

**INFORMAL
SESSION TO
ENGAGE**

SM/22/81

April 8, 2022

To: Members of the Executive Board
From: The Secretary
Subject: **The Managing Director's Global Policy Agenda**

Board Action: **Informal session to engage** Executive Directors
Tentative Board Date: **Tuesday, April 12, 2022**
Publication: Proposed, following the Managing Director's Spring Meetings press conference.
Questions: Ms. Tuladhar, SPR (ext. 34092)
Mr. Suryakumar, SPR (ext. 38005)
Mr. Kim, SPR (ext. 34851)

The Managing Director's Global Policy Agenda

The Global Economy Under Stress: Repercussions, Response, and Resilience

Spring Meetings 2022

The world has changed dramatically since our Annual Meetings in October 2021. At that time, we were hoping to begin to emerge from the pandemic crisis. Now, Russia's invasion of Ukraine has placed another crisis on top of the pandemic—an earthquake from which the seismic waves continue to spread and reverberate throughout the world. Beyond the devastating humanitarian impact, it is a massive setback to the global economy and poses a new and complex set of challenges for policymakers everywhere.

The recovery was already losing momentum before the war, partly due to Omicron-related disruptions. In January, we cut our global growth forecast to 4.4 percent for 2022. Since then, the outlook has deteriorated further, largely because of the war and the related sanctions. As a result, we are projecting a further downgrade for global growth this year and next.

The gravity of the economic fallout continues to unfold. Rapidly rising energy, food, and other commodity prices are hurting lower-income households globally. Tighter financial conditions are putting further pressure on highly indebted countries. The dangerous divergence between rich and poor countries—of which we have warned before—continues unabated. In economic terms, growth is down and inflation is up. In human terms, people's incomes are down and hunger is up.

As well as the twin crises—pandemic and war—there is a growing risk of fragmentation of the world economy into geopolitical and economic blocs. Such a tectonic shift would place in jeopardy the human and economic gains made over the last several generations—and represent the most serious challenge to the rules-based system that has governed international and economic relations for the last 75 years.

This is a consequential moment for multilateralism. The actions we take now, as an international community, will determine our future in fundamental ways. Ending the war, restoring peace, and preventing further loss of human life are paramount. Tackling food insecurity and combatting inflation—a tax on the poor—while safeguarding the recovery are urgent priorities. Policymakers have to navigate these complex trade-offs even as they deal with unprecedented uncertainty. At the same time, continued efforts are needed to overcome the scarring effects of the pandemic and push ahead with transformational reforms to build a more resilient, inclusive, digital, and green global economy.

While remaining anchored in the vision laid out in the [2021 Fall GPA](#), the global policy agenda that follows recalibrates priorities to meet the new reality we are facing. The IMF also continues to adjust to respond to the rapidly evolving needs of our membership. Our flexibility has been evident over the last two years of the Covid crisis: unprecedented emergency financing; a historic SDR allocation; an innovative plan to end the pandemic. Now, as we face another crisis on top of a crisis, we will continue

to step up and support our member countries in every way we can—with financial resources, policy advice, and capacity development. And of course, supported by our tremendous staff.

Repercussions—War Threatens the Global Recovery

The war in Ukraine is creating major stresses for the global economy, weakening the post-pandemic recovery and putting macroeconomic stability at risk. Six months ago, we had expected, by now, to see some consolidation of the recovery. Instead, we have downgraded our global growth projections twice: first, due to the disruptive effects of the pandemic and new COVID-19 variants, and now to reflect the repercussions of Russia’s invasion of Ukraine and related sanctions. Food, energy, and other commodity prices have surged. Compounded by supply chain disruptions, this adds to inflationary pressures, posing energy and food security risks—and social pressures—for many members. Food insecurity is now a major concern. Emerging markets are likely to confront more volatile financial markets and capital flows. Countries affected directly by the war through trade, tourism, financial linkages, and refugee flows face additional challenges. These spillovers risk exacerbating existing vulnerabilities and adding to balance of payment pressures, at a time of rising interest rates and record high debt levels.

