THE MANAGING DIRECTOR’S GLOBAL POLICY AGENDA 2024
REBUILD, REVIVE, RENEW
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Spring Meetings 2024
REBUILD, REVIVE, RENEW
The global economy appears headed for a soft landing. Economic activity has shown resilience in many parts of the world despite a series of adverse shocks. Since last fall, the forecast for global growth in 2024 has been upgraded to 3.2 percent from 2.9 percent, although the aggregate masks continued weaknesses in some countries, giving rise to a widening cross-country divergence. Inflation has fallen faster than expected in most regions thanks to still-tight monetary policy, easing supply pressures, and the unwinding of earlier energy price rises. Risks to the outlook are increasingly balanced, although salient downside risks remain. Much rests on the near-term path for inflation and interest rates, particularly with recent data indicating persistence in inflation, asset prices and financial sector risks, fiscal policy, as well as geopolitical developments.

But buffers have been eroded, and growth prospects are lackluster… The extraordinary policy response to successive shocks depleted buffers, leaving countries with reduced policy space and elevated debt levels. And all this while medium-term global growth is forecast at just 3.1 percent, well below the 3.8 percent average over 2000–19. Growth is being held back by weak productivity, in part owing to misallocation of capital and labor, while geoeconomic fragmentation threatens to undo decades of gains from cross-border economic integration. …leaving vulnerable countries at risk of falling further behind.

The decline in growth prospects relative to historical levels is especially pronounced in emerging market and developing economies (EMDEs), making it more difficult for them to converge toward higher income levels and, for some, to tackle climate change, reduce poverty, ensure food security, and progress toward the Sustainable Development Goals. This is of particular concern in a number of vulnerable countries, which, despite the recent easing of financial conditions, continue to face acute liquidity pressures, with elevated debt service crowding out vital investment and social spending.

Strong policy action is needed to fortify the landing zone and deliver lasting prosperity for all. The key priorities are to: (1) rebuild buffers that have been depleted by shocks; (2) revile sustainable and inclusive medium-term growth; and (3) renew the IMF’s commitment to ensure, with the support of our members, that our policies, lending toolkit, and governance remain fit for purpose.

The IMF strives to chart with its members a course toward expanding economic opportunities. Firmly grounded in our mandate to promote international monetary cooperation, facilitate the expansion and balanced growth of international trade, and promote exchange and macroeconomic stability, we play our part in ensuring shared prosperity in an interconnected world and maintaining the resilience of the international monetary system. This requires multilateral cooperation, as does making progress on other vital issues of common interest—addressing debt vulnerabilities, mitigating the existential threat of climate change, and harnessing digitalization, including artificial intelligence (AI). Working with our members and in partnership with other international organizations, we provide thought leadership and a platform to find solutions to global macroeconomic challenges. And we continue providing tailored policy advice for members to navigate the complex global conjuncture, stand ready to deploy our financial resources to members in need, and support institution-building through our capacity development.
REBUILDING BUFFERS...

A shock-prone world calls for maintaining sufficient buffers. Ongoing wars and conflicts— including Russia’s war in Ukraine and the conflict in Gaza and Israel—continue to impose a heavy burden on the global economy. Securing peace around the world remains the prerequisite for stability and prosperity. With a soft landing in sight and central banks expected to ease monetary policy, policymakers’ focus needs to pivot toward fiscal consolidation to safeguard public finances. That said, falling confidence in governments and institutions in some parts of the world means that rebuilding trust in policymaking will be just as important as policies themselves.

• Shift focus to medium-term fiscal consolidation to reduce deficits and ensure debt sustainability. Fiscal consolidation is needed in most advanced economies (AEs) and EMDEs, with cross-country differences calling for carefully tailored policies. The pace of tightening should be calibrated to strike a balance between fiscal risks and the strength of private demand to avoid disruptive adjustments, which could undermine growth and support for reforms. Where inflation remains elevated, fiscal consolidation can support disinflation, while front-loaded adjustment may be necessary in countries with debt vulnerabilities or lack of market access. Credible medium-term plans with clear contingencies, strong fiscal frameworks, and enhanced public debt transparency can underpin sustained consolidation and guard against slippages, including in the context of the record number of elections this year. For many countries, fiscal consolidation will need to be supported by revenue mobilization and by steps to address spending inefficiencies and rigidities while protecting priority investments and the vulnerable—the latter being critical for maintaining social cohesion.

• Carefully manage the transition of inflation to target. Amid continued uncertainty, the challenge for central banks now is to balance the need to avoid premature easing against the risks of delaying it too long. For some countries, this means waiting to ensure that wage and price pressures are dissipating before moving to a less restrictive stance. For others—including some emerging markets (EMs) that embarked on tightening earlier—rates can start or continue to decline toward neutral levels. EMDEs experiencing capital inflows should use the opportunity to rebuild their foreign reserves. Safeguarding the independence of central banks as well as clear communication by central banks of their policies and related trade-offs will reinforce the credibility and potency of their instruments.

