

**INFORMAL
SESSION TO
ENGAGE**

FO/DIS/20/48

March 18, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **The Managing Director's Global Policy Agenda—Preliminary—Spring 2020**

Board Action:

Informal session to engage Executive Directors

Tentative Board Date:

Thursday, March 19, 2020

Publication:

Not proposed, as this is a preliminary informal discussion.

Questions:

Ms. Lusinyan, SPR (ext. 34898)

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THE MANAGING DIRECTOR'S GLOBAL POLICY AGENDA (PRELIMINARY)

DEFEATING THE GLOBAL HEALTH CRISIS TOGETHER

This is a critical moment for the international community. The health crisis caused by the coronavirus (COVID-19) is taking a heavy human toll and is threatening people's livelihoods. Economic activity will drop sharply over the next few months, and the global economy will slide into recession as the pandemic unfolds across the membership. Uncertainty remains exceptionally high, and downside risks from a more severe impact are large, in light of financial vulnerabilities, trade tensions, geopolitical risks, and rising inequality. Thus, the next six months will be a time of focusing on the immediate priorities of the membership.

Exceptional measures are required to limit the immediate fallout, prevent a worsening of the crisis, and avoid deep economic scars that would be with us for years to come. The top of mind issue for policymakers is to slow the spread of the virus and reduce the impact on health services through enhanced monitoring, containment measures, and resource mobilization to support health systems as well as the medical supply chain and production. Central banks must support demand and confidence by preventing a tightening of financial conditions, lowering borrowing costs for households and firms, and ensuring market liquidity. Fiscal policy must step up to provide sizable support to the most affected people and firms, including in hard-to-reach informal sectors. Regulatory and supervisory responses should aim to preserve financial stability and banking system soundness while sustaining economic activity.

Many countries have taken decisive actions. These actions include targeted fiscal measures, especially to increase health expenditure and public investment as well as to provide income support and tax relief, monetary easing and liquidity provision, and financial sector policies to support stressed borrowers.

Coordinated and sustained multilateral action will make our fight much more effective and is key to restoring global growth. The health emergency is a powerful reminder of the interconnectedness and vulnerabilities of the global economy that call for multilateral policy coordination. Coordinated and synchronized global fiscal and monetary stimulus, especially by major economies, are needed to lift confidence and provide stability to the world economy. To lessen global financial market stresses and liquidity pressures, financing from all the layers of the global financial safety net should be considered. The coordinated central bank action to enhance the provision of global U.S. dollar liquidity and recent fiscal policy announcements are important steps in this direction. Policymakers must also step up efforts to help the most vulnerable countries by providing equipment and financing for disease prevention and treatment.

The Fund will assist members by using all instruments—policy advice, capacity development, and financial support—to the fullest extent possible. We are helping members by assessing the potential macroeconomic implications of the outbreak, providing advice on policy measures to fight the crisis, and refocusing our capacity development. The Fund can

provide members with emergency financing through its rapid-disbursing lending vehicles—the Rapid Credit Facility and the Rapid Financing Instrument—to cover urgent balance-of-payments needs without traditional conditionality. The Fund also stands ready to provide financing through new loans or augmentation of existing loans. Moreover, the Fund is seeking further funding to help reduce the debt burden for the poorest and most vulnerable members through the Catastrophe Containment and Relief Trust, and we welcome our members' contributions to the Trust. Additional support from others may also be needed for members under severe financial strain—for example, through debt relief and additional bilateral financing.

Beyond the immediate efforts to fight the outbreak, we must continue to work toward a more resilient and sustainable global economy. As the Fund supports its members in responding to the pandemic, we are reprioritizing all other work. However, we will not cease our efforts to make tangible progress on key issues that are needed to build a more prosperous world for all as we recover from the crisis. In these areas, and working with other institutions, the Fund will continue to provide evidence-based solutions to members' needs and contribute to global efforts, as outlined in the accompanying Annex.

There will be significant shifts in the world economy that will shape Fund engagement and support. We need to: (1) prepare the membership to mitigate risks, for example, of growing inequality; (2) help members learn from each other as the crisis evolves; and (3) recognize that this is a sudden stop in economic activity that eventually will be followed by recovery, and this will need to inform the type of actions required.

Annex. IMF Work Agenda and Operations

Efforts to help members defeat the global pandemic and minimize its economic fallout will have priority in the foreseeable future, and, with most travel suspended, the Fund will need to work remotely with its members. Other work streams will naturally be delayed to make space for crisis-related activities while remote operations affect the amount of non-crisis work that can be processed by staff and the Executive Board. Nevertheless, there is a need to progress on some high-priority work as laid out in this Annex.

