

**INFORMAL  
SESSION TO  
ENGAGE**

SM/20/86

April 6, 2020

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, April 8, 2020**  
Publication: Proposed, following the Managing Director's Spring Meetings press conference.  
Questions: Ms. Lusinyan, SPR (ext. 34898)  
Ms. Iancu, SPR (ext. 36098)



## THE MANAGING DIRECTOR'S GLOBAL POLICY AGENDA

### EXCEPTIONAL TIMES—EXCEPTIONAL ACTION

**The health crisis caused by COVID-19 is taking a heavy human toll and threatening people's livelihoods.** The initial health crisis has rapidly developed into an economic and financial crisis. It has brought large parts of the world economy to a standstill, causing a deep recession. Binding constraints on demand and supply are permeating across countries, contributing to sharp price declines in financial and commodity markets. These shocks pose especially grave challenges for many emerging market and low-income countries as they cope with more limited health care capacity, insufficient medical supplies, large financing needs, and a high debt burden. We do expect a recovery in 2021, but the outlook will remain highly uncertain for some time to come.

**This is a critical moment for the international community, and extraordinary measures are needed to contain the outbreak to protect people and as a precondition for the economy to rebound.** Defeating the pandemic means defeating it in each country as well as on a global scale. The immediate issue for policymakers is to slow the spread of the virus and reduce the impact on health systems through enhanced monitoring, containment measures, and resource mobilization for medical services, supply chains, and production. This requires an international coordinated effort.

**All available policy tools must be used to stabilize the economic and social situation.** Fiscal policy must aim to increase health spending to fight the virus. Targeted and sizable fiscal support is particularly critical to help the most affected people and firms, including in hard-to-reach informal sectors, and avoid widespread bankruptcies and layoffs while ensuring an efficient and equitable use of public resources. Such support will help end the crisis faster and at lower cost, creating the conditions to repair balance sheets and restore trade and financial flows once the recovery takes hold. Central banks must continue to support demand and confidence by providing ample liquidity and offsetting a tightening of overall financial conditions, helping stem a solvency crisis. Financial authorities should aim to preserve financial stability and sound banking systems, drawing on buffers and the flexibility built into regulatory frameworks to support credit.

**The health emergency is a powerful reminder of the need for policy coordination and solidarity in an interconnected world.** While there has been decisive action on many fronts, many countries still need to scale up policies to match the size of the health and economic challenge, which they only can do effectively with the assistance of the international community. Policymakers must therefore step up efforts to help the most vulnerable and low-income countries by providing enhanced funding as well as debt service relief to ensure that scarce resources are dedicated to disease prevention and treatment and to mitigate the economic impact. This is in our collective interest as the global community is as strong as its weakest member in a global pandemic.

**Coordinated and sustained multilateral action is key to restoring global growth.**

Recognizing that domestic resources may not be sufficient, financing from all the layers of the global financial safety net should be considered to support countries with elevated financing needs. This includes options to address foreign exchange shortages in emerging markets, which have been suffering from large capital outflows. Policymakers should also avoid trade restrictions, particularly on medical supplies, and address the impairment to global supply chains. As the global economy stabilizes, coordinated fiscal stimulus may be needed to boost demand and restore growth.

**The Fund is supporting members by using its resources to the fullest extent possible, in close collaboration with international partners.** We are helping members by assessing the macroeconomic implications of the outbreak, providing policy advice to stabilize their economies, and facilitating information sharing to help members learn from each other as the crisis evolves ([Policy Tracker](#)). We have also stepped up collaboration at multilateral, regional, and country levels to provide a fast and coordinated response in lockstep with the World Bank and other international financial institutions.

**The Fund is in a strong position with its US\$1 trillion lending capacity to meet the unprecedented demand for Fund resources from our members.** In particular, the Fund has taken the following steps to reform its lending toolkit in a short period of time:

- The Fund is focused at present on providing financing for members' urgent balance-of-payments needs in an accelerated way, including through its rapid-disbursing lending vehicles—the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI)—and by augmenting existing arrangements. [The Executive Board decided to double annual access limits for the RCF and RFI to 100 percent of quota for the duration of the pandemic.]
- Going beyond its traditional lending facilities, the Fund [has decided/is proposing] to offer members with very strong policies a short-term liquidity line that provides predictable and renewable access to Fund resources.
- We have reformed the Catastrophe Containment and Relief Trust to provide debt service relief to our poorest and more vulnerable members and are raising funds to this end. This will allow them to invest in their crisis response rather than repay the Fund. Jointly with the World Bank, we are also looking into further easing the debt burden of our poorest members.

