

IMF EXECUTIVE BOARD ACTIVITIES



COVID-19 Special Issue May 2020



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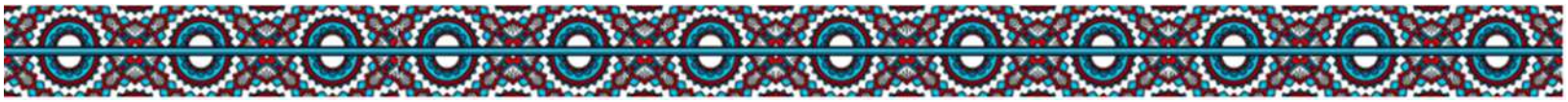


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Exceptional Times, Exceptional Action: Opening Remarks for Spring Meetings Press Conference



Kristalina Georgieva, IMF -Managing Director

April 15, 2020

As prepared for delivery

Welcome to our virtual 2020 Spring Meetings!

I would like to start by wishing you and your families my personal best—for your health and safety in these difficult times. I would also like to express my profound gratitude to all those doctors, nurses, and workers who are serving so selflessly on the front lines of this health crisis.

As we start these meetings, I thought about the words of T.S. Eliot, who said: “April is the cruellest month.” Indeed, while Spring is underway, while nature is reawakening, humanity is facing one of its darkest periods in living memory.

Covid-19 is causing tragic loss of life; and the measures needed to fight it have turned our world upside down—affecting billions of people and stopping economies in their tracks.

As I said in my curtain raiser speech, this is a crisis like no other.

We anticipate the worst economic downturn since the Great Depression. While there is tremendous uncertainty around the forecast, we project global growth to fall to -3 percent this year. And we project a partial recovery in 2021, with growth expected at 5.8 per cent.

That is our baseline scenario. We know that it could get much worse depending on many variable factors, including the depth and duration of the pandemic.

We also know that, despite the extraordinary uncertainty, we can chart a path forward.

Policy Recommendations

In our Global Policy Agenda, which we are releasing today, we outline the measures needed to overcome this crisis. Appropriately, it is titled ‘Exceptional Times—Exceptional Action.’ Let me highlight three priorities:

(1) *First—protect lives.* The fact is that you cannot have a healthy economy without a healthy population. This means continuing with essential containment measures and prioritizing health spending. It also means refraining from export controls on medical supplies and food.

(2) *Second—protect livelihoods.* We must prevent liquidity pressures from turning into solvency problems. This is about creating lifelines for households and businesses, from cash transfers to credit guarantees and adjustments to loan terms. Protecting livelihoods also requires a financial system that continues to function under pressure. Here, monetary stimulus and liquidity facilities play an indispensable role.

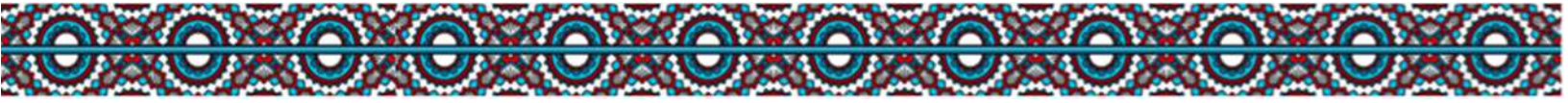
(3) *Third—plan for recovery.* We must reduce the risk of irreversible economic scarring through policy action now. In time, as the global economy stabilizes, coordinated fiscal stimulus will be needed to boost demand and restore growth. For its part, the IMF will support its member countries as they confront the post-crisis challenges, including debt vulnerabilities, bankruptcies, unemployment, and economic inequality.

In all these priority areas, countries with limited resources will need more support.

Many emerging markets and low-income nations have weaker health systems to begin with. They are facing record-high portfolio outflows—more than \$100 billion in just the past two months. Many can cover only a portion of their external financing needs, which are estimated to be in the trillions of dollars; and some may face an unsustainable debt burden.

The encouraging news is that so many countries have deployed extraordinary policy measures—including fiscal actions amounting to about \$8 trillion and liquidity injections by central banks amounting to over \$6 trillion. And yes, there has been substantial coordination. But given the gravity of the crisis, significant further efforts will be needed.

The international community must step up efforts to help the most vulnerable countries by providing increased funding as well as debt service relief—thereby creating space for spending on urgent health needs and mitigating the economic impact of the crisis.



The reality is that anyone's fight against the virus is everyone's fight. More than ever, we need global solidarity, a common resolve, and coordinated international efforts.

The Role of the IMF

That is why the IMF is working around the clock—it's all-hands-on-deck as we support our 189 member countries with policy advice, technical assistance, and financial resources.

- We have \$1 trillion in lending capacity, which we are placing at the service of our membership.
- We are responding to an unprecedented number of calls for emergency financing—from more than 100 countries. We have just doubled access to our emergency facilities, which will allow us to meet the expected demand of about \$100 billion in financing. Lending programs have already been approved at record speed for over 20 countries, with many more to come.
- Today our Executive Board will be discussing a new short-term liquidity line—for countries with strong economic fundamentals. And our membership is exploring additional tools to help meet countries' financing needs, including how to best use the SDR.
- We have revamped our Catastrophe Containment and Relief Trust to provide immediate debt relief on IMF obligations to low-income countries affected by the crisis. Our Executive Board has just approved assistance to 25 countries. We are now working with donors to almost triple the CCRT from \$500 million to \$1.4 billion to extend the duration of relief.
- And together with the G20, the World Bank and many others, we are calling for a standstill of debt service to official bilateral creditors for the world's poorest countries.

When Governors of the IMFC meet tomorrow, I will be seeking their endorsement for this concrete package of measures that can be deployed quickly.

In this time of crisis, we must remember that this too shall pass. We will get through this. How well and quickly we get through it depends on us acting now—and acting together.

These are exceptional times; we need exceptional action."

Opening Remarks for IMFC Press

By Lesetja Kganyago, Chair of IMFC

April 16, 2020

Good day everyone.

We are in remarkable and extraordinary times.

This virtual press conference is a first for me as chair of the International Monetary and Financial Committee and for the Committee itself. How we are meeting today is emblematic of how these extraordinary times require extraordinary actions.

I want to thank IMF Managing Director Kristalina Georgieva and the IMF staff. The IMFC was able to convene and hold very effective discussions today.

The novel coronavirus pandemic has presented us all with significant and potentially daunting challenges. But you see from the IMFC communique—a very forceful statement of policy actions—that the international community, led by the IMF and its membership, is tackling the issues head on.

We are far from declaring victory on the outcomes or the outlook, yet we are convinced that an aggressive response coordinated through the IMF will lead to more positive economic and humanitarian results than would otherwise be possible.

Beyond the serious human impact of the pandemic, we agreed today that the economic repercussions will be severe, particularly for emerging markets and developing countries, commodity exporters and economies with weak health systems.

A global recession and severe uncertainty have now gripped our societies. Most of us have taken extraordinary measures to support health systems and affected workers and businesses.

It is important that we continue to act quickly, decisively and in coordination. Large, timely and targeted fiscal and financial measures are essential to help our citizens.

The global financial system has held up well so far, thanks in large part to the extraordinary measures also taken by central banks and supervisory authorities around the world.

The IMF's policy tracker shows that fiscal measures so far have amounted to about \$8 trillion and liquidity injections by central banks amounting to over \$6 trillion. However, we all agreed, exchange rate and liquidity pressures remain important challenges.

Let me touch on some of the key outcomes of the IMFC today:

We reviewed and supported the package of financial support that the IMF has quickly put together in the wake of the pandemic. The IMF's crisis response initiatives—outlined in the IMFC communique—are critical features of efforts to contain the impact of COVID-19. The Fund has



revamped the Fund's toolkit by doubling access levels to emergency facilities, expanding the use of precautionary lines, establishing a new short-term liquidity line, and considering other options to help countries meet their financing needs.

The IMFC, including donor countries, agreed on the importance of ensuring that the IMF can support its poorest and most vulnerable members. We are thankful for the pledges already made to replenish the Poverty Reduction and Growth Trust and the Catastrophe Containment and Relief Trust, and call for additional contributions.

We welcomed the coordinated approach agreed by the G20 and the Paris Club, supported by the IMF and World Bank, for a time-bound suspension of debt service payments by bilateral official creditors, for the poorest countries that request forbearance. We encourage private creditors to participate on comparable terms, as well.

As the communique states, we are in an unprecedented global crisis. And while the outlook is subject to exceptionally high uncertainty, were affirmed today that extraordinary macroeconomic action, and working together, will contribute to a faster recovery.

I come out of these virtual meetings with a real sense that we will overcome these challenges because we will work effectively and constructively together.

Joint Statement by World Bank Group President David Malpass and IMF Managing Director Kristalina Georgieva on Outcome of G20 Finance Ministers' Meeting



"We strongly welcome the decision of the G20 to respond to our call to allow the poorest countries of the world that request forbearance to suspend repayment of official bilateral credit on May 1st. This is a powerful, fast-acting initiative that will do much to safeguard the lives and livelihoods of millions of the most vulnerable people. The World Bank Group and IMF will move quickly to respond to the G20's request for us to support this action by working closely with these countries in ways that make the best use of this vital lifeline. We championed this debt initiative, and we're committed to taking all possible steps to support the poor."

April 2020 World Economic Outlook Press Briefing



*Gita Gopinath, Economic Counselor and Director,
Research Department*

April 14, 2020

I'd like to first start by thanking the numerous doctors, nurses, and first responders all over the world, who are working so hard to keep us safe during these difficult times. Now the world has changed dramatically in the three months since our last update of the World Economic Outlook, in January. A rare disaster, a coronavirus pandemic has resulted in a tragically large number of human lives being lost.

Now as countries implement needed containment measures to control the pandemic the world has been put in a great lockdown. The magnitude and speed of collapsing activity that has followed is unlike anything experienced in our lifetimes. This is a crisis like no other, which means there are substantial uncertainties about the impact it will have on people's lives and livelihoods. A lot will depend on the epidemiology of the virus, the effectiveness of containment measures, and the development of therapeutics and vaccines, variables which are very hard to predict.

In addition, many countries face multiple crises, the health crises, the financial crises, the collapse in commodity prices, especially commodity exporters, and all of these interact in complex ways. Now policymakers are responding in unprecedented manner by helping households, firms and financial markets, however, there is still considerable uncertainty about what the economic landscape will look like when we emerge from this lockdown. So now, under the assumption that the pandemic and required containment peaks in the second quarter in most countries in the world, and then recede in the second half of this year, we are projecting global growth in 2020 to fall to minus 3 percent.

Now this is a downgrade of 6.3 percentage points from January 2020, a major revision over a very short period of time. This makes the great lockdown the worst recession since the Great Depression, and far worse than the Global



Financial Crisis. Assuming the pandemic fades in the second half of 2020, and that policy actions taken around the world are effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains, we project global growth in 2021 to rebound to 5.8 percent. Now this recovery in 2021 is only partial, and the level of economic activity is projected to remain below the level we had projected for 2021 before the virus hit. The cumulative loss to global GDP over 2020 and 2021 from the pandemic crisis could be around \$9 trillion, greater than the economies of Japan and Germany combined. Now this is a truly global crisis, as no country is spared. Countries reliant on tourism, travel and entertainment for their growth are experiencing major disruptions. Emerging market in developing economies face additional challenges, they face unprecedented reversals in capital flows, major currency pressures, while at the same time coping with weaker health systems and much lower fiscal space to support their economies.

