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to the Board of Governors of the Fund,
at the Joint Annual Discussion

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Towards a More Secure Recovery Shared by All
By Christine Lagarde, IMF Managing Director

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Chairman Fakhoury, President Kim, Governors, honored guests: on behalf of the IMF, I would like to warmly welcome you to the 2017 Annual Meetings!

I am pleased to begin this morning with good news: after years of mediocre performance, we expect global growth to be *stronger* this year—3.6 percent.

And we expect this positive momentum to continue into 2018.

Even more important, this upswing is broad-based: involving 75 percent of the global economy, as measured by GDP.

It offers us a major opportunity—to secure the recovery and to expand it to those who are not yet benefiting, and to include those who are excluded or are at the risk of being excluded.

This includes more than 40 emerging and developing countries—representing about 15 percent of the world's population—who are currently experiencing declining per-capita income.

It also includes the many people who are facing stagnant wages, limited job opportunities, and dislocations caused by technological change, trade, and the legacy of the global financial crisis.

Our task is heightened by geopolitical tensions, political uncertainty, and also—sadly—recent devastating natural disasters.

The ancient Greek physician Hippocrates once said: "*Healing is a matter of time, but it is sometimes also a matter of opportunity*."

So how can we seize this opportunity to get to the heart of a stronger recovery—trying to turn a promising upswing into lasting prosperity for *all* citizens in *all* countries?

This is the challenge we must take on.

Looking out upon the world's finance ministers and central bank governors—the officials who, in the midst of even the most trying conditions, put their heads down and get on with the business of keeping economies on track, finding money for key priorities, and guarding against the next crisis—I am confident that we can advance on this crucial task.

1. A Recovery Shared by All: Three Priorities

I see three priorities: get the economic fundamentals right; tackle more decisively the issue of excessive inequality; and address the major concerns of our young people to help ensure bright prospects for them and for future generations.

(a) Focus on the economic fundamentals

First, the economic fundamentals. In our increasingly interconnected world, countries travel together, but on different paths and at different speeds. Policies need to keep pace.

This means using a tailored mix of monetary, fiscal, and structural policies to consolidate the recovery and raise growth prospects.

Managing a smooth normalization of monetary policy is critical; so are fiscal strategies that reduce high debt without hurting growth and confidence.

We must also guard against the build-up of financial vulnerabilities.

In addition, we need reforms that can lift productivity and potential output. Our analysis of structural reforms over economic cycles shows that labor and product market reforms are more potent during economic upswings.

We must not miss this opportunity: it holds the promise of more growth, more jobs, more income.

(b) Address excessive inequality head-on

Nor should we miss this opportunity to address more decisively—and more directly—the issue which has so damaged our peoples and societies.

I am talking about excessive inequality. It hinders growth, erodes trust, and fuels political tensions.

Despite reductions in poverty and inequality *between* countries over the past generation, income and wealth inequality *within* countries has been rising. Today the top 1 percent owns about half of the world's wealth.

How can we tackle this issue more head-on?

Investments in people are key: health, education, life-long learning.

Stronger safety nets are key, including more direct support for people and communities struggling to adapt to disruptions, whether from rapid technological change or other forces, including trade.

Fiscal tools are also key. Our research shows, for example, that some advanced economies could raise their top tax rates without slowing growth, which would provide resources for priority needs or debt reduction.

And, of course, we need to do more to realize the full potential of half the global population—women. As I have said many times before, this is an economic no-brainer.

So let us empower women by eliminating legal impediments and bias in taxation—and by providing support for greater participation in the labor market.

This would be a global game changer. It would increase growth, reduce inequality, and support diversity.

Young girls as well as young boys will be a major influence on the world’s future.

Which brings me to my third priority—what are young people’s main concerns?

(c) Concerns of the young

According to the recent World Economic Forum youth survey, two issues are at the top of the list: one is c*orruption*; and another is c*limate change*.

