the proliferation of uncoordinated national initiatives.

5. **Fund record.** With support from the membership, the Fund has made progress on specific deliverables outlined in the last *Global Policy Agenda*, even though many of the underlying tasks remain ongoing (Table 2). On October 10 the Fund obtained the required pledges to allow resources linked to the windfall gold sales profits to support the self-sustainability of concessional lending. Achieving the necessary acceptances to make the 2010 quota and governance reform package effective remains a major outstanding issue, delaying progress on reforming the IMF's quota and governance structure.

Table 2: Progress on IMF Deliverables
(May - October 2013)

Completed	Ongoing	Delayed			
<p>Surveillance</p> <ul style="list-style-type: none">  Early Warning Exercise; LIC Vulnerability Exercise ¹  Conventional and Unconventional Monetary Policy  Cluster based Article IVs  Financial Surveillance Strategy progress report  Triennial Surveillance Review concept note 			<p>Deficit and Debt</p> <ul style="list-style-type: none">  Reassessing fiscal policy  Banking to sovereign stress  Sovereign debt restructuring  Debt limits review: proposals 		
<p>Lending/Global safety Net</p> <ul style="list-style-type: none">  Global liquidity indicators  Reserve adequacy  FCL/PLL/RFI review  Monetary policy conditionality in LICs 			<p>Jobs and Growth</p> <ul style="list-style-type: none">  Guidance note on jobs and growth  LICs long-term prospects 		
<p>Strengthening Financial Systems</p> <ul style="list-style-type: none">  Supporting regulatory reforms  Macprudential policies  Systemically important financial sectors list 			<p>Global Imbalances/Spillovers</p> <ul style="list-style-type: none">  Pilot External Sector Report; Spillover Report ¹ 		
<p>Governance</p> <ul style="list-style-type: none">  Transparency policy review  2010 reforms/15th General Review of Quotas 					

¹ Committed reports have been delivered on schedule but further work is planned.

Source: Spring 2013 Work Program.

6. **Risks.** Downside risks to the outlook persist. Financial, fiscal, and structural impediments continue to weigh on the recovery. With growth dynamics improving in the United States, the prospects of asynchronous shifts in policy stances raise important transition challenges and spillover risks. While strengthened policy frameworks and buffers afford some protection against such spillovers, many EMEs may still be exposed to heightened volatility and financial stress. In addition, geopolitical risks remain elevated.

- **Advanced economies**—Reliance on unconventional monetary policy (UMP) needs to be supplemented by other policies. The recovery could be held back by the detrimental impact of financial fragmentation, debt overhangs, and impaired balance sheets on credit in the euro area, or more front-loaded fiscal consolidation in the United States. In Japan, “Abenomics” risks missing the mark if it remains based on just the monetary arrow.
- **Emerging market economies**—Activity is slowing despite accommodative policies amid tightening financing conditions. With an eventual exit of the United States from UMP, EMEs could experience further market volatility and pressure, including possibly severe balance of payments disruption in countries with weaker fundamentals. Space for demand support policies through government spending and lending (including through the shadow banking in China) is approaching its limits and can no longer be relied on as engine for growth. At the same time, structural bottlenecks are becoming more binding in many countries and could manifest themselves in further downward surprises to growth.
- **Low-income countries**—Many LICs are vulnerable to a significant slowdown in global growth and commodity prices, particularly small and fragile states. Some “frontier market”

economies that recently attracted significant portfolio capital inflows are vulnerable to capital flow reversals triggered by broader shifts in global investor sentiment.

7. **The challenge ahead.** The main challenge for the membership is to break the cycle of subdued growth and recurring market jitters that has characterized the recovery so far. This requires strengthening policy implementation and carefully managing multiple transitions that are already underway. These transitions include the normalization of global financial conditions, with its associated policy spillovers; a shift in global growth dynamics, with a rising contribution from advanced economies and lower underlying growth in EMEs, and a rebalancing of global demand; and the completion of global financial system reforms to promote greater stability. The following sections summarize the policy priorities for the membership in the next 6 to 12 months and the Fund's focus in providing support.

