

**INFORMAL
SESSION TO
ENGAGE**

SM/22/232

September 30, 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: **Wednesday, October 5, 2022**
Publication: Proposed, following the Managing Director's Annual Meetings press conference.
Questions: Ms. Tuladhar, SPR (ext. 34092)
Mr. Kim, SPR (ext. 34851)
Mr. Shenai, SPR (ext. 35951)

THE MANAGING DIRECTOR'S GLOBAL POLICY AGENDA
"ACT NOW, ACT TOGETHER FOR A MORE RESILIENT WORLD"
FALL 2022

Reeling from multiple shocks, the global recovery has slowed, and the outlook is increasingly difficult. Since last October, we have downgraded global growth and revised up inflation projections four times. Two years of pandemic, followed by Russia's invasion of Ukraine, have taken a heavy toll on activity and global trade, exhausting policy buffers and people's patience. Now, a 'cost-of-living crisis' threatens livelihoods everywhere, with the most vulnerable hit the hardest, and acute food insecurity is an unbearable hardship in too many parts of the world. While policymakers are responding, multi-decade inflation highs, tightening financing conditions, rising food and energy insecurity, capital flow disruptions, and high debt levels point to a difficult and uncertain period ahead—especially in the context of slowing growth in the US, Europe, and China. The increasing frequency and intensity of climate-related disasters—devastating floods, droughts, and wildfires—adds to these challenges. While the ongoing digital revolution brings new opportunities, the recent turmoil in crypto asset markets is a reminder of the risks of unfettered digitalization.

We must act now and act together to alleviate these hardships and build the resilience the world needs—but this will not be easy in an increasingly fragmented world. Increasingly, countries face difficulties through no fault of their own. Policymakers need to act swiftly to address high inflation and the 'cost-of-living' crisis, which call for difficult policy choices. As policy actions in advanced economies will likely lead to negative spillovers, support for vulnerable countries will be needed. Global action is also required to address the escalating climate crisis, capture the benefits and manage the risks of digitalization, and reduce inequality. However, intensifying geopolitical fragmentation makes multilateral cooperation more difficult. With our social fabric already strained by the prolonged pandemic, we cannot afford to let circumstances worsen because of an inability to cooperate. The time to confront together our shared challenges is now.

As a guardian of global financial stability, it is imperative that the Fund continue to adapt to have the necessary tools to effectively serve our members in a more shock-prone world. We are taking action on several fronts. We are focused on sharpening our policy and analytical toolkit to deliver tailored and timely advice to help countries shore up their macro foundations to be more resilient to shocks. And, with so many members beset by multiple shocks, we continue to adapt our policies and lending toolkit—including by operationalizing the new Resilience and Sustainability Trust (RST) and putting in place a new food-shock window to meet the most urgent needs of our members—to ensure that the Fund remains resilient both in today's and tomorrow's world. As we work with our members, we remain mindful that gaining public traction for reforms is becoming more difficult following successive years of crises. On all these fronts, we continue to collaborate with our international partners to leverage on their expertise and financial support.

Act Now: Macro Policies to Address the Macro Shocks We Face Today

Policymakers should prioritize fighting inflation and protecting the most vulnerable to mitigate the impact of the 'cost-of-living crisis,' while addressing debt and other vulnerabilities.

Coordination and careful calibration of policies to country-specific circumstances will be essential to manage trade-offs and bolster the effectiveness of the response.

- **Monetary policy** should stay the course to restore price stability. Frontloaded and aggressive monetary tightening is crucial to avoid inflation expectations from de-anchoring and prevent an

erosion of incomes and worsening of inequality. Clear communication is needed to avoid unwarranted market volatility and mitigate spillovers.

