

**FOR
INFORMATION**

FO/Dis/17/84

June 13, 2017

To: Members of the Executive Board

From: The Secretary

Subject: **Update on IMF Deliverables Under the 2030 Development Agenda**

Board Action: Executive Directors' **information**

Additional Information: The attached presentation, which was presented to the Executive Board on May 18, 2017, will also provide background for the UN Sustainable Development Goals High-Level Political Forum, which will be held from July 10-19, 2017.

Publication: Yes, after Tuesday, June 20, 2017

Questions: Mr. Lane, SPR (ext. 39852)

Update on IMF Deliverables under the 2030 Development Agenda



Prepared by Staff of the International Monetary Fund, June 2017

2030 development agenda: 2015 set the global development agenda for the next 15 years



**Financing Framework
(Addis Ababa, July)**

Three IMF Policy Papers



**Sustainable Development
Goals
(New York, September)**

Staff Discussion Note
SDN/15/18



**Environmental Targets
(Paris, December)**

1. The Managing Director's Statement on IMF Role in Addressing Climate Change
2. Staff Discussion Note SDN/16/01

Main goal: ensure prosperity for all, end poverty, and protect the planet (SDGs are universal)



Introduction

The IMF's work is well aligned with the 2030 agenda through support for:



Domestic and global economic and financial stability	SDG 17
Strong, inclusive, and sustainable growth with poverty eradication	SDGs 1-4, 8, 10
Closing infrastructure gaps in a sustainable way	SDG 9
Gender equity and inclusion	SDG 5, 10
Policies to address climate change	SDGs 7, 12-13
Creating fiscal space for essential public service delivery	SDG 6
Providing capacity building for strengthening institutions	SDG 16
Providing capacity building to strengthen national statistical systems and to develop SDG global indicator framework	Several SDGs

This briefing takes stock of the progress in implementing the IMF's key commitments



Road map

- **The Economic Context.** Changes in the enabling environment and implications for economic prospects in developing countries
- **The IMF's support under the 2030 Development Agenda**
 - Support for domestic policies
 - Support for systemic issues
- **Conclusion**



The Economic Context

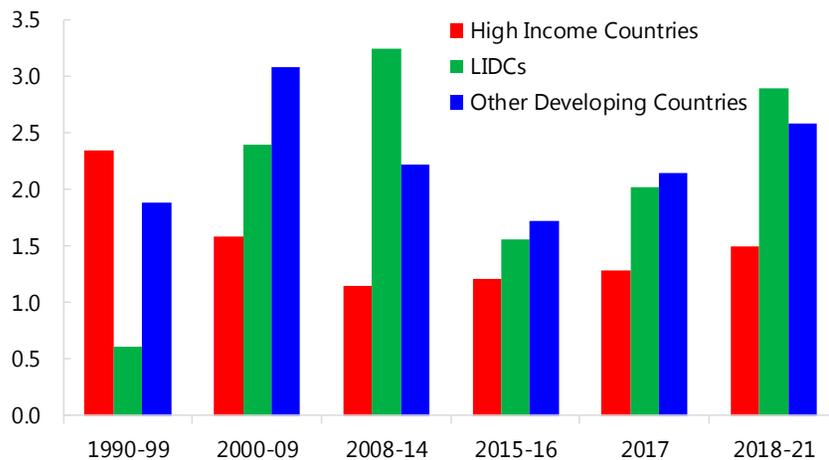
The external economic environment surrounding developing countries has weakened somewhat