Response—Shifting Gears Toward Crisis Management

Policymakers will need to resume their crisis management efforts, gearing policies toward safeguarding macroeconomic stability, while still battling the pandemic. This will require deftly balancing competing policy objectives: shoring up the recovery, containing inflation, supporting the vulnerable and preserving social cohesion; while rebuilding fiscal buffers and maintaining financial stability. Pronounced uncertainty, risks of intensifying spillovers from the war in Ukraine, and possible flareups of the pandemic further complicate these tradeoffs. A central challenge will be to manage the effects of sharply higher food and energy prices. To prevent a food security crisis, it will be vital to keep trade open and refrain from restrictive practices. With tighter financial conditions, many emerging and developing countries will have to carefully navigate risks from possible capital flow reversals and rising debt pressures. In an integrated and more shock-prone world, policymakers must stay agile, and work together, to prepare for contingencies and adapt policies to bolster resilience, while maintaining the credibility of policy frameworks.

- **Monetary** authorities face renewed inflationary shocks from the war in Ukraine, while needing to safeguard the recovery. Managing this trade-off will be more challenging for countries with larger harmful effects of the war. Major central banks need to anticipate risks as they manage their tightening cycle, which could have severe consequences for vulnerable economies. A well-communicated, data-dependent approach will be essential to safeguarding credibility and minimizing market volatility and spillovers.
- **Fiscal policies** also face renewed pressures, as governments respond to slower growth and the impact of inflation, hosting refugees, and rising social tensions, while contending with record high debt levels and rising interest rates. The need for consolidation should not prevent

prioritizing well-targeted support for the vulnerable. Putting in place credible medium-term fiscal frameworks will be essential to safeguard debt sustainability.

- **Financial sector policies** should be used judiciously to maintain financial stability and prevent a further build-up of vulnerabilities. It is critical to preserve the soundness of banking systems and strengthen supervision of non-bank financial institutions.
- **Pandemic efforts** should be reinforced. The rapid spread of COVID-19 variants is a stark reminder that the pandemic remains a risk to macroeconomic stability. The global community must redouble its efforts to fund and provide each country with equitable access to [a comprehensive COVID-19 toolkit](#) with enhanced in-country delivery. As COVID-19 will be with us for the long term, policies should transition to addressing both pandemic preparedness and global risk mitigation for infectious diseases more broadly.

The Fund is shifting gears to provide members with vital financing, real-time advice and support in this stressed global environment. This requires continuously adapting and tailoring our approach—be it through a more intensive policy dialogue, financial assistance, or capacity development (CD). This will be critical for the countries hardest hit by the war, but also the most fragile and vulnerable economies, including small developing states.

- **Surveillance:** We are monitoring developments closely and engaging with our members to provide granular advice, with more attention on risk analysis and contingent advice, in line with the **Comprehensive Surveillance Review**. We are also strengthening multilateral surveillance, including assessing **global spillovers** from the war, and will prioritize analytical work on pressing policy issues, including **inflation, financial and corporate sector vulnerabilities, fiscal adjustment**, and **scarring** from the pandemic. To advise on the appropriate policy tools to both deal with increased risks and reap the benefits of capital flows, we will use our updated policies on capital flow management and macroprudential measures from the recently concluded **Review of the Institutional View** and lessons from the work toward an **Integrated Policy Framework**.
- **Lending:** The Fund stands ready to deploy its lending and precautionary facilities to respond to the current crisis. Just as we delivered rapid financial support in response to the pandemic and rapid emergency assistance to Ukraine, as well as an administrative account to facilitate bilateral financial assistance, we will help members vulnerable to the repercussions of war address balance of payments needs, including from energy and food security challenges and potential capital flow reversals. We are **assessing our toolkit and policies** to ensure they remain appropriate for the current circumstances. Our ongoing work and guidance to **tailor conditionality to country needs** will help members address specific challenges and support growth. For **fragile and conflict-affected states** (FCS), which are particularly vulnerable to rising food and oil prices, we are working to customize support and enhance **collaboration with partners**, including the World Bank (WB) and the United Nations, in line with our FCS strategy.

