



OVERVIEW OF THE IMF

NOVEMBER 2024

Umang Rawat
Resident Representative in Armenia



Bretton Woods New Hampshire, 1944





What is the IMF?

Global Membership

Global Cooperation & Financial Stability

Global Economy 1st Responder



THE WORLD BANK



10,000 Employees



Funded by issuing bonds,
Membership contributions



Focuses on micro-economics



Loans for development,
e.g. bridges and hospitals



INTERNATIONAL MONETARY FUND



3,000 Employees



Funded by Membership capital,
credit lines with central banks



Focuses on macro-economics



Guardian of global fin. stability,
e.g. balance of payments support



How Does the IMF Work?

Board of Governors

191 Once a year

International Monetary and Financial Committee

25 Twice a year

Executive Board

25 Three times a week

Management

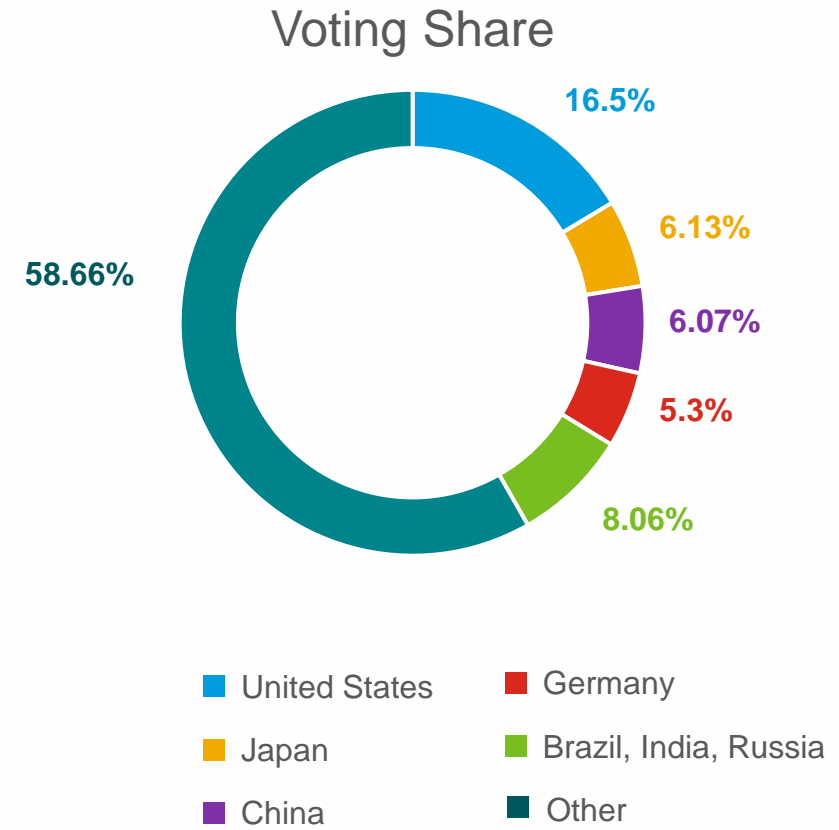
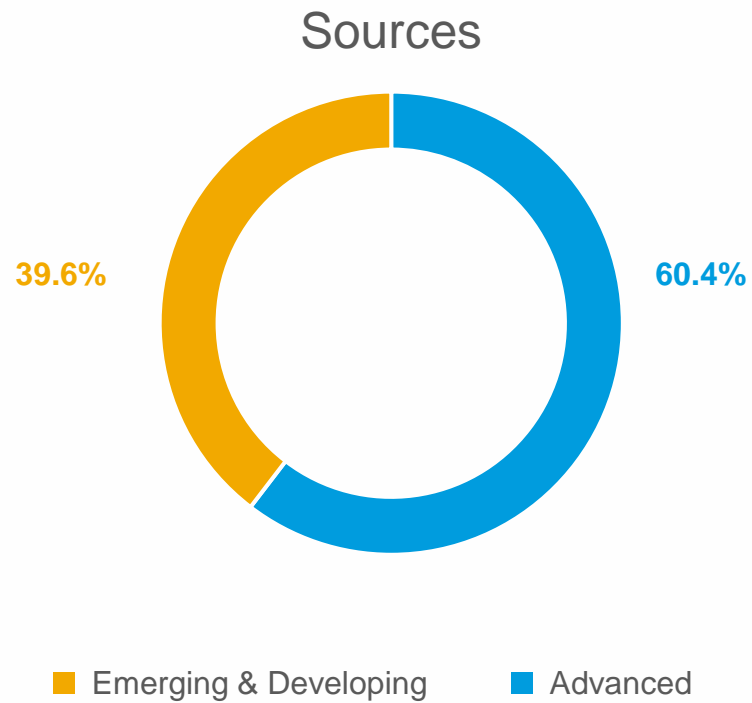