- **Fiscal policy** should prioritize the protection of vulnerable groups through targeted near-term support to alleviate the burden of the ‘cost-of-living’ crisis, while being guided by debt sustainability considerations and supported by credible medium-term policy frameworks. The overall stance of fiscal policy should not work at cross purposes with monetary policy, particularly where there is overheating.
- **Financial and external policies** must safeguard macro-financial stability. As financial conditions tighten, macroprudential policymakers will need to become ever more vigilant to guard against systemic risks, including in housing markets. Flexible exchange rates remain a buffer against shocks, while foreign exchange intervention may be needed to address disorderly market conditions and other frictions, and capital flow management measures on outflows may be used if disruptive outflows lead to (imminent) crisis circumstances.
- **Structural reforms** can help address the supply side drivers of inflation and ease growth-inflation tradeoffs. Active labor market policies and other measures, such as earned income tax credits and investments in childcare, along with complementary product-market and energy reforms, can help support labor force participation and mitigate supply-chain bottlenecks.

The Fund provides real-time policy analysis and advice—as well as a platform to share experiences—to help policymakers manage ongoing and prospective shocks.

- Our **bilateral surveillance** tailored to specific country circumstances is focused on the need to address inflation and the ‘cost-of-living crisis,’ including through a stronger emphasis on **inclusive policies** as well as on targeted advice to address food security, in close collaboration with other agencies. We are also continuing to deepen our engagement on macro-financial surveillance and encouraging the use of multiple policy tools to address a confluence of shocks and risks, by operationalizing the **Integrated Policy Framework**. Our risk assessments will help members better prepare for shocks by examining a range of potential outcomes and providing advice on tailored contingency planning to address and preempt risks, in line with recommendations of the **Comprehensive Surveillance Review**.
- Our **multilateral surveillance** and analytical work will prioritize **inflation**, monetary-fiscal policy interactions, and risks to financial sector stability. In close collaboration with our partners, we are also assessing impact of, and risks related to, **global food insecurity** and developing policy advice, including on trade and safety nets. With risks of fragmentation and supply-chain disruptions still rising, we will continue to monitor implications for the global economy and review our priorities on **trade**. Specific attention will be given to macroeconomic developments and prospects in low-income countries (LICs).

Tackling multiple shocks effectively requires good *governance*. The forthcoming review of the **Framework for Enhanced Fund Engagement on Governance** will provide a comprehensive, in-depth stocktaking of its implementation and an assessment of the progress toward a stronger engagement with member countries on macro-critical governance vulnerabilities.

Act Together: Global Solidarity to Help Those Most in Need

Global action is urgently needed to help countries and people hit hardest by shocks. Ending the war in Ukraine remains paramount. Many countries, especially LICs are facing an acute food crisis. At the same time, volatile capital flows and rising debt and interest rates are putting at risk financial stability for many emerging markets (EMs) as well as some advanced economies (AEs). With limited or no policy space left, and the risk of rising social disparities and unrest, a growing number of countries will need financial support from the global community, along with timely and effective debt restructuring.

- **Food security:** Overcoming a major food crisis is imperative. This requires unwinding and refraining from restrictive practices by lifting export restrictions on food and fertilizers consistent with countries' commitments to the World Trade Organization (WTO) and, more broadly, safeguarding and strengthening the rules-based multilateral trading system.
- **Financial support:** Last year's SDR allocation helped countries boost reserves and deal with pressing needs, but new or prolonged shocks and spillovers have steadily eroded buffers. Further voluntary channeling of SDRs and additional donor financing are key to confront the challenges faced by LICs and EMs.
- **Debt:** Debt distress, or the risk of it, is a growing concern for much of the membership—for more than 60 percent of LICs and over 25 percent of EMs. It is therefore essential to have timely, effective, and well-coordinated debt resolution mechanisms. This calls for improving implementation of the G20 Common Framework for Debt Treatments (CF) and expanding creditor coordination to middle-income countries, as outlined further below.

We are committed to providing the financial support our members need in this rapidly changing global context and continue to adapt our lending toolkit. Just as we stepped up during the pandemic, we are ready to deploy the full range of our lending instruments. Our upper-credit tranche (UCT) quality programs will continue to help our members adjust and restore external viability. We also recognize the need to ensure that our toolkit remains effective to address potentially larger and more acute financing needs of our members as they navigate these volatile times and prepare for future shocks:

