THE MANAGING DIRECTOR'S

GLOBAL POLICY AGENDA

Spring Meetings 2021

Bolstering the Recovery, Countering the Divergence

BOLSTERING THE RECOVERY, COUNTERING THE DIVERGENCE

An unprecedented policy response and rapid progress in vaccine development have helped pull the global economy from a deep recession. After a severe contraction in 2020, marked by heavy human losses and economic hardship, global activity is on a firmer footing thanks to extraordinary fiscal, monetary, and financial measures, and the remarkable adaptability shown by countries and people. After the initial crisis impact, global financial conditions eased significantly, supporting the flow of credit to households and firms. Industrial production has returned to pre-pandemic levels, as have international goods trade volumes.

But the outlook is marked by high uncertainty and great divergence. Resurgent waves and variants of the virus pose risks of renewed lockdowns, and countries may face a protracted period of start-stop activity. The recovery is expected to be faster in advanced economies, but lagging in many emerging market and developing economies (EMDEs) due to uneven access to vaccines, limited policy space, preexisting vulnerabilities, and structural rigidities. In EMDEs, excluding China, we project cumulative per capita income losses by 2022 as high as 20 percent, relative to pre-crisis projections, versus 11 percent in advanced economies. Divergence within countries is also growing, with youth, women, low-skilled workers, and contact-intensive sectors disproportionately impacted. Unequal setbacks to schooling could further amplify divergent recovery paths. We also need to be increasingly mindful that the exceptional policy measures may be spurring unintended consequences, such as stretched valuations and rising financial vulnerabilities. Meanwhile, efforts to address the climate change emergency need to be accelerated urgently.

Carefully calibrated policies and stronger international cooperation are vital to safely exit the crisis. The key priority remains to end the pandemic everywhere. Strong international action should seek to significantly scale up vaccine production and accelerate the rollout globally, including by bolstering financing for production and delivery, proactively resolving any constraints to production along the supply chain, and reallocating excess vaccines from surplus to deficit countries. While the crisis is still with us, to limit scarring and avoid a further deepening of inequalities, the key is to help vulnerable households and viable firms, including with targeted fiscal measures within credible medium-term frameworks. In countries with limited fiscal space, spending should be prioritized for healthcare and assistance to the most vulnerable. Monetary policy should remain accommodative, in line with central banks' mandates, while macroprudential tools should be used to prevent financial vulnerabilities from becoming entrenched, including in the nonbank financial sector. Exchange rate flexibility, where feasible, can help mitigate the impact of external shocks. As policy support is gradually withdrawn, we need to pay attention to the risks of a sharp rise in bankruptcies, the resurfacing of financial stress, and a tightening of global financial conditions, at a time when many EMDEs may still be in the clutches of the pandemic. Prudent domestic policies and clear guidance and communication from advanced economy central banks will be essential to minimize adverse spillovers to EMDEs.

Transformative policies should aim for fast convergence toward a green, digital, and inclusive future. Policies should place countries on a strong recovery path by raising potential output, hastening the transition to a low-carbon and digital economy, and promoting growth that benefits all. Higher carbon prices and green investments can enhance reliance on renewables, increase energy conservation, and create jobs, while compensatory measures should seek to protect those adversely affected. Digitalization and the widespread use of digital money will likely reshape the international monetary system (IMS); whether the system will ultimately be safer and more efficient depends on how countries seize the new opportunities while managing rising risks. Digitalization can also boost productivity, complementing gains from investment in education, healthcare, and infrastructure; broaden access to finance and other services; and make public institutions more effective and transparent. Tackling weaknesses in domestic and international tax systems, addressing illicit and tax-avoiding financial flows, strengthening social safety nets, and improving governance remain indispensable for achieving inclusive growth. Comprehensive multilateral and bilateral policy action for vulnerable countries, including grants, concessional loans, and debt relief where needed, is critical to achieve a rapid convergence path for all. Efforts to strengthen debt transparency and sustainability and implement reforms will help address both debt and development challenges.