So, for the first time since the Great Depression both advanced economies and emerging and developing economies are in recession. For 2020 growth in advanced economies is projected at minus 6 percent, emerging market and developing economies which typically have normal growth levels well above advanced economies are also projected to have negative growth of minus 1 percent; and minus 2.2 percent if you exclude China. Now income per capita is projected to shrink for over 170 countries. Now we're projecting recoveries for both advanced economies and emerging and developing economies in 2021, but that again is partial. Now what I have described is baseline scenario but given the extreme uncertainty around the duration and intensity of the health crisis, we also explore alternative more adverse scenarios.

The pandemic may not recede in the second half of this year, leading to longer containment periods, worsening financial conditions, and further breakdowns in global supply chains. In such cases global GDP will fall even further by additional 3 percent in 2020; and if the health crisis rolls over in 2021 it can reduce level of global GDP by an additional 8 percent compared to the baseline. Now, moving on to what are the important policy actions that countries need to take. Firstly, on the health front, flattening the spread of COVID-19 using lockdowns, allows health systems to cope with this crisis, which then permits a resumption of economic activity. In the sense there is no tradeoff between saving lives, and saving livelihoods, countries should continue to generously support their health systems, perform widespread testing, and refrain from trade restrictions on medical supplies. A global effort must ensure that when therapies and vaccines are developed both rich and poor nations alike have immediate access. Now while the economy is in shutdown, policymakers will need to ensure that people are able to

meet their basic needs and their businesses can pick up once the acute phases of the pandemic pass.

The large, timely and targeted fiscal, monetary and financial policies already taken by many policymakers have been lifelines to households and businesses. This support should continue throughout the containment phase to minimize persistent scars that could emerge from subdued investment and job losses during this deep recession. Policymakers must also plan for the recovery, as containment measures come up, policies should shift swiftly to supporting demand, incentivizing hiring and repairing balance sheets on private and public sectors to aid the recovery.

Now fiscal stimulus that is coordinated across countries that have fiscal space will magnify the benefits for all economies. The moratoria on debt payments and debt restructuring may need to be continued during the recovery phase.

Now multilateral cooperation is vital to the health of the global recovery. To support needed spending in developing countries bilateral creditors and international financial institutions should provide concessional financing, grants and debt relief. Collaborative effort is needed to ensure that the world does not deglobalize, so that the recovery is not damaged by further losses to productivity.

At the International Monetary Fund, we are doing our part. We are actively deploying \$1 trillion lending capacity to support vulnerable countries, including through rapid-dispersing emergency financing, and debt service relief to our poorest member countries, and we are calling on official creditors to do the same.

Now there are some hopeful signs that this health crisis will end. Countries are succeeding in containing the virus using social distancing practices, testing and contact tracing, at least for now. And treatment and vaccines may develop sooner than we expect.

But in the meantime, we face tremendous uncertainty around what comes next. Commensurate with the scale and speed of the crisis, domestic and international policy responses need to be large, rapidly deployed and speedily recalibrated as new data becomes available.

The courageous actions of doctors and nurses around the world need to be matched by policymakers so we can jointly overcome the crisis.

Transcript of the full session and the webcast video is on the website

April 2020 Global Financial Stability Report Press Briefing



*Tobias Adrian, Director, Monetary and Capital Markets
Department*

April 14, 2020

. Today, we are pleased to present the latest edition of the Global Financial Stability Report. Let me show you a new app, that we released today, which features all four of the IMF's flagship products. So, you can download this app, and download the flagships, on your iPad.

Along with the first chapter of the report, which was released today, you will be interested in further chapters, which will be released in coming weeks. The COVID-19 pandemic has created an unprecedented human and health crisis. The measures necessary to contain the virus have triggered an economic downturn. At this point, there is great uncertainty about its severity, and length. This new edition of the report shows that the financial system has already been dramatically impacted. The further intensification of the crisis could threaten global, financial stability.

Since the pandemic's outbreak, prices of risk assets have fallen sharply. At the worst point of the recent sell off, risk assets suffered half, or more, of the declines that they experienced in the global, financial crisis of 2008.

For example, many equity markets, in economies large and small, endured declines of 30 percent, or more, at the through. Credit spreads jumped, especially for lower-rated firms. Signs of stress also emerged in major short-term funding markets, particularly the global market for U.S. Dollars. Volatility spiked to levels last seen during the global, financial crisis, amid the uncertainty about the economic impact of the pandemic.

With the spike in volatility, market liquidity also deteriorated significantly. Including, in markets traditionally seen as deep, like the U.S. Treasury Market. That has contributed to abrupt, and surprise moves.

To preserve the stability of the global, financial system, and support the global economy, central banks worldwide have

been the first line of defense. They have taken actions in four broad areas.

First, they have significantly eased monetary policy, by cutting policy rates. In the case of advance economies, to historic lows. Nearly half of the central banks, in emerging market economies, have also cut policy rates. The effects of rate cuts will be reinforced through central bank guidance, about future path of monetary policy. And, through expanded, asset purchase programs.

Second, central banks have provided additional liquidity to the financial system, including through open-market operations.

Third, a number of central banks have agreed to enhance the provision of U.S. dollar liquidity, through swap lines.

Fourth, and finally, the central banks have reactivated programs, used during the global, financial crisis. And, they have launched a range of broad-based, new programs, including the purchase of risky assets, such as copper bonds.

By effectively stepping in as buyers of last resort, in these markets, and by helping to maintain upward pressures on the cost of credit, central banks are ensuring that households, and firms have access to credit, at an affordable price.

To date, central banks have announced plans to expand the balance sheets, including through loans, and as purchasers, by over six trillion U.S. dollars. They have also expressed readiness to do more, if conditions warrant.

As a result of these actions, investor sentiment has stabilized in recent weeks. Strains in some markets have abated, somewhat. And, risk assets prices have recovered a portion of their earlier declines. Sentiment continues to be fragile, however. Global, financial conditions remain much tighter, compared to the beginning of the year.

All in all, the sharp tightening of global financial conditions, since the COVID-19 outbreak, together with the dramatic deterioration in the economic outlook, has shifted the one year ahead distribution of global growth, massively downward.

This points to a significant increase in downside risks to growth, and financial stability. There is now a 5 percent likelihood, an event that happens every 20 years, that global growth will fall below 7.4 percent. By comparison, this threshold was above 2.6 percent, in October 2019. A 10-percentage drop in downside risks.

So often, as it happens in times of financial stress, emerging markets have borne the heaviest burden. In fact, emerging markets have experienced the sharpest portfolio flow reversal on record. About 100 billion, or 0.4 percent of the GDP, posing stark challenges to more vulnerable countries.



The global spread of COVID-19 may require the imposition of tougher, and longer-lasting containment measures. Actions that may lead to further tightening of global financial conditions, should they result in a more severe, and prolonged downturn.

Such a tightening may, in turn, expose financial vulnerabilities that have intensified in recent years, in the environment of extremely low interest rates. This could further exacerbate the COVID-19 shock.

For example, asset managers are facing large outflows, and could be forced to sell into falling markets. That's intensifying downward price movements. In addition, levered investors may force further margined calls. And may be forced to unwind their portfolios. Such financially leveraging may aggravate selling pressures.

As firms become distressed, and default rates climb higher, credit markets may come to a sudden stop. Especially in riskier segments like high-yield, leverage loan, and private debt markets. These markets have expanded rapidly, since the global, financial crisis, reaching 9 trillion dollars globally. At the same time, borrowers' credit quality, underwriting standards, and investment protections have weakened.

Since early March, high-yield spreads have skyrocketed. Particularly, in the sectors most affected by the pandemic, like air travel and energy. Similarly, leveraged loan prices have fallen sharply. Reaching about half the drop that was seen during the global, financial crisis, at one point.

As a result, ratings agencies have revised upward, their speculative-grade, default forecast, to recessionary levels. Market implied defaults have also risen sharply. Banks are in the better position today, than they were at the onset of the global, financial crisis.

Banks have more capital, and liquidity than in the past. They have been subject to stress tests, and greater supervisory scrutiny in recent years. In addition, the substantial, and coordinated action, by central banks, to provide liquidity to

April 2020 Fiscal Monitor Press Briefing



Vito Gaspar, Director, Fiscal Affairs Department

Welcome all to the fiscal monitor press conference and thank you for your interest in fiscal policy. We are living in a

banks, in many economies, should also help alleviate potential, liquidity strains.

Nonetheless, the resilience of banks may be tested in the face of a sharp slowdown in economic activity. Which may in turn, be more severe and prolonged than currently anticipated.

Indeed, large declines in bank equity prices, since mid-January suggests that investors are concerned about profitability, and prospects for the banking sector. For example, matters of bank capitalization, based on market prices, are now worse than during the financial crisis, in some countries. The concern is that banks, and other financial intermediaries, may act as an amplifier, should the crisis deepen further.

Looking ahead, central banks will remain crucial to safeguarding the global, financial stability, and maintaining the flow of credit to the economy. But this crisis is not simply about liquidity. It is primarily about solvency. At a time, when large segments of the global economy have come to a complete stop. As a result, fiscal policy has a vital role to play.

Together, monetary, fiscal, and financial policies should aim to cushion the impact of the COVID-19 shock. And to ensure a steady, sustainable recovery, once the pandemic is under control. Close, continuous, international coordination will be essential to support vulnerable countries, to restore market confidence, and to contain financial stability risks.

The IMF is ready to assert the full weight of its resources, to help protect the world's most vulnerable economies, and to strengthen the eventual recovery. also the economies in which they reside.

Transcript of the full session and the webcast video is on the website

crisis like no other, a once in a century pandemic. It is a fight of all humanity against a common and invisible enemy.

You have already heard yesterday from our chief economist that the crisis is unprecedented both in nature, it's a health emergency, and severity. It's much sudden and deeper than the global financial crisis. As for fiscal policy, the basic principles are clear.

First, laid the financial ground for health systems, testing, facilities and medical staff, to deal with the crisis support essential containment measures. Second, provide emergency lifelines to households and firms made vulnerable by the crisis. These lifelines also help avoid irreversible damage to sustainable and inclusive growth. Third, once normal business conditions resume, support the recovery with coordinated fiscal stimulus, taking into



account differences in countries circumstances including their financing ability.

Let me now give you some more details but if you really want to go in depth, you will have to read through the fiscal monitor. The first principle of public finances is to enable health systems to tackle the pandemic. An international joint effort is necessary for sharing information, for testing, tracking and monitoring and for the development and inclusive sharing of effective therapeutic fix and vaccines.

Timely international action is also necessary to enable countries that have health systems ill-equipped to tackle the pandemic. Many of these countries are in sub-Saharan Africa. It is necessary to mobilize financial means, for example, in the form of grants and concessional loans, but also health workers, medical equipment and supplies.