- The recent establishment of the **RST** represents an important complement to our lending toolkit, allowing the Fund to help the membership enhance resilience to climate shocks and pandemics. Having the RST up and running soon is one of our top priorities. Based on close collaboration with the World Bank (WB) and others, we expect several **RST-backed programs** to be brought to the Board's consideration by the end of this year, which can help catalyze other financing, including from private sources. To provide this transformational support to our members, we need sustained efforts to meet the funding needs of the newly established RST. This will require additional broad-based pledges, via SDR channeling or freely usable currencies, as well as countries moving swiftly to convert existing pledges into contributions.
- In response to immediate needs of the membership, we have established a new **food-shock window** under our emergency financing instruments to enhance our support to members facing urgent balance of payments (BoP) needs related to the global food shock. At the same time, we are enhancing our modalities for **Staff Monitored Programs** to allow for **limited Board involvement** for countries that are experiencing particularly complex challenges. Members' proactive access to Fund support can help smooth the needed adjustment. We are **reviewing**

our precautionary facilities to ensure that members with strong fundamentals have adequate buffers to deal with shocks and uncertainties. We will continue to monitor developments and consider other potential reforms, as needed, to ensure we have the instruments to effectively support countries in the context of global shocks.

- Assisting vulnerable members, especially LICs, will only be possible with stepped up contributions from economically stronger members. Contributions thus far are welcome. However, more is needed to close the funding gap for the Poverty Reduction and Growth Trust (PRGT)—through both SDR channeling and bilateral contributions through the first stage of the two-stage fundraising strategy agreed in July. It is essential to be able to provide concessional support to our poorest members, in particular to fund the food-shock window. There is also a need to replenish depleted resources in the Catastrophe Containment and Relief Trust (CCRT).

We are also working with partners to tackle current and future debt challenges. Ensuring debt sustainability is critical for safeguarding our members’ macroeconomic and financial stability and the success of Fund-supported programs.

- **Debt restructuring:** The recent progress made on Zambia’s debt restructuring is welcome. Building on this momentum, we will work with our international partners to help strengthen and accelerate the **implementation of the CF**. We will also explore ways to promote stronger creditor coordination for debt restructurings where the CF is not applicable and develop further complementary avenues to foster greater global consensus among debtor countries, official bilateral and private creditors, and international financial institutions, on debt challenges worldwide and appropriate ways to address them. We will continue to advance further reforms, in collaboration with stakeholders, to strengthen the contractual approach for sovereign debt restructuring and, together with the WB, provide more granular guidelines on collateralized financing practices, while implementing our revised sovereign arrears policies to help facilitate debt resolution.
- **Debt transparency and sustainability:** As part of the Joint IMF-WB **Multipronged Approach** to Address Debt Vulnerabilities, we are working to improve debt transparency including by examining debtor creditor incentives, capacity, and governance issues, and exploring reform options. The roll-out of the new **Sovereign Risk and Debt Sustainability Framework** will help identify risks of sovereign distress and better align our debt sustainability framework with the lending framework.

Act Now, Act Together: Joint Action to Strengthen Future Resilience

With climate threats escalating, digital transformations accelerating, and inequality and fragility rising, we need to act now to manage the risks and capitalize on opportunities.

Climate change is compounding current challenges, including food insecurity. The ongoing digital revolution is unlocking new opportunities but also raising risks to financial stability. But policy action on both fronts is lagging. The longer we wait, the more costly it will become to act. Growing inequality, fragility, and the risk of future pandemics add to the urgency for joint action to bolster resilience. The Fund has strategies for helping members tackle [climate](#), [digital](#), inequality, [gender](#) gaps, and [fragility](#)—supported by the [Budget Augmentation Framework](#).

- **Climate:** There are only a few years left until the atmosphere’s absorptive capacity is exhausted so that the Paris target of limiting global warming to 1.5C may become infeasible. With this, the global economy would enter uncharted territory, facing risks to welfare and macro-financial

stability of hitherto unknown quality and intensity. Immediate policy action is more urgent than ever and should encompass a fair and balanced **climate accord among the largest emitters** on arresting the emissions of greenhouse gases. Moreover, policymakers need to ensure that any recourse to fossil fuels to address energy shortfalls is temporary. As energy prices normalize, this is an opportunity to introduce **carbon pricing or equivalent measures** to forcefully reduce emissions, while protecting vulnerable groups and safeguarding energy security. **Adaptation and just transition** require both policies and scaled-up financing for efficient green investment, including from private sources. These efforts will need to be complemented by a reinforced **climate information architecture** and more broadly better macro climate data. In all these areas, the Fund is scaling up its analysis and advice, including through Article IV consultations, Financial Sector Assessment Programs, and policy papers.

