

**INFORMAL
SESSION TO
ENGAGE**

SM/20/158

October 5, 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, October 7, 2020**
Publication: Proposed, following the Managing Director's Annual Meetings press conference.
Questions: Ms. Iancu, SPR (ext. 36098)
Mr. Suryakumar, SPR (ext. 38005)

THE MANAGING DIRECTOR'S GLOBAL POLICY AGENDA
'CATALYZING A RESILIENT RECOVERY'
OCTOBER 2020

The global economic outlook is improving, but the recovery is partial, uneven, and uncertain.

While advanced economies have deployed extraordinary policy support, developing and emerging market countries had more limited room to respond. The crisis will inflict long-lasting scars—from the tragic loss of human life to damage to the workforce and firms, heavier debt burdens, increased systemic financial vulnerabilities, higher poverty, and deeper inequalities. And many countries may not return to the pre-COVID path of economic activity for several years. With the pandemic still present in most countries, a resurgence of infections remains a key threat and uncertainty exceptionally high. Bold action is needed to restore confidence, build more resilient economies, and help the most vulnerable.

Policies must restore confidence, support jobs, and boost growth. As countries tackle different stages of the crisis, policies need to remain supportive and nimble, and together with appropriate health measures, bolster confidence, employment, and growth. A premature withdrawal of policy support could trigger liquidity shortfalls and insolvencies, undermine the recovery, and further compound social and economic costs. Sustaining lifelines is a necessary interim step to mitigate economic scarring, limit workers' exit from the labor force, and prevent bankruptcies of viable firms. As lifelines unwind, fiscal efforts should be targeted toward workers' retraining and investment, including in green infrastructure.

Where inflation expectations are well anchored, accommodative monetary policies should continue. Financial policies must ensure macro-financial stability by addressing fragilities and containing excessive risk-taking. Maintaining policy credibility anchored in sound, sustainable, and transparent macroeconomic frameworks will be critical, given growing public debt burdens and central bank balance sheets.

An expedited global solution to suppress the virus is a prerequisite for a durable economic recovery. The immediate priority is to develop, produce, and distribute medical treatments and vaccines. In a pandemic, the global economy is only as strong as its weakest member, and an uneven rollout of medical solutions would dampen the recovery. Hence accelerating universal access to vaccines is in the interest of all countries. The Fund will continue to emphasize the global economic benefits of coordinated and broad-based medical solutions, support multilateral efforts, and advocate for reducing trade barriers on medical supplies and equipment.

At a time when spending needs loom large, the crisis is exacerbating debt burdens across many countries, amplifying existing vulnerabilities, and weighing on confidence and growth prospects. Further development of robust insolvency frameworks and efficient debt restructuring mechanisms is needed for sovereigns and corporates.

Now is the time to also build a more resilient future. The pandemic has unfolded on the back of low productivity growth, rising inequality, and accelerating climate change over the past decade. Policies must promote structural change and seize opportunities to invest in smarter, more inclusive, and greener growth. This calls for action to foster innovation and competition, help expand

digitalization, create jobs in resilient and low-carbon infrastructure, and support workers' transition from shrinking to expanding sectors. Technology can help catalyze access to finance and other services for vulnerable populations, transform the efficiency and transparency of governments, and resolve deficiencies in global payment systems. Policies should aim to enable universal access to basic health care and education; modernize tax systems; address illicit and tax-avoiding financial flows; improve governance; and fight corruption, money laundering, and the financing of terrorism.

We must work together to support the most vulnerable countries and people. Developing and emerging market countries have suffered a particularly heavy setback from the crisis, given their more limited space to implement large policy responses. Their access to external market financing was more constrained and, in some cases, cut off altogether. In many countries, large segments of the population rely on daily wages outside formal safety nets and are facing large income losses, with women and youth being disproportionately affected. This year, the pandemic will reverse part of the progress made since the 1990s in reducing global poverty, and close to ninety million more people could fall into extreme poverty. The international community must do all it can to support the most vulnerable, and the Fund is geared to deploy all its resources and tools to serve its membership.

IMF Work Agenda and Operations

The Fund remains deeply committed to helping its members overcome the crisis, restore confidence, and tackle challenges on the road to a more resilient global economy, while protecting the most vulnerable.