The IMF stepped up to fight the crisis and will continue to adapt to effectively serve its membership in a rapidly changing world. The near-term goal remains to deploy all available tools so members can safely exit this crisis. The Fund will prepare a proposal for a **general allocation of Special Drawing Rights** (SDR) that will help meet a long-term global need to supplement existing reserve assets in a transparent manner. Strengthening reserves will contribute to bolstering resilience and provide timely assistance to countries in need. The Fund's **lending** strategy will focus on full-fledged lending programs after the initial wave of emergency assistance and review the scope for scaling up the Fund's capacity for concessional lending to help low-income countries (LICs) in the face of large financing needs. As countries navigate different stages of the crisis, our **surveillance** will play a crucial part by delivering tailored advice and monitoring macroeconomic and financial stability risks, while **capacity development** (CD) will contribute to strengthening institutions and policy implementation capacity. Our **debt** agenda will continue to focus on improving the international debt architecture, enhancing debt transparency, assessing countries' debt sustainability and debt restructuring needs, and providing debt service relief to our poorest members. The Fund will seek to remain at the cutting edge in its areas of expertise, in particular fiscal, monetary, financial, and external policies. Continuing to fulfill our mandate requires integrating **climate change**, **digitalization**, and **inclusive growth** more closely into our surveillance, lending, and CD, given their profound macrofinancial implications. To maximize benefits for members, the Fund will need to evolve while fully leveraging partnerships and collaboration with others. We are also modernizing our operations to retool amid rapid change. Along with our international partners, we will strive to help our membership meet old and new challenges and achieve a faster convergence toward a brighter future.

IMF WORK AGENDA AND OPERATIONS

The Fund will strive to maintain the speed and force of its exceptional response to help members navigate a safe exit from the crisis and counter divergence risks. Our comprehensive work agenda focuses on deploying all available tools, upgrading policies, providing tailored policy advice, advancing our debt agenda, and integrating operations with new ways of working. Responding to members' ongoing and future needs, the Fund will bolster its expertise on the macrofinancial implications of climate change, digitalization, and inclusive growth, where the Fund is best placed to lead, and continue to collaborate closely with international partners. Our near- and medium-term work agenda will remain flexible to respond to unexpected exigencies on the highly uncertain path ahead while providing a forum for member countries to learn from each other. The Fund will also advance discussions on Fund resources and governance reform, and continue to modernize its operations to effectively meet members' needs.

Navigating a Safe Exit from the Crisis

With countries moving out of the emergency phase of the crisis, and financial support transitioning from emergency facilities to upper credit tranche-quality arrangements, we will continue to tailor our lending. We have extended the temporary increases in access limits for emergency financing and the General Resources Account. We have also increased access to concessional resources on a temporary basis pending the review of concessional financing and policies, which will explore reforms and financing options to increase our **concessional lending** capacity. We have secured a third tranche of debt service relief through the Catastrophe Containment and Relief Trust and will continue working on a final tranche. In this time of heightened uncertainty, our precautionary facilities are available to help prevent crises and boost market confidence in all members, including middle-income countries (MICs). In parallel with the proposal for a **new SDR allocation**, we are also exploring ways for countries with strong external positions to voluntarily channel their SDRs to support recovery efforts of vulnerable countries. We will keep our **lending toolkit** under review, including to facilitate structural transformations to a green and digital future.

As the resumption of bilateral surveillance further ramps up, our follow-up work on the **Comprehensive Surveillance Review** (CSR), including to strengthen systemic financial risk analysis and macroprudential policy advice in Article IV consultations, will help in advising countries through the recovery and beyond. This includes a review of data provision to the Fund, especially on debt, for effective surveillance. Work will also proceed to refine policy advice for emerging markets and MICs, particularly those facing large external financing needs and elevated debt levels. Our review of the Data Standards Initiative will further promote data transparency as a global public good, and our policy trackers on key economic responses to the pandemic will continue to promote peer-to-peer learning. We will also complete the review of the **Financial Sector Assessment Program** (FSAP) (with the World Bank), as well as work on financial sector regulatory policies during the pandemic and trade-offs associated with macroprudential policy. And we will review the Fund's **Institutional View** on the Liberalization and Management of Capital Flows, informed by the work on the **Integrated Policy Framework** and the IEO evaluation of the Fund's advice on capital flows. To facilitate the Fund's efforts on multilateral surveillance post-COVID-19, we will continue to prepare even-handed and multilaterally-consistent **external sector assessments** and review the External Balance Assessment methodologies, while continuing to advocate for a durable resolution of **trade** tensions and strengthening of the rules-based multilateral system. The Fund will also produce policy guidance to help countries rebuild fiscal buffers through credible medium-term fiscal frameworks.