- **Digitalization:** Policies should aim to leverage the benefits of new digital technologies while mitigating risks. In support of these efforts, we are analyzing, jointly with the Bank for International Settlements (BIS), Committee on Payments and Market Infrastructures (CPMI), FSB, and the WB, modalities to improve **cross-border payments**, including through new payment infrastructures, and to develop a framework for effective **regulation and policy responses to crypto assets**. We are also exploring the **implications of digital money for the international monetary system** with a view to developing policy principles to foster cooperation and stability.
- **Inequality, gender, fragility, and pandemic preparedness:** To lay the foundation for continued resilience, we will continue to enhance our [engagement on social spending](#), step up efforts to help members address macro-critical **gender** gaps, and provide customized support for the **fragile and conflict-affected states** (FCS). We are also continuing our support for global efforts to strengthen collaboration between finance and health, and scale up efforts to prevent, prepare and respond to future pandemics.

Our Capacity Development (CD) is helping build members’ resilience. We continue to integrate CD with surveillance and lending, focusing on tailored technical assistance (TA) and training, particularly for our FCS members, and are increasingly providing CD on digitalization (including on GovTech), climate, and gender. We are modernizing CD management, administration, and delivery. Following the recent Independent Evaluation Office (IEO) recommendations, the **CD Strategy Review** will enhance the strategic framework for Fund CD and consider further innovations to enhance the impact, efficiency, and effectiveness of our support.

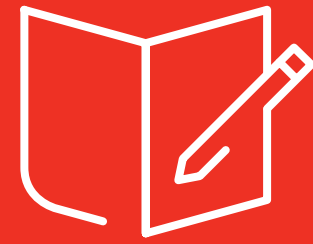
In today’s more shock-prone world, a strong, quota-based, and adequately resourced Fund—a resilient Fund—at the center of the GFSN is more essential than ever. To be able to deliver on our ambitious agenda, preserve our financial strength, and bolster our legitimacy, progress toward governance reform and a timely and successful conclusion of the **16th General Review of Quotas** will be essential.

We are also strengthening our **Enterprise Risk Management** framework to better support responsible risk taking in fulfilling the Fund’s mandate. We are continuing to bolster efforts to attract talent to support existing and new priority areas and improve staff **diversity and inclusion**. And we are working to implement measures recommended by the **Institutional Safeguards Review**. Above all, we rely on the exceptional dedication and professional strength of our staff to serve our members in this complex and highly uncertain environment. We care deeply for our member countries and their people: we strive to deliver for them today and dare to shape a Fund that will deliver for them tomorrow.