The IMF calls jointly with the World Bank for an immediate standstill for official bilateral creditors for the poorest countries. A parallel initiative by the private sector would also be welcome. A health emergency is a call for unity and solidarity both within countries and among countries.

The second principle is to save lives and livelihoods. In order to flatten the curve that tracks the spread of the disease, it is necessary to adopt exceptional containment measures. These measures have strong economic and social impacts. It is imperative to use fiscal policies to protect people and firms made vulnerable by the crisis. For households, the objectives are to meet basic needs and avoid unnecessary hardship.

Actions include tax deferrals, cash transfers, extended unemployment benefits and social assistance. These measures truly are emergency lifelines aiming at preserving decent living standards and livelihoods. For firms, the objective is to avoid permanent scarring. Fiscal policies can help preserve employment and wages while maintaining capacity that will be crucial for the recovery. That includes avoiding unnecessary bankruptcies leading to job losses and liquidation of assets.

These lifelines are expensive. Authorities all around the world have jumped into action. According to fiscal monitor estimates, discretionary policy actions with direct impact on the budget sum up to \$3.3 trillion. In addition, loans and equity injections amount to \$1.8 trillion. And finally, guarantees represent \$2.7 trillion. The sum is about \$8 trillion which corresponds to 9 and a half percent of world GDP. The bulk of these measures were adopted by G-20 countries whose actions represent about 90 percent of the total.

In an emergency, it is crucial to act fast and decisively. Fiscal actions have been announced on an enormous scale. That requires accurate accounting, frequent timely and transparent disclosure and the adoption of procedures ensuring ex-post evaluation and accountability. Principles of

good governance should be reinforced in a way commensurate with a scale of the intervention. In order to make all of this memorable in a sentence, there it goes: "Do whatever it takes but make sure to keep the receipts."

Budget deficits and debts will sharply increase in 2020, substantially more than in 2009 at the peak of the global financial crisis. Gross government debt all over the world will jump up by more than 13 percentage points of GDP to more than 96 percent of GDP. The contrast across country groups is marked. In advanced economies, the effort is about 17 percentage points of GDP, for emerging market economies about 9 percentage points and finally for low income developing countries, about 4 and a half percentage points of GDP.

The change in debt ratios in 2020 is a large one off jump up. For 2021, the baseline points to stabilization of debt ratios at the new higher level. As a matter of fact, if one excludes China and the U.S. from the world total, gross general government debt would be falling by more than 1 percentage point of GDP in 2021.

That reflects declining debt ratios in most countries. But don't forget, uncertainty is very hard and downside risks are quite considerable as our chief economist emphasized yesterday. If the adverse scenarios presented at the World Economic Outlook were to materialize, debt levels would be even higher and debt dynamics more unfavorable.

Finally, the third and last principle prescribes that once COVID-19 has been contained, a coordinated stimulus to strengthen demand and foster recovery may be needed. Such international coordinated actions must reflect differences in relevant circumstances among countries including in their financing ability.

So to conclude, let me just repeat the key takeaways for fiscal policy. First, provide the financing necessary to enable health systems to deal with the crisis. Second, provide lifelines to vulnerable households and firms. Such lifelines also help to avoid permanent damage to prospects

For sustainable and inclusive growth. Third, once normal business conditions resume, support the recovery.

Throughout international cooperation and coordination are crucial to enhance effectiveness of policy actions and support all nations of the world in the fight against the pandemic. But I would like to leave you with a catch phrase that reminds us all of the importance of good governance. Do whatever it takes but make sure to keep the receipts. Thank you very much for your attention and now I'm ready to answer your questions.

Transcript of the full session and the webcast video is on the website

Communiqué of the Forty First Meeting of the IMFC

Chaired by Mr. Lesetja Kganyago, Governor of the South African Reserve Bank

April 16, 2020

We express our deepest sympathies for the loss of human lives caused by the COVID-19 pandemic. Our urgent collective task is to mitigate the health and economic impact that the pandemic is having on people worldwide. We remain confident that, working together, we will overcome current challenges to help safeguard the global economy for all.

We are in an unprecedented global crisis. The global economy will contract sharply this year, reflecting necessary health measures to contain the virus, disruptions in economic supply and demand, and tightening financial conditions. Many countries are coping with grave challenges including limited medical supplies and capacities. In particular, many emerging market and developing countries are facing sharp declines in export demand and commodity prices, large capital outflows, foreign exchange shortages, and increasing debt burdens.

While the global outlook is subject to exceptionally high uncertainty, we expect a recovery next year as we continue to employ all available policy tools to defeat the pandemic, protect jobs, and restore growth. We have taken extraordinary macroeconomic action and, working together, will further scale up fiscal, monetary, and financial stability measures, as necessary, to facilitate a speedy return to strong, sustainable, balanced, and inclusive growth. Targeted and sizable fiscal support is critical to provide a safety net for the most affected households and businesses and create conditions for a rapid recovery. We welcome the actions of central banks and financial authorities to alleviate stressed global financial conditions and maintain financial stability.

We support the IMF in assisting member countries through financial support, policy advice, and capacity development, in close collaboration with other international institutions and partner organizations. We welcome the IMF's crisis response package, comprising streamlined procedures, rapid and enhanced access to emergency financing, including a temporary doubling of the annual access limits under the Rapid Credit Facility and Rapid Financing Instrument, liquidity provision through a new short-term liquidity line for members with very strong fundamentals and policies, and debt service relief to the poorest and most vulnerable countries through a reformed Catastrophe Containment and Relief Trust (CCRT). We also call on the IMF to explore additional tools that could serve its members' needs as the crisis evolves, drawing on relevant experiences from previous crises.

We welcome the pledges to the CCRT and the Poverty Reduction and Growth Trust (PRGT) received so far and call for additional contributions to ensure that the IMF can support its poorest and most vulnerable members. We welcome the coordinated approach agreed by the G20 and the Paris Club, supported by the IMF and World Bank, toward a time-bound suspension by bilateral official creditors of debt service payments for the poorest countries that request forbearance. We call on private creditors to participate in the initiative on comparable terms. We welcome the IMF's focus on crisis-related work, including on debt and financial stability risks, supporting a sustainable recovery in a way consistent with long-standing issues on our agenda.

We reaffirm our commitment to a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net. We will keep demands on the IMF's resources under close review. The IMF's lending capacity of US\$1 trillion is critical to maintain confidence that the IMF can fulfill its mandate by helping its members overcome the crisis. The recent Executive Board decisions on the doubling of the New Arrangements to Borrow and on a new round of Bilateral Borrowing Agreements are important steps in this regard. We look forward to swift action by members in implementing these decisions. We remain committed to revisiting the adequacy of quotas and continuing the process of IMF governance reform under the 16th General Review of Quotas, including a new quota formula as a guide, by December 15, 2023.

We endorse the Managing Director's Global Policy Agenda.

IMF's Newly Developed Global Economic Reports Mobile App (GERMA)

The IMF has introduced a new App that brings its latest flagship publications together for easy discoverability and reading. This new mobile app showcases the latest IMF flagship reports along with historical releases. Simple navigation coupled with full text search, bookmarking, and hyperlinked tables of content make it easy to find the analysis to rely on.





Where to download the app

iOS: - <https://apps.apple.com/us/app/imf-global-economic-reports/id1482313492>

Android: - <https://play.google.com/store/apps/details?id=org.imf.germ.a>

How the IMF is Promoting Transparent and Accountable Use of COVID-19 Financial Assistance

May 5, 2020

How does the IMF help countries improve governance and fight corruption?

In 2018, the IMF adopted a Framework on Enhanced Engagement on Governance. Since then, the IMF has engaged in deeper and more candid discussions with our member countries when these issues could undermine the efficient functioning of the economy and threaten the interests of its citizens. These discussions take place through several channels:

Article IV surveillance: IMF country teams analyze governance and corruption issues and provide specific recommendations to enhance good governance and address corruption vulnerabilities, including on combatting transnational corruption.[1] To date, more than 30 staff reports have had dedicated, in-depth annexes or Selected Issues Papers on these topics.[2]

- *Lending programs:* Governance-related conditionality is included when such vulnerabilities are critical to achieving the goals of the member's program.[3]
- *Governance diagnostics:* Staff has begun conducting detailed diagnostic studies to help identify specific reforms to strengthen governance across a range of areas. To date, 10 such reports have been completed or are underway.[4]
- *Capacity development:* The IMF provides extensive technical assistance and training in the areas of fiscal governance, financial sector supervision, central bank governance, anti-money laundering measures, and anti-corruption frameworks.
- *Research and outreach:* The IMF has a broad agenda of analytical and research work on governance issues,[5] as well as a range of outreach activities to promote collaboration with other international institutions, academia, and CSOs on this topic.

How can the IMF help enhance transparency and accountability with its emergency financing in the time of COVID-19?

In the wake of the COVID-19 pandemic, the IMF maintains its commitment to address governance and corruption vulnerabilities in member countries. The IMF is working to balance the need for immediate COVID-19 financing against appropriate accountability and transparency to ensure, as best as possible, that financial help reaches those in need. IMF emergency financing is provided in upfront, outright disbursements. So, while there is much less scope for attaching traditional conditions, the IMF is working on the following measures to promote transparency and accountability, and ensure its resources are used for their intended purpose:

1. Asking member authorities to commit in their Letters of Intent to ensuring that emergency assistance is used for the very urgent purpose of resolving the current crisis and not diverted for other purposes. Letters of Intent are published by the member country and are also available on the IMF website.
2. Assessing which public financial management, anti-corruption, and anti-money laundering measures we can ask members to put in place without unduly delaying urgently needed disbursements. For example, the IMF has asked member countries requesting emergency assistance to commit to (i) enhanced reporting of crisis-related spending; (ii) undertaking and publishing independent ex-post audits of crisis-related spending; (iii) ensuring procurement transparency by, for example, publishing procurement contracts; and/or (iv) preventing conflicts of interest and corruption by publishing the beneficial ownership information of firms awarded procurement contracts.. Specific examples include the following:
 - *In Gabon*, the authorities have committed to (i) report quarterly on the spending of emergency funds; (ii) commission an independent audit of this spending within six months of disbursements and publish the results; and (iii) publish related procurement contracts and the beneficial ownership information for the companies receiving those contracts.
 - *In Moldova*, the authorities have committed to (i) publishing information on crisis-related public procurement and beneficial owners of companies contracting with the government; (ii) continuing to enforce the anti-money laundering framework and asset declaration regime; and (iii) subjecting all crisis-mitigation spending to a dedicated audit by the Court of Accounts Chamber and making the report public.
 - *In Nigeria*, the authorities have committed to: (i) strengthening the role of the Federal Audit Board in combating corruption and the asset-declaration framework; (ii) fully implementing the risk-based approach to AML/CFT supervision while ensuring the transparency of beneficial ownership of legal persons; (iii) creating specific budget lines to facilitate the tracking and reporting of emergency response expenditures and report funds released



and expenditures incurred monthly on the transparency portal (<http://opentreasury.gov.ng/>); (iv) publishing procurement plans, procurement notices for all emergency response activities—including the name of awarded companies and of beneficial owners—on the Bureau of Public procurement website; and (v) publishing no later than three to six months after the end of the fiscal year the report of an independent audit into the emergency response expenditures and related procurement process, which will be conducted by the Auditor General of the Federation.

