THE MANAGING DIRECTOR'S GLOBAL POLICY AGENDA
MEDIUM-TERM DIRECTION FOR THE IMF

ANCHORING STABILITY AND PROMOTING BALANCED GROWTH

The world economy is at a pivotal juncture. Trade tensions have soared following the U.S. announcement of new tariffs and responses to them, elevating policy uncertainty, raising concerns about the future of the world trading system, and posing imminent and significant risks to global economic and financial stability. At the same time, transformative forces—digitalization/artificial intelligence (AI), demographic shifts, and climate transitions—are reshaping the economic landscape, creating opportunities and challenges. These developments are unfolding at a time when growth prospects are already weak and public debt is high, stifling countries' ability to create jobs and invest in the future. But the world economy does not need to be stuck in low gear. Countries can preserve stability, propel growth, and harness transformative forces by resolving trade tensions and embarking on well-calibrated policies and deliberate reforms.

The IMF was created 80 years ago to promote macroeconomic and financial stability, facilitate a balanced expansion of international trade, and ensure a smooth functioning of the world economy. Even as the world has evolved profoundly, the institution's mission is as relevant today as it was then. At this time of great flux in the world economy, when policymakers are focused on the immediate fallout from the trade issues, this Global Policy Agenda sets a high-level roadmap to ensure that the IMF continues to serve as a trusted advisor to policymakers, a reliable lender of last resort during crises to resolve balance of payments problems, a champion of strong policy frameworks, and a convener to confront common economic challenges. As we continuously adapt to changing conditions, we will remain engaged with our members to meet their needs over the medium and long term.

THE CONTEXT

Since the turn of the century, the world has seen significant growth and improved living standards. This expansion has been in large part driven by rapid technological progress and international trade and financial integration underpinned by a rules-based cooperative framework. By enabling a more productive use of resources, these developments have helped boost incomes, expand access to goods and services, provide opportunities for investment, and accelerate knowledge diffusion. Nominal per capita income in advanced economies (AEs) has more than doubled since the early 2000s, while hundreds of millions of people in emerging market and developing economies (EMDEs) were lifted out of poverty.

The world economy has also demonstrated resilience over the last five years in the face of the pandemic, the inflation surge, and wars and conflicts, including in Ukraine and the Middle East, which continue to impose a heavy humanitarian and economic toll. The shocks prompted policymakers to take extraordinary policy actions, including monetary easing and fiscal expansion during the pandemic, quick mobilization to support food and energy security, monetary tightening during the inflationary spike, and timely financial support to countries with balance of payments needs. Their actions have helped reduce unemployment rates to low levels in many economies and brought inflation close to target. Still, output remains well below pre-COVID forecasts in many countries. Low-income countries (LICs) have been scarred disproportionately by these shocks, and face slow recoveries, persistent unemployment, and inflationary pressures.

But the economic landscape is rapidly changing. Trade tensions have soared following the tariff announcements by the U.S. and responses to them, fueling a high level of uncertainty and market volatility, and threatening to stymie trade. These were in part driven by concerns about the uneven distribution of gains from economic integration, its impact on the international division of labor, supply chain security, and global imbalances. These trade tensions could test the economic and financial stability of individual countries and the world economy, and the resilience of the International Monetary System (IMS).

These challenges are unfolding at a time when the outlook is already clouded by low growth and high debt. Medium-term growth prospects have moderated, with sluggish growth reflecting flagging productivity, chronic underinvestment, and slowing labor force growth. Persistent low growth could stifle job creation and fuel poverty and inequality, exacerbating social discontent; it would also hinder convergence of EMDEs to higher income levels. Successive shocks have eroded policy buffers and led to record-high public debt levels. Mounting debt service, exacerbated by higher interest rates, has left many EMDEs with limited policy space to make investments or respond to shocks, further weakening growth prospects and increasing financial stability risks.

The current conjuncture with elevated uncertainty puts a premium on safeguarding macroeconomic and financial stability. Sudden shifts in trade flows, an abrupt repricing of financial assets, or disorderly exchange rate adjustments could undermine macroeconomic and financial stability. Another financial crisis would be devastating for the world, its people, and their livelihoods. Growth could stall for years as debt escalates, with potentially destabilizing spillovers to other countries. The current environment thus demands building resilience and buffers, as well as agile policies to mitigate shocks. Central banks must deliver on low and stable inflation, and their independence must be preserved. Supervisory agencies must safeguard financial sector stability by maintaining robust regulation and supervision and enhancing the monitoring of vulnerabilities in nonbanks. Governments should ensure that debt remains on a sustainable path, while leveraging fiscal policy to catalyze growth-enhancing reforms.