Economic growth slowed in 2015-16, but expected to picking up from 2017

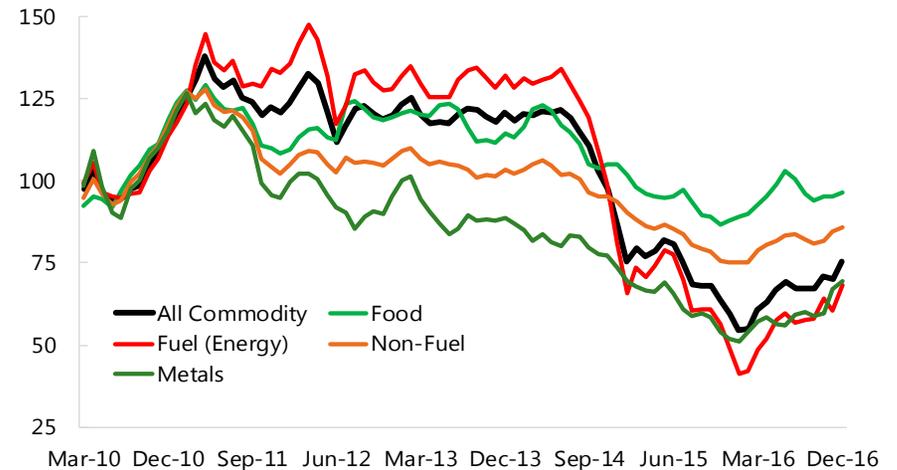
Commodity prices are recovering but are well below the levels seen until mid-2014

Real GDP Growth per Capita in HICs and Developing Countries*
(Median, in percent)



*Excludes China and India.

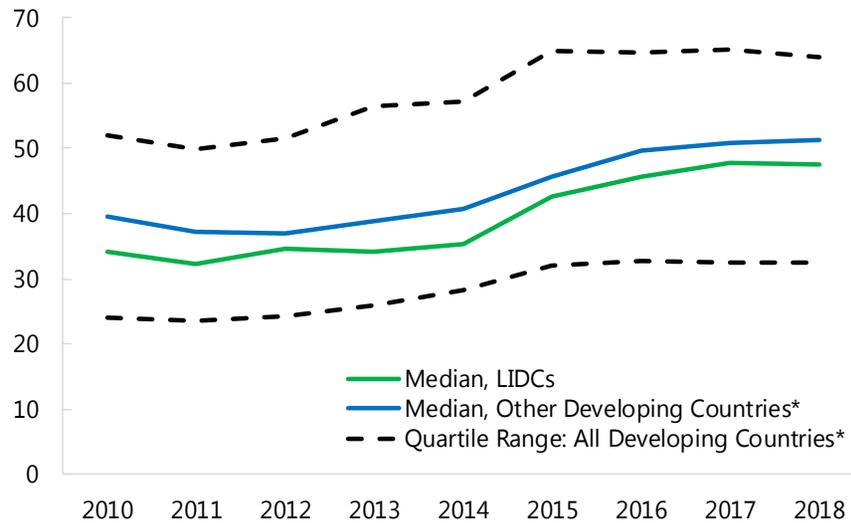
Commodity Prices
(Index: 2010=100)



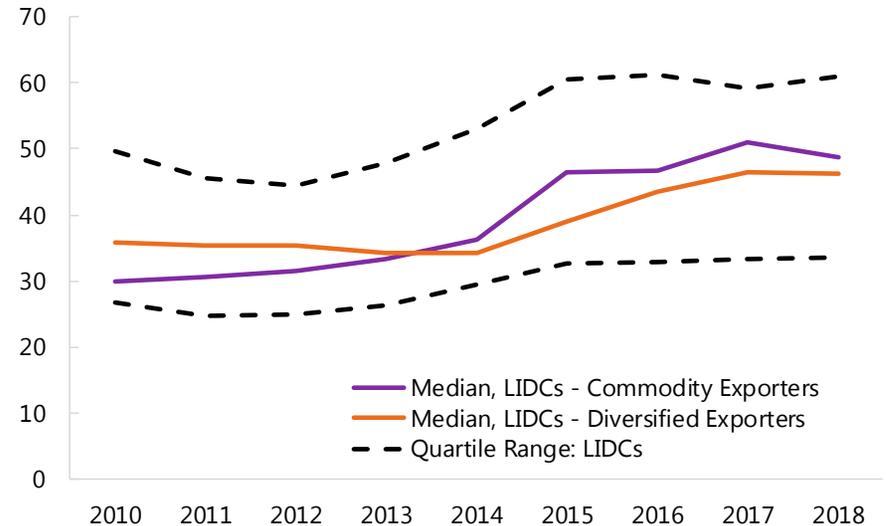
Vulnerabilities have also increased, including rising public debt levels