TUNING THE ENGINES OF GROWTH

8. **More ambition.** More ambitious policy implementation is needed to achieve sustained, strong, and balanced growth with financial stability going forward. While the desired policies vary with country circumstances, there is a need to decisively accelerate the pace of structural reforms, taking advantage of the breathing space that monetary accommodation is affording. Other priorities of broad applicability across the membership include the need to address high fiscal deficits and public debt to rebuild room for policy maneuver, and steps to achieve more inclusive growth.

A. Advanced Economies—More Robust and Sustainable Growth

9. **Shifting gear.** Macroeconomic policies need to remain supportive until the recovery is robust, with growth-friendly fiscal consolidation anchored by credible medium-term plans. This can help reduce the pressure on monetary policy. Steadfast progress on financial, fiscal, and structural reforms will be essential to secure a sustained return to growth.

- **United States**—Policymakers need to carefully manage the normalization of financial conditions, communicating the exit strategy clearly and strengthening financial supervision and appropriate oversight of shadow banks. Ending the government shutdown, raising the debt ceiling expeditiously, and replacing the budget sequester with a more balanced and gradual pace of fiscal consolidation in the short-term can help avoid recurring uncertainties and support the nascent recovery. Anchoring these short-term actions in a multi-year consolidation plan that tackles entitlement and tax reforms remains important.
- **Euro area**—Further conventional and unconventional monetary support is needed to support demand and prevent an escalation of financial fragmentation in the near term. More actions are required to mitigate risks from the nexus between high private debt and impaired bank balance sheets, and address the remaining architectural issues to complete the banking union. At the national level, implementing reforms to resolve long-standing labor and product market rigidities would help boost competitiveness and potential growth. A revival of credit to the real economy hinges on more progress in restructuring, resolving, and recapitalizing banks and addressing the debt overhang in the corporate sector, especially in stressed economies.

- **Japan**—Ambitious medium-term consolidation along with decisive actions to invigorate growth are needed to ensure success of “Abenomics”. Revenue efforts, in particular increases in the consumption tax rate, should be complemented with measures to contain entitlement spending.
- **The Fund’s focus**—(i) advise on appropriate calibration of the macroeconomic policy mix, including UMP, and analyze potential cross border spillovers; (ii) provide analysis on the design of future monetary and fiscal policy frameworks; (iii) advise on policies and provide technical assistance to help address legacy issues; (iv) continue to help develop and monitor well-designed programs; (v) support countries in managing their debt; and (vi) in collaboration with other institutions, discuss and propose tailored structural reforms to enhance growth and encourage labor force participation and job creation.

B. Emerging Market Economies—Soft Landings and Reviving Growth

10. **Addressing stability and growth challenges.** Facing increasingly challenging trade-offs and rising vulnerabilities, policymakers need to respond proactively and flexibly. Demand support policies should be balanced with actions to address building credit and sustainability risks, higher capital flow volatility, and slowing potential growth. Recent market volatility has underscored the importance of sound macroeconomic fundamentals and policy buffers to cope with spillovers. The Fund is prepared to deploy its resources when requested to support its members, including in conjunction with regional financing arrangements. Experience has shown—for instance in the case of *Mexico*—the benefits of timely mobilization of precautionary resources in times of heightened market volatility and uncertainty.

