



**IMF
CAPACITY
DEVELOPMENT**
2023 HIGHLIGHTS

EXCERPTS FROM THE
IMF ANNUAL REPORT
**COMMITTED TO
COLLABORATION**





IMF CAPACITY DEVELOPMENT

2023 HIGHLIGHTS

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Message from the First Deputy Managing Director

With the world economy facing multiple shocks, transformational challenges, and a rocky recovery, it is more important than ever to strengthen the capacity of economic institutions to manage these difficult times. Strong economic institutions are also critical for development and to help countries make progress toward the United Nations Sustainable Development Goals.

The IMF provides capacity development (CD) support to its members, helping enhance their economic policies and institutions, tailored to countries' unique circumstances. The IMF's 17 regional capacity development centers and our network of long-term experts in the field are the cornerstone of our CD delivery, including in fragile and conflict-affected states.

Some examples of our CD activities include helping countries raise revenues more effectively and better manage public spending; strengthen legal and governance frameworks; apply best-practice debt management tools; enhance data collection and reporting; develop resilient banking and financial systems; and build diagnostic, forecasting, and modeling tools. We are expanding our offerings to help countries with emerging needs on income and gender equality, climate change, and digitalization. We seek to promote greener, more resilient, and more inclusive growth.

In the 2022 fiscal year alone, we implemented 1,800 projects benefiting 166 countries and over 500 training courses, offered in seven languages. And since the inception of the online learning program several years ago, over 160,000 individuals have enrolled in IMF online courses. In addition to government officials, our training courses are increasingly reaching a wider public, including journalists, students, and civil society organizations. Innovative modalities of CD delivery will continue to be pivotal for the medium term—as with the resumption of travel, we still want to remain agile to meet member needs in delivering CD, not only when, but where it matters the most.

All of these activities have been possible thanks to the IMF's development partners, which fund over half of the IMF's CD activities. Traditional partners such as Japan and the European Union are increasingly joined by newer partners, including China, India, and Korea. Financial contributions from our partners bolster our ability to deliver high-quality technical assistance and training, responsive and aligned with IMF and country priorities. Our partnerships promote heightened accountability and an increased focus on results.

We will continue to improve the effectiveness of our CD, by closely integrating it with our two other core activities—surveillance and lending. Country policy priorities guide our technical assistance and training, focused on building the capacity to implement better economic policies. Over the coming year, we will be conducting the five-year Review of the IMF's CD Strategy. This will allow us to further strengthen the strategic framework for IMF CD and foster continued innovation to enhance the impact, efficiency, and effectiveness of our support.

You can learn more about IMF capacity development in this excerpt from the *IMF Annual Report 2023* and by visiting [IMF.org/CapDev](https://www.imf.org/CapDev).



GITA GOPINATH
FIRST DEPUTY MANAGING DIRECTOR

WHAT WE DO

As outlined in the Articles of Agreement, the IMF's charter, the institution works to achieve sustainable growth and prosperity for all its 190 member countries through its three central activities:

ECONOMIC SURVEILLANCE

126 country health checks

Through surveillance, the IMF monitors the international monetary system, as well as the economic and financial policies of its member countries. As part of this work, carried out at both country and global levels, the IMF highlights possible risks to stability and advises on policy adjustments. Country surveillance includes regular (usually annual) consultations with individual member countries, known as Article IV consultations. Under the FSAP, the IMF also conducts regular in-depth analysis of systemically important financial sectors.

LENDING

\$74 billion to 36 countries, including about \$11 billion to 21 low-income countries, for a total of \$294 billion to 96 countries since the start of the pandemic

The IMF provides financing to member countries experiencing actual, potential, or prospective balance-of-payments needs to help them rebuild their international reserves and restore conditions for strong economic growth, while correcting underlying problems. The IMF also provides fast-disbursing emergency financing with limited conditionality—and greatly expanded such financing following the onset of the COVID-19 pandemic.

CAPACITY DEVELOPMENT

\$337 million for hands-on technical advice, policy-oriented training, and peer learning

The IMF works with countries to strengthen their economic institutions by providing technical assistance and training on critical economic issues. This work helps countries strengthen their economies and create more jobs. The IMF shares its knowledge with government institutions such as finance ministries, central banks, statistical agencies, financial supervisory agencies, and revenue administrations through hands-on advice, training, and peer-to-peer learning. IMF CD is delivered in person and remotely by IMF staff members, short-term experts, long-term in-country resident advisors, and advisors at regional CD centers, as well as through classroom training, hands-on workshops and seminars, and free online courses.



CAPACITY DEVELOPMENT



Strengthening the capacity of institutions—including central banks, finance ministries, revenue administrations, statistical agencies, and financial sector supervisory agencies—results in more effective policies and greater economic stability and inclusion. The IMF works with member countries to modernize their economic policies and strengthen such institutions by providing demand-driven, tailored technical assistance and training focused on issues that are critical to economic stability and growth.

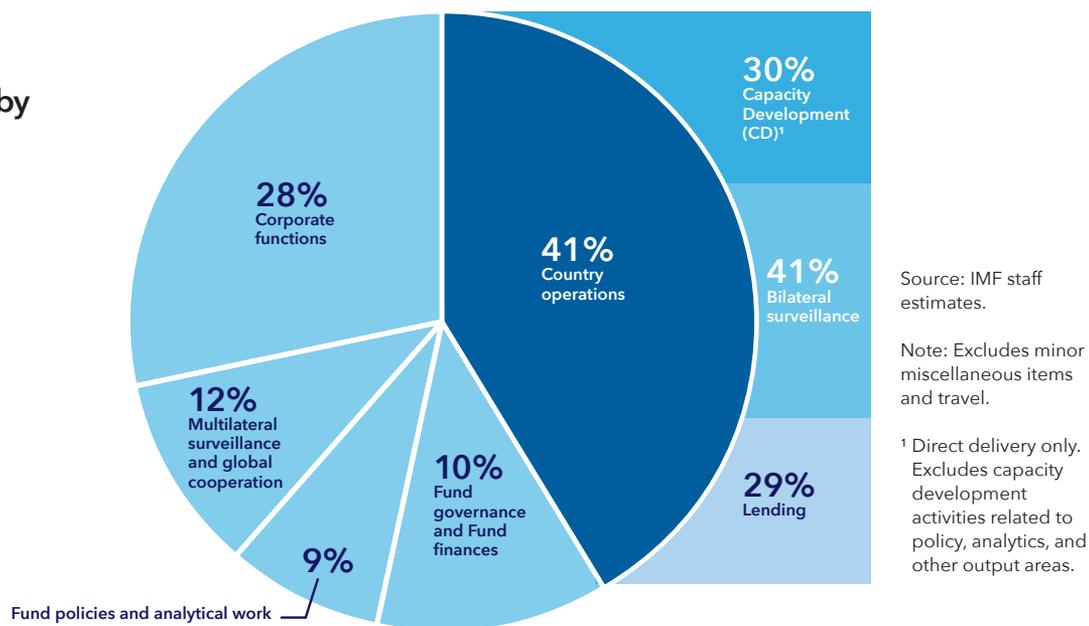
The IMF provides CD—which includes hands-on technical assistance and training, a suite of diagnostic tools and publications, and peer-learning opportunities—so countries can build sustainable and resilient institutions. These efforts are an important contribution to countries' progress toward the United Nations Sustainable Development Goals.

CD focuses on the IMF's core areas of expertise, such as public finances, financial sector stability, central bank operations, macroeconomic frameworks, and economic statistics, which helps countries design better macroeconomic policies, mobilize revenue, prioritize and manage public expenditure, collect better data, and strengthen bank supervision, as well as tackle cross-cutting issues, such as income and gender inequality, corruption, climate change, and digitalization. The IMF is uniquely positioned to support its membership in these areas, with its global reach,

FIGURE 1.1

IMF Spending by Main Output

FY 2023



institutional experience, and world-class expertise. All IMF members benefit from CD, but a priority is placed on support for fragile and conflict-affected countries.

At the request of country authorities, IMF country teams and technical experts develop and implement an integrated work plan tailored to countries' needs and absorptive capacity. The IMF works with member countries through a global network of 17 regional capacity development centers, in-country placements of long-term resident advisors, short-term visits by IMF staff members and experts (in person, remotely, or a combination of both—that is, through “hybrid” visits), classroom training, and free online courses. In addition, a variety of publications provide technical information and cross-country analysis useful to country authorities.