Public Debt in Developing Countries*
(Percent of GDP)



Public Debt by LIDC Subgroups
(Percent of GDP)



* Excludes China and India.

This has implied weaker growth prospects relative to the projections made in 2015



PPP-GDP Weighted Averages					
	2010-14	2015	2016	2015-2020	2015-2020
			Estimates	Projections	Projections
			(WEO April 2017 Vintage)		(WEO April 2015 Vintage)
Growth (Percent)					
HICs	2.1	2.3	1.7	2.0	2.2
Developing Countries*					
LIDCs	6.0	4.6	3.6	4.8	6.0
Commodity Exporters	5.7	2.3	0.5	2.6	5.4
Fuel Exporters	5.7	1.0	-2.0	1.3	5.2
Non-Fuel Exporters	5.8	4.6	4.1	4.4	5.9
Diversified Exporters	6.2	6.5	6.0	6.4	6.5
Other Developing Countries*	4.0	1.4	2.1	2.7	3.3

* Excludes China and India.

The IMF's commitments under the 2030 agenda



Support for **domestic policies**

- A) *Deepening **policy diagnosis and advice***: on resilience, infrastructure, inclusion issues
- B) *Scaling up **capacity building***: DRM, PFM, infrastructure, financial deepening and inclusion, financial stability, fragile and small states, climate change, data
- C) *Enhancing the **financial safety net***

Support for **systemic issues**



Policy Diagnosis and Advice

Policy work on building resilience is a heightened priority



- Ongoing work on better assessing *fiscal space* and *macro-financial linkages*
- Ongoing reform of the *debt sustainability framework (DSF)* given changing LIC financing environment
- Going forward, work on *resilience* will be enhanced through:
 - **Risk-based analysis of LIC vulnerabilities** in fiscal, external & financial sectors

Infrastructure Policy Support Initiative (IPSI) is being operationalized



- Expanded use of Public Investment Management Assessment (PIMA), PPP- Fiscal Risk Assessment (PFRAM), and Debt-Investment-Growth (DIG) Models to inform policy decisions
 - Since 2015 more than 20 pilots in PIMA and PFRAM (including Jordan, Kosovo, Honduras, Mongolia, Togo), more than 20 pilots in DIG (e.g., Kyrgyz Republic, Thailand)
- 9 pilot countries under the Infrastructure Policy Support Initiative
 - (including Cambodia, Honduras, Timor Leste)
- Going forward, wider application and more emphasis on strengthening the toolkits
 - Use of IPSI tools to support the Compact with Africa Initiative
 - Joint IMF-Bank work to strengthen PIMA; future development of PFRAM model for sensitivity analysis; extension of models to analyze climate issues

Policy advice to small developing states has been customized to their special vulnerabilities



- Recently developed **framework for building resilience to natural disasters** in small states focused on stronger disaster response; and also stronger economic frameworks for better preparedness.

Going forward:

- The new DSF will incorporate stress tests focused also on external shocks, including natural disasters.
- The IMF, in collaboration with the World Bank, will develop a **Climate Change Policy Assessment on a pilot basis** to help identify macro-relevant policies geared towards climate change mitigation and adaptation.
 - Topics for the IMF include: adoption of energy taxes/carbon pricing, subsidy reforms, consistency of climate change spending programs with fiscal and debt sustainability, etc. (Seychelles, St. Lucia)

Diagnosis of inclusion & climate issues: deepened and operationalized selectively...