Calling for policies to deliver for people by strengthening the foundations for resilient, inclusive, and sustainable growth

The Fund will remain at the forefront of efforts to analyze and provide solutions to its members, in particular on policies that may inform the ongoing policy response. We are advancing the work on the Integrated Policy Framework that will help members navigate the complex interactions among monetary, exchange rate, macroprudential, and capital flow management and other policies in the context of rising global interconnectedness and volatile capital flows. The Fund is also deepening its analysis of implications of lower-for-longer interest rates.

Social spending is central to protecting vulnerable segments of the population in countries facing an economic slowdown. We are helping countries calibrate their social policies by operationalizing the Fund's framework on engagement on social spending.

To support the Saudi G20 Presidency, our study, with the World Bank, of drivers of inequality and links to social mobility and economic growth will help identify policies to close gaps in access to opportunities for all. We will also examine options for strengthening competition as a way to help boost productivity and growth potential. This work will be fine-tuned to also integrate the impact of the current crisis.

Supporting policymakers in addressing global challenges and upgrading international frameworks to build a more prosperous world for all

The Fund will continue to support efforts to modernize the rules-based trading system through advocacy, policy advice, and analyses. We will continue to provide a rigorous, even-handed, and multilaterally consistent assessment of external positions, delve deeper into stock imbalances in the 2020 External Sector Report, and explore further methodological refinements.

Historically high public debt levels remain a major risk in many countries—even more so in the context of the current shock. We retain our focus on debt sustainability and transparency as we implement the multipronged approach for addressing debt vulnerabilities with the World Bank. In addition to analyzing [collateralized sovereign lending](#) and [public debt data coverage](#), the Fund will support the G20 by examining recent developments and challenges in sovereign debt resolution.

We are building capacity in public financial management and revenue mobilization for LICs and fragile states, with an enhanced focus on helping countries manage their public finances through the current crisis.

We continue to examine the challenges and opportunities presented by fintech and especially digital currencies, for financial inclusion, monetary policy implementation, and the international monetary system.

We will seek synergies between our work on economic recovery and our commitment to integrate climate change issues into surveillance and capacity development, including on carbon pricing; study the macroeconomic implications of mitigation policies and the **pricing of climate change risks**; and promote climate risk disclosure standards for the financial sector, in collaboration with international standard setters and central banks. We are also strengthening our policy advice to address climate-related natural disasters in small states and low-income countries (LICs).

**IMF
Policies**

Continuing efforts to upgrade and adapt the Fund's policy toolkits to members' evolving needs and a fast-changing global landscape

Work on the Comprehensive Surveillance Review and the Review of the Financial Sector Assessment Program (with the World Bank) will continue. Progress on the reviews of the debt sustainability framework for market access countries and the debt limits policy will strengthen the Fund's ability to help countries manage debt-related risks. We are also reviewing the Fund's lending facilities and the Catastrophe Containment and Relief Trust to better assist members affected by health emergencies. Our capacity development activities will provide remote support where feasible, with a priority on countries hardest-hit by the crisis.

**IMF
Finances and
Governance**

Implementing the package on Fund resources and governance

Against the uncertain outlook, it is critical to maintain a strong, quota-based, and adequately resourced Fund at the center of the global financial safety net and fully implement the agreed package on Fund resources and governance. A doubling of the New Arrangements to Borrow (NAB) together with a new round of temporary Bilateral Borrowing Agreements (BBAs) beyond 2020 will maintain the Fund's current resource envelope and provide confidence that the Fund can support its membership. Swift creditor action is needed for the timely effectiveness of the NAB and the new round of BBAs. The Board of Governors concluded the 15th General Review of Quotas (GRQ) with no increase in quotas and provided guidance for the 16th GRQ to ensure that the process of governance reform will continue.

**Internal
Support**

Advancing the Fund's internal modernization and institutional transformation to be more efficient and environmentally friendly

We will accelerate work on simplification and modernization to achieve higher efficiencies at this time of crisis and beyond. Ongoing modernization projects are upgrading internal systems and processes and leveraging technology to improve operational efficiency and knowledge management. Our budgetary policies continue to respond to members' evolving priorities in a cost-effective, prudent, and financially sustainable manner. We are strengthening enterprise risk management and developing a broader strategy to reduce the Fund's climate footprint.