Corruption

Systemic corruption is divisive. It undermines people’s trust in government and reduces growth potential. Bribery alone costs more than 1.5 trillion dollars per year, nearly 2 percent of global GDP.

Then there is the challenge of money laundering and terrorist financing —a threat to every economy and a key priority for the IMF. In this area, we have provided technical assistance to 120 countries.

Our analysis shows that moving from high to low perceived corruption levels can increase public investment efficiency by 50 percent—and raise real per capita income by nearly one percentage point.

That is why we have committed to step up our efforts in the fight against corruption. And we will work with all our members in an even-handed manner in this endeavor.

Climate change

The second major concern of young people is climate change.

While it affects everyone, the young and future generations clearly have the most at stake. Just as we owe it to them to pass on a global economy not plagued by debt, we also owe it to them to transfer a planet not plagued by CO_2 emissions.

We also know that low-income countries are disproportionately affected. Our estimates suggest that a 1 degree Celsius increase in a country with an average annual temperature of 25 degrees—such as Bangladesh, Haiti, or Gabon—could reduce per capita GDP by nearly 1.5 percent.

Energy pricing is key, because trillions of dollars [1] are being spent on subsidies that drive carbon emissions. With energy prices relatively low, we now have the opportunity to reduce and eliminate these subsidies.

To get it right, we need to price it right.

2. International Cooperation and the IMF

Of course, we can only be successful in addressing global challenges if we work together. A country can go it alone, but it will go further if it goes together with other countries. So says an African proverb.

That is true for old and new challenges, ranging from natural disasters, to trade restrictions, and cybercrime. Or think of our shared responsibility to achieve the Sustainable Development Goals.

We know from experience that international cooperation works— from reconstruction after World War II more than 70 years ago to fighting Ebola just a few years back .

The IMF is working in partnership with you, so that we can *all* go far. How?

You have heard me talk about an IMF that strives to be more Agile, Integrated, and Member-focused—the “AIM” objective. Have we made progress?

Since we met last year, we provided support to 16 countries via lending programs for a total of more than US$27 billion, including through the rapid credit facility. And we have moved quickly to strengthen our surveillance, including new analysis on fintech and its impact on financial intermediation and monetary policy.

We have become more integrated by combining our research and multilateral perspective with country-specific policy advice. We are also collaborating with other institutions on a broad array of issues.

Above all, we are focused on serving you, our members, in new and better ways.

Over the past year, we conducted 127 country consultations, with topical analysis on issues ranging from gender analysis in Rwanda, to climate change resilience in Seychelles, and inclusion and tax reform in the United States.

We have also provided more tailored technical assistance and knowledge sharing. We have deployed to your countries thousands of missions, to help raise public revenue more efficiently, monitor public spending in a more cost-effective way, manage your debt, and regulate your financial markets. We have helped train nearly 30,000 individuals through free online economics courses.

And let me take this opportunity to thank profoundly the more than 40 member countries that have provided funding for our capacity development efforts.

So yes, we have made progress, but we are not at a point where we can stand still.

Going forward, we will do our best to progress towards the 15th quota and formula review to better represent you—but we will need your help.

Going forward—among other things—we will offer technical assistance to increase fiscal capacity, analyze the macroeconomic implications of technology, and look at how we can better help low-income countries deal with the burden of conflicts and natural disasters.

This is an IMF that is open to ideas. And signaling this, we have just opened our new "iLab." which I hope you will all have a chance to visit!

Conclusion

Let me conclude:

Every day, in all corners of the world, I see our talented and diverse staff—representing over 150 nationalities—come to work to give their utmost in service to you, our members.

I see them supported by my exceptional colleagues on the management team and by our steadfast Executive Board.

At the heart of our work is trust—the trust that *you* place in us as our members, and the trust that we must have in each other to work collectively to solve pressing global challenges. Earlier I expressed my confidence in you, and I can assure you that we are working as hard as we can to deliver on your trust.

Together, we can strengthen the multilateral system that has underpinned our world so well for more than seven decades.

Thank you.