Meanwhile, transformative forces shaping the world economy present opportunities and challenges. New digital technologies, demographic shifts, and climate transitions hold the potential to fundamentally lift countries' growth trajectories, provided that the right policies are in place. Digitalization and generative AI in particular open vast opportunities to jumpstart productivity and accelerate innovation. A growing youth population in many EMDEs has the potential to produce a significant demographic dividend, while the shift toward energy security and efficiency opens opportunities for innovation and jobs. At the same time, the rise of AI has raised concerns about job displacement, and digitalization creates risks from alternatives to traditional banking and new forms of digital assets and payments. Population ageing, especially in many AEs, threatens to reduce economic dynamism and strain public finances, and the rising frequency and intensity of natural disasters are causing increased economic damage, with small island and developing economies—many fragile and conflict-affected—most vulnerable.

Deliberate policy reforms can pave the way for tapping countries' growth potential. Domestic reforms are urgently needed to enable private sector-led economic transformation, especially since trade could become a less reliable source of growth. Policymakers should improve the business environment, streamline excessive regulation, fight corruption, and foster innovation and technology adoption to drive productivity. Structural reforms and fiscal policies need to be carefully integrated and calibrated to maximize gains and ensure that they are widely shared, thus helping secure broad public support. The resultant higher growth could help countries grow out of their debt and boost their overall economic resilience. New regional and cross-regional economic integration could also offer opportunities to diversify partnerships and generate greater efficiencies than inward-looking strategies.

THE IMF'S ROLE AND PRIORITIES

Since its founding in 1944, the IMF has assisted countries' efforts to secure economic stability and growth through its unique role as macroeconomic policy advisor and financial firefighter in times of crises. IMF support integrates evidence-based policy advice, deep technical expertise through tailored capacity development, and, when necessary, lending to resolve balance of payments problems through policy adjustment. In this rapidly evolving world, amid high uncertainty, we will stay at the forefront of the emerging challenges and continue to serve with strong emphasis on macroeconomic and financial stability, private sector-led growth, and identifying solutions to shared challenges.

The IMF will stay focused on promoting macroeconomic and financial stability. We will leverage the institution's wealth of experience in economic policy analysis to support countries' efforts to build resilience to crises and resolve them when they occur. Our capacity development (CD) will continue to prioritize building stronger institutions and policy frameworks in EMDEs, especially LICs and fragile and conflict-affected states (FCSs). Additionally, we will review our lending toolkit to ensure it remains well-equipped to provide insurance against shocks and facilitate the orderly resolution of balance of payments (BoP) problems.

The IMF will help countries build economies for lasting growth—key to more jobs and higher incomes. Growth requires stability, and stability requires growth. First and foremost, the IMF contributes to sustained growth through our policy advice to build resilience and mitigate risks. Beyond that, we will work with countries—leveraging our ability to draw on international best practices—to offer tailored advice in macro-structural, fiscal, and financial reforms to boost investment, productivity, jobs, and incomes.

The IMF will provide a platform for countries to find cooperative solutions for shared economic challenges. Thanks to our near-universal membership, the IMF is uniquely placed to promote a dialogue among policymakers. True to our mandate, we will facilitate balanced growth of international trade. To this end, it is crucial to find constructive solutions to resolve trade tensions. A rules-based and level playing field is necessary, including by avoiding distortive policies designed to secure a competitive advantage and measures that impede the flow of trade. We will continue our efforts to identify excess imbalances and provide policy advice to promote an orderly rebalancing and reduce financial frictions that could interact with imbalances to undermine the stability of the IMS. Finally, we will support international efforts to tackle debt vulnerabilities and will assess the Global Financial Safety Net (GFSN) and its ability to safeguard global financial stability.

MAIN ELEMENTS OF AN IMF RESPONSE

The IMF response will be anchored on the key pillars of our work and exploiting synergies across them. Specifically, we will: 1) further sharpen the focus of surveillance; 2) address debt challenges; 3) fortify the lending toolkit and the Global Financial Safety Net; 4) enhance capacity development; and 5) maintain a strong and agile institution.