These measures are generally encouraged as good practices to enhance transparency and accountability. Similar commitments have been made in Afghanistan, Bolivia, Dominican Republic, the Kyrgyz Republic, Mauritania, Pakistan, and São Tomé and Príncipe, among many other countries

3. Ensuring that emergency resources are subject to our “Safeguards Assessment” policy. These assessments provide reasonable assurance to the IMF that a central bank’s framework of governance, reporting, and controls is adequate to manage resources, including IMF disbursements. Where there are shortcomings, IMF staff make time-bound recommendations and closely monitor their implementation. Given that emergency financing is provided as an upfront disbursement, such assessments will be conducted after the disbursement, but before the approval of any subsequent financing for the member country under a more traditional multi-year financing arrangement.

4. Continuing to include governance and anti-corruption measures in these countries’ multi-year financing arrangements, where warranted as part of our ongoing implementation of the 2018 Enhanced Governance Framework. Many of the countries receiving emergency assistance now either already have existing multi-year financing arrangements with the IMF or will be seeking such arrangements soon. These multi-year arrangements are better-suited than emergency financing to addressing longer-term structural issues that underpin poor governance and corruption.

Endnotes can be found on the website

Fiscal Policies for the Recovery from COVID-19

By: Vitor Gaspar, W. Raphael Lam, and Mehdi Raissi

May 6, 2020

Fiscal policies have provided large emergency lifelines to people and firms during the COVID-19 pandemic. They are also invaluable to increase a country’s readiness to respond to a crisis and to help with the recovery and beyond.

When the Great Lockdown finally ends, a strong economic recovery that benefits everyone will depend on improved social safety nets and broad-based fiscal support. This includes public investment in health care, infrastructure, and climate change. Countries with high debt levels will have to carefully balance short-term fiscal support for the recovery stage with long-term debt sustainability.

The new Fiscal Monitor helps policymakers choose how to invest for the future in a fiscally prudent way, adopt well-planned discretionary policies to stimulate demand, and enhance social safety nets and unemployment benefits.

Enhance social safety nets for people

The pandemic has shown how vulnerable people are and served as a wakeup call for action.

In response, countries have temporarily extended unemployment benefits and expanded social safety nets to varying degrees. For example, the United States has legislated larger temporary lifelines in response to the COVID-19 pandemic than Europe partly because its social safety net has traditionally been smaller.

While some of these temporary lifelines will expire over time, making parts of these provisions permanent and upgrading the tax-benefits systems can also automatically stabilize people’s incomes in future epidemics and crises.

But what are the attributes of a good social safety net? Three matter the most:

- First, provide broad coverage and adequate benefits to vulnerable groups in a progressive way—that is, more generous benefits to the poorest.
- Second, preserve work incentives and help beneficiaries find jobs, obtain health care, and attend education and training.
- Third, strive to avoid a fragmented, complex web of social protection programs that ends up being more costly to run and not benefiting people in a fair and consistent way.

Against these yardsticks, governments in advanced economies can improve social safety nets by covering more people within existing programs and by improving the impact the benefits have on people’s lives.

In emerging market and developing countries, governments can fill gaps in coverage by expanding existing programs and using other delivery instruments. These include mobile phone networks and in-kind provision of goods and services—especially health, food, and transportation—to reach people most in need or currently left out.

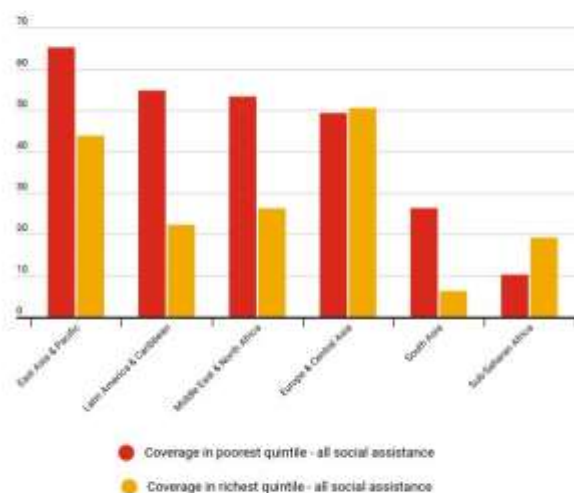
Social safety nets could result in a better redistribution if a larger share of the poorest 20 percent of the population receive more benefits relative to the richest 20 percent of the population.

Safety nets

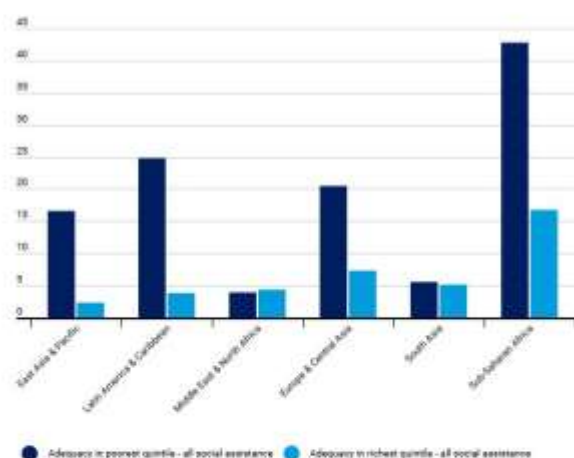
Different regions of the world provide very different levels of coverage and benefits in their social safety nets.

(Percent of quintile population or welfare)

Coverage (the percentage of a specific population group that benefits from social safety nets programs.)
(all data below represents all income levels, except for South Asia)



Adequacy (the proportion of the benefits accruing to a specific population group with respect to their total income or consumption expenditure.)
(all data below represents all income levels, except for South Asia)



Source: Francese and Prady 2018; and World Bank, ASPIRE database.

Note: Welfare is usually estimated by total expenditure as self-declared in household surveys.

INTERNATIONAL MONETARY FUND

Plan discretionary policies

To help businesses rehire workers after the pandemic, governments could plan temporary payroll tax cuts to

encourage firms to hire. To get people to spend, they can use time-bound value-added-tax reductions or consumption vouchers. Smaller investment projects can be accelerated. More broadly, countries can legislate in advance measures that would automatically activate in downturns, for example some social benefits and tax relief. This would get much needed fiscal support to people faster. At the same time, the scope of support depends on a country's ability to finance these measures.

Invest for the future

Quality public investment is necessary in health care systems to protect people and minimize the risks from future epidemics. Other priorities include infrastructure, green technologies like wind and solar energy, and progress toward other Sustainable Development Goals such as education and access to clean water and sanitation. Additional investment needs are likely to exceed \$20 trillion, globally at current prices, over the next two decades.

Considering the long lead time of capital projects like roads, bridges, and clean energy, governments should start now to review the investment pipeline. This will give them time to resolve bottlenecks and prepare a set of ready-to-implement projects they can deploy once the Great Lockdown ends.

Decisions, including whether and how much to scale up quality public investment, will depend on the needs in specific sectors and their economic and social benefits, financing capacity, and the efficiency of public investment. This last point is critical for all countries because one-third of funds for public infrastructure is lost worldwide to inefficiency and corruption.

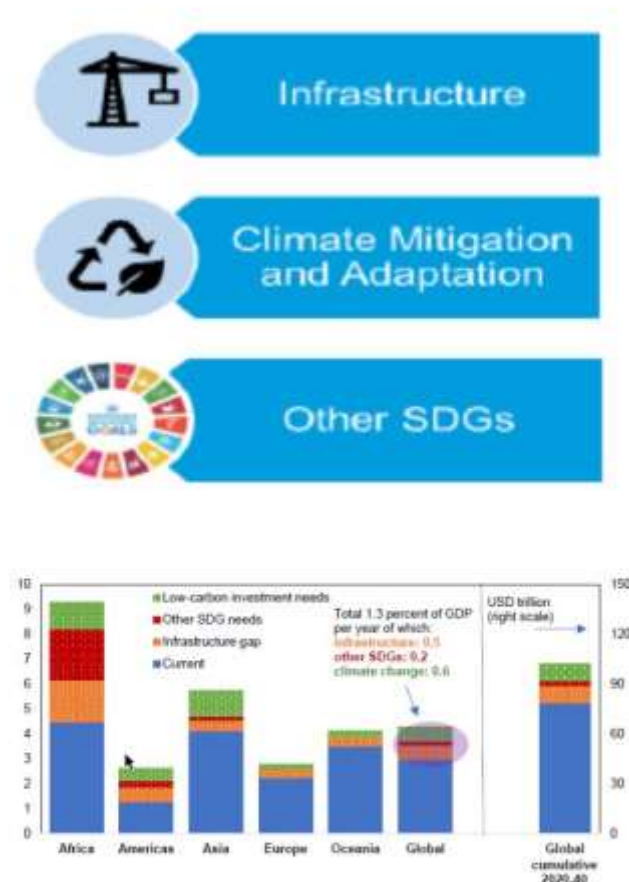
For advanced economies with ample room in the budget such as Germany and the Netherlands, spending more on public investment is worthwhile because the value of the resulting assets will likely exceed the liabilities incurred given how low interest rates are. This in turn improves the public sector's net worth. For countries with less room to maneuver when it comes to spending, such as Italy and Spain, they can redirect revenues and expenditures to increase investment.

In emerging markets and developing economies such as Brazil and South Africa, high debt levels and rising interest payments call for financing development in a prudent and sustainable way. These countries should try to achieve more with less. Raising tax revenues over the long term would be crucial for low-income developing countries such as Nigeria.

Global investment needs

Countries need to invest about \$20 trillion more over the next 20 years in climate change and other Sustainable Development Goals.

(Percent of annual regional GDP; trillions of US dollars, right scale)



Source: Global Infrastructure Hub; Oxford Economics; and IMF staff estimates.

Note: The blue bars show the 2017 investment ratios/levels. Additional global investment needs amount to 1.3 percent of global GDP per year (exceeding \$20 trillion cumulatively over 2020–40 in current US dollars). The breakdowns are the following: Yellow: infrastructure (0.5 percent of GDP); red: other SDGs (0.2 percent of GDP); and green: low-carbon investment (0.6 percent of GDP). SDGs = Sustainable Development Goals.

SDGs = Sustainable Development Goals

INTERNATIONAL MONETARY FUND

Managing higher government debt loads

Supporting the recovery with fiscal tools while managing higher government debt levels is a delicate balancing act. The pandemic and its economic fallout, along with policy responses, have contributed to a major increase in fiscal deficits and government debt ratios. As the pandemic abates and the economy recovers, government debt ratios are expected to stabilize, albeit at new—higher—levels. If the recovery takes longer than expected, debt dynamics could be more unfavorable.

As the pandemic subsides, countries can support their economic rebound with an eye on advancing credible medium-term reform plans.