The Fund will advance the debt agenda by continuing to implement the **multipronged approach for addressing debt vulnerabilities** and supporting efforts to strengthen **debt transparency**. This will be complemented by the release of the new sovereign risk and **debt sustainability** framework for market-access countries and by advancing work on the **debt limits policy**, as well as the application of the new model-based tool for assessing the impact of the pandemic on growth and debt in developing countries. Jointly with the World Bank, the Fund will support the implementation of the **G20 Common Framework** for debt treatments, and ramp up CD on debt management for MICs and LICs facing large COVID-19-related financing needs. We welcome the G20's consideration to

further extend the **Debt Service Suspension Initiative**. In addition to reviewing our **lending into arrears policies**, we will refine our policy advice on countries' options for restructuring liabilities of private firms to mitigate risks due to private debt overhangs and excessive defaults in the aftermath of the pandemic.

The Fund will tailor CD delivery to continue responding to the pandemic while stepping up work on medium-term agendas to build stronger institutions for a more sustainable and resilient recovery. This will be done through **virtual and in-country CD**, once travel restrictions are lifted; updated training curricula, peer-to-peer workshops, and webinars; and expanded online learning. We will reflect on the experience with virtual CD, including the challenges posed by time differences and connectivity limitations. We will continue to strengthen the Fund-wide governance of CD, including by deepening the **integration of CD with surveillance and lending** and modernizing **CD management and administration** through intensified results-based management. We will reflect on the **funding** of CD and the partnerships it relies on, and continue to diversify our partnership base to mitigate funding risk.

Securing a Transformational Recovery

The Fund will adapt to members' increasing needs for support to move toward a green, resilient, and inclusive global economy. The Fund is seeking to rapidly scale up work on **climate**, assessing the impact of climate change on macroeconomic and financial stability and integrating it into its policy advice. The CSR and FSAP reviews will comprise strategies on how to integrate climate change systematically into Fund surveillance. This includes assessing macrofinancial risks and policy options in the context of **climate change adaptation** and **transition** to a low-carbon economy, and advising on **mitigation policies** for the largest emitters of greenhouse gases. In addition to further work on **carbon pricing**, we will analyze options for international coordination on mitigation, and complete a review of our climate change policy assessments. We also plan to further integrate **climate risk scenario analysis** in FSAPs. The integration of climate issues in surveillance will be complemented by integration across CD modalities, including guidance on public investment management and green budgeting, and by filling **data gaps**. In collaboration with partners, we are working on promoting climate-related standards and uniform and consistent global implementation of minimum disclosures.

The Fund will scale up its work on macrofinancial issues in response to the IEO evaluation of the Fund's financial surveillance. It is also ramping up work on the implications of **central bank digital currencies** (CBDCs) and privately-issued digital money for **monetary policy and the IMS**, which are at the core of the Fund's mandate. Our surveillance will seek to provide more systematic assessments of risks to financial stability and integrity from digital money, as experience is developed and international standards are established, while our policy development will focus on currency substitution, monetary policy transmission, capital account restrictions, and capital flow volatility, among others. CD in this area will focus on helping EMDEs leverage opportunities from **digitalization**, including CBDCs, while managing cyber and other risks. To foster knowledge sharing and multilateralism, we are working with our partners to implement the G20 Roadmap to enhance cross-border payments. We will further explore the macrofinancial implications of the use of personal data in the digital economy and the need for global policy coordination. The Fund is also supporting members with the **digital transformation of governments**, including in public financial management and revenue administration.

To promote more **inclusive growth**, we will enhance our policy advice on strengthening fiscal positions through **revenue mobilization**—including options for more **progressive taxation**—and more efficient spending that provides everyone with a fair shot. We will outline a cross-cutting agenda to help address **illicit and tax-avoiding financial flows**—by enhancing transparency, enforcement, and the legal and international tax policy frameworks, including taxation in the digital economy. We will also investigate the role of macroeconomic and financial policies in addressing **financial inclusion**, **gender equity**, and **income and wealth inequality**. The integration of inequality and gender issues in surveillance will be complemented by integration across CD modalities. In addition to supporting governance safeguards in lending, we will continue reviewing the implementation of the framework for enhanced Fund engagement on **governance**. Reflecting our experiences so far as well as building on IEO evaluations, we will also deepen our work with **small states** and develop a strategy to enhance the Fund's engagement (including through financing facilities) with **fragile states**.

Buttressing Fund Resources and Advancing Governance Reform, and Modernizing the Workplace

In light of members' exceptional needs and elevated risks, it is critical to maintain a strong, quota-based, and adequately resourced Fund at the center of the global financial safety net. We welcome the effectiveness of the doubling of the New Arrangements to Borrow (NAB) and of the new round of bilateral borrowing agreements. We will keep the demand for **Fund resources** under close review and continue to assess the need for a possible activation of the NAB in the period ahead. 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**, on which work has started and is to be concluded no later than mid-December 2023.