- **Monetary and exchange rate nexus**—Policy responses should be anchored by sound and credible monetary policy frameworks. Where inflationary pressures persist (*Brazil, India, Indonesia, Russia*), scope for monetary support is limited. Currencies should be allowed to adjust to changing fundamentals, with safeguards—including possible intervention to smooth excessive volatility in countries with adequate reserves—to prevent risks of disorderly adjustment. The provision of adequate liquidity, including in foreign currency, can help attenuate risks to financial market stability. Capital flow management measures on outflows would only have a temporary role in crisis-type situations, as part of a broader policy package. Prudential measures can ensure that credit quality and poor underwriting standards are addressed.
- **Fiscal policy**—Countries with strong fiscal positions should allow automatic fiscal stabilizers to act but avoid stimulus unless to fend off a major slowdown. Fiscal positions should continue to be strengthened gradually in countries with high debt levels (*Brazil, Hungary, India, Jamaica, Poland, Malaysia*), already large fiscal deficits (*India*); or substantial increases in quasi-fiscal activities (*Venezuela*). Elsewhere, more cautious fiscal management is warranted to rebuild buffers (*Russia*), along with a reorientation of public spending to categories that support long-term growth, while ensuring that equity goals are respected. Bringing quasi-fiscal operations into public accounts would improve macroeconomic management and transparency.

- **Structural issues**—Policymakers should also address structural obstacles to ease supply side constraints and enhance productivity growth, particularly in non-tradables. Policy responses vary across countries and may include reforms focused on accelerating infrastructure investment (*India, Brazil*), creating a more open trade and investment regime, deepening financial markets, and reducing labor market rigidities.
- **China**—Bold structural reforms are needed to contain growing credit risk and maneuver a smooth transition to consumption-driven growth. Interest rates should be liberalized and a more transparent interest-rate based monetary framework developed, supported by strengthened financial sector regulation and supervision, including of the shadow banking system.
- **The Fund's focus**—(i) assist members in preparing for and managing spillovers from the normalization of extraordinary monetary support in advanced economies; (ii) monitor and develop policies to tackle volatile capital flows, including through prudential measures; (iii) stand ready to assist countries that face market and financial pressures through well-designed programs; (iv) provide technical assistance and training to strengthen policy frameworks and institutions; (v) help identify structural constraints to growth and job creation, and provide tailored policy advice on how these can be overcome; and (vi) continue to implement a dedicated and active work program to support small states.

C. Low-Income Countries—Strengthening Resilience and Growth Dividends

11. **Sustaining growth in an uncertain world.** Most LICs have recorded solid growth in recent years, helped by strong domestic demand and generally favorable commodity prices. But handling new external shocks would pose challenges, particularly if commodity prices were to be hit hard.

- **Macroeconomic Policy Settings**—With persistent downside risks to the global outlook, stronger fiscal and foreign reserve positions can provide buffers should adverse shocks materialize. To safeguard critical investment programs, fiscal consolidation should focus on mobilizing domestic revenues and scaling back costly and poorly-targeted subsidy schemes. Commodity exporters should strengthen their fiscal frameworks, particularly non-resource revenue mobilization. “Frontier market” economies should flesh out contingency plans to manage the fallout from a possible sharp reduction/reversal in capital inflows.
- **Growth**—The contours of the policy mix to promote more inclusive growth over the medium-term are familiar: scaling up public investment, improving revenue mobilization and public service delivery, and promoting both financial deepening and access to finance. Policies to tackle the sub-par growth of many small states merit particular attention.
- **The Fund's focus**—(i) develop analytical capacity and policy advice in promoting inclusive growth, including on equity-enhancing fiscal policies; (ii) stand ready to assist members facing external pressures, including by reforming the Fund's debt limits policy to improve flexibility of borrowing, while maintaining debt sustainability; (iii) assist LICs in modernizing monetary frameworks in response to changing financial landscape; (iv) enhance financial sector surveillance in LICs; and (v) provide capacity building with special focus on sustaining revenue mobilization efforts, strengthening public financial management, and reinforcing fiscal regimes and frameworks for natural resource management.

D. Arab Countries in Transition—Managing Complex Circumstances

12. **Maintaining macroeconomic stability and supporting growth.** Heightened political uncertainties and security concerns continue to weigh heavily on confidence and economic activity in Arab countries in transition (ACTs). Maintaining macroeconomic stability and meeting social aspirations without dampening growth is the key challenge. However, the scope for action will remain circumscribed by political developments and the security situation.