The IMF has also supported member countries in strengthening the collection and publication of economic data to improve economic decision-making and boost transparency. In addition, the IMF is working on updating international statistical standards to incorporate advancements in digitalization and globalization, as well as helping find creative solutions to policy challenges—such as using digital technologies to identify and provide cash assistance to vulnerable households; protecting health, education, and social spending; reducing gender gaps; tracking specific categories of expenditure, such as climate spending;

and continuing to help countries prepare for the challenges posed by climate change.

The IMF continues to increase its number of free online courses, with the participation of more than 160,000 cumulative active learners since program inception in 2013, compared with about 60,000 at the end of 2019.

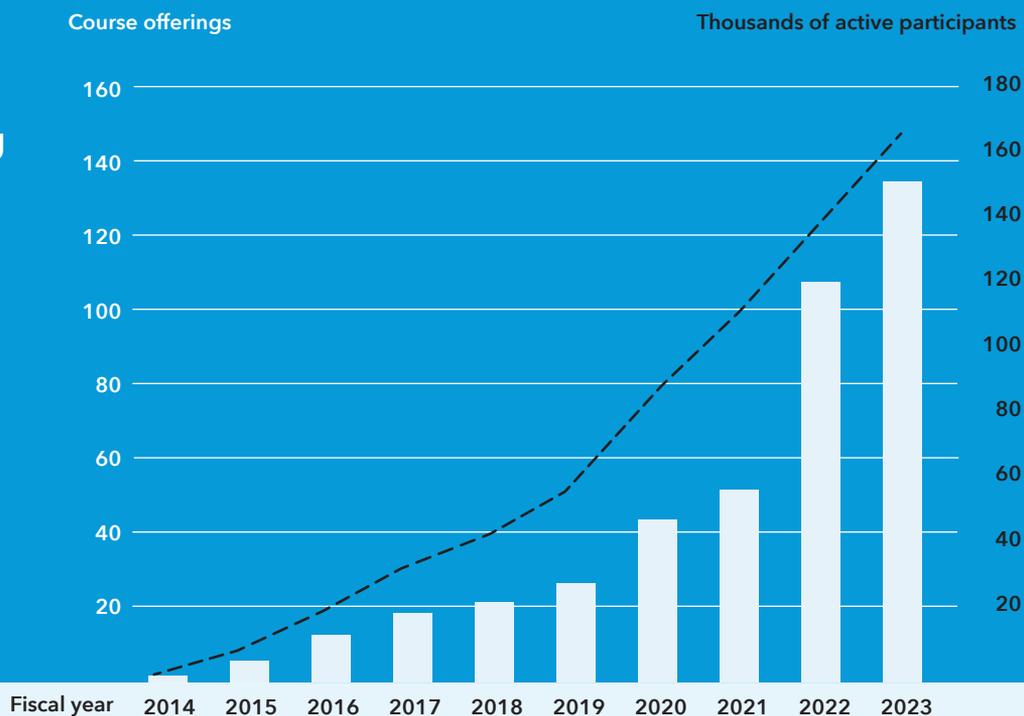
IMF development partners finance more than half of the Fund's CD work. Together, the IMF and its partners strive to help the membership build forward better and work toward a greener, smarter, and more equitable future.

To help maximize the impact of IMF CD on members' ability to conduct effective macroeconomic management and boost their institutional resilience, the IMF regularly reviews its CD strategy. The latest review was concluded in November 2018. On December 5, 2022, the Executive Board discussed a concept note for the 2023 review of the IMF's CD strategy. The note outlines four themes on which the 2023 CD strategy review will center: (1) enhancing the strategic and prioritization framework; (2) ensuring that the size, composition, and funding of CD is in line with the proposed framework; (3) modernizing CD delivery; and (4) assessing CD's effectiveness and impact. The 2023 review is expected to conclude by the end of fiscal year 2024.

FIGURE 1.2

The IMF's Online Learning Program

Source: IMF, Institute for Capacity Development.



The IMF's online learning program has become an increasingly important CD delivery modality, fueled by high demand from member countries.

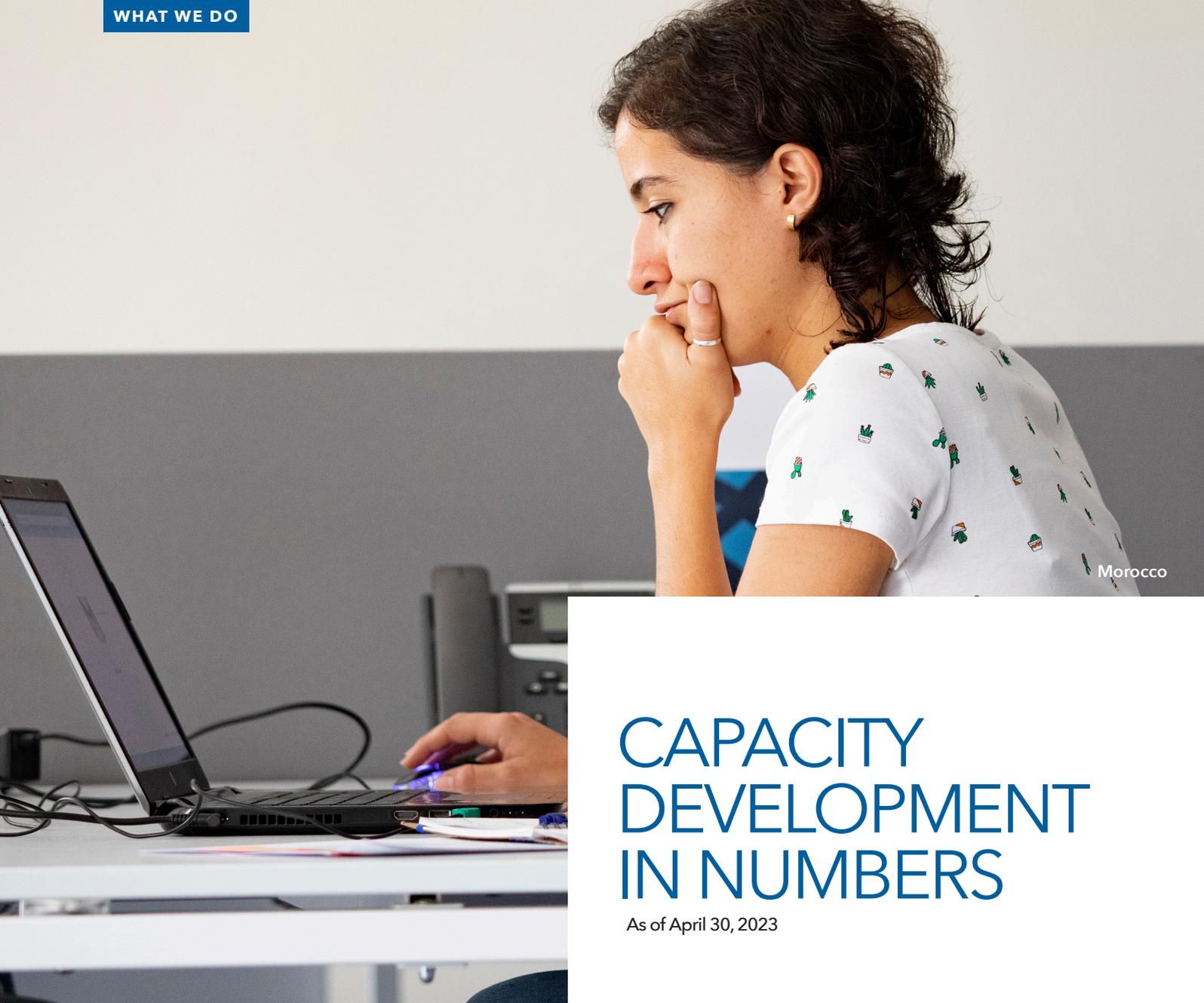
The program has expanded substantially over the past year. Participation in online courses has continued to grow, bringing the overall number of cumulative active global learners to more than 160,000 (see figure 1.2). The IMF Institute Learning Channel offers microlearning videos in various areas of IMF expertise and has reached more than 13,500 permanent subscribers and more than 1.2 million individual views.

With more than 85 online courses available to government officials and the general public on the edX online learning platform, the curriculum continues to be enriched in key areas of global interest. New modular courses have been added to the "Virtual Training to Advance Revenue Administration" series (VITARA-HRM, VITARA-CRM) and to the "Macroeconomics of Climate Change" series (MCCx-MS, MCCx-TNZ, MCCx-EA, MCCx-CRFS, MCCx-GPF). New courses on macroeconomic statistics (EDSx, QNAX) are now available. Moreover, the program offers 34 courses in

languages other than English, including the first course in Portuguese, making IMF knowledge available in six different languages.

