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Despite some pre-pandemic gains in poverty reduction, literacy, and lifespans, many economies in the Middle East and North Africa (MENA) have struggled to ensure that the benefits of economic development and diversification accrue equitably to all segments of their populations. Among the main issues that remain unresolved are the high share of inactive youth; large gaps in economic opportunities for women; fragmented social protection systems; and underdeveloped private sectors with tight regulation, absence of a level playing field, and limited access to credit that stifle the creation of new firms and growth, employment, and incomes.

The COVID-19 pandemic not only risks wiping out some of the progress made in the region over the past decades, but could also exacerbate inequality in a durable way.

Countries across the MENA region need to evolve their economic models to boost job creation and make sure that the benefits of economic development are shared more widely among all their citizens.

This book’s objective is to reassess the inclusive growth agenda in the MENA region in light of the rapidly changing pandemic-influenced world. It argues that countries need to embrace global trade and technological advances and evolving demographics at home as an opportunity to successfully implement policies that foster higher and more inclusive growth. It underscores that a return to the old social contract is neither desirable nor feasible. The book presents a comprehensive view of policies suited to the regional context that would boost job-rich and inclusive growth within a resilient macroeconomic policy framework. Its goal is to provide guidance to policymakers in the region to frame how best to promote inclusive growth.
Advance Praise

“This highly timely book provides an overview of the key economic challenges facing the Middle East and North Africa. Using rigorous evidence and analysis as well as comparisons with other parts of the world, it makes a compelling case for reforms that would create a better future for the region.”
MINOUCHE SHAFIK – London School of Economics and Political Science

“The Middle East and North Africa is one of the most unequal regions in the world. Without increased inclusiveness and transparency about the distribution of income and wealth, instability and poverty will persist. This volume provides an important step to shift the approach. A must-read!”
THOMAS PIKETTY – École des Hautes Études en Sciences Sociales (EHESS) and Paris School of Economics

“Based on in-depth and innovative analysis, the authors of this timely book provide practical and realistic recommendations that are a must-read for policymakers and analysts in search of a more inclusive economic and social growth model for the region’s future.”
MASOOD AHMED – President, Center for Global Development

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Revelations from many data leaks, court cases, and media reports are a constant reminder about how easy it is to abuse companies and other types of legal entities for money laundering, terrorist financing, and many other crimes with impunity when the beneficial owners—the real persons who own and control these legal entities—are hidden.

Not knowing beneficial ownership information negatively affects countries’ economies. It allows criminals to misuse these entities to hide their identities and the criminal origins of their assets, and to enjoy the proceeds of crimes, which produces all sorts of economic distortions, negatively impacts economic growth, and allows criminals to infiltrate and take control of the legal economy.

This book is a guide for practitioners, policymakers, and other researchers to establish comprehensive frameworks for holding beneficial ownership information. It proposes questions to guide strategic thinking and discussion about the establishment of an effective system of beneficial ownership information, for anti-money laundering purposes. This book also sets out how an effective beneficial ownership framework can reduce opportunities for corruption, support efforts against tax evasion, help tackle illicit financial flows, protect national security interests, and benefit procurement transparency.
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IMF member countries face significant challenges when it comes to improving the effectiveness of their fight against terrorism financing. This book is intended to assist anti-money laundering and combating terrorism financing (AML/CFT) policy makers and practitioners in identifying key challenges and good practices for strengthening the effectiveness of counter terrorism financing frameworks.

The book’s six chapters cover (1) improving the understanding of terrorist financing risks; (2) the role of the private sector in detecting and disrupting terrorist financing activities; (3) the production and use of financial intelligence to counter terrorism and terrorist financing; (4) investigating, prosecuting, and sanctioning terrorism financiers; (5) terrorism-related targeted financial sanctions; and (6) international cooperation in combating the financing of terrorism. The book presents contributions by experts from the IMF, United Nations, Financial Action Task Force, Egmont Group of Financial Intelligence Units, INTERPOL, and Europol.
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South Asia’s Path to Resilient Growth highlights the remarkable development progress in South Asia, especially the decline in extreme poverty, and how the region can advance in the aftermath of the COVID-19 pandemic and the impact of the war in Ukraine. Steps include a renewed push toward greater trade and financial openness, while responding proactively to the distributional impact and dislocation associated with this structural transformation. Promoting a green and digital recovery remains important. The book explores ways to accelerate the income convergence process in the region, leveraging on the still-large potential demographic dividend in most of the countries. These include greater economic diversification and export sophistication, trade and foreign direct investment liberalization and participation in global value chains amid shifting regional and global conditions, financial development, and investment in human capital.