Inequality	Gender	Financial inclusion	Climate
Impact of structural reforms on inequality (Ethiopia, Malawi, Myanmar)	Drivers of female labor force participation and impact of FLFP on growth (India, Jordan, Niger)	Macro effects of Financial inclusion of women (India, Guatemala)	Carbon mitigation policies (Jamaica, Seychelles)
Growth-inequality-poverty nexus (Sudan, China)	Effect of structural reforms on gender inequality (Morocco)	Macro impact of limited financial inclusion (Kenya)	Reforming energy policies (Sri Lanka, Vietnam)
Commodity-price cycles and growth and inequality (Bolivia)	Gender budgeting implications (India, Rwanda)	Policies to improve financial inclusion (Colombia, Namibia, Nigeria)	Climate resilient macro-fiscal frameworks (St. Lucia, Seychelles)
		Financial Inclusion dataset Financial Access Survey http://data.imf.org/fas	

Continued research work, books, participation in conferences for raising awareness and peer learning

...these efforts will continue, along with greater emphasis on informing the policy dialogue



- Enhanced collaboration with outside partners (WBG, UN, G20, G24, Alliance for Financial Inclusion, the Global Partnership for Financial Inclusion)
- Strengthening of underlying toolkits to analyze the issues, and training for handover of the toolkits to country teams
- Influencing policy debate at bigger platforms – G20, Development Committee
- Going forward,
 - A second wave of pilots is ongoing on these inclusion topics
 - Takeaways from all the pilots will be used to customize our policy advice in surveillance and program work
 - Toolkits/training for better knowledge exchange and handover of technical skills to country teams



Capacity Building

The IMF is scaling up its support for capacity development in five key areas



- Boosting domestic resource mobilization (DRM) and sound public financial management systems (SDG 17.1);
- Building state capacity for scaling up public investment (SDG 9.1, 9.a,17.9);
- Tailored capacity building for fragile and small states (SDG 10.a,16.a,17.9);
- Promoting deeper, inclusive and stable financial systems (SDG 8.10); and
- Expanding knowledge sharing and tackling data gaps and quality to strengthen national statistical systems (affecting most SDG indicators).

Capacity building for revenue mobilization has been scaled up further



- TA on revenue administration and tax policy (including international tax issues) has risen by 17 percent since 2015, largely financed by increased donor support
- More application of tools, including with collaboration with others
 - TADAT has been applied to over 40 countries—18 in Africa; 6+ in Asia/Pacific; 6 in LAC
 - Other tools—RA-gap analysis in over 20 countries; FARI model in over 30 countries
- Intensified collaboration with other international organizations
 - *Platform for Collaboration on Tax* (IMF, OECD, WB and UN)—including to develop toolkits for developing countries to mitigate international tax avoidance by multinationals (transfer pricing, tax treaties, tax incentives); development and initiation of Medium Term Revenue Strategies for developing countries.
 - New joint initiative with WB – development of the Tax Policy Assessment Framework
- Integration between lessons from TA on DRM and surveillance
 - Recommendations from DRM TA were highlighted in Article IV consultations in 23 developing countries (Kenya, Peru)

The IMF is scaling up its support for building state capacity for scaling up public investment



- Training on Debt Sustainability Analysis and Medium-Term Debt Strategy:
 - Courses, offered at the IMF HQ, regional training centers, and online
 - Hands-on training: 12 MT debt strategy missions in fiscal year 2016 and provided regional and in-country training to over 200 officials.
- Public Investment Management Assessment recommendations tend to give rise to request for follow-up assistance on specific areas.
- Increased assistance on Public-Private Partnership (PPP) management
 - Estimate the fiscal costs/risks of PPP operations; aspects of institutional design, legal framework, fiscal reporting for PPPs to mitigate risks (e.g., Cambodia, Egypt, Côte d'Ivoire, Kosovo, Niger).
- Going forward, these efforts will continue

Increased effort to customize capacity building for fragile and small developing countries



- IMF training, including online, to officials from fragile & small states is being scaled up and customized to needs of the region/country.
- Piloting of the Capacity Building Framework to support institution building in fragile states (e.g., CAR, Myanmar, Sierra Leone).
- A recent IMF Board paper examines the approach to designing and applying fiscal reforms in fragile states in IMF's technical assistance (Building Fiscal Capacity in Fragile States, 2017).