FURTHER SHARPENING THE FOCUS OF SURVEILLANCE

The IMF is the only organization with a mandate to regularly assess the economic health of our 191 member countries and synthesize this analysis to form a comprehensive view of the world economy. Bilateral and multilateral surveillance are the primary tools for conducting this diagnostic and providing policy advice. We will continue to uphold the analytical rigor, evenhandedness, and the tailored policy advice that define our surveillance. The complex and shifting economic landscape demands that we stay agile and strengthen analysis and advice in macroeconomic and financial policies—i.e., monetary, fiscal, exchange rate, and financial sector policies—to ensure and preserve stability. To that end, the forthcoming Comprehensive Surveillance Review (CSR) will develop surveillance priorities and modalities for the next 5 years.

- **Granular advice on fiscal policy.** Most AEs and EMDEs require sustained fiscal adjustments, formulated as part of a medium-term plan, to rebuild depleted fiscal buffers and ensure debt sustainability. We will enhance our support to countries to help calibrate the pace of adjustment and its composition between revenue and spending, as well as navigate complex intertemporal tradeoffs that take account of longer-term spending needs (e.g., ageing, energy transition, and national defense). Our fiscal policy advice will be geared toward supporting future growth and preserving social cohesion by helping countries protect essential investment and ensure fair burden sharing, drawing on distributional impact analysis. It will also aim for greater efficiency and equity in revenue mobilization as well as efficiency and productivity in public spending. Finally, the IMF will continue to help countries seeking to integrate climate risks in their macroeconomic policies, including by building buffers, investing in resilience, and improving fiscal risk management in response to natural disasters, in collaboration with other institutions.
- **Monetary and exchange rate policies.** Monetary policy will likely become more challenging as economies—especially EMDEs—face more frequent shocks and ongoing transformations alter its transmission and the exchange rate pass-through. We will continuously update our analytical toolkit and advise countries on monetary policy, including interactions with fiscal policy, and on managing disruptive capital flows and exchange rate volatility, guided by the Integrated Policy Framework. We will continue to make the case for central bank independence and clear communication as crucial for policy credibility and the ability to keep inflation in check.
- **Financial surveillance to keep up with rapid innovation.** Finance is rapidly evolving, driven by the rise of non-bank financial institutions (NBFIs), crypto assets, new payment platforms, and the use of AI. As these transformations take hold, we will continuously upgrade our tools to assess emerging macrofinancial risks, including from financial innovations and climate risks. The forthcoming Review of Financial Sector Assessment Programs will guide our efforts to deepen macrofinancial analysis in bilateral surveillance and produce cutting-edge analysis of risks from changes in the financial system, including the growing nonbank-bank nexus, cross-border exposures, innovations in digital payments, and cyber risks. We will also help countries find the right regulatory balance to harness the benefits of innovation and support growth while preserving stability. These efforts will be supported by our joint work with the Bank for International Settlements and the Financial Stability Board to develop frameworks that foster innovation while mitigating risks and to safeguard the stability of the cross-border payments system.

- **Growth-enhancing reforms.** Partnering with other international organizations and drawing on best practices and relevant expertise, we will support countries in pursuing reforms to lift productivity and private sector-led growth. These include strengthening governance, opening markets to competition, and improving labor markets, including raising female labor force participation, to help counter the impact of a shrinking workforce. We will also support countries in financial sector reforms to develop capital markets and a resilient financial system to channel domestic and foreign savings to productive sectors. Finally, fiscal reforms can be a powerful catalyst by removing ineffective subsidies, boosting infrastructure investment, supporting structural reforms, and rewarding innovation through a coherent tax system, all of which help crowd in private investment and strengthen growth.
- **IMS, external imbalances, and spillovers.** In line with our mandate, we will continue the rigorous assessment of external imbalances and recommend multilaterally consistent, country-specific policy changes to achieve healthy rebalancing, including orderly exchange rate adjustments, with some countries needing to raise domestic demand and others needing to contain fiscal deficits. This will be covered in our bilateral Article IV consultations and the 2025 External Sector Report, which will also review developments in the IMS. We will deepen our analysis of how changes in finance, cross-border capital flows, and the use of currencies could impact the functioning of the IMS. With the proliferation of trade and industrial policy measures, we will continue to assess their spillovers and enhance coverage in surveillance.
- **Adapting surveillance.** Over the years, as the complexity of economic problems swelled and structural factors have become integral to macroeconomic stability, surveillance has adapted by expanding its coverage to critical structural areas. As the economic landscape shifts again, we will adapt and further refine our surveillance to deliver maximum value to our membership within available resources and our expertise. To that end, the CSR will develop high-level principles to guide institutional engagement in structural areas, including depth, breadth, and frequency. These principles will explore additional filters—such as enterprise implementation risk, required expertise, and budget implications—to the standard macro-criticality criterion for coverage of structural issues in surveillance.
- **Surveillance modalities.** The IMF's three layers of surveillance products—multilateral, regional, and bilateral—offer unrivaled advantage to monitor, link, and explain developments in the world economy. We will strengthen the synergies across the layers by better integrating and cross-pollinating our analytical work and policy findings, including with respect to spillovers from financial innovations, imbalances, and trade and industrial policies. Moreover, as regional and other economic blocs evolve, we will explore opportunities to enhance our engagement with such arrangements. We will strengthen our engagement with FCSs and small states as guided by our Strategy for Fragile and Conflict-Affected States and the Guidance Note on IMF Engagement with Small Developing States. To enhance the quality of Article IV consultations and make them more adaptable to members' needs, the CSR will explore the scope for modernizing and streamlining the content and structure of reports. Furthermore, we will assist member countries in identifying data gaps and strengthening reporting as the foundation for better surveillance.