• Protect financial stability. Although financial conditions have eased since last fall, policymakers should continue to carefully monitor risks in the financial sector, including from the financial sovereign nexus, overextended market valuations, strains in commercial real estate, corporate credit deterioration, and a weak tail of banks. Adverse shocks, like upside inflation surprises, have the potential to exacerbate these risks and trigger negative feedback loops. Regulators should develop regulatory and crisis management tools for nonbank financial institutions given their large size and growing leverage and ensure that financial losses from exposures to property markets in distress are fully marked. And with growing digitalization and evolving technologies, the risk of cyber incidents impacting the financial sector should be mitigated with stronger policy frameworks, legislation, and governance arrangements.

...AND REVIVING GROWTH

Structural reforms are key to raising growth and arresting setbacks in income convergence. Higher growth would not only lift living standards and, for EMDEs, accelerate their convergence toward advanced economies, but would also support monetary and fiscal objectives and the green transition. Bundling reforms that address the most binding constraints on economic activity can deliver front-loaded gains and strengthen public buy-in. For EMDEs, our analytical work indicates that targeted and sequenced supply-enhancing reforms, particularly in governance, business regulation, and external sector reforms, can boost productivity and growth. Governance reforms that mitigate corruption and red tape are particularly relevant as they boost investor confidence and rebuild trust in policy frameworks, thus providing a foundation for other reforms. Labor market reforms can help close gender gaps, support reskilling and upskilling of at-risk or displaced workers, and develop a digitally skilled labor force.

Unlocking the potential of and managing the risk from transformational challenges require joint action:

• Preserve the large gains from trade and economic integration. Geoeconomic fragmentation and supply chain security concerns are reconfiguring global trade and investment flows. While growth in trade has slowed elsewhere, it has slowed more between countries that are not politically aligned. IMF research shows that the cost of fragmentation could be large and weigh disproportionately on EMDEs. Renewed multilateral efforts to avoid discriminatory actions and harmful cross-border spillovers can support growth and reinforce global trust. Countries should respect World Trade Organization (WTO) rules and limit unilateral actions—such as industrial policies—addressing externalities and market distortions. They should also ensure, through domestic policies, that gains from trade are shared fairly to help preserve support for free trade.

• Accelerate climate transition. Realizing the rewards of an orderly transition to a low carbon economy including growth-boosting green innovation and diffusion, while managing long-term energy security risks, calls for a mix of adaptation and mitigation policies. Domestically, this should include carbon pricing and nonpricing instruments, like feebates, to set the right incentives and public investment in clean energy infrastructure, supported at the international level by a global carbon price floor differentiated by countries’ development levels. This will also help mobilize urgently needed private sector financing.

• Harness AI for the benefit of all. The advent of AI has the potential to jumpstart productivity and growth, but—with 26 percent of jobs in low-income countries (LICs), 40 percent in EMs, and 60 percent in AEs exposed to its effects—also risks disrupting labor markets and deepening inequality. The AI preparedness index, compiled by IMF staff shows countries’ readiness to harness its potential and mitigate inherent risks, which will require investing in skills and infrastructure, supporting displaced workers, and developing regulations, including in finance, to mitigate financial stability and cybersecurity risks. In this regard, ensuring safe and responsible use of AI globally—a key precondition for harnessing its economic benefits—will require multilateral cooperation.

Vulnerable countries facing severe liquidity constraints could benefit from a holistic policy package. Their large refinancing needs and debt service obligations are crowding out critical spending, in turn weighing on already weak growth, eroding policy space, and undermining progress on poverty and inequality, as discussed in the recent IMF report on Macroeconomic Developments and Prospects for LICs. These countries need reforms to promote higher and more inclusive growth, sustainably mobilize domestic revenue, increase spending efficiency, and better channel savings toward development. These are all areas where the IMF’s new Domestic Resource Mobilization Initiative (DRMI), jointly with the World Bank, can play an important role. These efforts should be matched by a scaling-up of financing from the international community.

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RENEWING PURPOSEFULLY THE IMF’S ABILITY TO RESPOND TO MEMBERS’ NEEDS

**IMF surveillance aims to provide real-time and top-of-mind policy advice.**

- Through our bilateral surveillance, we are helping members assess risks and design macrofinancial policies to rebuild buffers and boost growth while making it more inclusive. We are paying special attention to helping them bolster policy and institutional frameworks, which have proven critical in underpinning the recent resilience of some EMs. As part of our efforts to better tailor our policy advice to country circumstances, we are striving to help design high-quality fiscal adjustments that minimize their adverse growth, distributional, and poverty impact. As central bank policies become less synchronous, potentially driving capital flows, macroeconomic and exchange rate adjustments remain the first line of defense to external shocks, while capital flow management measures or foreign exchange interventions may be appropriate to contain financial stability risks. Our revised **International View** and **Integrated Policy Framework** can guide members in this regard.