A “New Deal” for Informal Workers in Asia

By: Era Dabla-Norris and Changyong Rhee

April 30, 2020

Full or partial lockdowns to curb the spread of COVID-19 are having crippling effects on businesses and workers across Asia, as elsewhere. Among the most vulnerable of the workers are the ones working in part-time and temporary jobs without social insurance, and in sectors of the economy that are neither taxed, nor regulated by any form of government.

Known as informal workers, they are particularly vulnerable to dramatic collapses of income and loss of livelihoods.

Informal workers account for a large share of the workforce in many countries in the region but typically have no access to sick leave or unemployment benefits. Their access to health benefits is often precarious. And, for many of them, savings are either nonexistent or extremely limited. Many workers, especially the self-employed and daily wage earners, live hand-to-mouth. If they cannot work for extended periods of time, their family's income is at risk. Protecting their earnings—whether by increasing unemployment benefits, reducing income taxes, or extending paid sick leave—and reaching them through transfers, is nearly impossible.

Time is everything. Effective policy responses must reach informal workers and their families quickly to prevent them from falling (deeper) into poverty and to protect their livelihoods. Even with their budgetary and capacity limitations, countries in the region are implementing measures to help the most vulnerable. But given the size of the economic shock, much more is needed.

Pervasive informality in the region

Informal workers in the Asia-Pacific region account for nearly 60 percent of nonfarm employment, higher than in Latin America and Eastern Europe, and ranging from around 20 percent in Japan to over 80 percent in Myanmar and Cambodia. This includes workers with very different characteristics in terms of employment status, income, and sector of activities. It includes wage workers without social protection or other formal insurance arrangements in both informal and formal sector enterprises, and the self-employed, such as street vendors and their contributing family members, as well as daily laborers.

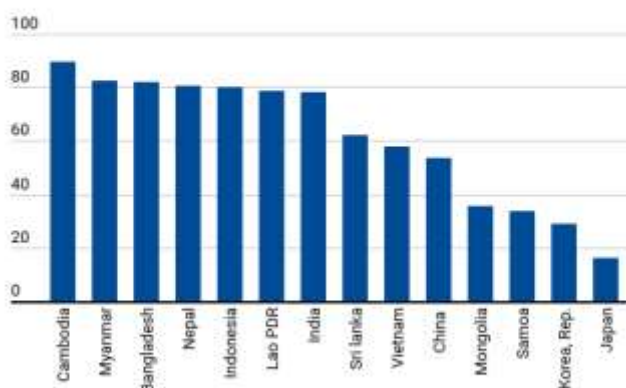
Informal workers are twice as likely as formal workers to belong to poor households. While some of these poor

households are beneficiaries of transfer programs, coverage and adequacy of benefits to combat the COVID-19 shock remain an issue.

Big numbers

Informal workers tend to make up a significant share of the total workforce in lower-income countries.

(share of non-agricultural informal employment in non-agriculture sector, latest year percentages)



Source: Women and Men in the Informal Economy: A Statistical Picture, ILO, 2018.

INTERNATIONAL MONETARY FUND

Policy responses

As countries across the region cast wide emergency safety nets, a broad patchwork of old and new policy solutions is emerging.

- Expanding existing social assistance programs. Temporary expansion of existing programs has meant expanding coverage to more people (e.g., Vietnam) and increasing benefit amounts (e.g., Bangladesh). Nepal and India have ramped up in-kind and cash transfers for poor households and informal sector laborers, while Indonesia has increased utility subsidies for poor households.

- Introducing new transfers. Thailand introduced a cash transfer of US\$153 for three months for up to 10 million farmers and 16 million workers not covered by the social security program using cash-less digital payment platforms (Promptpay). In Vietnam, information from tax and utility bills is used to provide a new cash transfer for informal households and the self-employed who had to temporarily shutter businesses.

- Establishing public works programs. Measures such as emergency employment for informal sector workers are in

place in the Philippines to support some of the most basic medical services in quarantined areas.

- Preserving livelihoods through employment retention, by providing support to small businesses to help them survive. Malaysia, for instance, has introduced special grants for microenterprises hiring less than 5 workers.

Looking ahead: a post-pandemic “New Deal” for the region

The COVID-19 outbreak has exposed the challenges in protecting informal workers and vulnerable households in Asia. But these extraordinary circumstances also provide an opportunity to address longstanding inequalities—in access to health and basic services, finance, and the digital economy—and to enhance social protection for informal workers.

Already, the pandemic is upending conventional norms on education provision and social assistance, with internet, mobile, and digital payment platforms reaching broader swathes of populations than ever in the past. What informal workers need now is a “New Deal” that provides immediate social protection against the pandemic’s economic fallout while putting in place the building blocks for a stronger safety net for the future. How can this be done?

- Getting the basics right. If international assistance and internal financing can be found, countries in developing Asia should use this to mount an effective public health response, shoring up public health infrastructures and expanding coverage, and correcting deficiencies in clean water, and sanitation.

- Setting up more expansive and inclusive safety nets. Governments could use citizen identification systems and digital technologies, such as India’s biometric Aadhar system, so that social protection programs can reach the people most at risk more quickly and efficiently, with the ability to scale up in times of crisis. The temptation to introduce universal cash transfers by “giving money to everybody” should be tempered by the goal of ensuring adequate support for the most vulnerable at a reasonable fiscal cost.

- Investing in digital capacity and bandwidth. Across the developing world, expanding the availability of digital platforms for education and financial services would help to ensure greater and more equitable access for all.

Addressing the pervasive informality in Asia will also require comprehensive measures to improve the business environment, remove onerous legal and regulatory obstacles (especially for startups), and rationalizing the tax system. Specific policies will depend on country circumstances but should aim to bring informal workers into basic social safety nets while enhancing their productivity.

Policy Responses to COVID-19

The policy responses feature a policy tracker which summarizes the key economic responses governments are taking to limit the human and economic impact of the COVID-19 pandemic. The tracker includes 193 economies. Last updated May 1, 2020.

NOTE: The tracker focuses on discretionary actions and might not fully reflect the policies taken by countries in response to COVID-19, such as automatic insurance mechanisms and existing social safety nets which differ across countries in their breadth and scope. The information included is not meant for comparison across members as responses vary depending on the nature of the shock and country-specific circumstances. Adding up the different measures—tax and spending, loans and guarantees, monetary instruments, and foreign exchange operations—might not provide an accurate estimate of the aggregate policy support. The tracker includes publicly available and does not represent views of the IMF on the measures listed.

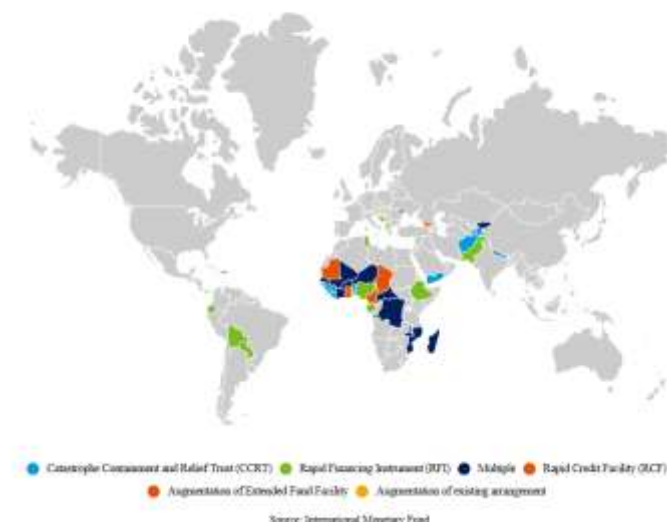
Serving Member Countries COVID-19 Emergency Financial Assistance

Emergency Financing and Debt Relief

The IMF is providing emergency financial assistance and debt relief to member countries facing the economic impact of the COVID-19 pandemic. The tables on the website include emergency financing approved by the IMF's Executive Board under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI), as well as augmentation of existing financing arrangements. Debt relief grants, financed by the Catastrophe Containment and Relief Trust (CCRT), are also shown.

Countries Receiving Emergency Financing and Debt Relief

Hover over highlighted countries to see details.



Details of the IMF's emergency financing and debt relief provided to members, to date, are available on the website

The IMF and COVID-19 (Coronavirus)

- Q&A: The IMF's Response to COVID-19
- Factsheet: How the IMF Can Help
- At a Glance: The IMF's Firepower

The Managing Director of the IMF and the Heads of the RFAs Emphasize their Readiness to Cooperate to Mitigate the Impact of COVID-19 on the Global Economy

April 21, 2020

The Managing Director of the International Monetary Fund (IMF), Ms. Kristalina Georgieva; the Director General Chairman of the Board of the Arab Monetary Fund, Mr. Abdulrahman Al Hamidy; Director of ASEAN+3 Macroeconomic Research Office (AMRO), the surveillance unit of the Chiang Mai Initiative Multilateralisation (CMIM), Mr. Toshinori Doi; the Managing Director of the Eurasian Fund for Stabilization and Development (EFSD), Mr. Andrey Shirokov; the Deputy Director-General for Economic and Financial Affairs of the European Commission (EC), Mr. Declan Costello; the Managing Director of the European Stability Mechanism, Mr. Klaus Regling; the Executive President of Latin American Reserve Fund (FLAR), Mr. José Darío Uribe; and the co-chair of the G20 International Financial Architecture Working Group (G20 IFA WG), Mr. Guillaume Chabert, held a teleconference today and reported on efforts taken by their institutions to forcefully address the impacts of the COVID-19 outbreak on the global economy. Stressing the urgent need for combined, multilateral efforts to face the extraordinary human and economic crisis caused by the pandemic, the heads issue the following statement:

"The IMF and the world's Regional Financing Arrangements stand united in addressing the global challenges related to the Coronavirus (COVID-19) pandemic and wish to extend our deepest sympathies to all those affected. We are following the situation very closely in order to contribute to the decisive actions needed globally to face these exceptional and uncertain circumstances. We are determined to provide the necessary support to mitigate the economic and financial impacts of the pandemic, especially on the most vulnerable people and countries.

These unprecedented circumstances require unprecedented actions. To this end, the IMF has doubled access to its emergency facilities, approved debt service relief for 25 low-income countries through a reformed Catastrophe Containment and Relief Trust (CCRT), and established a new instrument – the Short-Term Liquidity



Line – to provide quick-disbursing financing to strengthen buffers and help in managing liquidity pressures for countries with strong economic policies. The IMF membership has so far pledged commitments amounting to \$11.7 billion in response to the Fund's call to triple its concessional lending capacity. For the first time, the G20 and the Paris Club, supported by the IMF and World Bank, agreed to a time-bound suspension by bilateral official creditors of debt service payments for the poorest countries that request forbearance.

The Regional Financing Arrangements, for their part, are supporting their members through lending activities, adjustments of policies and toolkits to make them compatible with the emergency nature of the COVID-19 crisis, and policy and technical advice to help their authorities through these challenging economic times. Regional rescue funds are closely coordinating with IMF country teams to exchange information and expertise necessary to expeditiously address the needs of countries facing the most pressing financing needs.