Online training is frequently used in preparation for or in conjunction with classroom training and technical assistance, thus making blended delivery (a combination of asynchronous online learning with tailored, interactive virtual sessions) a promising CD modality. More than a dozen blended training and technical assistance engagements have taken place since the beginning of 2022, including courses in different languages (French and Russian), and several more are under development. There is a strong emerging view that blended learning is paving the way for the new model of CD delivery, and the Institute for Capacity Development remains at the forefront of these innovations.

All courses on the edX platform are available anytime, anywhere, and at no cost, which makes the program a global public good, spearheading knowledge and skills for a more sustainable and inclusive global economy.



Morocco

CAPACITY DEVELOPMENT IN NUMBERS

As of April 30, 2023

 **\$337M**

for hands-on technical advice, policy-oriented training, and peer learning

 **510**

courses delivered

 **19,817**

officials trained

 **7**

training languages offered

 **2**

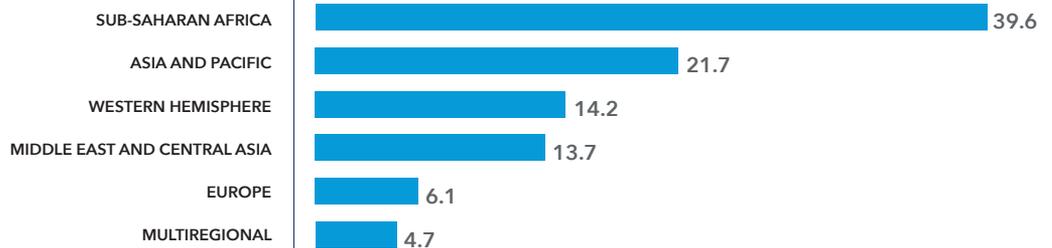
fragile states among the top 10 recipients of CD

 **2,273**

CD visits, involving 1,694 experts



FIGURE 1.3
CAPACITY DEVELOPMENT DELIVERY BY REGION
FY 2023
(percentage of total)



Sources: IMF, Capacity Development Management and Administration Program and IMF staff calculations.

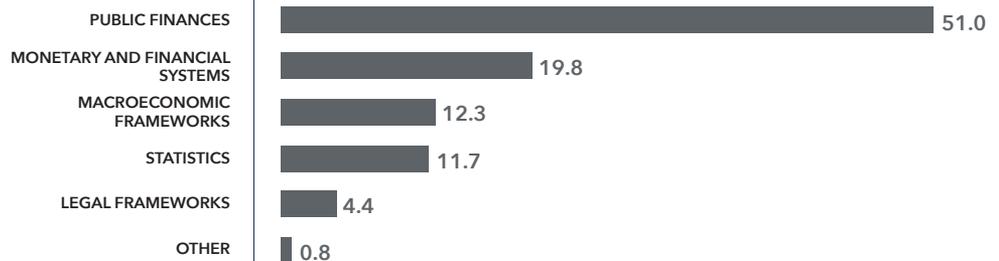
FIGURE 1.4
CAPACITY DEVELOPMENT DELIVERY BY COUNTRY INCOME GROUP
FY 2023
(percentage of total)



Sources: Capacity Development Management and Administration Program (CDMAP) and IMF staff calculations.

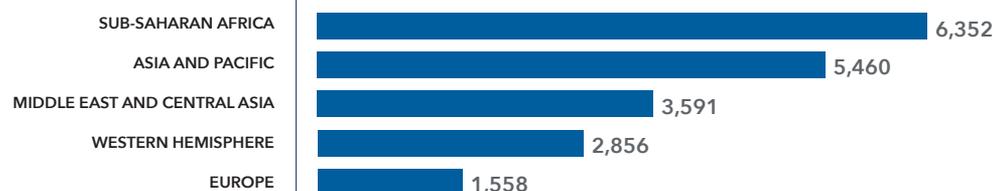
Note: Advanced economies as classified in the April 2023 World Economic Outlook. Low-income developing countries as defined by the IMF. Emerging market and middle-income economies comprise those not classified as advanced economies or low-income developing countries.

FIGURE 1.5
DIRECT CAPACITY DEVELOPMENT DELIVERY BY TOPIC
FY 2023
(percentage of total)



Sources: Capacity Development Management and Administration Program (CDMAP) and IMF staff calculations.

FIGURE 1.6
TRAINING
PARTICIPATION
BY PARTICIPANTS'
REGION OF ORIGIN
FY 2023
(number of participants)



Sources: IMF, Participant and Applicant Tracking System; and IMF staff calculations.

Note: Most of the IMF's training falls under the Institute for Capacity Development (ICD) Training Program, which includes training coordinated by ICD and delivered by ICD and other departments at IMF headquarters and globally at the IMF's Regional Capacity Development Centers and in programs for country officials. Training also includes IMF online courses successfully completed by country officials. In addition, training is provided by functional departments outside the ICD Training Program.

FIGURE 1.7
TRAINING
PARTICIPATION
BY INCOME GROUP
FY 2023
(number of participants)



Sources: IMF, Participant and Applicant Tracking System; and IMF staff calculations.

Note: Most of the IMF's training falls under the Institute for Capacity Development (ICD) Training Program, which includes training coordinated by ICD and delivered by ICD and other departments at IMF headquarters and globally at the IMF's Regional Capacity Development Centers and in programs for country officials. Training also includes IMF online courses successfully completed by country officials. In addition, training is provided by functional departments outside the ICD Training Program. For definitions of country income groups, see the note to Figure 1.4.

Top 10 Partners for IMF Capacity Development

(FY 2021-23, by average total of signed agreements in US dollars)

1. Japan
2. Switzerland
3. European Commission
4. Germany
5. Kuwait
6. Korea
7. France
8. Kazakhstan
9. The Netherlands
10. Austria

Note: Includes support for regional capacity development centers provided directly by host countries.

Top 10 Recipients of IMF Capacity Development

(FY 2023, by total spending in US dollars)

1. Cambodia
2. Sierra Leone
3. Gambia, The
4. Uzbekistan, Republic of
5. Sri Lanka
6. Mozambique, Republic of
7. Vietnam
8. Mongolia
9. Congo, Democratic Republic of the
10. Guinea

Sources: IMF, Capacity Development Management and Administration Program; and IMF staff calculations.

Top 10 Recipients of Training

(FY 2023, by participant weeks)

1. India
2. Kenya
3. China
4. Zimbabwe
5. Bangladesh
6. Indonesia
7. Cambodia
8. Cameroon
9. Philippines
10. Ghana

Sources: IMF, Participant and Applicant Tracking System (PATS); and IMF staff calculations.

Table 1.1 Thematic and Country Funds for IMF Capacity Development

As of April 30, 2023

Name	Partners
Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT)	Canada, France, Germany, Japan, Korea, Luxembourg, The Netherlands, Qatar, Saudi Arabia, Switzerland
COVID-19 Crisis Capacity Development Initiative	Belgium, Canada, China, Germany, Japan, Korea, Singapore, Spain, Switzerland
Data for Decisions (D4D)	China, European Union, Germany, Japan, Korea, Luxembourg, The Netherlands, Norway, Switzerland
Debt Management Facility (DMF Phase III) (joint with the World Bank)	African Development Bank, Austria, European Union, France, Germany, Japan, The Netherlands, Norway, Switzerland, United Kingdom, United States
Financial Sector Stability Fund (FSSF)	China, European Investment Bank, Germany, Italy, Luxembourg, Saudi Arabia, Sweden, Switzerland, United Kingdom
Managing Natural Resource Wealth (MNRW)	Australia, European Union, The Netherlands, Norway, Switzerland, United Kingdom
Revenue Mobilization Thematic Fund (RMTF)	Australia, Belgium, Denmark, European Union, France, Germany, Japan, Korea, Luxembourg, The Netherlands, Norway, Sweden, Switzerland, United Kingdom
Somalia Country Fund	Canada, European Union, Italy, United Kingdom
Tax Administration Diagnostic Assessment Tool (TADAT)	France, Germany, Japan, The Netherlands, Norway, Switzerland, United Kingdom