*In the first phase of the pandemic, the Fund focused its efforts on the immediate crisis response, deploying all available tools and resources (Annex). In continued close collaboration with our partners, we are now helping members work on a durable exit from the crisis, while also using the crisis as an opportunity for structural transformation. We are restarting focused **surveillance**, stand ready to provide additional **lending** tailored to the next stage of the crisis, and are adopting a country-centered approach to **capacity development** (CD), while continuing to work remotely, effectively and swiftly. We will concentrate on learning from each other, fostering information sharing, and distilling lessons from the crisis. To ensure that we can continue to support our poorest and most vulnerable members, we are seeking to further expand our resources for concessional financing. And the COVID-19 Crisis CD Initiative will help address countries' urgent capacity building needs. We will prioritize our work, tightly focusing on activities of most importance to our membership during these extraordinary and challenging times. This streamlined work agenda will ensure that we can continue to meet members' evolving needs and support their efforts to achieve a more resilient and inclusive future.*

Restoring confidence to rekindle employment and growth

We are gradually resuming **focused bilateral surveillance**, concentrating on country-specific priorities to respond to the crisis, strengthen stability, and lay the groundwork for a resilient recovery. We will bolster analysis of macro-financial policies to help mitigate the fallout of the COVID-19 shock, and refine our policy advice on carefully reopening economies and unwinding exceptional policy measures. We will also enhance our policy advice on the modernization of tax systems to deal

effectively and fairly with the challenges of digitalization, support the recovery, and, where needed, raise additional revenue in the unique context created by the pandemic. Together with regular updates through the policy tracker and the Fund's new series of COVID-19 notes, our work will ensure fast learning from each other, including on best practices in the design and implementation of health measures that effectively contain the pandemic, avoiding generalized lockdowns and thus bringing growth and employment back on track. In addition, we will analyze the impact of the pandemic on workers and firms, as well as on financial stability, innovation, and competition. We also plan to advance work on the Comprehensive Surveillance Review and the Review of the Financial Sector Assessment Program (with the World Bank), drawing on the experience from the crisis.

We will strengthen our support of members' efforts to reduce **debt** vulnerabilities, increase debt transparency and debt management capacity, and improve the architecture for sovereign debt resolution. We will help countries develop credible medium-term fiscal frameworks to restore market confidence and foster stronger growth and sustainable fiscal balances. We will update our work on the multi-pronged approach to address debt vulnerabilities, in collaboration with the World Bank. In addition to completing the reviews of the debt limits policy and the debt sustainability analysis for market-access countries, we are engaging with creditors to bolster our advice on sovereign and corporate debt restructuring and will undertake reforms of our policies, where needed, to promote timely and comprehensive debt resolution.

The Fund will continue to promote international cooperation and open **trade** as an engine for restoring global growth. We will support modernizing the rules-based multilateral trading system, including to better cover services and digital commerce and strengthen rules on subsidies and technology transfer. We will provide rigorous, evenhanded, and multilaterally-consistent assessments of external positions for the full membership.

Making our economies more resilient

To prepare countries to more effectively and quickly overcome shocks, we will further develop the **integrated policy framework** to advance the understanding of policy options, including monetary, exchange rate, macroprudential, and capital flow management measures. This work will also be an input into the review of the Fund's Institutional View on the Liberalization and Management of Capital Flows, which will also draw on the IEO's evaluation of the Fund's advice on capital flows. We will also advance our work on options to strengthen monetary policy frameworks during these challenging times.

Harnessing the full potential of **digitalization** can help expedite and secure a resilient recovery. The Fund will support governments' digital transformation through advice and CD, and continue exploring the benefits, risks, and macro-financial implications of fintech on financial inclusion, monetary policy, payment systems, and the international monetary system.

The Fund will expand its work on **social protection and governance** as key levers for reducing inequality and strengthening social cohesion and resilience following the pandemic. We will assess the impact of the crisis on income and gender equality and further operationalize the strategy for the Fund's engagement on social spending. In addition to governance safeguards in emergency financing, we will continue to support fiscal transparency and institution building to foster good

governance and anticorruption efforts. We will also be resuming work on illicit and tax-avoiding financial flows to help level the playing field within and across countries.

Climate change is already impacting many members' macroeconomic stability and growth prospects. The stimulus measures supporting the post-crisis recovery present a unique opportunity to steer resources toward **climate** adaptation and mitigation. Our work will integrate climate change issues into our surveillance, where relevant, encompassing guidance on international carbon price floors and border carbon adjustments without resorting to discriminatory or trade-distorting measures. The Fund will complete a review of the Climate Change Policy Assessments and promote disclosure of climate-related financial risks.

On these four issues—digitalization, social protection, governance, and climate—the work of the Fund will be tightly focused on issues that are relevant for macroeconomic stability and growth and within the Fund's areas of comparative advantage. Collaboration with other institutions with specialized expertise will be integral to these efforts.