Recognizing the sheer size of this crisis, we emphasize that looking ahead, the most effective way to support the global economies is a comprehensive response and mobilization of the resources and expertise available at all layers of the Global Financial Safety Net (GFSN). Against this backdrop and leveraging the deep ties created among our institutions during the past years, the IMF, at the center of the GFSN, and the RFAs, emphasize their readiness to cooperate to mitigate the impact of the pandemic on the global economy and contribute to its recovery. We remain strongly committed to working together closely, in accordance with our individual mandates and policies, to exchange information on the needs of our members, and to coordinate assistance across different regions of the world. Where appropriate and feasible, we will cooperate to facilitate co-financing operations to address our members' needs and stand ready to provide technical assistance and policy advice."

WTO and IMF heads call for lifting trade restrictions on medical supplies and food

April 24, 2020

As our members grapple with their response to the global health and economic crisis, we call for more attention to the role of open trade policies in defeating the virus, restoring jobs, and reinvigorating economic growth. In particular, we are concerned by supply disruptions from the growing use of export restrictions and other actions that limit trade of key medical supplies and food.

Trade has made cutting-edge medical products available throughout the world at competitive prices. Last year global imports of crucial goods needed in the fight against COVID-19, such as face masks and gloves, hand soap and

sanitizer, protective gear, oxygen masks, ventilators, and pulse oximeters, totalled nearly \$300 billion. Recognizing the importance of this trade, governments have taken dozens of measures to facilitate imports of COVID-related medical products—cutting import duties, curbing customs-clearance processes, and streamlining licensing and approval requirements.

We welcome these actions. Accelerating imports of critical medical supplies translates into saving lives and livelihoods. Similar attention should be paid to facilitating exports of key items like drugs, protective gear, and ventilators. Anticipating governments' need to address domestic crises, World Trade Organization (WTO) rules allow for temporary export restrictions "applied to prevent or relieve critical shortages" in the exporting country. We urge governments to exercise caution when implementing such measures in the present circumstances.

This time is different

Taken collectively, export restrictions can be dangerously counterproductive. What makes sense in an isolated emergency can be severely damaging in a global crisis. Such measures disrupt supply chains, depress production, and misdirect scarce, critical products and workers away from where they are most needed. Other governments counter with their own restrictions. The result is to prolong and exacerbate the health and economic crisis—with the most serious effects likely on the poorer and more vulnerable countries.

To ramp up the production of medical supplies, it is essential to build on existing cross-border production and distribution networks.

Trade finance and food items

We are also concerned by the decline in the supply of trade finance. Adequate trade finance is important to ensure that imports of food and essential medical equipment reach the economies where they are most needed. Our institutions are tracking developments and engaging with key suppliers of trade finance.

In addition to restrictions on medical goods, curbs on some food items are starting to appear, despite strong supply. The experience in the global financial crisis showed that food export restrictions multiply rapidly across countries and lead to ever greater uncertainties and price increases. We are also concerned that if critical agricultural workers are not able to move to where the harvest is, crops could rot in the fields. Where new cropping seasons are starting, planting could be hampered, lowering both domestic and international supplies and increasing food insecurity. We urge governments to address these challenges in a safe and proportionate manner.

Cooperative effort needed



Amid the unfolding global financial crisis, global economic leaders in 2008 jointly committed to refrain for a year from new import, export, and investment restrictions. This pledge helped to avoid widespread trade restrictions that would have worsened the crisis and delayed recovery—just as trade restrictions deepened and prolonged the Great Depression of the 1930’s.

A similarly bold step is needed today. We call on governments to refrain from imposing or intensifying export and other trade restrictions and to work to promptly remove

those put in place since the start of the year. The WTO and the G20 offer two forums for global policy coordination on these important matters.

History has taught us that keeping markets open helps everyone – especially the world’s poorest people. Let’s act on the lessons we have learned.

The Special Series notes are produced by IMF experts to help members address the economic effects of COVID-19.

- [Fiscal Issues](#)
- [Macrocritical structural Issues](#)
- [Monetary and Financial Issues](#)
- [Statistical Issues](#)
- [Tax Law Design Issues](#)

Fiscal Policy

Managing the Impact on Households: Assessing Universal Transfers (UT)

In response to the severe economic downturn triggered by the coronavirus outbreak, there have been calls for universal—or near universal²—transfers (UT) as a direct and speedy approach to providing support to the many households affected by the virus or suffering economic hardship. This note provides an analysis of issues related to UT design and implementation and discusses the political economy of universal household support in the current crisis. Section I compares UT-like measures to other safety net options currently available to countries and offers a simple taxonomy to help assess the conditions when UT would possibly be a desirable tool to provide income support to households. Section II addresses political economy issues related to the universality of support currently being considered in many countries

Greening the Recovery

Fiscal policy across the globe is rightly focused on fighting the COVID-19-induced economic crisis. But the climate change crisis remains, as does the need for decisive policy action to address it. Indeed, decisions taken now to address the COVID-19 crisis may shape the climate, and human health, for decades. This calls for fiscal policymakers to “green” their response to this crisis to prevent one crisis leading to another. Public support for such measures may be higher after the COVID-19 crisis.

Digital Solutions for Direct Cash Transfers in Emergencies

Experiences during previous pandemics and economic crises have shown that a range of transfer programs and modalities can be effective in protecting vulnerable households, including those in the informal sector and poorer regions.² In the wake of the COVID-19 pandemic, many governments are considering direct cash transfers to protect vulnerable households. In several developing countries, the scale of these payments is unprecedented.³

For people living in extreme poverty, such cash support can be a lifeline. However, low-income developing countries (LIDCs) and emerging market economies (EMEs) often have large informal sectors,⁴ which make it more difficult to deliver support effectively and securely.

This note focuses on how digital solutions can help governments deliver cash transfers efficiently and quickly to their intended beneficiaries, including those in the informal sector. The note offers suggestions on (i) the scope for using digital technologies to identify and validate recipients of direct cash payments; (ii) mechanisms for delivering cash payments efficiently; and (iii) streamlining public financial management (PFM) procedures for delivering these benefits/transfers fast, while ensuring transparent reporting and adequate control to prevent serious financial irregularities.⁵ Table 1 provides a summary of the key measures suggested. A separate note focuses on policy issues related to cash transfers

Business Continuity for Revenue Administrations

This note provides guidance on how revenue agencies can protect staff and taxpayers while maintaining the operation of the revenue system in the different phases of the COVID-19 crisis.¹ They need to take timely actions to:

- *Plan, organize, and implement* the approach to manage business continuity during the range of possible scenarios that could result from the COVID-19 crisis. Revenue administrations in lower- and middle-income countries may not have robust Business Continuity Plans (BCP),² and those who do have BCPs will need to make significant adjustments to respond to this unprecedented global health crisis; given the severe impact from locking down public and private sectors. If a revenue administration does not have a current BCP, it will be crucial to adopt some key measures to ensure business continuity. The timing and extent of these will depend on the stage that the epidemic has reached and the infrastructure of the administration and country.
- *Ensure continued revenue collection* and agencies' operations to help finance and implement governments' responses to the crisis. Managing the diverse and multiple actions in response to COVID-19 requires timely decision-making and implementation, and adaptability to constantly evolving events. As an agency with front-line interaction with nearly all citizens, revenue administrations play a key role in calming anxiety by facilitating taxpayers' compliance and trade, meeting public service delivery priorities, and supporting the economy by swiftly implementing governments' responses.

Though this note covers the broad range of activities revenue administrations need to consider in managing



through the crisis, each must evaluate the various possible actions through the lens of its own current and prospective crisis situation. Thus, this note is not about how to develop a BCP, but rather to assist revenue administrations on how to react quickly to the current crisis and ensure their business continuity.

Those administrations that have BCPs may find some measures useful to adjust their current BCPs. In the future, it would be beneficial for revenue administrations that do not have BCPs to develop one

Challenges in Forecasting Tax Revenue

Forecasting tax revenue during the current COVID-19 pandemic is a challenging task. Traditional approaches to forecasting, based on simple tax buoyancy or macro elasticities, will likely lead to an underestimation of the revenue decline. As the current shock is highly asymmetric across sectors and by size of business, more plausible results can be obtained if revenue forecasts are broken down by sector and type of tax, making use of available sector-specific information. Forecasts need to be continually updated as new information about the pandemic and its countermeasures becomes available.

Macrocritical Structural Issues

Options to Support Incomes and Formal Employment During COVID-19

This note reviews policies to mitigate the impact of COVID-19 on employment. The immediate priority is to preserve jobs and laid-off workers' incomes, which calls for short-time work subsidies and scaled-up unemployment insurance. As activity resumes, wage and hiring subsidies, as well as activation policies, should play a growing role.

Monetary and Financial Policies

Assessing Stress from Oil Price Shocks

This note aims to help country authorities in oil-exporting economies by providing guidance on how to assess the impact of the recent fall in oil prices on bank soundness. The note discusses macroeconomic scenarios and transmission channels impacting banks.

Central Bank Operational Risk Considerations for COVID-19

This note discusses how central banks could respond to the heightened operational risks posed by the global spread of the COVID-19 virus and highlights the importance of developing a risk management framework that can ensure that critical operations are maintained, and employee health

adequately safeguarded. The Annex includes examples of specific central bank practices for illustrative purposes.

Pandemic Preparedness for Financial Institutions

Financial institutions must prepare for operating under crisis conditions during the COVID-19 pandemic, which calls for detailed business continuity planning and measures to ensure continued customer access to critical services.

Public Communication During a Financial Crisis

This note covers basic principles for public policy communications in systemic financial crises. While the note focuses on communication in the event of financial crisis, many of its prescriptions hold for crisis situations more broadly.

Statistical Issues

How to Record Debt Relief under the Catastrophe Containment and Relief Trust in Macroeconomic Statistics

In response to COVID-19, the IMF provides debt service relief to eligible countries under the Catastrophe Containment and Relief Trust (CCRT). This note provides guidance on recording such debt service relief in government finance and external sector statistics.

Business Continuity Plans: Data Dissemination Guidelines

This note provides guidance to national statistical organizations and central banks on steps to inform users about how measures to contain COVID-19 have affected the dissemination of price statistics, national accounts, and balance of payments data.

Ensuring Continuity in the Production of External Sector Statistics During the COVID-19 Lockdown

The COVID-19 has a significant impact on data sources used to compile external sector statistics (ESS). This note provides advice on traditional and alternative data sources and on data compilation, to ensure continuity in the production of ESS during the lockdown.



COVID-19: How to Record Government Policy Interventions in Fiscal Statistics

Governments have reacted to the health and economic challenges created by the COVID-19 pandemic through a variety of emergency policies. It is important that these policies are correctly recorded in government accounts and fiscal statistics.

Tax Law Design Issues

Tax Law Design Considerations When Implementing Responses to the COVID-19 Crisis

This note focuses on the tax law design considerations that countries should take into account when they implement temporary tax policy and administration measures in response to the COVID-19 outbreak.