Data to be updated prior to publication

SURVEILLANCE

65
Article IV
consultations



3 Financial System
Stability Assessments **FSAP**



2 Climate Macroeconomic
Assessment Programs

Publications on
Climate, Digital, Inclusion**



[14] Climate change



[7] Digital



[14] Inclusion

2.4 million visitors

to flagship publications, blogs, *F&D*,
and Country Focus webpages



IMF data dashboards

16,418 visits to
Climate Change Indicators

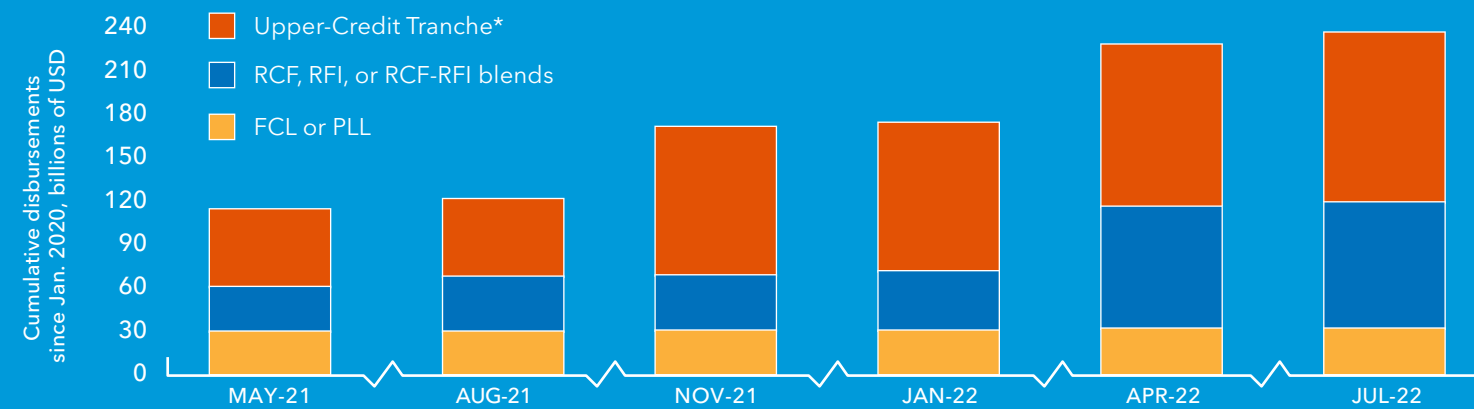
32,596 visits to SDR Tracker

184,601 visits to
Vaccine Supply Tracker

Note: *April 1st 2022 to August 31st 2022;** Since October 2021.

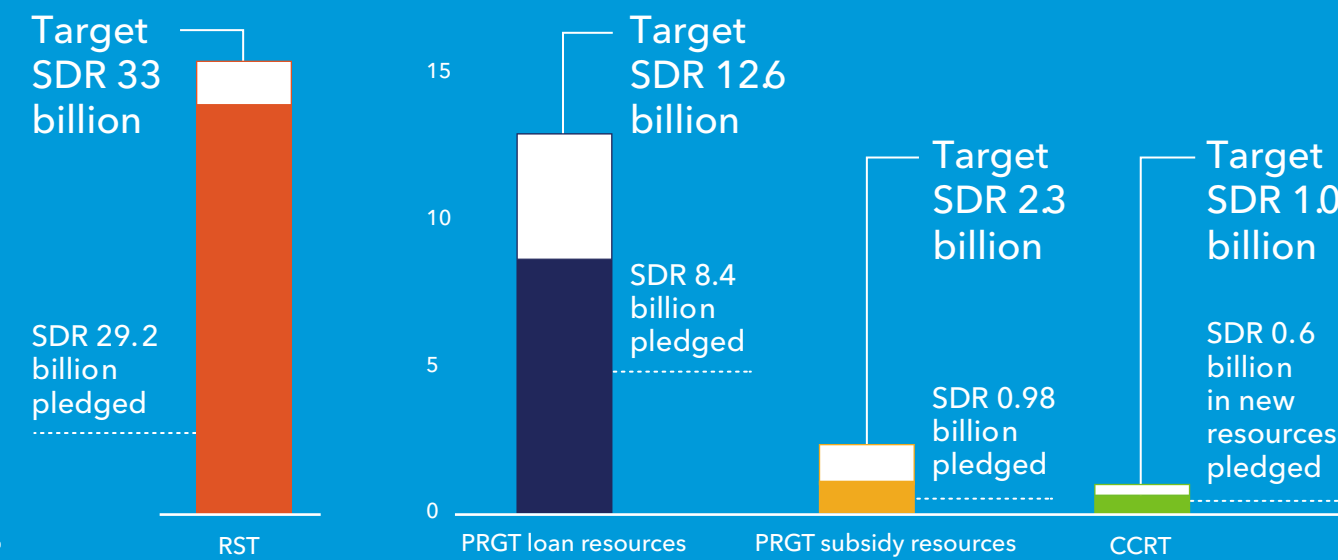
LENDING

30 countries received **\$128 billion**
total financial assistance since May 1, 2021
18 of which
have a PRGT facility