- **Reviving growth**—Bold structural reforms are needed to boost competitiveness and inclusive growth, especially job creation. Crucial reforms include better business regulation and governance, improved access to finance, and greater labor and product market flexibility with adequate social protection. Where fiscal space is available, public spending on infrastructure and basic services can support activity in the short term.
- **Smart fiscal adjustment**—Fiscal sustainability and social equity concerns call for replacing generalized energy subsidies with targeted social protection for vulnerable groups. Moreover, public wages must be kept in check, revenue collection strengthened, and public investment and public service efficiency enhanced.
- **The Fund's focus**—The Fund remains strongly committed to support ACTs and will seek to scale up technical assistance and training to strengthen institutions and statistics, and provide financial support, including through programs already in place in Morocco, Tunisia, and Jordan.

POLICIES FOR AN INTERCONNECTED WORLD

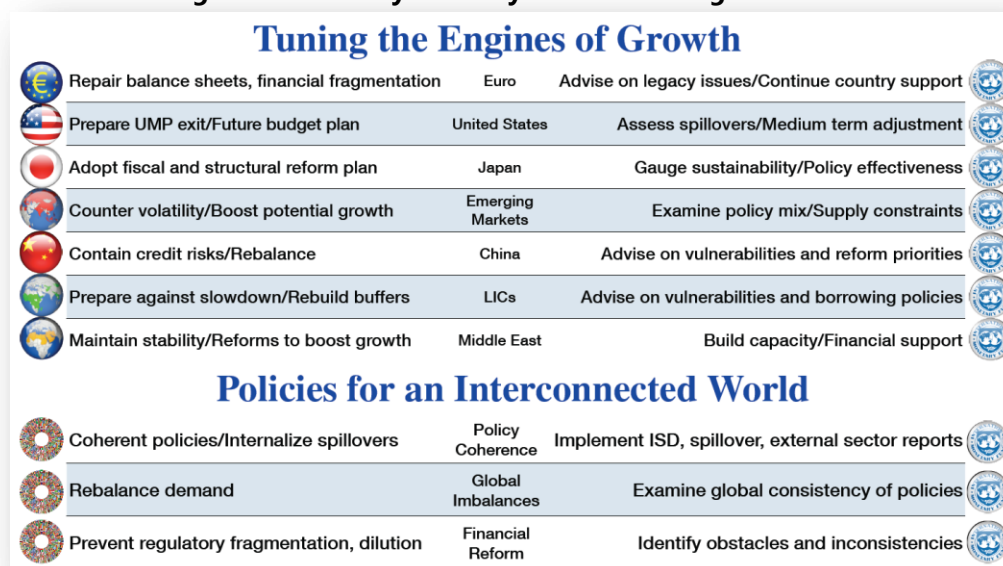
13. **Policy coherence.** The world has become more interconnected—a trend that is likely to intensify in the longer term. Coherent policies and concerted action can mitigate spillovers and stability risks, and help support growth and job creation. With its technical expertise, near-universal membership, and broad surveillance mandate, the Fund provides a unique forum for multilateral policy dialogue and information sharing that can help members prepare for the challenges of the ongoing transitions and facilitate concerted action and international cooperation, in particular on matters such as policy spillovers and global imbalances.

14. **Global imbalances.** Remaining policy gaps will need to be addressed in order to close external imbalances.

- **Surplus economies**—Building on progress already made, policies—including structural measures—are needed to increase internal demand on a sustainable basis (*Germany*) or change its composition toward domestic consumption (*China*). In *Japan*, growth-enhancing reforms should include deregulation of domestic services and agriculture, greater reliance on market-based financing of SMEs, and labor market measures to reduce duality and facilitate access for women.
- **Deficit countries**—Policies should increase external competitiveness through product and labor market reforms (*France*), while making gradual but sustained progress on fiscal consolidation (*United States*) without compromising spending on physical and human capital, R&D, and technology that affects medium-term potential growth (*United Kingdom*).