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### Advance Praise

"The book is an excellent empirical review of the post-pandemic recovery endeavors undertaken by the South Asian nations with insightful macroeconomic policy analyses toward inclusive growth and sustainable development. Succinct analyses of required reforms in attaining macroeconomic stability along with higher productivity are indicated. This extraordinary book is a must-read for policy planners, researchers, and think tanks dealing with growth and sustainable development."

—**Dr. Shamsul Alam**, Minister of State, Ministry of Planning, Government of the People’s Republic of Bangladesh

"The release of the book, an edited volume of chapters on the topic of South Asia’s path back to resilient growth, could not have been timelier. As the pandemic recedes into the background, countries must focus more on restoring medium-term growth prospects. With their large populations, South Asian nations have their task cut out as a demographic bulge is both a challenge and an opportunity for them to sustain growth much longer than other countries might be able to. Economic growth will enable them to accumulate resources that would help them meet the development and standard of living aspirations of their households. It will also provide for investing in green technologies and energy transition to deal with climate change and contribute to its mitigation. Therefore, the edited volume is an important exercise. The book reflects on the need for reforms by drawing lessons from South Asia’s history and from cross-country comparisons with peers. The return on time invested in perusing its contents would be high for students and teachers of economics and policymakers."

—**V. Anantha Nageswaran**, Chief Economic Advisor, Government of India
Economic developments in India have significant global and regional implications. The Indian financial sector plays a critical role in the country’s development and has provided an important foundation for strong and sustainable economic growth over the past three decades.

Chapter contributions discuss how to strengthen the financial system to support growth and reduce vulnerabilities by discussing the linkages between the financial sector and growth, improvements in bank lending to foster productivity, and measures to further develop India’s corporate bond market. The book reflects on India’s success in leveraging digitalization to foster financial inclusion and highlights how the financial system can help to address climate issues through the development of India’s environmental, social, and governance financial market. This book digs deeper into the various facets of India’s financial sector to understand its strengths and opportunities and to elicit policy actions that could help the financial sector better support India’s growth potential.
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ADVANCE PRAISE

The book is a tour de force. It represents a comprehensive and in-depth assessment of India’s financial system, focusing not only on the protagonists—central bank, banks, and non-banks—but also on the arena they play in monetary policy, corporate sector leveraging and resolution, and the external sector. Importantly, it highlights transformational changes underway, such as the growth of capital markets, digital finance, and sustainable finance. A must-read given India’s rise on the global economic stage!

Viral V. Acharya, Professor of Economics, New York University Stern School of Business
A large body of literature has shown that corruption impacts both economic growth and development through multiple channels, such as those related to financial stability, investments in physical and human capital, and productivity. Corruption also impacts public trust and the efficiency of government.

This book highlights the critical importance of governance and integrity. It suggests that the establishment of sound institutions that guarantee integrity in public affairs may be one of sub-Saharan Africa’s most important milestones in its journey to sustainable development. The book leverages extensive analysis at the cross-country level to provide global evidence and country case studies focusing on the macro-governance links in sub-Saharan Africa. Chapters bring in the COVID-19 pandemic perspective, making this book the first attempt to provide a comprehensive view of the relationships between the quality of institutions and the management of the COVID-19 pandemic. The book argues that the approach to institutional reforms needs to consider the starting position of countries and calls for tailored approaches in fragile countries to consider capacity constraints and societal preferences. It shows how successful reform paths in normal settings become inefficient in fragile environments. This path dependency also applies to the adoption of technological innovations in public affairs. Finally, the book looks at new governance reforms supported by the IMF in sub-Saharan Africa.
ADVANCE PRAISE

“I welcome this publication from the International Monetary Fund, which highlights the critical importance of governance and integrity in combating corruption. We urgently need to find innovative approaches to addressing corruption in all its manifestations. The focus of this text on identifying how reform pathways can be effective in fragile states is particularly welcome. Every corrupt deal that is struck reduces the resources available in the world’s poorest nations to meet the aspirations of their citizens for sustainable development.”

Right Honorable Helen Clark
Chair, Extractive Industries Transparency Initiative Board

“Governance is decisive in development. In Botswana it harnessed diamonds to become the fastest-growing economy in the world and escape mass poverty, while in Sierra Leone it turned diamonds into a disaster that crashed the society into deeper poverty and civil war. The staff of the African Department of the IMF has accumulated the region’s most comprehensive experience of how governance affects society, and this book distills its wisdom. The IMF cannot substitute for bad governance: each country is different, and the struggle for a state that works effectively for the goals of a society can only be won by the society itself. But this book will be valuable for the courageous people who will spread successes like Botswana’s around Africa.”