Promoting deeper, more inclusive and more stable financial systems



- TA on operationalizing policy analysis of nexus b/w financial inclusion and stability
- Financial Sector Stability Fund  to support the delivery and follow-up TA and training through Financial Sector Stability Reviews (FSSRs), and developing balance sheet data and financial soundness indicators
 - Five FSSR “precursor” missions (El Salvador, Lesotho, Mongolia, Sri Lanka, and Sudan), and the first FSSR mission (Honduras).
 - Going forward this work will be scaled up (Costa Rica, Uganda), provided donor support continues
- Continued partnerships with global institutions and discussions on enhancing financial stability while addressing financial inclusion
 - e.g., G20’s Global Partnership for Financial Inclusion (GPII); the Alliance for Financial Inclusion; engagement with the WBG and other MDBs; CGAP; the Gates Foundation; Global Standard Setting bodies; the Basel Committee’s 2016; the UN

Expanding data and knowledge sharing



- Enhanced General Data Dissemination System efforts have been scaled up to help countries set up a National Summary Data Page (17 countries since 2015), including provision of social and other indicators.
- Continued support to countries to strengthen national statistical systems through capacity building under the new Data for Decisions Fund . 
- Contribution to the country-led effort in developing the Global Indicator Framework for the key targets of the 2030 Development Agenda. The IMF provides its expertise and four databases for monitoring the SDGs:
 - The recently expanded Financial Access Survey (FAS) to measure financial inclusion;
 - The Financial Soundness Indicator database to provide measures for financial sector stability;
 - The “WoRLD” tax revenue database to measure gov. revenue-to-GDP; and
 - The GFS database to measure the share of domestic budget funded by domestic taxes
- Contribution to the country-led effort in developing the Global Indicator Framework