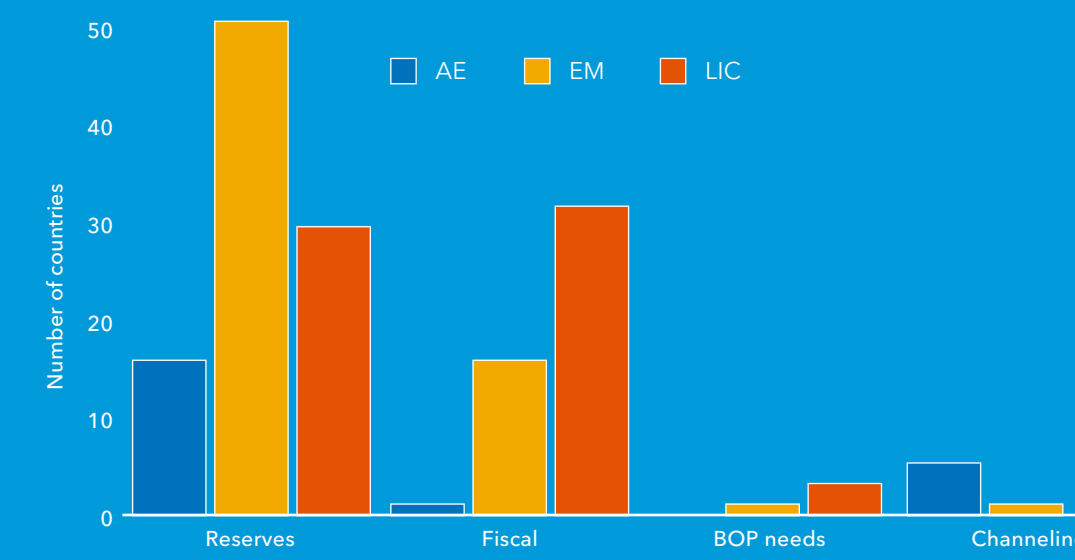


Note: * Includes both new programs and and augmentation of existing programs.

RST, PRGT and CCRT Fundraising



Use of 2021 \$650 Billion SDR Allocation**



Note: ** The full tracker is available on IMF.org, and the data reflects Staff Reports published for 138 out of 190 members from August 2021-August 2022; Reserves include maintaining the allocation as reserve holdings; Fiscal includes priority spending (e.g., health and social spending), as well as debt management operations; BOP needs=Balance of Payments needs; Channeling includes SDR channeling to countries in need (e.g., PRGT and RST)