Paul Collier
Professor of Economics and Public Policy, Oxford University

“Breaking from its narrower technocratic and financial focus of the past, six years ago the IMF recognized that weak governance and corruption are ‘macro-critical’ and paid more attention to these challenges. After the recent COVID-19 emergency financing period, it is welcome to see a serious IMF volume on governance coming to light, signaling that good governance matters for financial stability and development. The book rigorously draws from the knowledge of multiple staff authors, with a focus on Africa. We hope also to see major governance initiatives in the future addressing macro-critical aspects in other regions, since they afflict all corners of the globe.”

Daniel Kaufmann
President Emeritus, Natural Resource Governance Institute, and former Director at the World Bank

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Public Investment Management Assessment (PIMA) is a comprehensive and standardized framework to assess public investment management for countries at all levels of economic development.

The Public Investment Management Assessment Handbook (PIMA Handbook) gives a concise overview of the framework used to identify key bottlenecks in public investment management and develop an action plan for reform.

This handbook is aimed at all stakeholders who are involved in PIMA or have a practical interest in public investment management. The PIMA is a comprehensive and standardized framework to assess public investment management for countries at all levels of economic development. PIMAs evaluate 15 institutions, or practices, involved in the three key stages of the public investment cycle: planning, allocation, and implementation; it also assesses three cross-cutting institutions: the legal framework, IT systems, and staff capacity. The PIMA assesses both institutional design (“what is on paper”) and effectiveness (“what is in practice”).

This handbook provides a detailed practitioner’s guide to applying the PIMA framework, including by describing the key issues and challenges identified in PIMAs, providing ample examples from country practices, as well as discussing the main recommendations to improve public investment management.
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8. Cross-Cutting Issues
Informality is a widespread and persistent phenomenon that affects how fast economies can grow, develop, and provide decent economic opportunities for their populations. It can arise for a variety of reasons and can span across borders and influence a wide range of situations. The COVID-19 pandemic has helped to uncover the vulnerabilities of the informal workforce.

This book takes a fresh look at shadow economies around the world and their overall impact on the macroeconomy. It compiles recent research by IMF staff and academics and aims to shed new light on the topic. The contributions look at the evolution of the informal economy over time, analyze its drivers and economic consequences, and discuss possible policy responses. The book covers interactions between the informal economy, labor and product markets, gender equality, fiscal institutions and outcomes, social protection, and financial inclusion.

There is no one solution to this issue, but the findings presented in the book provide some guidance for policy development. The following areas will affect the development of polices to combat the causes of informality: access to and quality of education; tax system design; promoting access to formal financial services and measures to increase financial inclusion; and supporting policies that increase incentives and eliminate excessive regulations that act as impediments to entering into formal systems.

"The informal economy dominates employment and economic activity in many developing countries yet is often seen as a problem rather than a symptom of broader economic, social and institutional factors. This collection of research takes an in-depth look into understanding the causes and effects of informality and provides an inclusive framework for integration into the formal sector over time without compromising development objectives."

MASOOD AHMED – President, Center for Global Development

"Either we use the Covid-19 crisis to tackle informality head on or developing countries will face substantial social and economic turmoil in the years ahead. A window of opportunity has opened up to rethink labor markets, taxation, social protection, education and productivity to reduce informality. This pivotal book arrives right in time, with key insights for both policymakers and researchers on how to deal with these important issues."

ALEJANDRO IZQUIERDO – Deputy Director, Research Department, Inter-American Development Bank
"I am very excited about this volume, especially due to its broad but in-depth coverage of areas and policy issues that seem to crowd our policy direction as well as an understanding of the structure of the economies and markets. Understanding the informal economy and the informal markets would provide the key to the appropriate policy and administrative interventions to support this segment of the economy and markets."

NJUGUNA NDUNG’U – Executive Director, African Economic Research Consortium, former Governor of the Central Bank of Kenya

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Financial Inclusion, Bank Competition, and Informal Employment in Sub-Saharan Africa
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The current design of international tax rules is complex. However, it is critical for policy makers to understand the current international tax architecture and its economic aspects so they can recognize the scale and scope of basic issues and recommend potential reforms. This volume is meant to be a guide to the various facets of international taxation. Many of the topics covered in this volume have increased in importance with COVID-19, such as the need for globally coordinated efforts to further reduce profit shifting and tax competition.