In view of sharply higher demand for Fund concessional financing, it will be essential to secure additional pledges, including by **re-channeling Special Drawing Rights (SDRs)**, to close the gap in loan and subsidy resources for the Poverty Reduction and Growth Trust (PRGT) and replenish the Catastrophe Containment and Relief Trust (CCRT). We are also counting on members' support to operationalize the [newly established] **Resilience and Sustainability Trust (RST)**. By complementing our traditional lending tools and providing affordable longer-maturity financing to vulnerable members, this will help them address macro-critical risks stemming from structural challenges, such as from climate change and pandemic preparedness.

- **Debt:** Our **new debt sustainability framework for market-access countries** and ongoing work on the **Multi-Pronged Approach** to address **debt vulnerabilities** and **debt transparency** will help strengthen our assessment of debt-related risks, which is critical at the current juncture. To safeguard sustainability and avoid debt distress, we will work with the WB and other partners to strengthen implementation of the G-20 **Common Framework for debt treatments**. We will encourage private creditor participation and explore options to improve debt restructuring processes for countries not yet covered.
- **Capacity Development:** To help countries develop and fine-tune policy tools, and better balance difficult trade-offs, we will further **integrate CD with programs and surveillance**, focusing on country-tailored CD. The Fund will continue to step up work on medium-term frameworks to build institutions for a more sustainable, resilient, and inclusive recovery. We are also increasing our CD on climate change and on enhancing cyber regulation and supervision, which will complement efforts to deepen surveillance. At the same time, we will improve our CD model by adopting blended delivery and expanding field presence, in coordination with our partners.

Resilience—Achieving a Transformational and Inclusive Recovery

Amid the immediate stresses, the international community should not lose sight of the imperative to build a more resilient future. This requires transformational reforms to address the existential challenge of climate change, step up efforts to reduce inequality, and balance the opportunities and risks from digitalization. The Fund is implementing its new strategies to better support countries in these transformational efforts. The multidimensional and interconnected nature of today's policy challenges underscores the importance of delivering our support in collaboration with our international partners.

- **Climate:** Resolute action by all countries is required to reduce global emissions and achieve the objectives of the Paris Agreement. Rising energy prices and security concerns are bringing to the fore the vulnerability of the global energy system and the need to carefully manage the green transition. This may incentivize countries to accelerate their transition to renewables. In the near term, most countries will need to help vulnerable households manage rising energy prices. As price pressures abate, this is a good opportunity to accelerate implementation of carbon pricing or equivalent measures, which need to be at the core of any global mitigation strategy. This

needs to be complemented by measures to ensure a just transition and green public investments, along with adequate transition and adaptation measures, and financing for low-income developing countries. In line with its **climate strategy**, the Fund is scaling up coverage of climate-related, macro-critical issues in our work, including Article IV consultations, Financial Sector Assessment Programs, and **Climate-Macro Assessments**. These efforts will be complemented by the new G-20 Data Gaps Initiative, which prioritizes climate-change data. The RST will help support member's efforts to advance critical reforms in mitigation, adaptation, and transition.

- **Inequality:** The pandemic exacerbated pre-existing inequalities, within and across countries. Current acute risks concerning food and nutrition insecurity, together with other spillovers from the war in Ukraine, could amplify wealth and social disparities, exacerbate social tensions, and set back years of progress. For food security and more broadly, lower tariffs and fewer barriers to trade can ease supply bottlenecks and allow for more efficient allocation of resources. Policies to remedy education losses and reskill the labor force will help address pandemic-induced scarring. The Fund is implementing its strategy on **social spending** and finalizing a **gender strategy** to better integrate these issues, where macro-critical, into our analysis and advice. We will also follow up on governance commitments made in the context of emergency financing and review implementation of the 2018 **Framework for Enhanced Fund Engagement on Governance**.
- **Digitalization:** The rapid proliferation of digital money brings new opportunities, but also risks to financial stability and potentially the international monetary system (IMS). Geopolitical developments may accelerate the adoption of digital finance, from cryptocurrencies, to stablecoins, and central bank digital currencies (CBDCs). Legal and regulatory frameworks for crypto assets need to be enhanced, and coordination among central banks on CBDC design and interoperability should be strengthened. The Fund is deepening expertise on assessing the implications of **crypto assets and CBDCs** for macroeconomic stability and the IMS, aiming to develop principles to guide policies and foster global cooperation to mitigate risks.