CAPACITY DEVELOPMENT

1,321 field
and virtual
technical assistance*

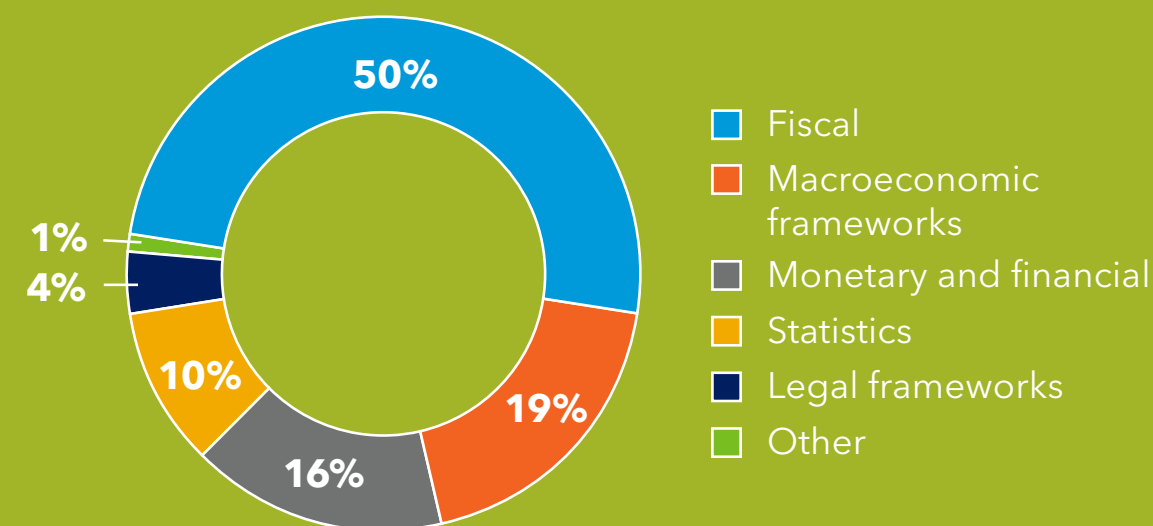


to **144**
countries

51%
to **FCS, LICs,**
and **small states**



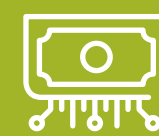
Direct CD Delivery in FY22*



Number of
CD projects on



Climate 57



Digital 47

Microlearning**
via YouTube

1,076,846 views

230 videos

11,800 subscribers

IMF Online
Learning***

140,00 active users

196 countries

6 languages

Note: * May 2022 to August 2022; ** March 2022 to August 2022; *** Since the launch of Online Learning Program (2013) to August 2022; CD=capacity development; FCS=fragile and conflict-affected states; LICs=low-income countries.

OUTSTANDING CREDIT AND COMMITMENTS

(as of September 29th, 2022, in billions of SDRs)¹

GENERAL RESOURCES ACCOUNT FINANCIAL ARRANGEMENTS

	CURRENT PROGRAM SIZE	OUTSTANDING CREDIT ²
MEMBERS WITH CURRENT ARRANGEMENTS		
<i>Stand-By Arrangements</i>		
Georgia	0.21	0.48
Senegal	0.39	0.50
<i>Extended Fund Facility</i>		
Argentina	31.91	30.71
Benin	0.32	0.15
Cameroon	0.32	0.17
Costa Rica	1.24	0.78
Ecuador	4.62	5.60
Equatorial Guinea	0.21	0.08
Ethiopia	0.75	0.39
Gabon	0.39	0.77
Jordan	1.15	1.22
Kenya	1.25	0.62
Moldova, Republic of	0.40	0.29
Pakistan	4.99	6.00
Seychelles	0.07	0.09
Suriname	0.47	0.08
<i>Flexible Credit Line</i>		
Chile	13.95	-
Colombia	7.16	3.75
Mexico	35.65	-
Peru	4.00	-
<i>Precautionary and Liquidity Line</i>		
Panama	1.884	0.38
Total Current Arrangements	111.33	
o/w Undrawn Balance³ (A)	91.35	
Total Outstanding Credit (B)		52.04
MEMBERS WITHOUT CURRENT ARRANGEMENTS		
Total Outstanding Credit (C)		39.64
<i>Rapid Financing Instrument</i>		
		RFI subtotal amount
o/w South Africa		3.05
o/w Nigeria		2.45
o/w Egypt		2.04
<i>Other Upper Credit Tranche</i>		
		26.14
o/w Egypt		11.60
o/w Ukraine		5.78
o/w Angola		3.21
TOTAL GRA COMMITMENTS (A)+(B)+(C)		182.51

POVERTY REDUCTION AND GROWTH TRUST FINANCIAL ARRANGEMENTS

	CURRENT PROGRAM SIZE	OUTSTANDING CREDIT ²
MEMBERS WITH CURRENT ARRANGEMENTS		
<i>Extended Credit Facility</i>		
Afghanistan, Islamic Republic of	0.26	0.38
Benin	0.16	0.27
Cabo Verde	0.05	0.03
Cameroon	0.16	0.79
Chad	0.39	0.46
Congo, Democratic Republic of	1.07	0.99
Congo, Republic of	0.32	0.16
Gambia, The	0.06	0.08
Kenya	0.41	0.84
Liberia	0.16	0.21
Madagascar	0.22	0.64
Moldova, Republic of	0.20	0.19
Mozambique	0.34	0.41
Nepal	0.28	0.26
Niger	0.20	0.33
Sao Tome & Principe	0.01	0.03
Sierra Leone	0.12	0.39
Somalia	0.25	0.23
Sudan	1.73	0.99
Tanzania	0.80	0.51
Uganda	0.72	0.63
Zambia	0.98	0.14
<i>Standby Credit Facility</i>		
Senegal	0.19	0.25
Total Current Arrangements	9.08	
o/w Undrawn Balance³ (D)	5.30	
Total Outstanding Credit (E)		9.21
MEMBERS WITHOUT CURRENT ARRANGEMENTS		
Total Outstanding Credit (F)		12.92
<i>Rapid Credit Facility</i>		
		RCF subtotal amount
o/w Ghana		0.74
o/w Papua New Guinea		0.26
o/w Cote d'Ivoire		0.22
<i>Other Upper Credit Tranche</i>		
		7.01
o/w Ghana		0.56
o/w Cote d'Ivoire		0.43
o/w Mali		0.25
TOTAL PRGT COMMITMENTS (D)+(E)+(F)		27.43