Assisting vulnerable countries

The pandemic has increased the risk of reversing the development gains of the past decade. We remain alert to changing global financial conditions and risks for our member countries, and ready to provide policy advice, CD, and financial assistance. The Fund will prepare an analysis of the external financing needs of **developing countries** and sustainable financing options on the road to a resilient recovery. The Fund is piloting country engagement strategies for fragile and conflict-affected states to better tailor support to difficult country conditions and will advance work on policy guidance. For small developing states, the Fund is exploring ways to expand liquidity assistance in the event of shocks and support national efforts to strengthen resilience to natural disasters.

The Fund provided financing with unprecedented speed and agility in the first stage of the crisis and will continue to support its members in the period ahead. We are considering options to further adapt our lending toolkit, including by helping members respond to uncertainties brought about by the pandemic. We expanded the annual access limits to our resources and are reviewing our concessional lending facilities for low-income countries (LICs). For LICs, the G20 Debt Service Suspension Initiative (DSSI) has provided valuable debt service deferral. But more support will be needed in the form of grants, concessional financing, and debt relief. Together with the World Bank, we support an extension of the DSSI and encourage full participation by public and private creditors. For our poorest members, we have also approved additional debt service relief via the Catastrophe Containment and Relief Trust (CCRT). Fund members have already stepped up to provide substantial additional Poverty Reduction and Growth Trust (PRGT) loan resources. It will be critical to secure new PRGT subsidy resources and additional CCRT grants so that the Fund can continue to support its poorest members.

Ensuring adequate Fund resources and continuing governance reform remains key.

In light of exceptionally high uncertainty, maintaining a strong, quota-based, and adequately resourced Fund at the center of the global financial safety net is essential. We welcome recent progress and encourage further swift action by creditors toward making effective in January 2021 the

doubling of the New Arrangements to Borrow (NAB) and the new round of bilateral borrowing arrangements. Fund resources will be kept under close review, including a possible activation of the NAB, to ensure that the Fund can continue to provide strong and timely support to the membership in the unfolding crisis. In line with the guidance provided by the Board of Governors, the process of governance reform will continue under the 16th General Review of Quotas to be concluded no later than December 2023.

The Fund will continue with resource optimization and business practices modernization.

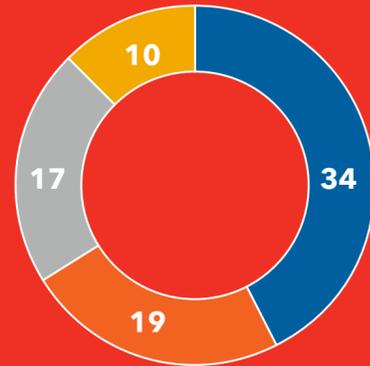
The Fund will continue to manage its budget in a cost-effective, nimble, and prudent manner to deliver on this streamlined Global Policy Agenda. In light of the unprecedented demands from the crisis, it will be important to ensure that budgetary resources remain appropriate. Building on the foundational elements of an Enterprise Risk Management framework, we will further strengthen the Fund's risk management capabilities. We will also advance efforts to modernize our business practices, bolster knowledge management, and move toward an integrated digital workplace that supports remote and flexible working arrangements and reduces our carbon footprint. We highly value diversity and will strive for further progress in all its dimensions.

SURVEILLANCE

80

published **Special Series Notes on COVID-19**

- Fiscal
- Monetary and financial
- Statistics
- Legal



Live Trackers on

- IMF Lending
- Policy Response
- Statistics
- Governance

196 economies

708,859 visitors



4.4 million

visitors to flagship publications, Blogs, F&D, and Country Focus webpages



107% increase*

11.7 million

visitors to **IMF.org** and **COVID-19 Hub**

Strengthened engagement on epidemiology

Note: March to September 2020; * compared to March to September 2019.