Now More than Ever, We Need Global Cooperation.

Today's economic challenges—from the pandemic and spillovers of war to climate change and digitalization—are truly global in nature. They require policy actions *within* and *among* countries, and support from the Fund and the broader international community.

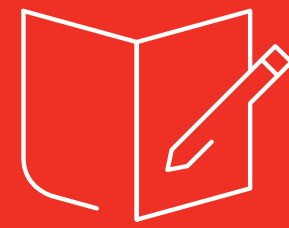
These challenges also reveal economic and geopolitical fault lines in the global economic and financial system. This is a watershed moment for multilateralism. Risks of the global economy and multilateral system fragmenting have increased, including for the international monetary system. This, in turn, could further exacerbate deep divergences in economic prospects and long-term scarring caused by the pandemic.

The ability of the international community to cooperate and come together has served the global economy well. Over the past several decades, multilateralism has facilitated economic integration, leading to strong growth, poverty reduction, and welfare gains.

Now, as the global community is tested again, the near universal membership of the IMF offers a proven platform for countries to strive together—to make the world economy work for everyone, especially the poorest. The Fund, in collaboration with other international partners, is ready to support its members and continue to champion an inclusive multilateral system. With many countries likely to need financial assistance, it has become ever more critical to maintain a reliable global financial safety net and preserve the Fund's role at its center. Progress toward governance reform and a timely and successful conclusion of the 16th General Review of Quotas is crucial for ensuring a strong, quota-based, and adequately resourced Fund.

SURVEILLANCE

62
Article IV
consultations



4 Financial
System Stability
Assessments
under the
FSAP

**Publications on
New Areas of Work***

14 Climate change

7 Gender and Inclusion

14 Digital **7** FCS

4.7 million
visitors to flagship
publications, blogs,
F&D, and Country
Focus webpages

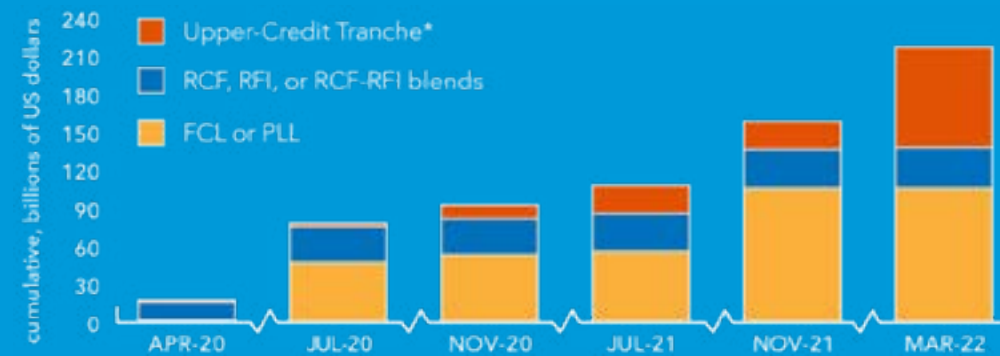


Note: Since October 2021; FCS=fragile and conflict-affected states; * includes working papers, policy papers, departmental papers, and staff notes.