ADDRESSING DEBT CHALLENGES

The IMF plays a leading role on debt issues through our analysis of debt vulnerabilities and support of international efforts to address them. While the risk of a systemic debt crisis appears broadly contained, debt vulnerabilities are elevated in many EMDEs, including from high interest payments and refinancing needs. We will advance initiatives to strengthen the debt architecture, including the Common Framework (CF) and the Global Sovereign Debt Roundtable (GSDR) launched jointly with the World Bank and G20 Presidency. Looking ahead, the IMF will work on:

- **Restructuring processes.** We will continue to help strengthen the CF, including through our contributions at the G20 and work at the GSDR, and technical support in individual restructurings. At the request of debtors considering debt restructuring, we will provide scenario analyses and information on the operational aspects of the restructuring process and application of IMF policies, while preserving the institution's role as a neutral advisor. The GSDR could also play a stronger role, such as publishing best practices and continuing to identify ways to address debt and debt restructuring challenges, including preventing the build-up of unsustainable debt.
- **3-pillar approach to address liquidity pressures.** Proposed jointly with the World Bank, this approach aims to support countries whose debt is sustainable but who face high debt service which crowds out productive public spending. It calls for structural reforms, spending efficiency, and domestic resource mobilization (Pillar 1), coordinated international efforts to secure adequate financial support from bilateral and multilateral partners (Pillar 2), and, where relevant, measures to reduce debt servicing burdens, such as deploying risk-sharing instruments, to attract private capital inflows (Pillar 3). This conceptual approach is being implemented flexibly based on country's specificities, including with capacity development support.
- **Evolving debt landscape.** We regularly update our own debt policies and contribute to the international debt agenda. Upcoming work includes an update to the 2020 stock take on the international architecture for resolving sovereign debt involving private sector creditors, and the finalization of the Review of the Debt Sustainability Framework for Low-Income Countries, to ensure it remains fit for purpose as the key tool to assess debt vulnerabilities in LICs. The forthcoming Sovereign Risk and Debt Sustainability Framework guidance update will further simplify the implementation of the framework. Medium-term work will also include the review of the financing assurances policies, lending into arrears policies, and role of the IMF in debt restructuring.

FORTIFYING THE LENDING TOOLKIT AND THE GLOBAL FINANCIAL SAFETY NET

The IMF plays a unique role in the Global Financial Safety Net underpinned by our almost universal membership and catalytic nature of our financing. Our temporary lending, supported by appropriate conditionality, provides safeguards to creditors that a borrowing member will resolve its BoP problem and repay the IMF on a timely basis to enable the revolving nature of IMF's resources. We have consistently adapted our lending toolkit to meet members' evolving needs, while preserving the strength of our balance sheet. Given the shock-prone world and the shifts in the economic landscape, it is useful to assess once again if the toolkit remains adequate, including to encourage countries facing BoP pressures to seek assistance sooner and thereby avoid costly adjustments. Meanwhile, even as other layers of the GFSN have grown significantly over time, they remain largely uncoordinated and unevenly accessible.