Table 1.2 IMF Regional Capacity Development Centers

As of April 30, 2023

Name	Partners	Member Countries
Africa Training Institute (ATI)	China, European Investment Bank, Germany, Mauritius (host)	45 countries in sub-Saharan Africa are eligible for training
AFRITAC Central (AFC)	Belgium, China, European Investment Bank, European Union, France, Gabon (host), Germany, The Netherlands, Switzerland	Burundi, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, São Tomé and Príncipe
East AFRITAC (AFE)	China, European Union, Germany, The Netherlands, Norway, Switzerland, Tanzania (host), United Kingdom	Eritrea, Ethiopia, Kenya, Malawi, Rwanda, South Sudan, Tanzania, Uganda
AFRITAC South (AFS)	Australia, China, European Investment Bank, European Union, Germany, Mauritius (host), The Netherlands, Switzerland, United Kingdom	Angola, Botswana, Comoros, Eswatini, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, Zimbabwe
AFRITAC West (AFW)	Belgium, China, Côte d'Ivoire (host), European Investment Bank, European Union, France, Germany, Luxembourg, The Netherlands, Norway, Switzerland	Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Togo
AFRITAC West 2 (AFW2)	China, European Investment Bank, European Union, Germany, Ghana (host), Switzerland, United Kingdom	Cabo Verde, The Gambia, Ghana, Liberia, Nigeria, Sierra Leone
IMF Capacity Development Office in Thailand (CDOT)	Japan, Thailand (host)	Core beneficiary countries: Cambodia, Lao P.D.R., Myanmar, Vietnam; selected projects based in CDOT also cover other countries in Southeast Asia and in the Pacific Island region

Table 1.2 Continued

Name	Partners	Member Countries
Caribbean Regional Technical Assistance Center (CARTAC)	Barbados (host), Canada, Caribbean Development Bank, Eastern Caribbean Central Bank, European Union, Mexico, The Netherlands, United Kingdom, United States	Anguilla, Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curaçao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Sint Maarten, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands
Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC)	Asian Development Bank, China, Kazakhstan (host), Korea, Poland, Russia, Switzerland	Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, Uzbekistan
Central America, Panama, and the Dominican Republic Regional Technical Assistance Center (CAPTAC-DR)	Central American Bank for Economic Integration, Colombia, European Union, Guatemala (host), Luxembourg, Mexico, Norway, Spain	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama
China-IMF Capacity Development Center (CICDC)	China (host)	China and a range of other countries are eligible for training
Joint Vienna Institute (JVI)	Austria (primary member and host) and international partners/donors	31 countries (30 in central, eastern, and southeastern Europe, the Caucasus, and Central Asia, as well as Iran) are eligible for training
Middle East Center for Economics and Finance (CEF)	Kuwait (host)	Arab League member countries are eligible for training
Middle East Regional Technical Assistance Center (METAC)	European Union, France, Germany, The Netherlands, Switzerland	Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, West Bank and Gaza, Yemen
Pacific Financial Technical Assistance Center (PFTAC)	Asian Development Bank, Australia, Canada, European Union, Fiji (host), Korea, New Zealand, United States	Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, Vanuatu
IMF-Singapore Regional Training Institute (STI)	Japan, Singapore (host)	37 countries in the Asia and Pacific region are eligible for training
South Asia Regional Training and Technical Assistance Center (SARTTAC)	Australia, European Union, India (host), Korea, United Kingdom	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka

Source: IMF, Institute for Capacity Development.

Note: The IMF also delivers courses through regional training programs.

IN FOCUS



Peru

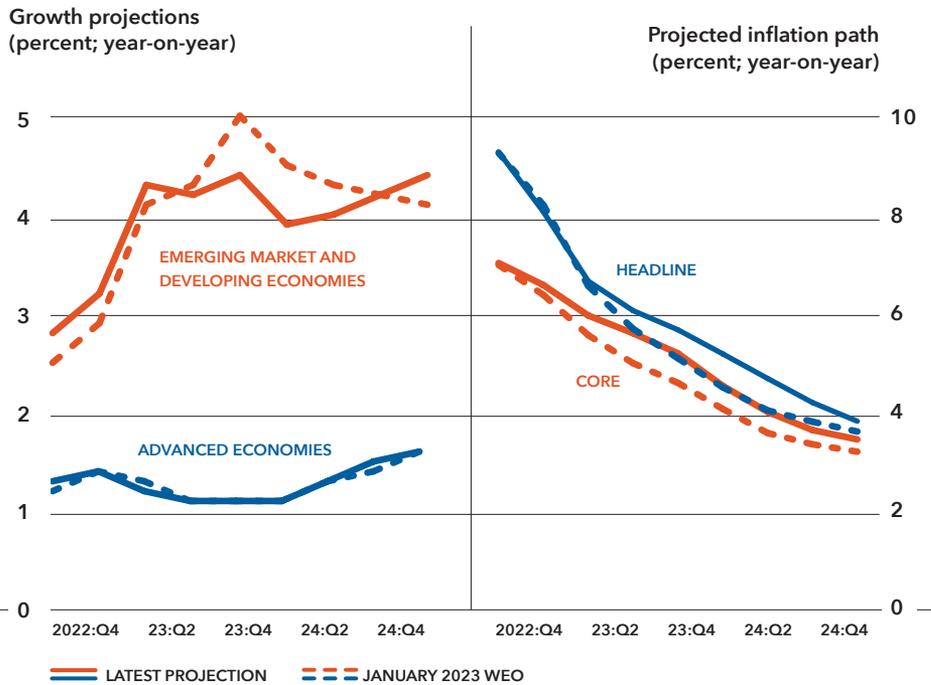
NAVIGATING UNCERTAINTY

The IMF collaborates with countries in the face of multiple global economic shocks.

In an uncertain, shock-prone global environment, decisive, well-calibrated, and agile policies tailored to country-specific circumstances are key to entrenching economic sustainability, safeguarding macroeconomic and global financial stability, supporting the vulnerable, and strengthening resilience. Reinforcing international cooperation and multilateralism is essential to bolster global growth; protect the stability of the international monetary system; address persistent health risks; and accelerate mutually reinforcing efforts toward a green, digital, and inclusive future.

In this context, the IMF continues to help member countries address these challenges through its lending, surveillance, and capacity development (CD) work.

Figure 2.1 Growth and Inflation



The economic slowdown is most pronounced in advanced economies. Inflation is falling more slowly than anticipated.

Sources: IMF, April 2023 *World Economic Outlook*; and IMF staff calculations.

Lending

The IMF has stepped up its lending to countries and continues to reassess its lending toolkit to ensure its responsiveness and adaptiveness to emerging needs. Since Russia’s invasion of Ukraine, the IMF has approved 41 requests from 38 member countries for SDR 95.2 billion (\$128 billion) in new financing commitments, bringing total support since the beginning of the pandemic to SDR 218 billion (\$294 billion) for 96 countries.

Two new lending facilities became operational in FY 2023:

- The new Resilience and Sustainability Trust (RST) provides long-term affordable financing to help members address longer-term challenges, including climate change and pandemic preparedness. During FY 2023, the IMF Executive Board approved five Resilience and Sustainability Facility (RSF) arrangements, for a total of about \$3.4 billion, and more than 40 additional eligible countries across

different regions and income groups have also expressed interest in an RSF arrangement.

- The new Food Shock Window (FSW) provides an additional channel for emergency financing to member countries that have urgent balance of payments needs due to acute food insecurity, a sharp increase in their food import bills, or a shock to their cereal exports. Since the FSW’s approval in October 2022, six countries have accessed this financing for a total of about \$1.8 billion.

In addition to the new facilities highlighted, emerging market economies have benefited from approved financing under new programs supported under the General Resources Account (GRA) through the Extended Fund Facility (EFF), Flexible Credit Line (FCL), Precautionary and Liquidity Line (PLL), and Stand-By Arrangement (SBA). Countries that received such financing include Barbados, Egypt, Sri Lanka, and Ukraine (EFF); Morocco (FCL); Jamaica and North

Macedonia (PLL); and Armenia, Georgia, and Serbia (SBA).¹ Several emerging market economies also continued to benefit from access to the Fund's precautionary facilities, with currently about SDR 65.6 billion (\$88 billion) committed under the FCL and PLL.

Surveillance

In FY 2023, the IMF published a number of multilateral surveillance reports, including the *World Economic Outlook*, *Global Financial Stability Report*, *Fiscal Monitor*, and *External Sector Report*. The IMF also conducted 126 Article IV consultations and 9 Financial System Stability Assessments under the Financial Sector Assessment Program (FSAP).

The IMF is continuing to refine its bilateral surveillance activities, including refinements to take into account a wider set of macroeconomic forces. For example, this year, climate considerations were further incorporated into IMF surveillance activities, including through the publication of Staff Climate Notes. The IMF also adopted its first comprehensive strategy for mainstreaming gender to help its members address macroeconomically significant gender gaps.