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EXECUTIVE BOARD ACTIVITIES

Policy Items

Catastrophe Containment and Relief Trust – Approval of Grant Assistance for Debt Service Relief

On March 26, the Executive Board of the International Monetary Fund (IMF) adopted a set of reforms to its Catastrophe Containment and Relief Trust (CCRT) to enable the Fund to provide immediate debt service relief for its poorest and most vulnerable members during the current COVID-19 pandemic. The CCRT enables the IMF to deliver grants to eligible low-income countries to cover their IMF debt service obligations in the wake of catastrophic natural disasters and during major global public health emergencies. Eligibility for CCRT support is limited to IMF member countries with annual per capita GNI below the World Bank's operational cut-off (or twice the cut-off for small states), generally the poorest and most vulnerable member countries.

Executive Board Assessment

Executive Directors determined, effective April 14, 2020, that the COVID-19 pandemic is a Qualifying Public Health Disaster under the Catastrophe Containment and Relief Trust (CCRT) that is inflicting severe economic disruption across the Fund's membership. The crisis is creating balance of payments needs on scale that warrant concerted international efforts to support the poorest and most vulnerable countries through substantial additional grant support for debt service relief. Directors also approved the technical modifications to the CCRT Instrument, which would facilitate operational implementation of the provision of assistance for debt relief under the Catastrophe Containment (CC) window.

Directors agreed that the CCRT has sufficient financial resources to deliver a first tranche of grants for debt service relief to all 29 countries with outstanding credit to the Fund that are potentially eligible for CCRT assistance over the next six months. They agreed that 25 of these countries that have requested such assistance meet the specific criteria for qualification for debt service relief, and looked forward to considering the requests for assistance of the remaining four eligible members.

Directors would consider committing additional tranches, up to a cap of two years through April 13, 2022, in light of the availability of CCRT resources at the end of each tranche period. To this end, Directors stressed the urgency of the ongoing fundraising effort to ensure timely delivery of assistance to the eligible countries.

Directors underscored the importance of monitoring the macroeconomic situations of the recipient countries, including their policy responses to pandemic, and looked forward to an update from staff toward the end of the initial six-month period of debt service relief. In this context, a number of Directors highlighted the need for careful analysis of debt sustainability, safeguards, and accountability, and called for staff assessment on the effectiveness of country policies and use of debt service relief resources prior to the commitment of future tranches.

A New Short-Term Liquidity Line to Enhance the Adequacy of the Global Financial Safety Net

The Covid-19 pandemic has created severe disruption in the global financial system, with many emerging market and developing countries (EMDCs) facing liquidity shortages. In the context of intensified demand for liquidity and heightened global uncertainty, on April 15, 2020 the IMF Executive Board approved a Short-term Liquidity Line (SLL).

The SLL is a special facility designed as a revolving and renewable backstop for members with very strong fundamentals and policy track records. It provides liquidity support for members facing potential short-term moderate balance of payments difficulties, reflected in pressures on the capital account and reserves, and resulting from volatility in international capital markets. The SLL aims to reduce the impact of liquidity events and minimize the risk of shocks evolving into deeper crises and generating spillovers to other countries.

Executive Board Assessment

Executive Directors considered and approved the establishment of the Short-term Liquidity Line (SLL), as part of the Fund's COVID-19 response. They noted that the SLL would fill a gap in the Fund's toolkit and complement other layers of the global financial safety net. Directors agreed that the SLL can provide important liquidity support to members with very strong policy frameworks and fundamentals facing potential short-term moderate balance of payments (BOP) difficulties, as specified in the proposed decision. They noted that this could help prevent liquidity pressures developing into solvency crises and avoid spillovers to the broader membership. Despite some differences in views and preferences, Directors were willing to support the proposal in a spirit of compromise.



Directors broadly supported the core design features of the SLL, built on the work done in 2017. They considered that the revolving access of up to 145 percent of quota should provide cover against most repeated moderate shocks that the SLL is designed to address, and that the availability of successor arrangements, subject to continued qualification and the presence of the special BOP need, would ensure that the SLL is a reliable backstop. Directors also noted that having the same high qualification bar as the Flexible Credit Line (FCL) would facilitate transition from the FCL to the relatively lower access of the SLL, allowing more efficient allocation of Fund resources. A few Directors would have preferred a lower qualification bar and/or higher access.

Directors generally supported the innovative features of the SLL designed to minimize perceived stigma associated with Fund financing, including the Board's approval of an arrangement, conditional on the member availing itself of the arrangement. They recognized the possibility of a Central Bank sole signatory, provided that certain requirements are met, consistent with the Fund's standards for the signatory of letters of intent or written communications. A few Directors noted that signatures from both the Ministry of Finance and the Central Bank would increase the credibility of the policy commitment. Directors emphasized the need for careful communication in cases where a member ceases to qualify for an SLL arrangement.

Directors took note of staff's assessment that SLL usage is likely to have a limited impact on the Fund's liquidity position. At the same time, some Directors pointed to second-round effects should countries draw on the SLL and no longer participate in the Financial Transactions Plan and/or the New Arrangements to Borrow (NAB). A few Directors also noted the possibility that the SLL could tie up Fund resources for an extended period. Directors recognized that the potential demand for the SLL combined with other Covid-19 related demand for Fund resources could quickly reduce Fund liquidity to levels that would warrant an activation of the NAB. Given these considerations amid the uncertain global outlook, Directors called for closely monitoring the Fund's liquidity position. Directors supported the creation of the SLL for a period of 7 years, with an expectation that, by end-2025, the Executive Board will decide whether to extend the facility beyond the 7-year period. They agreed that this compromise approach would balance concerns about the innovative nature of the SLL and the potential impact on Fund resources. Directors looked forward to reviewing the initial experience with the SLL, as part of the next review of the Fund's FCL and Precautionary and Liquidity Line in 2022.

Enhancing the Emergency Financing Toolkit—Responding to the COVID-19 Pandemic

The Covid-19 pandemic is taking a human toll and has unleashed a series of shocks on the Fund's entire membership, creating severe disruption in the global

economic and financial system. As a result, many emerging market and developing country (EMDC) members face urgent and unprecedented financing needs, creating significant immediate demand for Fund resources. In this context, the IMF Executive Board approved proposals to enhance the Fund's emergency financing toolkit, specifically the Rapid Financing Instrument (RFI), available to all members, and the Rapid Credit Facility (RCF), available only to low-income countries eligible for concessional financing.

"As we are responding to this unprecedented number of calls for emergency financing—from over 90 countries so far—doubling access to our emergency facilities will help us to meet the expected demand of about US\$100 billion in financing and provide stronger support to our member countries in addressing the COVID-19 crisis", IMF Managing Director Kristalina Georgieva said.

These proposals are part of a broader package to ensure a rapid and decisive Fund response to the urgent financing needs of the membership. The Executive Board also adopted complementary proposals to accelerate Board consideration of member financing requests under the RCF and RFI, and assistance under the Catastrophe Containment and Relief Trust (see Streamlining Procedures for Board Consideration of the Fund's Emergency Financing During Exceptional Circumstances Involving a Pandemic).

Executive Board Assessment

Executive Directors welcomed the timely discussion on enhancing the Fund's emergency financing toolkit, emphasizing the importance of a rapid and decisive Fund response to COVID-19 to help members meet their urgent financing needs. To that end, Directors agreed on a temporary increase in access limits under the regular window of the RFI and the exogenous shocks window of the RCF, with annual access limits rising from 50 to 100 percent of quota and cumulative limits rising from 100 to 150 percent of quota, net of scheduled repayments or repurchases, respectively.

Directors agreed that the new access limits would apply for a temporary six-month period, with a review of the limits as proposed. To facilitate urgent financing requests, most Directors supported the proposal to temporarily suspend the procedures for high access RCF requests under the PRGT. Directors emphasized that this emergency financing provided by the Fund should be truly additional, both for access to the PRGT and GRA. In this regard, many Directors looked forward to exploring ways in which a temporary relaxation in normal access limits could accommodate the surge in emergency lending. Directors also highlighted the important catalytic role of Fund emergency financing in spurring additional resources from other partners.

Directors stressed the importance of carefully monitoring implementation, including by putting in place appropriate safeguards of accountability, transparency, and control to



ensure the appropriate use of emergency financing, where governance and corruption vulnerabilities are macro-critical. Careful consideration will also need to be given to debt sustainability issues.

Directors concurred that the impact of higher RFI access limits on the General Resources Account would be manageable, subject to heightened Covid-19 uncertainties. However, they recognized that the higher access limits under the RCF would exacerbate growing pressures on PRGT loan resources, and stressed the need for expedited and ambitious fundraising efforts.

Provided that sufficient resources were raised quickly, Directors looked forward to considering an increase in the overall PRGT annual normal access limit. This would provide additional space for PRGT financing later in the year, including blended with potential arrangements in the GRA. In this regard, Directors asked for close assessments of the self-sustainability of the PRGT. They looked forward to considering additional suggestions to strengthen the Fund's efforts in the upcoming review of the Fund's concessional financing.



Country Matters

Use of Fund Resources

Maldives: Request for Disbursement Under the Rapid Credit Facility

The Executive Board of the International Monetary Fund (IMF) approved the disbursement of SDR 21.2 million (about US\$28.9 million) to be drawn under the Rapid Credit Facility (RCF) to help cover balance of payments and fiscal needs, stemming from the COVID-19 pandemic. Global and domestic containment measures are leading to a substantial reduction in economic activity, with sectors such as tourism, transport, and construction hit particularly hard. As a result, the short-term economic outlook has deteriorated significantly, with large uncertainties surrounding the duration of the pandemic and the timing of the recovery of tourism.

The authorities have acted fast to mitigate the impact of the pandemic by increasing health spending and putting in place measures to contain the outbreak. They have also responded with a combination of fiscal, monetary, and prudential measures that seek to minimize its economic impact, as well as providing temporary support for vulnerable households and business most affected by the crisis. The IMF financing will help ease some of these measures and garner further donor support.

Following the Executive Board's discussion of the Maldives, Mr. Tao Zhang, Deputy Managing Director and Chair, issued the following statement:

"The COVID-19 pandemic is having a pronounced negative impact on the Maldivian economy and is expected to cause a significant growth contraction. Containment measures are adversely affecting domestic economic activity. The temporary stop of tourist arrivals, the main source of foreign earnings, has severely weakened the fiscal and external positions, giving rise to large financing gaps.

"The authorities have responded quickly to the COVID-19 outbreak, including specific travel restrictions and subsequently more comprehensive travel measures. They also put together a set of measures to alleviate its social and economic fallout. The IMF's financial assistance will cover part of the financing gap, supporting fiscal rebalancing and the implementation of the anti-crisis plan. Additional support from the international community will be needed.

"The temporary fiscal accommodation is appropriate. The authorities will reprioritize and cut capital expenditures, redirecting funds as needed to combat the pandemic and provide temporary and well-targeted support to the most vulnerable households and businesses, while maintaining high standards of transparency and governance. The

central bank focuses on providing targeted liquidity support to banks and avoiding a credit freeze, through temporary and targeted financial macroprudential easing.

"The authorities remain committed to fiscal and debt sustainability over the medium term. They intend to achieve a balanced fiscal adjustment based on the reduction of capital spending to historical averages, recurrent expenditure discipline, and revenue mobilization. Continued efforts are needed to improve governance, build resilience to climate change, and strengthen policy buffers."