**Beyond the immediate efforts to fight the outbreak, the Fund will continue to work toward global economic recovery, resilience, and sustainability.** The Fund will assist members to mitigate risks from the fallout of the crisis and enhance resilience, including by tackling challenges from debt vulnerabilities, bankruptcies, unemployment, and growing inequality. As the global economy recovers from the crisis, we will not cease our efforts to make tangible progress on macrocritical issues that are needed to build a more prosperous world for all, as outlined in the accompanying Annex.

### **Annex. IMF Work Agenda and Operations**

The Fund is presently geared to use all its resources for crisis-related work, and, with most travel suspended, we are working remotely with our members to provide policy advice, financing, and assistance for capacity development (CD). Efforts to help members defeat the pandemic and minimize its economic fallout will be afforded priority in the foreseeable future. While other work streams will therefore be delayed to make space for crisis-related activities, we will aim to advance selected high-priority work, resources and conditions permitting, to help lay the conditions for a fast and strong recovery.

***The Fund will focus on helping members enhance their policies to respond to the crisis and create the conditions for recovery.***

Tackling the acute crisis requires multiple policy levers. Our ongoing work on the Integrated Policy Framework will help members, especially emerging market economies, navigate the complex interactions among monetary, exchange rate, macroprudential, and capital flow management and other policies amid volatile global capital flows. We will also deepen our analysis of the implications of lower-for-longer interest rates.

The crisis will add to already high public debt levels in many countries, intensifying debt vulnerabilities. We will assist countries in resolving unsustainable debt situations and retain our focus on helping countries contain debt vulnerabilities, including to facilitate debt service relief for our poorest members as they address COVID-19-related impacts. We will continue to enhance debt transparency and build capacity to manage debt by pursuing our multipronged approach, joint with the World Bank. We will also examine recent challenges in sovereign debt resolution and complete our reviews of the debt sustainability framework for market access countries and the debt limits policy.

Social spending is central to protecting vulnerable segments of the population from the impact of the crisis, and we are helping countries calibrate their social policies by operationalizing the Fund's framework on engagement on social spending.

The Fund is helping members manage their public finances through the crisis, focusing on emerging market and low-income countries (LICs) and fragile states. As countries start to recover, it will be essential to ultimately rebuild fiscal space within a sound medium-term fiscal framework, including through revenue mobilization and public financial management reforms. We will also continue to support efforts to strengthen governance, anti-corruption, and AML/CFT frameworks.

Reigniting trade flows, which have brought tremendous benefits to the global economy over the past several decades, will be necessary for a strong and lasting recovery. 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 for the whole membership. Given the crisis, the 2020 External Sector Report will be delayed.

Our study for the Saudi G20 Presidency, joint with the World Bank, will help identify policies to close gaps (that are likely to grow) in access to opportunities, including for social mobility and

economic growth. 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 integrate lessons from the current crisis.

***We will seek synergies between our work on economic recovery and our commitment to contribute to addressing other shared challenges.***

The Fund continues to examine the challenges and opportunities presented by fintech and especially digital currencies, for financial inclusion, monetary policy implementation, and the international monetary system, and will advance work on the implications of data proliferation for the global economy and policy coordination.

When regular Fund operations resume, we will continue to integrate climate change issues into surveillance and CD, and promote climate risk disclosure standards for the financial sector, in collaboration with international standard setters and central banks. And we will strengthen our policy advice to address climate-related natural disasters in LICs and small states and our CD in green budgeting.

***The Fund continues to upgrade and adapt its policy toolkits to members' evolving needs and a fast-changing global landscape.***

Our CD activities will provide remote support where feasible, with priority placed on countries hardest-hit by the crisis. Work on the Comprehensive Surveillance Review and the Review of the Financial Sector Assessment Program (with the World Bank), drawing also on emerging lessons from the crisis, will pick up again when crisis pressures subside.

***Full implementation of the package on Fund resources and governance remains critical.***

Amid a highly uncertain outlook, it remains critical to maintain a strong, quota-based, and adequately resourced Fund at the center of the global financial safety net. The Board of Governors concluded the 15th General Review of Quotas (GRQ) with no increase in quotas, but provided guidance for the 16th GRQ to ensure that the process of governance reform will continue. The Executive Board's decisions on the doubling of the New Arrangements to Borrow (NAB) and a new round of Bilateral Borrowing Agreements (BBAs) beyond 2020 will maintain the Fund's current resource envelope to help the Fund support its membership. We welcome recent progress toward making the NAB and the new round of BBAs effective, and encourage further swift action by creditors.

***Working remotely, the Fund operations remain effective and quick, amid continuing efforts to advance internal modernization to be more efficient and environmentally friendly.***

We are leveraging new technologies in our crisis response and continue upgrading internal systems and processes 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, and it will be important to ensure that budgetary resources are appropriate to meet the demands from the crisis. We are strengthening enterprise risk management and developing a broader strategy to reduce the Fund's climate footprint.