Capacity Development

Through capacity development, the IMF helps countries build strong institutions and boost skills to formulate and implement sound macroeconomic and financial policies. In FY 2023, the IMF trained more than 15,000 country officials, conducted more than 2,000 CD visits involving more than 1,500 experts, and delivered more than 500 training courses in seven languages. The 2023 Review of the Fund's CD Strategy aims to follow up on a 2018 review and modernize the IMF's management, administration, and delivery of CD.

¹ In addition, four other countries, namely, Bangladesh, Benin, Mauritania, and Papua New Guinea also benefited from GRA financing (EFF) in the context of blended Poverty Reduction and Growth Trust (PRGT)/GRA arrangements.

Ukraine's New IMF-Supported Program

On March 31, 2023, the IMF's Executive Board approved a financial arrangement for Ukraine amounting to \$15.6 billion over four years through 2027. The arrangement, under the Extended Fund Facility, is part of an international \$115 billion financial package for the same four-year period, intended to support the authorities' policies with respect to stabilizing the economy as war continues and to entrench more expansive reforms to speed recovery once the war winds down.

The newly approved arrangement under the Extended Fund Facility is the third and final stage of a strategy developed with the authorities to support Ukraine. The first stage was emergency financing totaling \$2.7 billion through the Rapid Financing Instrument in 2022. The second stage was a four-month Program Monitoring with Board Involvement, approved in December 2022. The authorities' strong performance during the second stage paved the way toward the full-fledged IMF program.



COST OF LIVING CRISIS

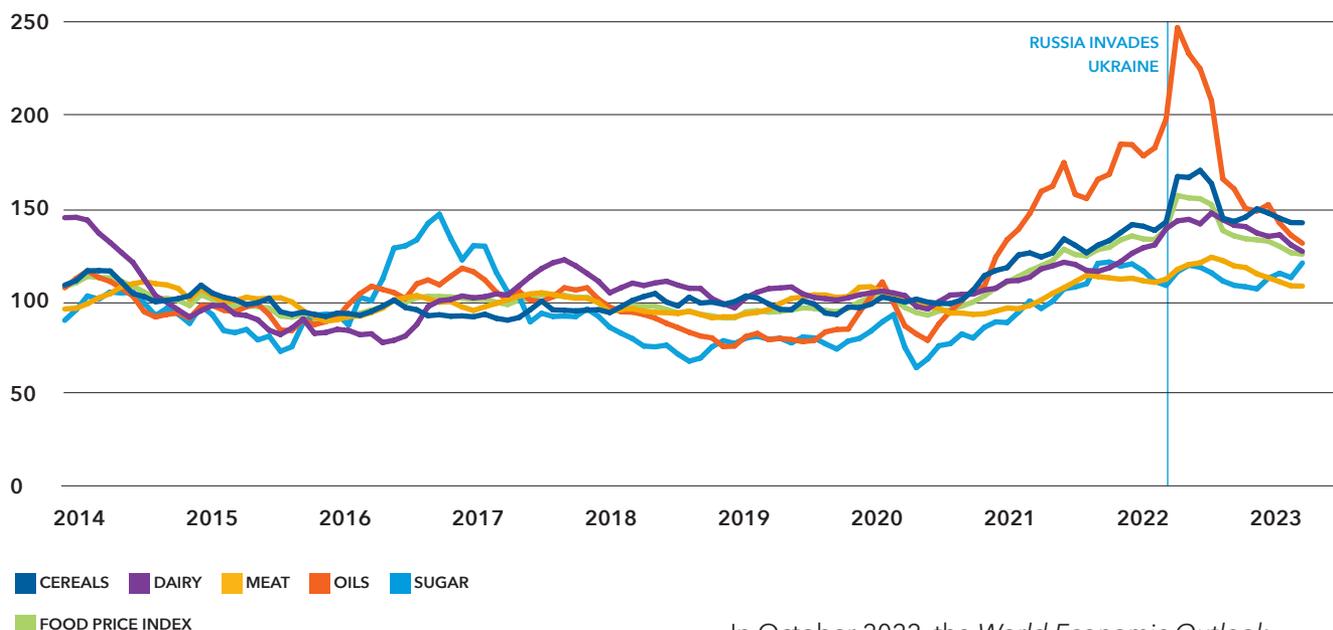
Countries contend with high inflation and commodity prices, many with IMF support.

A combination of climate shocks and the pandemic disrupted food and energy production and distribution, driving up costs for people around the world. For many member countries, Russia's invasion of Ukraine worsened an already difficult situation by pushing the prices of energy, food, and fertilizers even higher and exacerbating energy and food shortages. Although global food and energy prices have fallen from their peak levels in mid-2022, domestic prices and the risks to food production remain elevated in many economies, hurting mostly poorer households. More broadly, although inflation has been declining in response to many central banks' interest rate hikes, most countries still face elevated headline and core inflation.

Barbados

Figure 2.2 Real Food Price Indices

(2014-16 = 100)



Food prices remain elevated even after retreating from their record highs in early 2022.

Source: United Nations Food and Agriculture Organization (FAO).

Note: The period 2014-16 was chosen as the base as it was considered the most representative period for most markets in the past 10 years. A three-year period is chosen to minimize the impact of variation in both internationally traded prices and quantities.

Coping with Inflation

Governments have faced difficult trade-offs in tackling high food and energy prices, as well as core inflation pressures, with policy buffers reduced after years of pandemic relief spending.

Monetary policymakers should remain focused on bringing inflation down but stand ready to adjust quickly to financial developments, the April 2023 *World Economic Outlook* noted. The April 2023 *Fiscal Monitor* assessed how fiscal policy can do its part to support monetary policy in facilitating disinflation while protecting the most vulnerable.

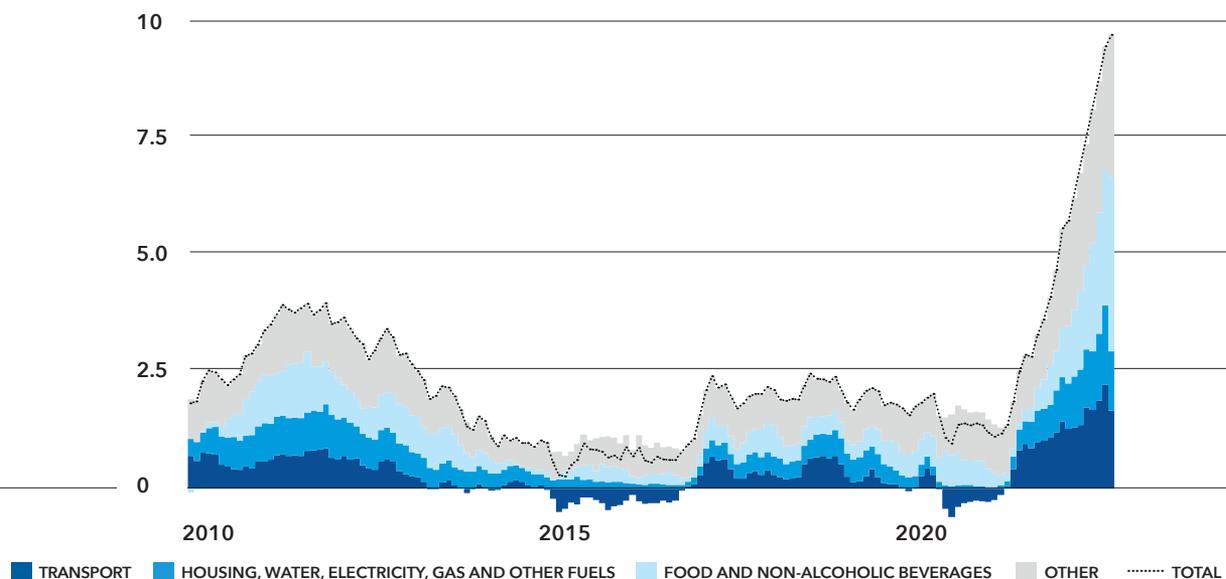
In October 2022, the *World Economic Outlook* and *Fiscal Monitor* highlighted key principles for formulating an appropriate fiscal response to the cost of living crisis. These include ensuring fiscal policy does not work at cross-purposes with monetary authorities' efforts to bring down inflation; using targeted and temporary transfers to support vulnerable households instead of price controls, untargeted subsidies, and export bans; and safeguarding investment in human capital, digitalization, green energy, and supply-chain diversification.