- **Crisis resolution.** The recent Charges and Surcharges Reform has significantly lowered members' borrowing costs. The full implementation of the Poverty Reduction and Growth Trust Reform approved in parallel is now essential to bolster our capacity to support LICs while restoring the self-sustainability of the Trust. Looking ahead, there are several reviews in the pipeline that will afford the opportunity to take stock of the lending toolkit. We are launching the Review of Program Design and Conditionality which will identify ways to ensure that IMF-supported programs are designed to assist members in addressing macroeconomic imbalances while promoting growth in a complex and evolving environment. In addition to program design aspects, the review will aim to examine whether the nature of BoP problems supported by some General Resource Account arrangements have evolved over time to become more entrenched than in the past. Further, the forthcoming Review of the Exceptional Access Policies (EAP) will examine the adequacy of the EAP in balancing trade-offs between providing large financing to borrowers and safeguarding IMF resources. The planned Review of the Resilience and Sustainability Trust will take stock of the experience thus far and assess, among other things, eligibility, access levels, and scope of the long-term BoP challenges it addresses. Finally, we will reflect on the adequacy of the lending toolkit to swiftly respond to systemic shocks, while maintaining necessary safeguards.
- **Precautionary facilities.** We will continue to explore ways to strengthen our precautionary facilities to make them more useful to the membership as a crisis prevention tool, including in the context of the forthcoming Review of the Short-Term Liquidity Line.
- **GFSN and coordination among layers.** Changes in the world economy call for a GFSN that is more cohesive, closely coordinated, and focused on countries' needs. In a forthcoming paper, the IMF will assess the GFSN and its ability to safeguard financial stability, prevent contagion, and respond to risks arising from transformative forces, including digitalization and AI. To improve coordination among GFSN layers, the IMF will work closely with Regional Financing Arrangements (RFAs) and explore avenues for greater collaboration and information sharing. We will also advocate for enhanced data disclosure, particularly regarding central bank swap arrangements and their terms, as key for more effective responses to shocks.

ENHANCING CAPACITY DEVELOPMENT

Capacity development is a core pillar of IMF support to members, taking on an even greater role in the new environment. CD is integrated with surveillance and lending to provide evidence-based and granular policy advice to member countries. Through its worldwide reach via regional training centers and institutes, CD plays a crucial role in helping countries, particularly LICs and FCSs, develop human capacity and build stronger institutions, which are key prerequisites to achieving sustained economic growth and reducing the risk and severity of financial downturns. A good example is the Joint Domestic Resource Mobilization Initiative which we launched with the World Bank to help EMDEs boost public revenue, enhance spending efficiency, and develop domestic capital markets as part of the 3-pillar approach to raise financing for development.

We are making CD delivery more flexible, tailored, and better integrated with policy advice and program design, as set out in our 2024 Capacity Development Strategy Review. Looking ahead, we will modernize CD delivery by leveraging new technologies, enhancing the effectiveness of field presence through our network of regional capacity development and training centers, and reinforcing coordination with partners to improve traction, efficiency, and funding of CD. We will develop a stabilization mechanism to mitigate funding risks to sustained CD provision. We will also aim to further integrate CD with modern tools to the IMF's surveillance and lending activities and internal economic analysis. It will also be critical to maintain the ability to scale up CD during crises, to help accelerate recovery.

MAINTAINING A STRONG AND AGILE INSTITUTION

The IMF's strength lies in the commitment and support of our members. The IMF's quota-based structure has served the institution well. Members expressed confidence in a quota-based IMF with their approval of a 50 percent quota increase under the 16th General Review of Quotas (GRQ) in 2023. Work towards its implementation is ongoing. Meanwhile, we continue working with the membership on quota realignment under the 17th GRQ to ensure the institution's continued legitimacy and representation.

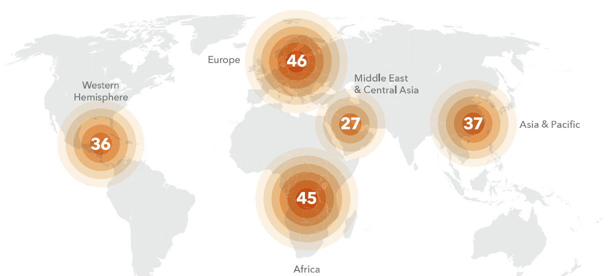
The IMF is an agile and focused institution that has been an efficient and prudent steward of members' resources. While the size of our membership and the complexity of the issues we are called to address have increased over the years, our administrative budget is roughly the same in real terms as it was two decades ago. We have responded nimbly to the demands of the membership even as economic policymaking has become more intricate and complex. We have absorbed a doubling of program countries since 2020, requests for more granular policy advice, and a significant rise in demand for CD—aided by support from partners, while meeting new challenges from AI and cybersecurity. We continue to seek efficiency gains, including through periodic policy reviews and an ongoing streamlining exercise of our operations to make space for the highest priority needs. We partner closely with other international organizations to leverage their areas of expertise and maximize our joint support to member countries. We are evaluating the IMF's global presence to ensure that it aligns with the new environment, while being mindful of cost efficiency and best value to the membership. Finally, we will continue enhancing our enterprise risk management to ensure that relevant trade-offs in the IMF's decision making are fully considered.