LENDING

\$101 billion

total financing approved since March 2020



Average

21

business days

from Policy Note request to Board approval of RCF, RFI or RCF-RFI blends

81

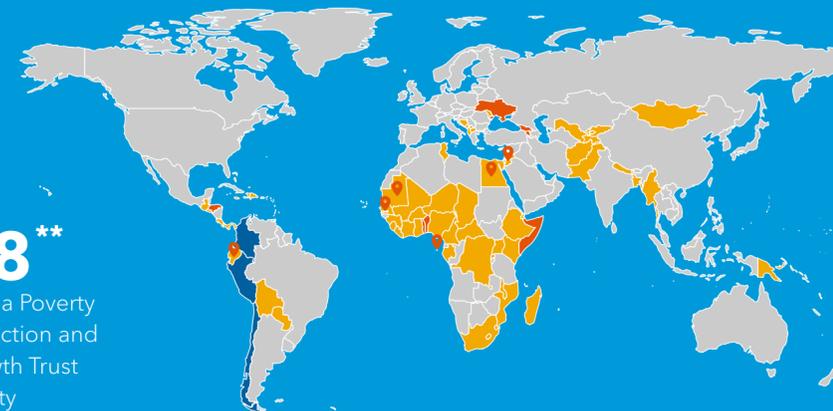
countries received financial assistance

69

approved for RCF, RFI or RCF-RFI blends

48**

have a Poverty Reduction and Growth Trust Facility



Total **financing** approved since March 2020

- RCF, RFI or RCF-RFI blends
- UCT
- FCL



28

countries received debt service relief from Catastrophe Containment and Relief Trust

Notes: As of September 30, 2020; RCF=Rapid Credit Facility; RFI=Rapid Financing Instrument; * includes both new programs and augmentation of existing programs; ** of which 44 are approved for RCF, RFI or RCF-RFI blends.

CAPACITY DEVELOPMENT

1,488

virtual CD engagements



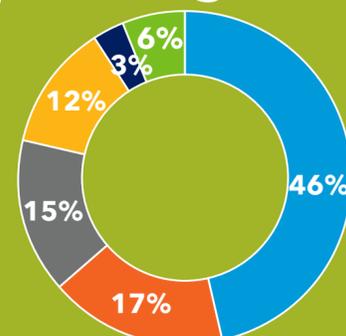
with **175** countries

62%

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



Spending on CD in core areas



- Fiscal
- Macroeconomic frameworks
- Monetary and financial
- Statistics
- Legal
- Other

IMF Online Learning

Microlearning via YouTube

2,290 subscribers

19,000 views

78 videos (new ones added bi-weekly)



10,071

participants completed online courses

34% increase*



5 languages

Notes: March to September 2020; FCS=Fragile and Conflict-affected States; LICs=Low-income Countries; CD=Capacity Development; * January to August 2020 compared to January to December 2019.

OUTSTANDING CREDIT AND COMMITMENTS

(as of the end of September 2020, in billions of SDR)¹

GRA FINANCIAL ARRANGEMENTS			PRGT FINANCIAL ARRANGEMENTS		
	CURRENT PROGRAM SIZE	OUTSTANDING CREDIT ²		CURRENT PROGRAM SIZE	OUTSTANDING CREDIT ²
MEMBERS WITH CURRENT ARRANGEMENTS			MEMBERS WITH CURRENT ARRANGEMENTS		
<i>Stand-By Arrangements (SBA)</i>			<i>Extended Credit Facility (ECF)</i>		
Armenia, Republic of	0.31	0.32	Burkina Faso	0.11	0.24
Egypt	3.76	12.08	Central African Republic	0.08	0.20
Honduras	0.26	0.18	Congo, Republic of	0.32	0.03
Ukraine	3.60	7.59	Cote d'Ivoire	0.28	0.79
<i>Extended Fund Facility (EFF)</i>			<i>Ethiopia</i>		
Angola	3.21	1.80	Gambia, The	0.04	0.04
Barbados	0.27	0.21	Guinea	0.12	0.34
Cote d'Ivoire	0.56	0.87	Liberia	0.16	0.18
Ecuador	4.62	1.61	Mali	0.14	0.39
Equatorial Guinea	0.21	0.03	Mauritania	0.14	0.24
Ethiopia	0.75	0.39	Niger	0.12	0.27
Georgia	0.48	0.33	Sao Tome & Principe	0.01	0.02
Jordan	0.93	0.62	Sierra Leone	0.12	0.37
Pakistan	4.27	5.40	Somalia	0.25	0.21
<i>Flexible Credit Line (FCL)</i>			<i>Sierra Leone</i>		
Chile	17.44	-	Somalia	0.12	0.37
Colombia	12.27	-	Somalia	0.25	0.21
Mexico	44.56	-	<i>Standby Credit Facility (SCF)</i>		
Peru	8.01	-	Honduras	0.13	0.09
<i>Rapid Financing Instrument (RFI)³</i>			Total Current Arrangements		
Guatemala	0.43	-		3.23	
Paraguay	0.20	-	o/w: Undrawn Balance⁴ (D)		
				2.03	
Total Current Arrangements			Total Outstanding Credit (E)		
	106.10				3.56
o/w: Undrawn Balance⁴ (A)			MEMBERS WITHOUT CURRENT ARRANGEMENTS		
	98.77		Total Outstanding Credit (F)		
Total Outstanding Credit (B)			8.67		
		31.40	UCT		
MEMBERS WITHOUT CURRENT ARRANGEMENTS					
Total Outstanding Credit (C)					
		54.18	<i>o/w Ghana</i>		
Upper-Credit Tranche (UCT)			<i>o/w Bangladesh</i>		
		43.57	<i>o/w Cameroon</i>		
<i>o/w Argentina</i>			Rapid Credit Facility (RCF)		
		31.91			
<i>o/w Greece</i>			<i>o/w Ghana</i>		
		4.55	<i>o/w Kenya</i>		
<i>o/w Morocco</i>			<i>o/w Congo, Democratic Republic of</i>		
		2.15			
RFI			TOTAL PRGT COMMITMENTS		
		10.61	(D)+(E)+(F)		
<i>o/w South Africa</i>					
		3.05			
<i>o/w Nigeria</i>					
		2.45			
<i>o/w Tunisia</i>					
		0.55			
TOTAL GRA COMMITMENTS					
(A)+(B)+(C)					
		184.38			