LENDING

\$216 billion approved for **92 countries**
in total financial assistance since the pandemic

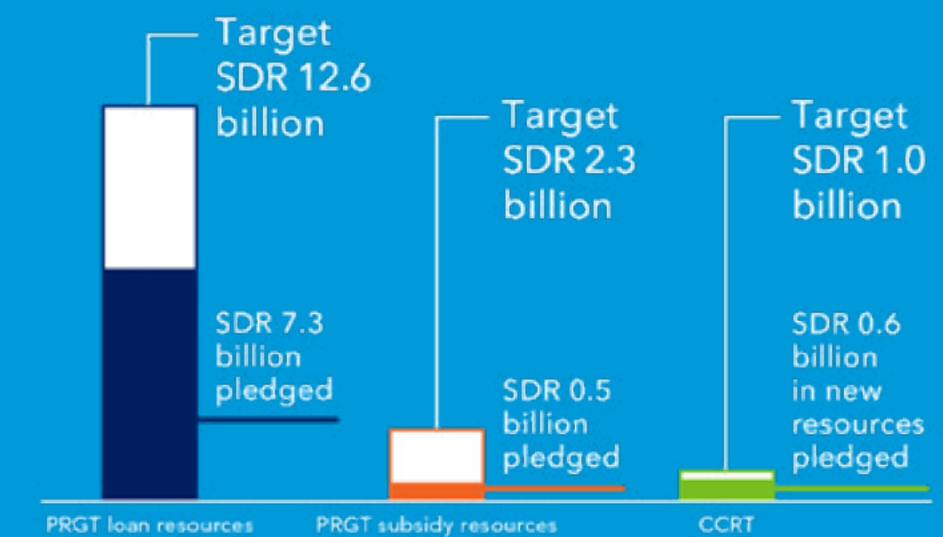
56 of which have a **Poverty Reduction
and Growth Trust (PRGT)** facility



Note: As of March 31, 2022; FCL=Flexible Credit Line; PLL=Precautionary and Liquidity Line; RCF=Rapid Credit Facility; RFI=Rapid Financing Instrument; * includes both new programs and augmentation of existing programs.

25 countries
approved for debt
service relief from the
fifth tranche of the
**Catastrophe
Containment
and Relief
Trust (CCRT)**

PRGT and CCRT Fundraising



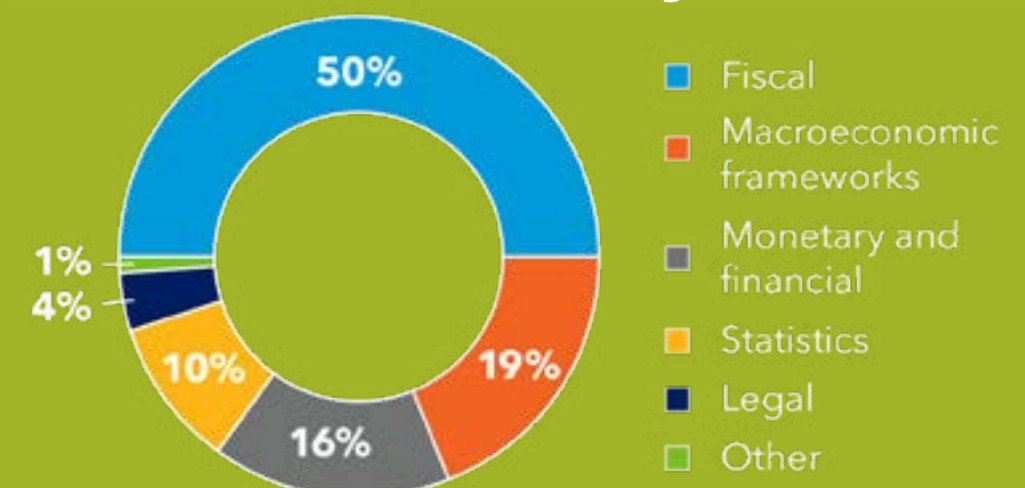
CAPACITY DEVELOPMENT

1,436
virtual technical
assistance visits

to **159**
countries

61% to
FCS, LICs, and
small states

Direct CD Delivery in FY22*



Microlearning via YouTube**

626,400 views
207 videos
9,200 subscribers

IMF Online Learning**

128,142 active users
199 countries
5 languages

Note: Since October 2021; CD=capacity development; LICs=low-income countries; * as of March 2022; ** as of January 2022.