International tax issues have long been at the core of IMF research and the IMF has provided much advice on this topic. This book showcases research by IMF staff and builds on earlier studies on tax issues. Where appropriate it provides special coverage on developing countries. The book offers a complete assessment of the current international tax framework, suggestions for possible alternative architectures, and adds to the global debate on this important topic while remaining accessible to a relatively broad audience.

Advance Praise

“The IMF is at the forefront of thinking about tax policy and practice. This book collects deep insights about corporate income taxation from IMF staff, drawing on both theory and practical experience, and provides an excellent guide to options for much-needed reform.”
Prof. Michael Devereux, Director, Oxford University Centre for Business Taxation

“The global pandemic has brought new urgency to two major roles for corporate income tax: revenue raising to fund public health systems and economic recovery and redistribution to combat stark inequalities. But “the current international tax architecture is no longer fit for purpose,” the authors find. The IMF is sometimes criticized for promoting a regressive fiscal agenda, but these contributions represent a powerful and progressive critique of the current international tax system. Corporate income tax is vital, and the pressure is on to remake the architecture.”
Alex Cobham, Chief Executive, Tax Justice Network

“This excellent book analyzes the evolution and major shortcomings of the international tax architecture, which is clearly no longer fit for purpose in a rapidly changing globalized world. It highlights lower-income countries’ inability to tax their fair share of multinationals’ profits and raise much-needed revenue for development spending—strained even further by the COVID-19 crisis. This analytical work should motivate and inform long-overdue multilateral efforts toward an equitable global tax system that also meets its development imperative.”
Marilou Uy, Director, Intergovernmental Group of 24
“This book is an invaluable guide to international taxation as it is practiced today between countries and by multinational firms. While most directly aimed at policymakers, it will be useful for practitioners and students as well. An overarching takeaway from this excellent volume is that there is no panacea for the ills in international tax regimes. The chapter authors have viewed tax systems in practice and real-world analyses permeate the book.”

Prof. Stephen Shay, Paulus Endowment Senior Tax Fellow, Boston College Law School

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Debt and Entanglements Between the Wars

Era Dabla-Norris

With contributions by Thomas Sargent, Martin Ellison, George Hall, Harold James, and Andrew Scott

Winter 2020

World War I created a set of forces that affected the political arrangements and economies of all the countries involved. There were large disturbances to government taxes, expenditures, and debt; disruptions in the gold standard affected the agricultural sector and prices of primary products; government finances were complicated with the renegotiating of failing fiscal plans; and tensions between creditors and debtors were aggravated by a web of international debts and reparations.

This edited volume focuses on the responses to the set of conditions created in the aftermath of World War I. The chapters provide a cross-country comparison of the interwar period from 1914 to 1940 and describes how fiscal policies affected political and economic interests, influenced alliances, defaults, and the unwinding of debts. This period in global economic history offers rich material for studying international monetary and debt policies.

The book focuses on the experiences of the United States, United Kingdom, the four Dominions of the British Commonwealth (Australia, New Zealand, Canada, and Newfoundland), France, Italy, Germany, and Japan; and it offers unique insights into how countries managed their debt, its composition, and the role that debt conversions and restructurings played. This comprehensive review of domestic and external debt instruments issued by these countries can also help to shed light on the linkages among debt, macroeconomic policies, and the political interests they create.

Although the sequence of macroeconomic events and the debt and economic crises described are country specific, a common set of economic forces and disturbances were clearly in play. The narratives presented in the book show how the absence of effective international collaboration and resolution mechanisms can inflict damage on the global economy.
ADVANCE PRAISE
“Interwar political and economic upheaval owed much to the web of sovereign debts and payment obligations built up during World War I. Lessons learned then helped set the stage for postwar prosperity and peace – but some of today’s politicians are forgetting those lessons. This book’s seven fascinating chapters, some based on new data, analyze how debt burdens between the wars drove major countries’ fortunes and international relations. Debt and Entanglements will be required reading for anyone who wants to understand the economic origins of today’s international order, and the threats that it faces.” – Maury Obstfeld, University of California, Berkeley

“Debt and Entanglements provides a fascinating history of sovereign debt management during the interwar period – a period characterized by dramatic economic and political instability. The authors masterfully blend new data, deep institutional knowledge and modern economic theory to sharpen our understanding of this critical period and to draw timeless lessons for economic policymaking. A must-read for scholars and policymakers alike.” – Mario Draghi, Former head of ECB

