

The contents of this document are preliminary and subject to change.

GRAY/21/848

March 24, 2021

**Statement by Mr. Hilbers, Mr. Voinea, and Mr. Hanson on Macroeconomic  
Developments and Prospects in Low-Income Developing Countries—2021  
(Preliminary)  
Executive Board Meeting  
March 26, 2021**

We welcome staff's analysis of financing needs in LICs after the pandemic. We take note of the worsening situation in LICs following the pandemic: most countries are not expected to reach their pre-COVID convergence path by 2025, with tourism-dependent economies suffering the largest setbacks. Moreover, vulnerable groups were disproportionately affected by losing their jobs and suffering from higher food prices. This situation requires the coordinated support of the international community.

We would like to make the following points.

**We agree on the need to respond adequately to the crisis, build external buffers, and intensify development efforts.** An adequate crisis response hinges on affordable access to vaccines for LICs. Multilateral support in this area is key to their recovery. We also note that the assessment of spending needs to achieve the development goals does not include an estimation of the financing needs related to the climate transition or to achieve the SDGs more broadly. *Would staff agree that a return to the pre-pandemic convergence process should aim for a green and inclusive recovery to help achieve the SDGs?*

**The paper provides a helpful overview of different financing options.**

**We look forward to staff's proposals to reviewing the Fund's lending framework to support LICs.** We acknowledge the additional financing needs in LICs following the pandemic. We take note of staff's intention to propose a significant increase in financing and adapt lending better to the evolving needs of low-income countries over the 2021-2025 period, beyond the temporary increase in access limits. Nevertheless, we note the Fund's role is catalytic in nature, and private sector financing, along with involvement of MDBs and other concessional lenders, will be needed. *We would therefore welcome follow-up work by staff quantifying the potential contribution of different financing sources to the external financing gap of LICs.*

**We also support a new general allocation of SDRs.** *Could staff indicate how an SDR allocation would feed into their analysis of financing needs?*

**We agree that domestic reforms can play a critical role.** Regarding domestic revenue mobilization, which could contribute to the financing of enhanced spending, we note that there is no update regarding the VAT plans discussed in the previous report, two years ago. Economic diversification is another possible source of domestic revenues and we would ask staff to offer a more concrete analysis on such possible avenues. As the management of public finances becomes an increasingly complex issue, technical assistance by the IMF would be welcomed. *Could staff summarize the TA situation for these countries?*

**We strongly support the notion that private sector financing will be an important pillar to close the financing gap.** Figure 21 illustrates that private flows already constitute the majority of LICs' financial inflows, and we agree with staff that improving governance frameworks and strengthening PFM can help further unlock private finance.