We also continue mainstreaming our strategies on climate, digital, gender, macrofinancial, trade, and fragile and conflict-affected states (PCSs) to help countries bolster their macroeconomic frameworks as well as our efforts to further tailor support to small developing states. The implementation of our **Framework for Enhanced Engagement on Governance** will help improve the design of domestic policies and make them more transparent and inclusive, whereas the **AML/CFT strategy** will continue to safeguard the integrity of the financial sector and the broader economy. We are also setting up a new dashboard to track macrostructural reforms in countries and disseminate good practices. And the revamped **Data Adequacy Assessment Framework** and the **Review of Data Provision to the Fund for Surveillance Purposes** will help improve data availability and quality. Finally, the upcoming **Review of the Transparency Policy and Open Archives Policy** will ensure the long-term sustainability of the **Poverty Reduction and Growth Trust.**

- Our multilateral surveillance focuses on spillovers from diverging cross-country policy stances and structurally slower growth in large EMs, drivers of growth prospects such as productivity and allocative efficiency, and rethinking policies in the face of evolving challenges. In doing so, we are working with partners to help members leverage ongoing transformations while minimizing their risks. For instance, the **IMF-WTO dialogue** on trade and industrial policies aims to develop policies to promote resilience and discuss strategies to preserve a coherent multilateral trading system. We are also analyzing the implications of energy security, green industrial policies, and geopolitical fragmentation on the green transition, while strengthening the climate information architecture and climate statistics.

The IMF’s role at the center of the Global Financial Safety Net received a strong vote of confidence with the approval of a substantial quota increase under the 16th General Review of Quotas (GRQ), but we need progress on quota realignment. Members came together to increase the IMF’s quota resources by 50 percent, reinforcing the quota-based nature of the IMF and strengthening its capacity to safeguard financial stability and respond to members’ needs in an uncertain and shock-prone world. We count on members to secure domestic consents to the quota increases by mid-November 2024, as well as on participants in the New Arrangements to Borrow (NAB) to secure consents to the reduction in the size of their NABs by the same deadline. As a safeguard to preserve the IMF’s lending capacity in case of delays, we are working with our creditors to put in place transitional arrangements for maintaining access to bilateral borrowing until the quota increases and the related NAB rollback become effective. We are also treating as a priority the work to help the membership develop, by June 2025, possible approaches as a guide for further quota realignment, including through a new quota formula, under the 17th GRQ. And we look forward to the election of the third **Chair for sub-Saharan Africa** at this year’s Annual Meetings.

We continue to review our lending toolkit to better adapt it to the evolving needs of our members. The upcoming reviews of our concessional financing will aim to ensure that the IMF continues to be a strong partner for LICs, with our lending tailored to their specific needs and catalyzing more financing. We will explore all options, including the use of internal resources, to help ensure the long-term sustainability of the **Poverty Reduction and Growth Trust.** The upcoming interim review of the **Resilience and Sustainability Trust (RST)** will examine and draw lessons from the experience of this new facility. We hope that our economically stronger members will further boost resources for our concessional facilities and the RST given continued strong demand. While protecting the IMF’s balance sheet and the revolving nature of its resources, we will review the IMF’s **Surcharges Policy** and the **General Resources Account Access Limits**, including in the context of the quota increase under the 16th GRQ. And we will begin the **Review of Program Design and Conditionality** to help members design more effective reforms to promote macroeconomic stability and catalyze investment and inclusive growth.
The IMF remains committed to helping reduce debt vulnerabilities by

- Continuing to support global efforts, which are starting to bear fruit. The Common Framework for Debt Treatments (CF) is delivering results more predictably and faster. We have also seen encouraging progress outside the CF. The Global Sovereign Debt Roundtable helps build greater common understanding on technical issues to improve predictability and timeliness of debt restructuring processes.

- Updating our debt policies. The Board recently endorsed Policy Reforms to Promote the Fund’s Capacity to Support Countries Undertaking Debt Restructurings. The reforms will ensure that our engagement in debt restructuring becomes more agile and effective, including by providing stronger incentives for faster creditor participation. And we are enhancing our analysis of debt vulnerabilities to help members manage debt risks with the Review of the Debt Sustainability Framework for Low-Income Countries.

We continue to assist members in building capacity to implement good policies. The recent review of our Capacity Development (CD) Strategy shows that through tailored support we enable members to develop skills and build strong institutions that can better respond to economic challenges. The strategy aims to make CD more flexible and better integrated with IMF policy advice. In response to a rapidly growing demand for CD on public finances, we have launched the Global Public Finance Partnership, which will support our efforts to develop a DRM. To help countries embrace financial innovation, we are developing the Central Bank Digital Currency Virtual Handbook as a reference for policymakers—getting this right could generate positive externalities by encouraging digitalization and improving financial inclusion, with particular benefits for LICs and FCs.
**IMF Data Dashboards**

41k visitors to SDR Tracker

36k visitors to IMF PortWatch

Publications on...

86 Climate AI and Inclusion Change Digitalization and Gender

85 Note: SDG = Special Development Right.