“A superb and fascinating study of how economies managed their debt overhang from World War I. The scholarship provides essential context for those interested in the recurring cycles of sovereign debt crises. A historical narrative that is firmly grounded in economic theory, the chapters are full of insights that inform, challenge, and enrich modern approaches to sovereign default. An invaluable contribution!” – Mark Aguiar, Princeton University

“Debt and Entanglements Between the Wars weaves together a masterful set of essays. While the narratives are primarily about the interwar era, these are rich in parallels and implications for modern times in which many of the world’s largest economies face the challenges posed by slowing growth and rising debts. Anyone who is interested in gaining insights on how these challenges may play out would do well to consult the book.” – Carmen Reinhart, Harvard University, author of This Time is Different.

“The carefully researched essays in this fascinating book not only show how the belligerents in World War I experimented with a combination of strategies to address the political optimization problem of coping with high debt, they also show the long-run economic costs of those strategies. The analyses not only teach us about history but have implications for the present day.” – Stephen Haber, Stanford University, author of Fragile by Design

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6. Germany in the Interbellum: Camouflaging Sovereign Debt, Mark De Broeck and Harold James
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How should a country implement Inflation-forecast targeting for monetary policy? This book explores basic principles and practices. A central theme is that managing expectations is essential for achieving the inflation target and for effectively managing short-term policy trade-offs. The book outlines efficient operational procedures, central bank communications, financial stability issues, and the importance of incorporating financial conditions in inflation-forecast targeting. It also reviews the experiences of Canada, the Czech Republic, India, and the United States. The analysis argues for assertive policies and maximum transparency, especially when long-term expectations tilt toward high inflation or deflation.

**Advance Praise for Advancing the Frontiers of Monetary Policy**

Read this book for a comprehensive evaluation of how monetary policy has evolved through the prism of inflation-forecast targeting, the approach that now dominates modern central banking and is viewed by many as “state of the art.” Full of both theoretical and practical insights, including engaging country examples from both advanced and developing economies, it is sure to become the reference book for students and implementers of modern central banking.

*Mohamed El-Erian (Chief Economic Adviser of Allianz and former CEO of PIMCO)*

This book brings together the collective experience and insights of IMF economists on flexible inflation targeting, based on their many years of dialogue and engagement with central banks around the world. The book is comprehensive, detailed, as well as very practical. It is hard to imagine a more authoritative source or a better exposition of the subject. It is a must read for anybody interested in central banking or monetary policy.

*Raghuram G. Rajan (former Governor of the Reserve Bank of India)*

The authors bring to life many years of practical and theoretical experience in inflation targeting. This creates a great mix of real life challenges and insight, making a must read for policy makers and academics alike. The evolving integration of financial stability and inflation targeting policies is especially pertinent.

*Adrian Orr (Governor of the Reserve Bank of New Zealand)*

Excellent book! Covers many details about developing monetary policy frameworks that we typically do not find in the academic literature.

*Zdeněk Tůma (former Governor of the Czech National Bank)*
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Imagine a future in which oil is no longer the main source of energy in the world. Such a future is not cataclysmic—and is even brighter—for oil exporters, if they pursue true economic diversification. To achieve this, however, they must change the prevailing economic model. Despite the complex choices involved, it is paramount for oil-dependent economies to become innovative economies. They will have to experiment and learn from the experiences of other countries on their path to diversification.

In the past, countries such as Brazil, Korea, Malaysia, and Singapore have made major strides in diversifying their economies, and this book—edited by IMF Deputy Managing Director Min Zhu and IMF economists Reda Cherif and Fuad Hasanov—distills lessons from their experiences to help guide the Gulf countries today. Their stories reveal that incentives for firms and workers need to be realigned to develop technologically sophisticated export-oriented industries. More important, their stories show that standard growth policy prescriptions may not be enough and the task of changing incentives for firms and workers falls primarily on the shoulders of the state.

Breaking the Oil Spell sheds light on what constitutes true economic diversification and the role of the state in achieving it. Ultimately, this book aims to demonstrate that the great aspirations of the people of the Gulf countries and other oil exporters can become a reality.

About the editors

Reda Cherif is an Economist at the IMF, at the Institute for Capacity Development.

Fuad Hasanov is an Economist at the IMF and an Adjunct Professor of Economics at Georgetown University.

Min Zhu assumed the position of Deputy Managing Director at the IMF on July 26, 2011. He previously served as a Special Advisor to the Managing Director of the IMF from May 3, 2010 to July 25, 2011.
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