1
Managing Director

1
First Deputy
Managing Director

3
Deputy Managing Directors

Where the IMF gets its money



What Does the IMF Do?

Policy Advice

Lending

Capacity Development

POLICY ASSESSMENT AND ADVICE

- Bilateral (Art IV), Regional (REO), Global (WEO, GFSR, FM, ESR)
- “Truth teller”
- Systemic countries / Cross-Country Effects

1

LENDING

- Increased capacity
- Non-Concessional/Concessional
- Conditionality
- Catalyst



CAPACITY DEVELOPMENT

- Bilateral Support
- Technical Assistance
- Training

3

The IMF and its Crisis Response

Compounding Crises
Pandemic | War | Food & Energy

Global challenges

Global growth

Emergency financing and debt relief

Enhancing Liquidity / SDR Allocation

New & Adjusted Lending Arrangements

Longer-term challenges

State of the Global Economy Compounding Crises

- ✓ COVID-19 Pandemic
- ✓ Russia's invasion of Ukraine
- ✓ Food, fertilizer, and energy crisis
- ✓ Banking sector stress in US and Switzerland
- ✓ Climate Disasters
- ✓ Conflict in the middle-east

... contribute to global **cost of living crisis, debt crisis in emerging and developing countries, financial market volatility and strained government budgets.**