OUTSTANDING CREDIT AND COMMITMENTS

(as of March 31, 2022, in billions of SDRs)¹

GENERAL RESOURCES ACCOUNT FINANCIAL ARRANGEMENTS			POVERTY REDUCTION AND GROWTH TRUST FINANCIAL ARRANGEMENTS		
	CURRENT PROGRAM SIZE	OUTSTANDING CREDIT ²		CURRENT PROGRAM SIZE	OUTSTANDING CREDIT ²
MEMBERS WITH CURRENT ARRANGEMENTS			MEMBERS WITH CURRENT ARRANGEMENTS		
Stand-By Arrangements (SBA)			Extended Credit Facility (ECF)		
Armenia	0.31	0.35	Afghanistan, Islamic Republic of	0.26	0.38
Senegal	0.30	0.39	Cameroon	0.16	0.77
Extended Fund Facility (EFF)			Central African Republic	0.08	0.21
Argentina	31.91	33.73	Chad	0.39	0.47
Barbados	0.32	0.31	Congo, Democratic Republic of	1.07	0.84
Cameroon	0.32	0.14	Congo, Republic of	0.32	0.10
Costa Rica	1.24	0.78	Gambia, The	0.06	0.07
Ecuador	4.62	4.89	Kenya	0.41	0.83
Equatorial Guinea	0.21	0.08	Liberia	0.16	0.20
Ethiopia	0.75	0.39	Madagascar	0.22	0.63
Gabon	0.39	0.67	Mali	0.14	0.41
Jordan	1.07	1.09	Moldova	0.13	0.12
Kenya	1.25	0.47	Nepal	0.28	0.26
Moldova	0.27	0.24	Niger	0.20	0.30
Pakistan	4.27	5.40	São Tomé and Príncipe	0.01	0.02
Seychelles	0.07	0.08	Sierra Leone	0.12	0.39
Suriname	0.47	0.08	Somalia	0.25	0.22
Flexible Credit Line (FCL)			Sudan	1.73	0.99
Chile	17.44	-	Uganda	0.72	0.63
Colombia	12.27	3.75	Standby Credit Facility		
Mexico	35.65	-	Senegal	0.15	0.19
Peru	8.01	-	Total Current Arrangements	6.87	
Precautionary and Liquidity Line (PLL)			o/w Undrawn Balance³ (D)	3.87	
Panama	1.88	0.38	Total Outstanding Credit⁴ (E)		8.03
Total Current Arrangements	123.02		MEMBERS WITHOUT CURRENT ARRANGEMENTS		
o/w Undrawn Balance³ (A)	103.98		Total Outstanding Credit⁴ (F)		6.84
Total Outstanding Credit⁴ (B)		53.22	Upper Credit Tranche (UCT)		3.03
MEMBERS WITHOUT CURRENT ARRANGEMENTS			o/w Ghana		0.61
Total Outstanding Credit (C)		41.98	o/w Côte d'Ivoire		0.47
Upper Credit Tranche (UCT)		28.91	o/w Bangladesh		0.28
o/w Egypt		11.96	Rapid Credit Facility (RCF)		3.81
o/w Ukraine		6.55	o/w Ghana		0.74
o/w Angola		3.21	o/w Tanzania		0.40
Rapid Financing Instrument (RFI)		13.07	o/w Mozambique		0.31
o/w South Africa		3.05	TOTAL PRGT COMMITMENTS (D)+(E)+(F)		18.74
o/w Nigeria		2.45			
o/w Egypt		2.04			
TOTAL GRA COMMITMENTS (A)+(B)+(C)		199.17			

**TOTAL LENDING COMMITMENTS =
SDR 217.91 BILLION**

¹ Numbers may not add up due to rounding.

² Includes outstanding credit under expired arrangements and outright disbursements.

³ Available balance not yet drawn under current arrangements

⁴ Includes only outstanding credit for members with current arrangements.