- **The Fund's focus**—(i) through implementation of the *Integrated Surveillance Decision*, the *Spillover Report* and pilot *External Sector Report*, the Fund will continue to analyze the multilateral consistency of policies and integrate spillover risks in bilateral surveillance; and (ii) expand cluster-based surveillance in the context of Article IV consultations to strengthen our assessment of risks from common shocks and consistency of policy responses.
15. **Financial system stability.** Implementation gaps need to be addressed to guard against the risk of dilution and inconsistencies across jurisdictions, and to complete the transition to a safer global financial system.
- **Membership**—Commitments need to be upheld, including in (i) timely and consistent implementation of the new capital, liquidity, and leverage rules; (ii) developing and implementing effective domestic and cross-border resolution regimes to address the too-big-to-fail problems; (iii) facilitating implementation of OTC derivative reforms through further cross-border coordination; (iv) strengthening prudential supervision; and (v) enhancing monitoring of shadow banks. Greater efforts are needed to coordinate national initiatives to put structural constraints on banking activities (along the lines of the Volcker rule), to help ensure that they do not impose undue costs on other jurisdictions.
 - **The Fund's focus**—Consistent with the *Financial Surveillance Strategy*, the Fund will (i) analyze the implications of sovereign-bank spillovers and of financial interconnectedness between countries; (ii) assess the implications of global regulatory reforms on EMEs and LICs, (iii) strengthen analysis of macrofinancial linkages in bilateral surveillance; (iv) reinforce technical assistance and training in financial sector oversight; and (v) continue to support data dissemination and the *G-20 Data Gaps* initiative.
16. **International taxation.** International tax issues have risen to prominence in the public policy debate. Uncoordinated national tax policies create cross-country spillovers and opportunities for avoidance and evasion, distorting economic activity and reducing tax revenues. The Fund will advance analytical work on the nature and extent of tax spillovers, and how countries should deal with them. This work will complement a two-year action plan spearheaded by the OECD to address strategies used by multinational companies to reduce their tax liabilities.

Figure 2. Summary of Policy Priorities Going Forward



STRENGTHENING THE FUND

17. **Governance and funding.** The Fund must be credible and financially strong to fulfill its roles and commitments to the membership. Credibility requires that the Fund's governance structures adapt to evolving realities in a global economy that will only become more multi-polar in the longer term.

- **Quota and governance reforms**—Prompt entry into force of the *2010 reform package* remains an imperative to bolster the legitimacy and effectiveness of the Fund. We are also committed to complete work on the *15th General Review of Quotas (GRQ)*, which offers an opportunity to review the adequacy and composition of Fund resources, as well as the distribution of quota shares. The 15th GRQ is expected to result in increases in the quota shares of dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. Steps will also be taken to protect the voice and representation of the poorest members.
- **Concessional resources**—Recent pledges that have allowed the windfall profits from gold sales to be used as part of a strategy to fund the *Poverty Reduction and Growth Trust (PRGT)* are very welcome. Members that have yet to commit their share of the profits to the PRGT are called upon to do so in a timely manner.
- **Diversity**—The Fund has made important progress on several diversity benchmarks, particularly on improving geographic and gender representation in senior/managerial positions, and on making the work environment more inclusive. We are committed to continue our efforts to achieve outstanding diversity benchmarks and strengthen inclusion.

18. **Entrenching a learning culture in the Fund.** The Fund needs to evolve permanently to respond to changes in the needs of its membership. We are committed to continuous learning through an ongoing dialogue with our membership and other stakeholders, including civil society; published ex-post assessments; reviews of country programs and lending facilities; and the implementation of recommendations made by the IEO. We are also looking ahead by reflecting on the challenges that may arise from global long-term trends for our membership (for example, aging, income distribution trends, environmental sustainability), and on how the Fund can and should assist within its mandate and diverse areas of expertise. Ongoing workforce planning aims to adapt and enhance the skill mix of our staff to meet these challenges and support the strategic direction of the institution over the medium and longer term.