**TOTAL LENDING COMMITMENTS =
SDR 198.65 BILLION**

¹Numbers may not add up due to rounding.
²Includes outstanding credit under expired arrangements and outright disbursements.
³RFIs approved by the Board but not yet drawn.
⁴Available balance not yet drawn under current arrangements.

FINANCIAL POSITION OF THE GENERAL DEPARTMENT

(as of the end of Financial Year 2020 (FY20), in billions of US dollars)¹

TOTAL ASSETS	699	TOTAL LIABILITIES, RESERVES, RETAINED EARNINGS, AND RESOURCES	699
Currencies	633	Borrowings	12
o/w Usable currencies	439	Quota	652
o/w Credit outstanding	101	Other liabilities	7
SDR holdings	29	Reserves of the GRA	26
Investments	31	Retained earnings of the Investment Account	2
Other assets (including gold)	6		

FINANCIAL POSITION OF CONCESSIONAL LENDING AND DEBT RELIEF TRUSTS

(as of the end of FY20, in billions of US dollars)¹

	PRGT	PRG-HIPC	CCR TRUST		PRGT	PRG-HIPC	CCR TRUST
ASSETS	23.6	0.5	0.2	LIABILITIES AND RESOURCES	23.6	0.5	0.2
o/w Cash and cash equivalents and investments	10.9	0.5	0.2	o/w Borrowings	13.3	0.1	-
o/w Loans receivable	12.7	-	-	o/w Resources	10.2	0.4	0.2

IMF'S LENDING CAPACITY

(as of the end of FY20, in billions of US dollars)^{1,2}

437 Quotas	195 NAB ³ (expires 2022)	342 Bilaterals ⁴ (expire 2020)
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TOTAL: 975

CONSOLIDATED OPERATIONAL INCOME AND EXPENSES IN SELECTED YEARS⁵

(in millions of US dollars, unless otherwise noted)⁶

	FY08	FY12	FY20
A. OPERATIONAL INCOME	871	3185	3192
Lending income (including surcharges)	267	2943	2600
Non-lending income	604	242	592
o/w Investment income	598	237	502
B. EXPENSES	932	998	1230
Net administrative budget	891	947	1150
o/w Personnel	714	799	1028
Other ⁷	41	51	80
C. NET OPERATIONAL INCOME (A-B)	-61	2187	1962
MEMORANDUM ITEMS:			
Net administrative budget in FY20 dollars ⁸	1225	1152	1158
SDR interest rate (end of period)	2.74	0.14	0.05
Three-month US Treasury bill rate (end of period)	1.33	0.09	0.09
Gross Spending on:⁹			
Surveillance	-	469	572
Oversight of global systems	-	113	147
Lending	-	186	202
Capacity development	-	253	390
o/w Externally financed direct spending	-	100	168

¹ Figures in US dollars based on an exchange rate of \$1.37/SDR as of April 30, 2020.

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 2016 Borrowing Agreements have an initial term through the end of 2019 and are extended for a further year through the end of 2020 with creditors' consent.

⁵ FY08: global financial crisis; FY12: first year of the flat real budget; FY20: latest year.

⁶ Figures in US dollars based on average exchange rates for respective years (\$1.57/SDR for FY08, \$1.57/SDR for FY12, \$1.38/SDR for FY20).

⁷ Net difference between EXPENSES and Net administrative budget.

⁸ Deflated with the global external deflator (a price index applied to the administrative budget, formulated in real terms, to obtain the nominal budget).

⁹ Data available starting in FY11.