Food Insecurity

The IMF heightened its efforts to help tackle the global food crisis. Countries in sub-Saharan Africa have been most affected, with food prices surging by an average of 24 percent in 2020-22, the largest increase since the 2008 global financial crisis. The most vulnerable countries face severe macroeconomic challenges exacerbated by weak institutions and fragile sociopolitical environments.

Figure 2.3 Inflation Drivers

(percent, median inflation rate)



Rapid increases in food prices have been one of the main drivers of quickening inflation around the world.

Source: IMF CPI database and IMF staff calculations.

Note: Chart shows median total inflation and in select categories across 88 countries, including 28 advanced economies and 60 emerging and developing economies.

IMF Financing and Food Shock Window

Since May 2022, the IMF has approved new upper-credit-tranche-quality arrangements or augmentations of those that already exist for eight countries facing acute food insecurity. Seven countries have benefited from new programs (Bangladesh, Benin, Cabo Verde, Mauritania, Mozambique, Sri Lanka, Zambia), and Kenya's program has been augmented. The programs help countries address a broad range of balance of payments needs while strengthening social safety nets, including policies to help address the impact of the food crisis.

To provide a new channel for emergency financing to member countries that have urgent balance-of-payments needs related to the food crisis, the Executive Board approved a new temporary FSW in September

2022. Six countries—Burkina Faso, Guinea, Haiti, Malawi, South Sudan, and Ukraine—had accessed this financing as of April 30, 2023, for a total of about SDR 1.4 billion (or \$1.8 billion). The Executive Board also amended the policy for Staff-Monitored Programs to allow Program Monitoring with Board Involvement in October 2022. The change allows the Board to provide opinions on whether a member's policies are sufficiently robust to meet the program's objectives and monitor program implementation, including policies aimed at facilitating the transition to an upper-credit-tranche-quality IMF-supported program.

The IMF collaborates closely with partners to strengthen the international response to high food prices, including the Food and Agriculture Organization, World Bank, World Food Programme, and World Trade Organization.



Philippines

PUBLIC DEBT

The IMF works with member countries to better support them in addressing debt sustainability and restructuring challenges.

The world's public debt fell from 100 percent of GDP in 2020 to 92 percent of GDP in 2022, supported by strong real GDP growth, inflation surprises, and the withdrawal of fiscal support measures related to the effects of the COVID-19 pandemic. However, global public debt is projected to rise again beginning in 2023, according to the IMF Global Debt Database and April 2023 World Economic Outlook database.

Debt vulnerabilities and risks remain elevated, with emerging market economies and low-income countries especially affected. Among the former, 25 percent are at high risk and facing "default-like" spreads on their sovereign debt. Among low-income countries, about 15 percent are in debt distress, and an additional 45 percent are at high risk of debt distress; many of these countries operate in a complex environment marked by a more diverse creditor landscape. As noted in "Macroeconomic



LOW-INCOME COUNTRIES WOULD NEED

\$440 BILLION

FOR THE PERIOD 2022-26

TO RESUME AND ACCELERATE

THEIR INCOME CONVERGENCE
WITH ADVANCED ECONOMIES.

Developments and Prospects in Low-Income Countries–2022,” these countries would need \$440 billion in additional financing for the period 2022-26 to resume and accelerate convergence of their incomes with those of advanced economies. In response to these challenges, the IMF has been working within its policy frameworks to help its members deal with debt issues.

The Role of the IMF

The IMF is helping countries address large financing needs to prevent debt crises or, for countries already in debt distress, to restore economic and financial stability. Most IMF liquidity support has been delivered through programs, emergency assistance, and an SDR 456.5 billion allocation in August 2021 (equivalent to about \$650 billion at the time). The IMF also supports member countries’ efforts to work with their creditors to address debt distress in the context of a Fund-supported program. The IMF plays a key role in defining the financing envelope (or debt relief envelope) and providing a rigorous and well-articulated view of a country’s macro-financial stability and a clear bottom line on its debt sustainability prospects.

The IMF has also adapted its sovereign arrears policies and perimeter, which govern the conditions under which the IMF can lend to countries that are running arrears to their official and private creditors. These policies seek a balance between encouraging the resolution of arrears and allowing the IMF to support members in need that are taking appropriate steps to resolve their arrears. Changes to IMF sovereign arrears policies approved by the Executive Board in May 2022 reflect the new realities of a more complex creditor landscape and the membership’s call to increase debt transparency. The Executive Board also approved changes to its financing assurances policies in the context of upper-credit-tranche IMF financing under exceptionally high uncertainty to remove existing barriers to designing an upper-credit-tranche program in such situations.

Group of Twenty Common Framework

The Group of Twenty (G20) Common Framework has begun to deliver on its potential. Four requests have been made (by Chad, Ethiopia, Ghana, and Zambia). Chad reached an agreement with its official and private creditors in mid-November 2022 on debt restructuring consistent with the parameters

of its IMF-supported program. The restructuring will provide actual debt-service relief (in 2024) and protection against downside risk, including a potential drop in oil prices. As of April 30, 2023, Ghana and Zambia have made important progress toward debt restructuring, with financing assurances provided by all of its official creditors, paving the way for Extended Credit Facility arrangements for both countries. However, overall progress on debt restructuring has been slower than desired, and the process is not yet complete.

Global Sovereign Debt Roundtable

Launched in February 2023 by the IMF in coordination with the World Bank and India's G20 presidency, the Global Sovereign Debt Roundtable brings together key stakeholders involved in sovereign debt restructuring to foster consensus on debt and debt-restructuring challenges and how to address them. These stakeholders include traditional creditors that are members of the Paris Club; new creditors such as China, India, and Saudi Arabia; the private sector; and borrowing countries. It aims to support, rather than replace, existing restructuring mechanisms such as the G20 Common Framework by fostering greater common understanding of concepts and principles.

The Global Sovereign Debt Roundtable meeting on April 12, 2023, brought together public and private sector creditors, as well as borrowers, with the common purpose of accelerating the debt-restructuring process. The meeting resulted in tangible progress on debt restructuring. There were three positive outcomes: (1) an agreement on improving information sharing of macroeconomic projections and debt sustainability assessments at an early stage of the debt-restructuring process; (2) a common understanding of the role that multilateral development banks can play, notably through the provision of net positive flows of concessional financing; and (3) a clearly defined work plan, including a workshop on how to assess and enforce comparability of treatment.





RESILIENCE TO SHOCKS

The IMF helps countries strengthen their resilience to shocks and bolster their institutions.

Resilience is essential for economic stability and prosperity, but it is at risk from global shocks and pressures, including global financial stresses, commodity price volatility, geopolitical events, pandemics, and climate change. Resilience also depends on sound policymaking and implementation, supported by solid institutions.

Climate Change

This year, the macroeconomically critical issue of climate change has become an increasing focus of the IMF's work, both on policy instruments, surveillance, and CD products, and in working directly with countries.¹

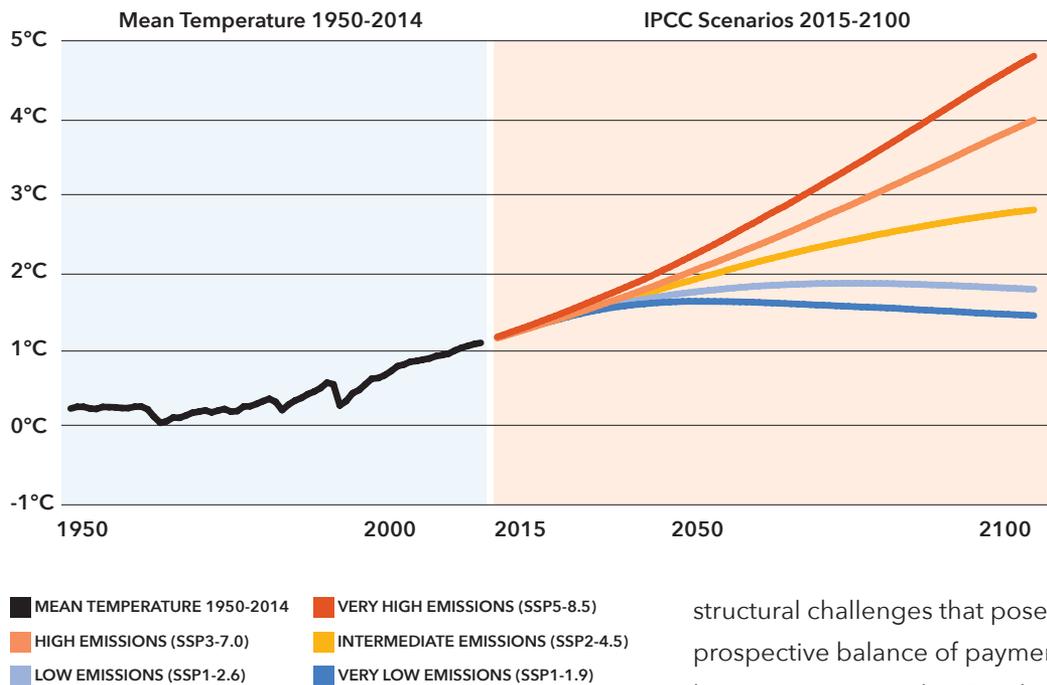
The IMF has been helping countries narrow gaps between existing and needed policies to achieve the Paris Agreement's temperature goals, including providing advice on carbon pricing and fossil fuel subsidies. It is reviewing its Climate Macroeconomic Assessment Program, which aims to assist countries, especially small and low-income countries, in building resilience and developing policy responses to cope with the economic impact of climate change. A new climate module adds a climate-responsive dimension to the IMF's Public Investment Management Assessment framework and assesses countries' capacity to manage climate-related infrastructure. The IMF staff issued operational guidance to governments on how to integrate climate-friendly perspectives into public financial management practices and processes and provided member countries with a number of CD initiatives. And the IMF and World Bank developed the Climate Policy Assessment Tool to identify optimal mitigation policy design.