The IMF's success is built by our talented and professional staff, dedicated to the IMF's mission and whose high-quality work is appreciated across the membership. We remain committed to attracting and retaining top talent from around the world. As we prepare for new challenges, we will continue to build a versatile workforce equipped with the right blend of skills and experience. We will also leverage new tools, including AI, to enhance the efficiency of our work and improve the well-being of our staff.

INTERNATIONAL MONETARY FUND AT WORK

SURVEILLANCE

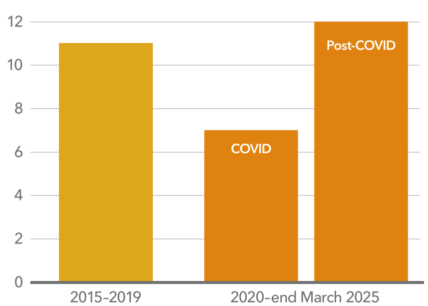
We provided macroeconomic and financial policy advice to our wide membership.



191 countries

Number of countries covered by at least one Article IV Consultation or Financial Sector Assessment Program, 2020 to end March 2025.

Our bilateral surveillance continued despite travel disruptions due to the pandemic.

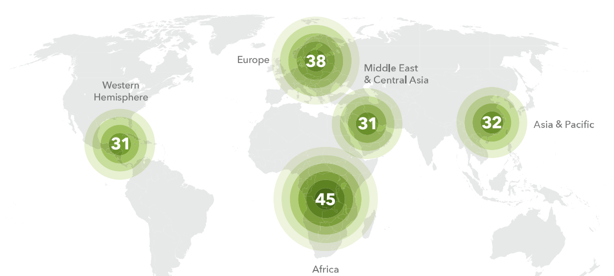


Average of 150 bilateral, regional, and multilateral surveillance products every year.

Average number of Article IV Consultations conducted per month.

CAPACITY DEVELOPMENT

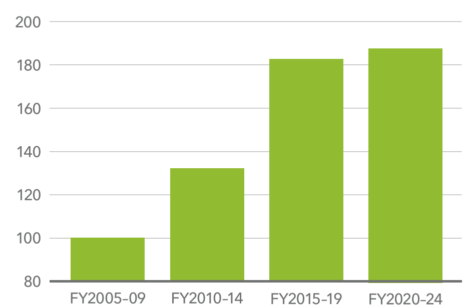
Every region of the world benefited from our CD to strengthen their institutions and policy frameworks.



177 countries

Number of countries to which capacity development was delivered, May 2022 to February 2025.

CD delivery has grown significantly, and +225k people have participated in online learning since 2013.

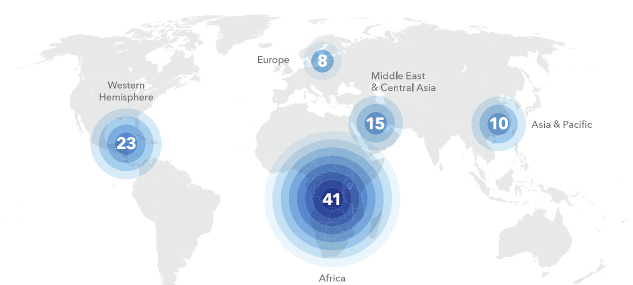


Nearly 4,000 projects delivered since 2022.

Index of staff time spent on CD, FY2005-09=100.

LENDING

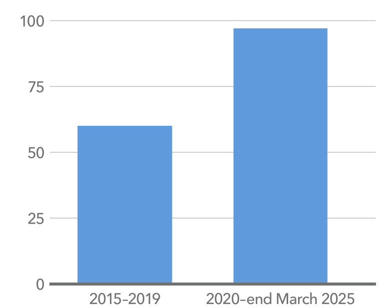
A large number of countries benefited from our lending since the pandemic.