Union of the Comoros: Request for Disbursement Under the Rapid Credit Facility and Purchase under the Rapid Financing Instrument

The Executive Board of the International Monetary Fund (IMF) today approved a disbursement under the Rapid Credit Facility (RCF) equivalent to SDR2.97 million (about US\$4.05 million, 16.7 percent of quota) and a purchase under the Rapid Financing Instrument (RFI) equivalent to SDR5.93 million (about US\$8.08 million, 33.3 percent of quota) to meet Comoros' urgent balance of payment needs stemming from the COVID-19 pandemic.

Comoros has also benefited from the IMF Executive Board decision of April 13, 2020 to provide debt service relief to all countries eligible for support from the International Development Association (IDA) in the form of grant assistance under the Catastrophe Containment and Relief Trust (CCRT). As a result, the country will receive relief from the CCRT on debt service falling due to the IMF in the next 6 months (about US\$1.2 million). This relief could be extended for up to 2 years, subject to the availability of resources under the CCRT.

The COVID-19 shock comes less than a year after Cyclone Kenneth and is affecting Comoros severely. Remittances receipts have slowed and visitor arrivals have stopped, weighing on activity in the services sector. Projections indicate a substantial growth decline, an external financing need of 5.2 percent of GDP, and a fiscal financing need of 4.7 percent of GDP.

The IMF continues to monitor Comoros' situation closely and stands ready to provide policy advice and further support as needed.

Following the Executive Board's discussion of the Union of Comoros, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

"The COVID-19 shock comes on the heels of two difficult years for Comoros, and less than a year after Cyclone Kenneth. While the authorities have so far not reported an outbreak of the COVID-19 pandemic in Comoros, the pandemic is already having a severe economic impact as



remittances receipts have slowed, visitor arrivals have stopped, and several banks have seen liquidity strains.

“The pandemic is generating large external and fiscal financing needs. Financing under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI), as well as debt relief provided earlier this month under the Catastrophe Containment and Relief Trust, will help cover important parts of these needs. Timely support by donors and development partners will be critical for filling the remainder.

“The Comoros’ authorities should use fiscal policy to cushion the adverse effects of the COVID-19 shock and bring the fiscal position back in line with medium-term paths once the crisis has passed. In particular, in addition to expanding very substantially healthcare spending to meet the population’s pandemic-related needs, the authorities should consider giving targeted and temporary support to the most vulnerable.

“Monetary policy should focus on maintaining the exchange rate peg. At the same time, the authorities should use all tools at their disposal to safeguard the stability of the banking system, including by providing liquidity to banks facing liquidity pressures and addressing loan servicing difficulties.

“Finally, it will be important for the authorities to ensure robust reporting on the use of the funds disbursed under the RCF and RFI.”

The Federal Democratic Republic of Ethiopia: Requests for Purchasing under the Rapid Financing Instrument, Debt Relief under the Catastrophe Containment and Relief Trust, Rephasing of Access Under the Three-Year Arrangements under the Extended Credit Facility and the Extended Fund Facility, and Reduction of Access under the Extended Fund Facility Arrangement

The Executive Board of the International Monetary Fund (IMF) approved today a purchase under the Rapid Financing Instrument (RFI) equivalent to SDR 300.7 million (about US\$411 million, 100 percent of quota) to help Ethiopia meet the urgent balance of payment needs stemming from the COVID-19 pandemic. The Executive Board also approved a rephasing of disbursements under the Extended Credit Facility (ECF) and Extended Financing Facility (EFF) arrangements that have been supporting Ethiopia’s economic reform program since December 2019, and a reduction in access under the EFF arrangement, to maximize financial support under the RFI. In addition, Ethiopia will benefit from the IMF Executive Board decision of April 13, 2020 to provide debt service relief to the poorest and most vulnerable countries that are eligible for grant

assistance under the Catastrophe Containment and Relief Trust (CCRT). As a result, the Board today approved Ethiopia’s request for relief under the CCRT on debt service falling due to the IMF until October 13, 2020 of about US\$12 million. This relief could be extended up to April 13, 2022, subject to the availability of resources under the CCRT.

The COVID-19 pandemic has created severe health risks and weighed heavily on the Ethiopian economy. If the pandemic is not contained, it will put severe pressure on the health system with devastating social consequences. On the economic front, a fall in demand for exports, combined with domestic containment measures will slow growth and weaken external and fiscal accounts.

The authorities have taken strong actions to contain the health impact by implementing a mandatory 14-day quarantine for travelers entering the country, improving testing and containment capacity, strengthening epidemic response coordination and adopting a state of emergency to limit movement and gatherings and facilitate social distancing. Implementation of expenditures to strengthen the health system and address food security challenges are welcome and will help contain the spread of the virus and support the poor and most vulnerable.

The IMF continues to monitor Ethiopia’s situation closely and stands ready to provide policy advice and financial support as needed.

Following the Executive Board’s discussion on Ethiopia, Mr. Tao Zhang, Deputy Managing Director and Chair, issued the following statement:

“Ethiopia showed good progress under the extended arrangements with the Fund, which aim to address external vulnerabilities and transition to a private sector-led growth model. The authorities remain committed to the reform program. However, the COVID-19 pandemic has had a significant adverse impact on the economy and created urgent fiscal and balance of payments needs. The authorities have moved decisively to contain the spread of the virus and manage the economic fallout from the global downturn and the needed health-related measures.

“A temporary widening of the budget deficit is appropriate. The immediate priority is to increase spending on health care and provide emergency assistance, including food assistance. The authorities are committed to full transparency on the spending for the emergency response and aim to conduct an ex-post audit of crisis-related spending once the crisis abates. Fiscal consolidation will need to resume after the crisis, with a focus on strengthening debt sustainability and domestic revenue mobilization.

“The National Bank of Ethiopia (NBE) has appropriately provided liquidity to banks to maintain financial stability. Once the crisis abates, monetary policy will need to be



tightened significantly to achieve the single-digit inflation objective. Strong efforts are needed to address the real overvaluation of the exchange rate, allowing the exchange rate to act as a shock absorber.

“Fund emergency support under the Rapid Financing Instrument and debt relief under the Catastrophe Containment and Relief Trust would help address balance of payments pressures and create fiscal space for essential pandemic-related expenditures. Participation in the G20 debt relief initiative could provide additional resources to respond to the pandemic.”

Dominica, Grenada, and St. Lucia – Request for Disbursement under the Rapid Credit Facility

The Executive Board of the International Monetary Fund (IMF) approved the Dominican Republic's request for emergency financial assistance under the Rapid Financing Instrument (RFI) equivalent to SDR 477.4 million (about US\$650 million, or 100 percent of quota) to meet the urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic.

The pandemic has significantly weakened the country's macroeconomic outlook for 2020 and created financing needs that require additional support. The RFI provides timely resources to the authorities which they intend to mobilize for essential COVID-19-related health expenditure and support to the vulnerable population. The authorities are also seeking support from other multilateral institutions.

To absorb the macroeconomic shock, the Dominican authorities are appropriately implementing a package of fiscal, macroprudential and supervisory measures along with monetary easing to sustain economic activity during the crisis. The government of the Dominican Republic increased healthcare spending to face the pandemic and created a social assistance program titled *Quédate en casa* (Stay at Home) to boost transfers to the poor.

Following the Executive Board discussion, Mr. Tao Zhang, Deputy Managing Director and Chair, made the following statement:

The severity of the global COVID-19 shock has disrupted the Dominican Republic's economy and created urgent balance of payments and fiscal financing needs. The authorities swiftly implemented measures to contain and mitigate the spread of the pandemic. With uncertainties surrounding the duration and spread of the pandemic, the economic fallout could intensify further if containment measures have to be extended.

“Macroeconomic and financial policies have been accommodative in response to the pandemic. The temporary fiscal measures to accommodate higher public

healthcare spending and targeted transfers to the most vulnerable are appropriate. Once the pandemic recedes, it will be important to return to a gradual fiscal consolidation, including establishing a medium term fiscal framework, to ensure that the public debt-to-GDP ratio remains sustainable and on a declining path.

“Monetary and macroprudential policies have been eased appropriately, including a reduction of the statutory reserve requirement and provision of additional liquidity to the banking system. As circumstances evolve, policy responses would need to be continually recalibrated. Greater exchange rate flexibility would be necessary as a shock absorber and to preserve international reserves.

“The IMF emergency assistance under the Rapid Financing Instrument will help provide the much-needed resources to address the urgent balance of payments needs and support essential COVID-19-related health expenditure. The support of other international financial institutions and development partners would be crucial to close the remaining financing gaps, ease the adjustment burden, and preserve the Dominican Republic's dynamic economic growth.”

Tunisia: Request for Purchase Under the Rapid Financing Instrument

The Executive Board of the International Monetary Fund (IMF) today approved a disbursement in the amount of SDR 545.2 million (US\$745 million or 100 percent of quota) for Tunisia under the Rapid Financing Instrument (RFI). These resources will help address urgent fiscal and balance of payments needs stemming from the outbreak of the COVID-19 pandemic.

Tunisia's economy is expected to contract by 4.3 percent in 2020 under the weight of Covid-19. It would be the deepest recession since its independence in 1956. The IMF financing will help the authorities cover large fiscal and balance of payments needs, estimated at 2.6 and 4.7 percent of GDP, respectively.

The IMF financing will support the authorities' emergency measures to contain the spread of the virus and mitigate its human, social, and economic toll amid unprecedented uncertainty. These measures involve raising health spending, strengthening social safety nets, and supporting small- and medium-sized firms hit by the crisis. The IMF financing will also ensure an adequate level of international reserves and catalyze additional donor financing.

The authorities are committed to maintaining prudent economic policies and resuming fiscal consolidation once the crisis abates to ensure macroeconomic stability and the sustainability of Tunisia's debt.



Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Chair, made the following statement:

“The Covid-19 pandemic has hit Tunisia hard. The pandemic will worsen Tunisia’s already elevated macroeconomic imbalances and will also create urgent fiscal and balance of payment needs. The economy is expected to contract by 4.3 percent in 2020.

“The authorities are taking emergency measures with a focus on the health sector, the social safety net, and firms that come under stress.

“The authorities have also taken steps to limit fiscal pressures, including a mechanism for automatic fuel price adjustment, emergency savings in the civil service wage bill, and a rescheduling of lower-priority public investment.

“In support of the authorities’ efforts, the RFI purchase will provide most of the financing to implement the fiscal crisis-

response measures and ensure an adequate level of international reserves.

“Macroeconomic stability and debt sustainability hinge on strong policy and reform implementation. The authorities are committed to resuming fiscal consolidation once the crisis abates. These efforts will include a reduction of the civil service wage bill as a share of GDP and further energy subsidy reforms, taking into account the social implications.

“The Central Bank of Tunisia is committed to tighten monetary policy in case of exchange rate or inflation pressures and refrain from large-scale FX interventions to protect international reserves.

“Additional concessional and grant financing from external partners is critical to help Tunisia respond to the Covid-19 crisis. It will also help preserve the sustainability of its debt.”