The IMF has been working with its international partners to develop a high-level work plan for a new Data Gaps Initiative that includes recommendations for addressing priority needs related to climate

¹ The IMF has also carried out analytical work on climate change. For instance, the October 2022 *World Economic Outlook* included analysis of the near-term macroeconomic impact of decarbonization policies, finding that if the right measures are implemented immediately and phased in gradually over the next eight years, the costs will remain manageable and are dwarfed by the innumerable long-term costs of inaction. The October 2022 *Global Financial Stability Report* assessed the challenges and opportunities associated with scaling up private climate financing in emerging market and developing economies.

Figure 2.4 Uncertain Future

(temperature change in °C, scenarios used by the IPCC)



There is significant uncertainty about the trajectory of global emissions and as a result global warming.

Source: IPCC, 2021 Summary for Policymakers.

Note: Global surface temperature change relative to period 1850–1900.

change data, digital money, and other areas. To assist with data needs, the IMF expanded the suite of indicators available on its Climate Change Indicators Dashboard and added more user-friendly tools for accessing the data.

The World Bank-IMF Secretariat to the Coalition of Finance Ministers for Climate Action brings together fiscal and economic policymakers from more than 80 countries in leading the global climate response and in securing a just transition toward low-carbon, resilient development.²

Resilience and Sustainability Trust

Designed to help low-income and vulnerable middle-income members address longer-term

structural challenges that pose risks to their prospective balance of payments stability, the RST became operational in October 2022. The RST is intended to help member countries address longer-term challenges—including climate change and pandemic preparedness. The reforms implemented under the RSF arrangements, which are linked to concurrent IMF programs, help countries build resilience to external shocks by reducing risks to prospective balance of payments stability, including those related to climate change and pandemics. They also help create an environment conducive to private climate financing. During FY 2023, the Executive Board approved five RSF arrangements supported by the RST (for Bangladesh, Barbados, Costa Rica, Jamaica, and Rwanda) for a total of about \$3.4 billion. Demand for RSF arrangements is strong and front-loaded: more than 40 additional eligible countries across different regions and income groups have expressed interest in, or have formally requested, an RSF arrangement.

RST resources depend on voluntary contributions from IMF members with strong external positions.

² The IMF engages in the Coalition's substantive work throughout the workstreams dedicated to carbon pricing (HP3), macroeconomic policy and public financial management (HP4), and financial policy (HP5) and in cross-cutting work on adaptation.



Fundraising for the RST aims to secure SDR 33 billion (about \$42 billion) in contribution agreements that include loan resources to meet expected loan demand as well as for adequate reserve coverage. As of April 30, 2023, pledges of SDR 25.5 billion (about \$34.3 billion) had been received from 15 countries via contribution agreements that include loan resources; pledges of SDR 5.1 billion (about \$6.9 billion) in stand-alone contributions (without loan resources) from two countries had also been received to bolster the RST's reserves. Additional pledges are needed to cover a significant shortfall in loan resources to meet demand in 2023–24 and in the medium term.

Strengthening Institutions

The IMF has continued to collaborate with its member countries to strengthen their institutions and policies that support economic resilience. For example, the review of the Framework for Enhanced Engagement on Governance reaffirms the criticality of strengthening governance and addressing macroeconomically crucial corruption issues in domestic and transnational contexts. To strengthen

government institutions and skills, the IMF is assessing its CD work, focusing on strategy, funding, delivery, and impact.

Other strategies are also underway. Working with its members, the IMF is implementing a strategy for fragile and conflict-affected states that is designed to strengthen its efforts to deliver more robust support tailored to these countries' constrained policy space. The IMF is also implementing a government technology ("GovTech") strategy to support the digital transformation of government fiscal operations and policy.³ In addition, the IMF has issued guidance to support sound policymaking and implementation—for example, the *PIMA Handbook: Public Investment Management Assessment*.

Efforts to put in place effective policies for crypto assets are now a key policy priority, following the failure of various exchanges and other actors within the crypto ecosystem and the collapse of some crypto assets. In response, the IMF assessed the elements of effective policies in regard to crypto assets, noting the need for a comprehensive, consistent, and coordinated response.

³ An IMF Staff Discussion Note found that digitalization helped shield productivity during the COVID-19 pandemic, but there was no significant structural change.

INTERNATIONAL COOPERATION

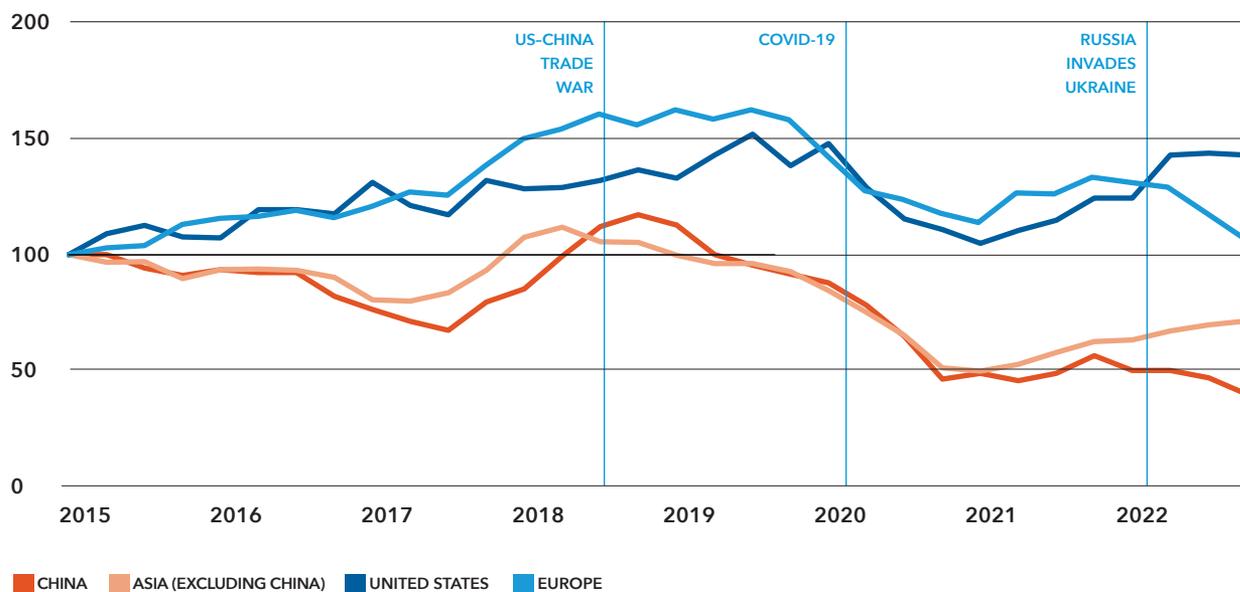
The host of complex challenges currently facing the world calls for a shared and coordinated response.

Three decades of increasing global economic integration boosted productivity and living standards, tripled the size of the global economy, and lifted 1.3 billion people out of extreme poverty. But the world now faces the risk of geoeconomic fragmentation. Since the global financial crisis, global flows of goods and capital have leveled off and trade restrictions have surged; the COVID-19 pandemic and Russia's invasion of Ukraine followed, which further tested international relations and increased skepticism about the benefits of globalization. A Staff Discussion Note published in January 2023 explored the ramifications of geoeconomic fragmentation and its consequences for the international monetary system and global financial safety net.