The Fund needs to continue to adapt to deliver on its mandate. As members' needs evolve rapidly in a world experiencing profound changes, the Fund will need to fully embrace areas with macro-critical impact, namely, climate change, digitalization, and inclusive growth, including in fragile states. The Fund needs to retool to meet these challenges, while fully collaborating with partners and focusing on areas of comparative advantage and consistent with its mandate. Following a decade of flat real budgets, where new work was absorbed through savings and reprioritization, we will explore the appropriate additional resource envelope to equip the Fund with the staff and skills needed to preserve its relevance and enable it to continue to effectively serve its membership, while maintaining the longstanding commitment to **budget** discipline. We maintain our strong commitment to further enhance the value of the Fund's Enterprise Risk Management program, building on progress in better integrating risk management with the work agenda. The **modernization projects** currently under way represent building blocks toward a state-of-the-art workplace that will boost organizational performance and ensure that we effectively serve the changing needs of the membership. The Fund will also continue to seek progress on **diversity and inclusion** and draw on experiences from the pandemic to adapt work practices with a view of enhancing efficiency and reducing its **carbon footprint**.

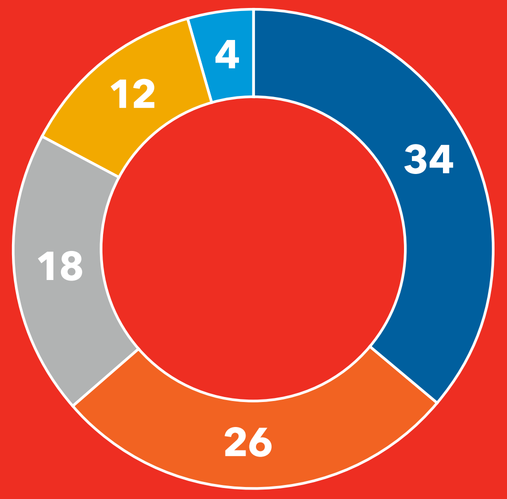
ANNEX: IMF HIGHLIGHTS SINCE MARCH 2020

SURVEILLANCE

50 Article IV consultations

8 Financial System Stability Assessments under the FSAP

94 Special Series Notes on COVID-19



Live Trackers on
- IMF lending
- Policy responses
- Governance
- Statistics

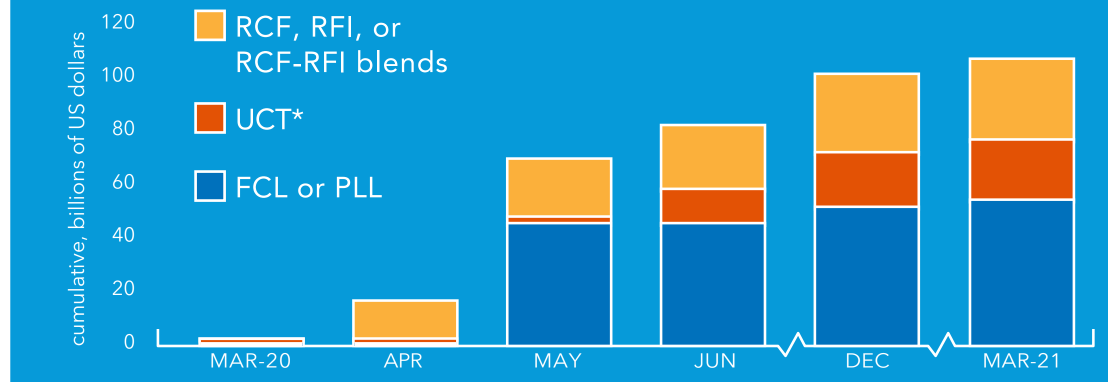
197 economies

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

Note: Since the onset of the pandemic (March 2020 to March 2021).