97 countries

Number of countries that received commitment from IMF for financial support, 2020 to end March 2025.

We stepped up our financial support to help members navigate successive shocks.



More members benefited.

Number of countries that received commitment from IMF for financial support.

INTERNATIONAL MONETARY FUND AT WORK

SURVEILLANCE

Our policy advice draws synergies from multilateral and regional surveillance products.

MULTILATERAL

REGIONAL

Bilateral surveillance covers all country groups and is tailored to country circumstances.

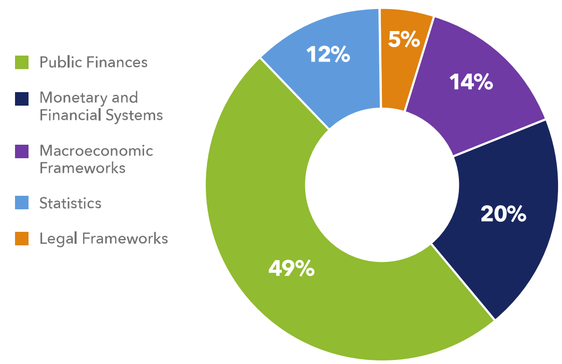
BILATERAL*

	Advanced Economies	Emerging Market & Middle-Income Economies	Low-Income Developing Countries
(Number of Countries)	(44)	(96)	(60)
Article IV Consultation	168	289	126
Financial Sector Assessment Program	18	23	2
Total number by income group	**186**	**312**	**128**
Total number: **626**			

*Total number of Article IV Consultations and Financial Sector Assessment Programs conducted during the period 2020 to end March 2025. Includes Special Administrative Regions, such as Hong Kong.

CAPACITY DEVELOPMENT

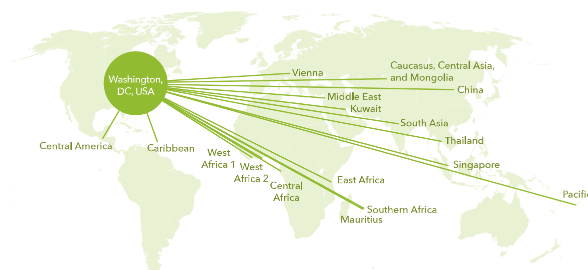
Most of our CD focused on building capacity in fiscal, monetary, and financial policy areas.



Delivery in FY25. May 2024 to end February 2025.

Regional offices are helping to deliver CD that is flexible, tailored, and integrated.

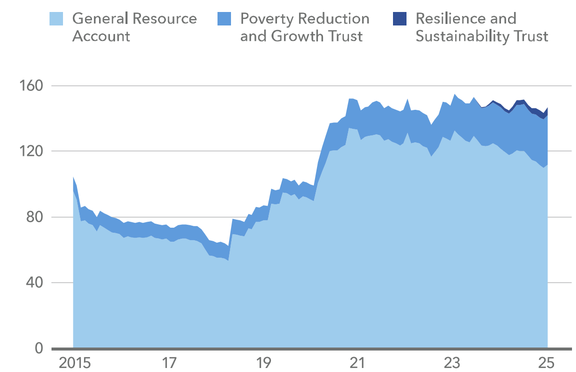
REGIONAL TRAINING AND CAPACITY DEVELOPMENT CENTERS



Capacity Development work of the IMF.

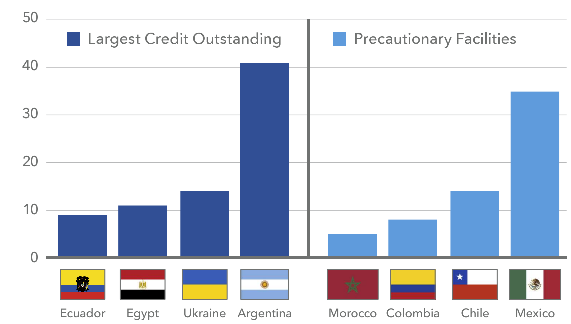
LENDING

IMF credit has grown in recent years, reflecting countries' increased need for financing.



Credit outstanding, US dollars, billions, monthly, 2015 to end March 2025.

Financial support approved by the IMF.



US dollars, billion, as at end March 2025. Precautionary facilities reflect Flexible Credit Lines currently approved.