Figure 2.5 FDI Fragmentation

(number of investments, four-quarter moving average, 2015:Q1 = 100)



Foreign direct investment flows in strategic sectors are diverging across regions, with China losing market share.

Sources: fDi Markets; and IMF staff calculations.



The April 2023 *World Economic Outlook* found that multilateral efforts to preserve global integration are the best way to minimize the large and widespread economic costs from fragmentation of foreign direct investment, which are estimated at about 2 percent of global GDP over the long term. When multilateral action is not feasible, it is essential to mitigate the spillover effects of unilateral policies. In a more fragmented world, some countries could reduce their vulnerability by promoting private sector development, while others could take advantage of the diversion of investment flows to attract new foreign direct investment by undertaking structural reforms and improving infrastructure.¹

The April 2023 *Global Financial Stability Report* emphasized that policymakers should devote resources to assessing, managing, and mitigating

¹ Geoeconomic fragmentation was also the topic of an analytical chapter of the April 2023 *Regional Economic Outlook: Sub-Saharan Africa*.



financial stability risks associated with the rise in geopolitical tensions. To mitigate rising geopolitical risks, financial institutions need adequate capital and liquidity buffers, and the global financial safety net needs to be strong and adequate. Given the significant risks to global macro-financial stability, multilateral efforts should be strengthened to reduce geopolitical tensions and prevent economic and financial fragmentation.

Other priorities are also critical for restoring trust that the rules-based global system can work well for all countries, including strengthening trade to increase resilience and modernizing the international monetary system.

Trade

The Executive Board reviewed the role of trade in the IMF's work and agreed on an agenda to reinvigorate the organization's role with respect to trade to help countries address key trade-related challenges.

Next steps include using a macroeconomic perspective to identify major trade-related developments and risks and promoting policy

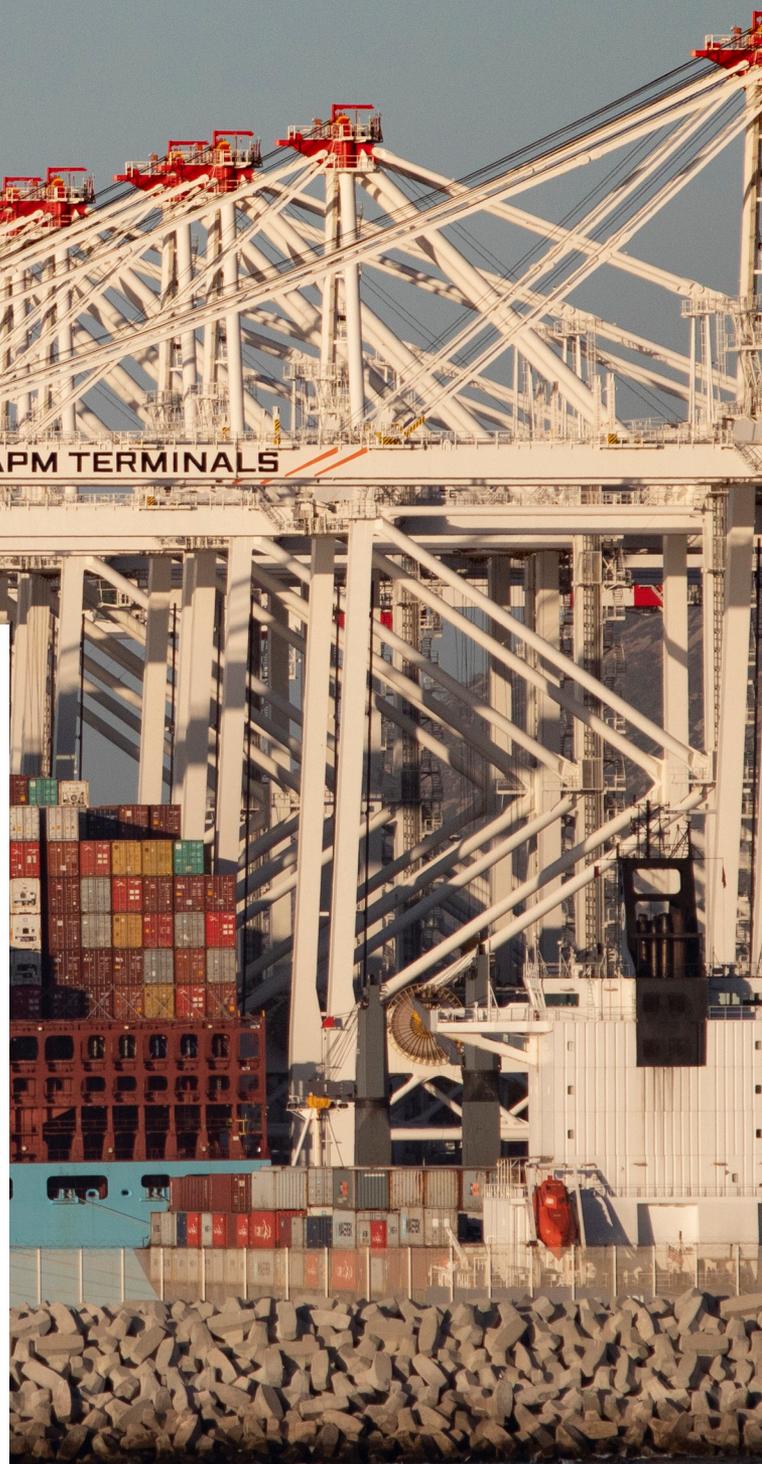
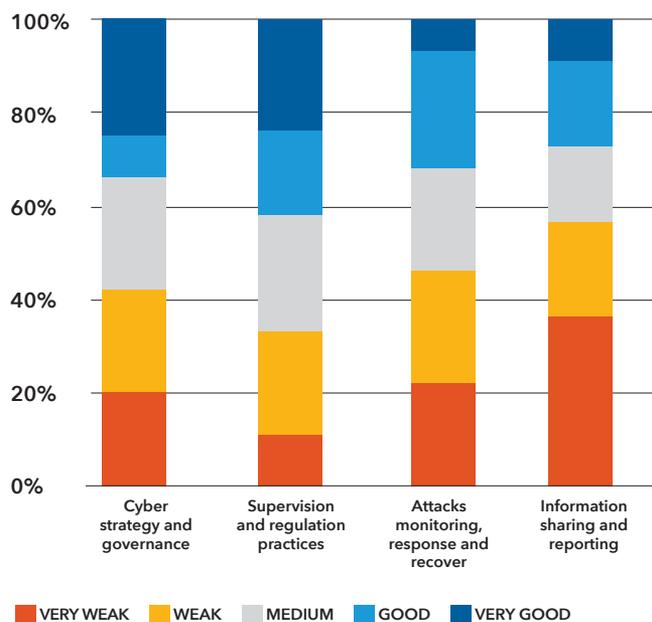




Figure 2.6 Cyber Gaps

(state of cyber risk oversight at supervisory authorities, share of surveyed countries)



coherence between trade and non-trade objectives such as climate, inequality, and security. Development of policy advice tailored to each country’s needs is essential, including domestic policies to ensure that gains from trade and technological progress are widely shared. The IMF will continue to advocate for open, stable, and transparent trade policies and a strong multilateral trade system that oversees these policies. Enhanced trade-related collaboration with other international organizations, especially the World Trade Organization, will be key to achieving these goals.

Digitalization

While a revolution in digital technology and telecommunication has had an outside impact on financial services and payments in the past three decades, progress on cross-border payments has been slower.

Coordination and interoperability of new central bank digital currencies and other digital platforms can help prevent fragmentation of payment

Weak defenses against attacks put the financial sector at risk, but collective action could help thwart these costly threats.

Source: IMF staff survey, state of play at supervisory authorities.

Note: IMF staff surveyed 51 emerging markets and developing economies between December 2021 and March 2022. The classification of the practices are based solely on survey responses and do not include qualitative evaluation by IMF staff.

systems and support greater payment efficiency and financial inclusion. Globally coordinated regulation of digital services and development of global standards can help minimize the risks from new digital technologies.

In particular, policymakers should consider a multifaceted strategy to preserve the effectiveness of capital flow management measures against crypto-asset-related challenges. This means ensuring that crypto assets are covered by capital flow management laws and regulations, supervised through international collaborative arrangements, and subject to technology-based risk monitoring.



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www.imf.org/AR2023

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