LENDING

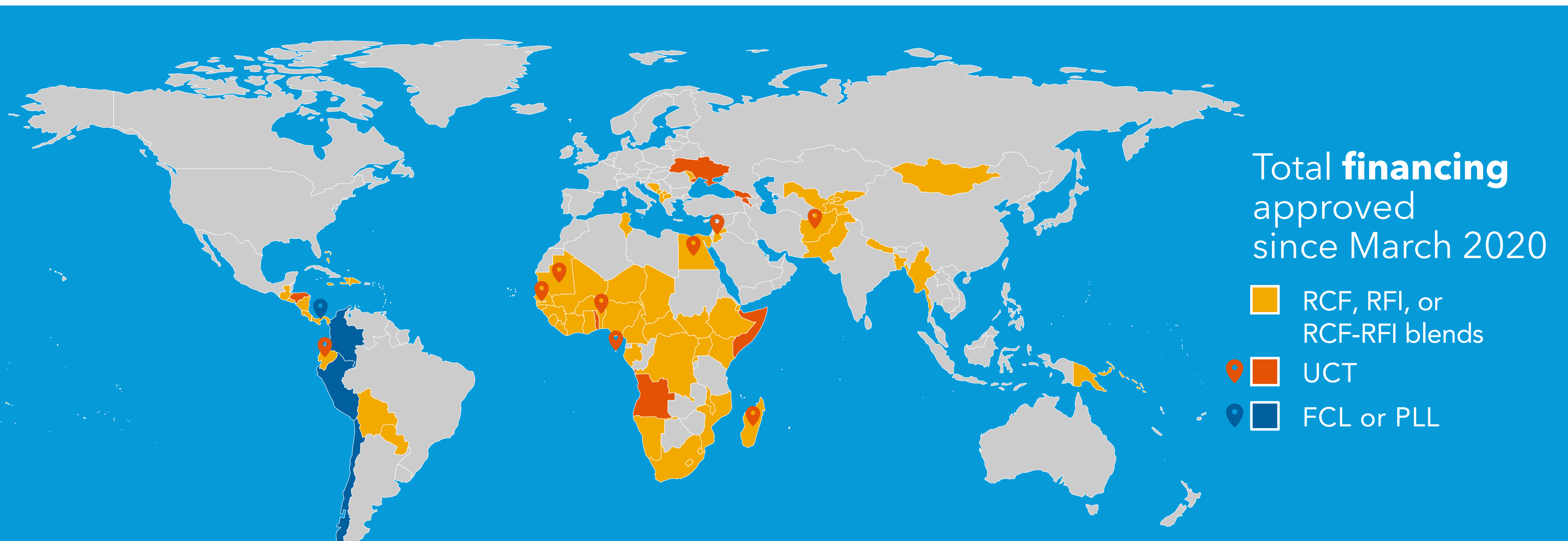
$108 billion total financing approved since March 2020



86 **countries** received financial assistance

75 approved for RCF, RFI, or RCF-RFI blends

51** have a PRGT facility



28 **countries** to receive debt service relief from the third tranche of the CCRT

$24 billion new loan resources for the PRGT

$773 million new grants pledged for the CCRT

Notes: As of March 31, 2021; CCRT=Catastrophe Containment and Relief Trust; FCL=Flexible Credit Line; PLL=Precautionary and Liquidity Line; PRGT=Poverty Reduction and Growth Trust; RCF=Rapid Credit Facility; RFI=Rapid Financing Instrument; UCT=Upper Credit Tranche; * includes both new programs and augmentation of existing programs; ** of which 49 are approved for RCF or RCF-RFI blends.