TOTAL LENDING COMMITMENTS =
SDR 209.94 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.

FINANCIAL POSITION OF THE GENERAL DEPARTMENT

(as of the end of financial year 2022 (FY22), in billions of US dollars)¹

Total Assets	683	Total liabilities, reserves, retained earnings, and resources	683
Currencies	611	Borrowings	4
o/w Usable currencies	393	Quota	640
o/w Credit outstanding	125	Other liabilities	1
SDR holdings	30	Reserves of the GRA	36
Investments	34	Retained earnings of the Investment Account	3
Other assets (including gold)	8		

FINANCIAL POSITION OF THE CONCESSIONAL LENDING AND DEBT RELIEF TRUSTS

(as of the end of FY22, in billions of US dollars)¹

	PRGT	PRGT-HIPC	CCRT		PRGT	PRGT-HIPC	CCRT
Assets	31.2	0.5	0.2	Liabilities and Resources	31.2	0.5	0.2
o/w Cash and cash equivalents and investments	11.2	0.5	0.2	o/w Borrowings	20.3	0.1	0.1
o/w Loans receivable	19.9	-	-	o/w Resources	10.7	0.4	0.1

IMF'S LENDING CAPACITY

(as of the end of FY22, in billions of US dollars)^{1,2}

429 Quotas

383 NAB³ (expire 2025)

146 Bilaterals⁴ (expire 2023)

CONSOLIDATED OPERATIONAL INCOME AND EXPENSES IN SELECTED YEARS

(in millions of US dollars, unless otherwise noted)⁵

	FY20	FY21	FY22
A. Operational Income	3192	2929	3402
Lending income (including surcharges)	2600	2796	3696
Non-lending income / (loss)	592	133	-293
o/w Investment income / (loss)	502	128	-313
B. Expenses	1230	1199	1376
Net administrative expenses	1150	1126	1180
o/w Personnel	1028	1049	1106
Other ⁶	80	73	196
C. Net operational income (A-B)	1962	1730	1437
Memorandum items:			
Net administrative budget in FY22 dollars ⁷	1214	1214	1214
SDR interest rate (end of period)	0.05	0.05	0.05
Gross Spending on⁸:			
Country operations	-	442	505
Lending	-	154	143
Surveillance	-	172	230
CD-Fund financed	-	35	30
CD-Externally financed	-	80	102
Multilateral surveillance & analytics and policy work	-	279	295
Fund governance and membership & Fund finances	-	124	141
Internal support	-	346	359

Note:

* Data is of end-April 2022; ** Approved in May, 2022.

¹ Figures in US dollars based on an exchange rate of 1.34430/SDR as of April-end, 2022.

² The IMF's lending capacity is calculated after setting aside a liquidity buffer of 20 percent and considering that only resources of members and participants with strong external positions are used for lending.

³ New Arrangements to Borrow.

⁴ Bilateral Borrowing Agreements. The 2020 Borrowing Agreements have an initial term through the end of 2023 and may be extended for a further year through the end of 2024 with creditor's consent.

⁵ Figures in US dollars based on average exchange rates for respective years (\$1.38/SDR for FY20, \$1.41/SDR for FY21, \$1.41/SDR for FY22).

⁶ Net difference between Expenses and Net administrative budget.

⁷ Deflated with the global external deflator (a price index applied to the administrative budget, formulated in real terms, to obtain the nominal budget).

⁸ The methodology for allocating various Fund-wide activities and overheads, as well as CD chargebacks, has been updated. The CD-related changes reflect a general effort to strengthen data on CD expenditures. Output estimates in past reports are not directly comparable.