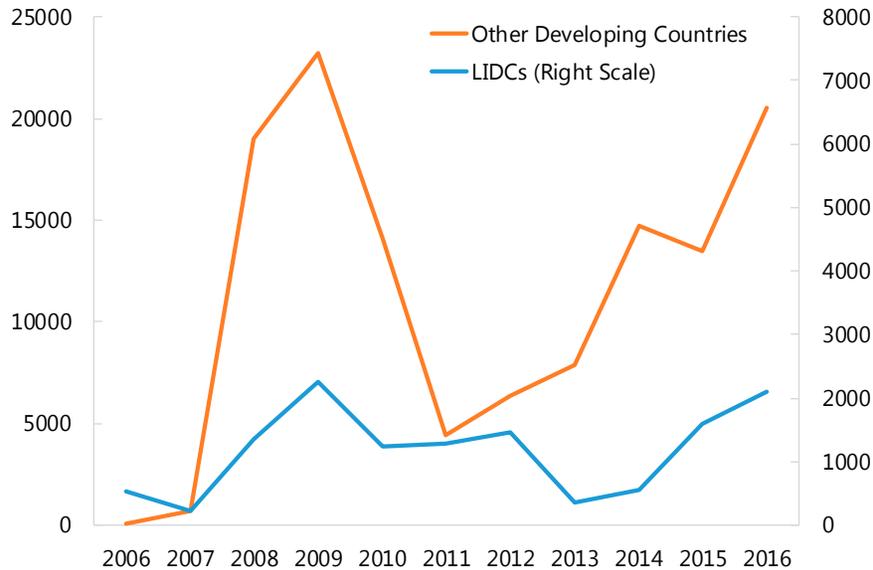


Financial Safety Net

Liquidity needs have been growing among developing countries

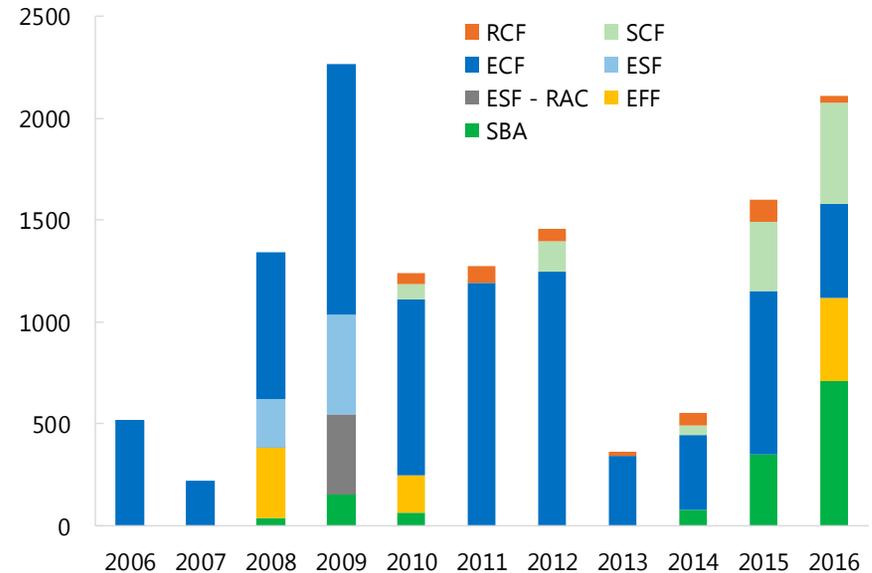


Total Approved Loans* to LIDCs and Other Developing Countries
(In millions of SDRs, as of March 31, 2017)



* Excludes Flexible Credit Lines (FCLs).

Total Approved Loans to LIDCs by Types of Arrangements
(In millions of SDRs, as of March 31, 2017)



Actions to strengthen the financial safety net for low-income countries since 2015



- Measures already undertaken:
 - 50 % increase in access for all concessional facilities;
 - Clarification on the use of GRA resources: PRGT-members have the right to access GRA resources on the same conditions as any other Fund member.
 - Zero percent interest rate for all concessional assistance at least until 2018, and zero percent for emergency concessional financing permanently.
 - Increased available access for all countries hit by severe natural disasters, including LICs
- Other efforts:
 - SDR 7.7 billion additional PRGT loan resources have been secured through loan commitments with member countries under ongoing loan mobilization efforts
- Going forward
 - Review of the adequacy of the Fund's concessional toolkit (2018)



Implementation of Fund Deliverables for the 2030 Agenda—Systemic Issues

Continuous focus on promoting global economic and financial stability



- Reforms being considered to strengthen the global financial safety net
 - A liquidity backstop for countries with very strong fundamentals and policies to reduce spillover risks from liquidity events
 - A Policy Coordination Instrument (PCI) for monitoring and signaling to facilitate coordination with other GFSN layers.
- Enhancing collaboration with regional financial arrangements.
 - Participation in the first test run of the IMF-linked portion of the Chiang Mai Initiative Multilateralization (CMIM) in 2016.
- Global financial regulatory reforms
 - Support countries to address risks from decline of correspondent banking relations
- Greater attention to international tax issues in global platform and in bilateral surveillance

Conclusion



- The 2030 agenda commitments are being integrated in work program
 - Commitments on expanding concessional resources are complete, new reforms being considered to further widen available resources and boost the GFSN
 - Other deliverables operationalized on a pilot basis (inclusion issues) or financed by higher donor support (e.g., FSSR). New areas focused on improving resilience
 - Complementing surveillance and lending with capacity building supporting these efforts in priority areas.
 - Review of capacity development strategy in 2018 with a view to further strengthening the impact and effectiveness of the Fund's capacity development

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