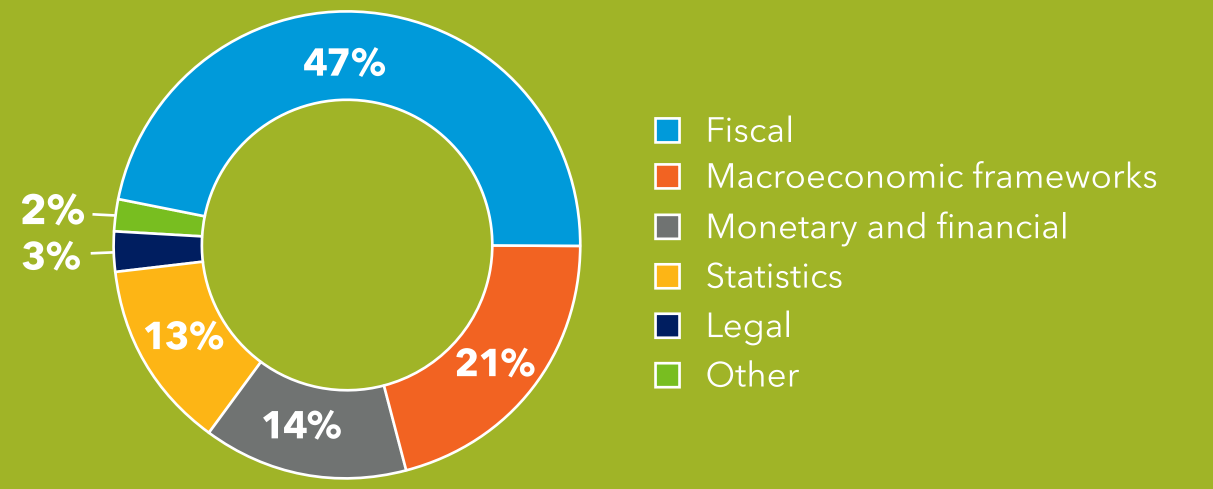
CAPACITY DEVELOPMENT

2,757 **virtual** CD engagements

with **159** **countries**

69% to **FCS**, **LICs**, and **small states**

Spending on CD in Core Areas*



IMF Online Learning

Microlearning via YouTube

3,700 subscribers

42,200 views

127 videos (new ones added biweekly)

101,000+ active users from **196** countries

29,519 government officials who completed online courses

6 languages

Notes: Since the onset of the pandemic (March 2020 to March 2021); CD=capacity development; FCS=fragile and conflict-affected states; LICs=low-income countries; * March 1, 2020 through February 28, 2021.

OUTSTANDING CREDIT AND COMMITMENTS

(as of the end of March 2021, in billions of SDRs)[1]

GENERAL RESOURCES ACCOUNT FINANCIAL ARRANGEMENTS

	CURRENT ARRANGEMENTS SIZE	OUTSTANDING CREDIT [2]
MEMBERS WITH CURRENT ARRANGEMENTS		
Stand-By Arrangements		
Armenia	0.31	0.33
Egypt	3.76	13.24
Honduras	0.26	0.22
Ukraine	3.60	7.14
Extended Fund Facility		
Angola	3.21	2.14
Barbados	0.32	0.27
Costa Rica	1.24	0.37
Ecuador	4.62	4.39
Equatorial Guinea	0.21	0.03
Ethiopia	0.75	0.39
Georgia	0.48	0.41
Jordan	0.93	0.72
Pakistan	4.27	5.39
Flexible Credit Line		
Chile	17.44	-
Colombia	12.27	3.75
Mexico	44.56	-
Peru	8.01	-
Precautionary Liquidity Line		
Panama	1.88	0.38
Rapid Financing Instrument[3]		
Guatemala	0.43	-
Namibia	0.19	-
Paraguay	0.20	-
Total Current Arrangements	**108.94**	
o/w Undrawn Balance[4] (A)	**93.25**	
Total Outstanding Credit (B)		**39.16**
MEMBERS WITHOUT CURRENT ARRANGEMENTS		
Total Outstanding Credit (C)		**50.29**
Upper Credit Tranche		39.88
o/w Argentina		31.91
o/w Greece		1.51
o/w Morocco		1.50
Rapid Financing Instrument		10.40
o/w South Africa		3.05
o/w Nigeria		2.45
o/w Tunisia		0.55
TOTAL GRA COMMITMENTS (A)+(B)+(C)		**182.69**

POVERTY REDUCTION AND GROWTH TRUST FINANCIAL ARRANGEMENTS

	CURRENT ARRANGEMENTS SIZE	OUTSTANDING CREDIT [2]
MEMBERS WITH CURRENT ARRANGEMENTS		
Extended Credit Facility		
Afghanistan, Islamic Republic of	0.26	0.28
Central African Republic	0.08	0.22
Congo, Republic of	0.32	0.03
Ethiopia	1.20	0.13
Gambia, The	0.06	0.06
Liberia	0.16	0.20
Madagascar	0.22	0.60
Mali	0.14	0.42
São Tomé-Príncipe	0.01	0.02
Sierra Leone	0.12	0.39
Somalia	0.25	0.22
Standby Credit Facility		
Honduras	0.13	0.11
Total Current Arrangements	**2.96**	
o/w Undrawn Balance[4] (D)	**2.09**	
Total Outstanding Credit (E)		**2.69**
MEMBERS WITHOUT CURRENT ARRANGEMENTS		
Total Outstanding Credit (F)		**10.03**
Upper Credit Tranche		4.43
o/w Ghana		0.70
o/w Côte d'Ivoire		0.58
o/w Cameroon		0.43
Rapid Credit Facility		5.54
o/w Ghana		0.74
o/w Kenya		0.54
o/w Congo, Democratic Republic of		0.53
TOTAL PRGT COMMITMENTS (D)+(E)+(F)		**14.80**

TOTAL LENDING COMMITMENTS = SDR 197.5 BILLION

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