The IMF and its Crisis Response

Compounding Crises
Pandemic | War | Food & Energy

Global challenges

Global growth

Emergency financing and debt relief

Enhancing Liquidity / SDR Allocation

New & Adjusted Lending Arrangements

Longer-term challenges

State of the Global Economy

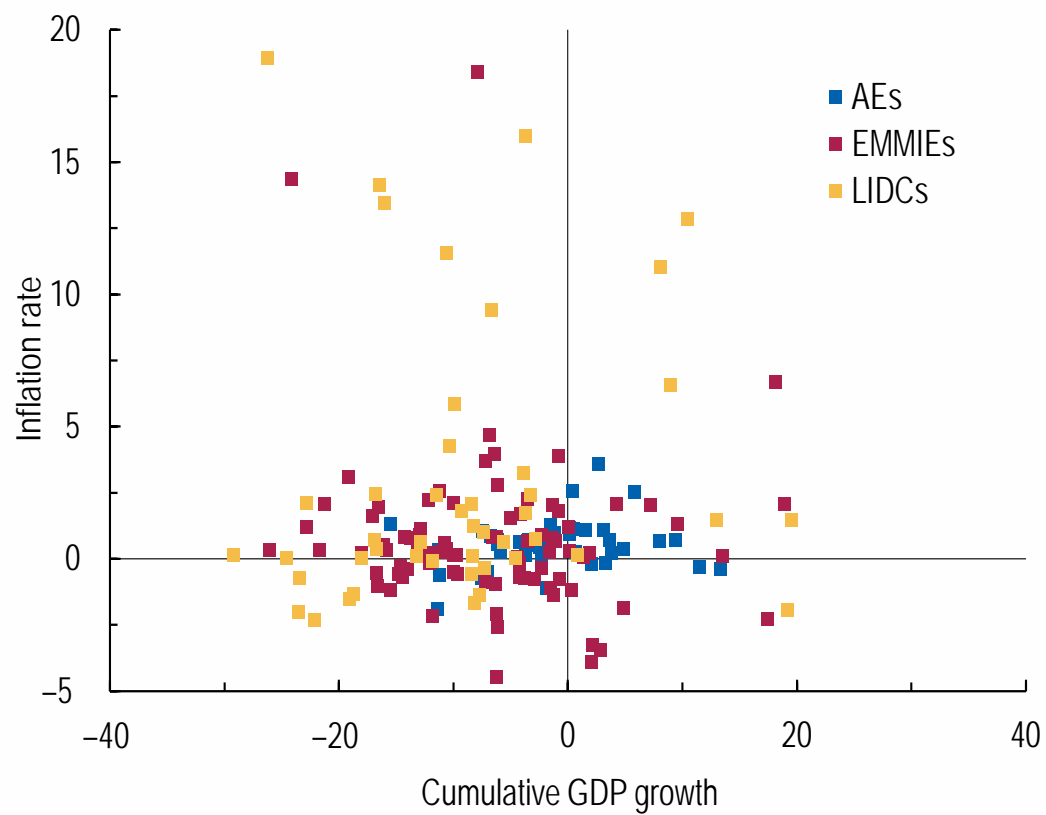
Compounding Crises

- ✓ Global growth is estimated to remain around 3.2% in 2024 and 2025.
- ✓ Inflation has receded in several countries, while there is significant heterogeneity.
- ✓ World needs to tackle crippling burden of debt...
- ✓ ...and climate change.
- ✓

Past four years - Uneven performance across countries

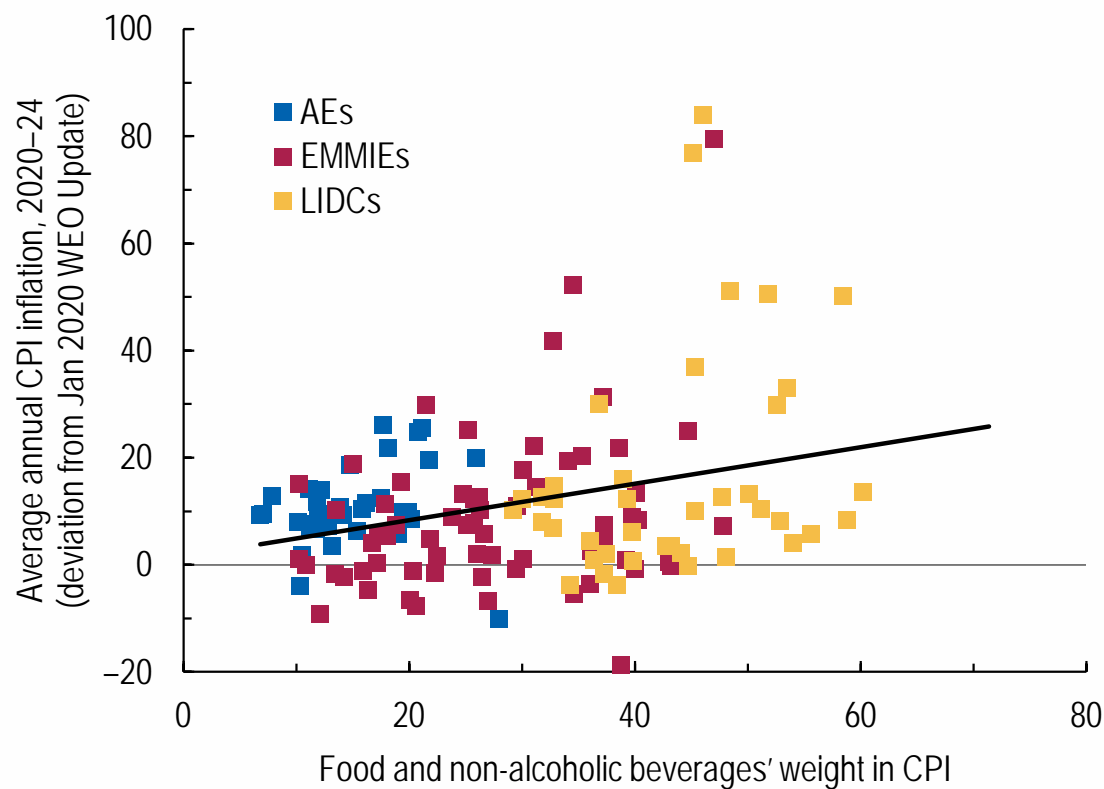
Growth and Inflation Revisions

(Percentage points; relative to January 2020 WEO Update)



Inflation Surprises and Importance of Food in CPI

(Percent)

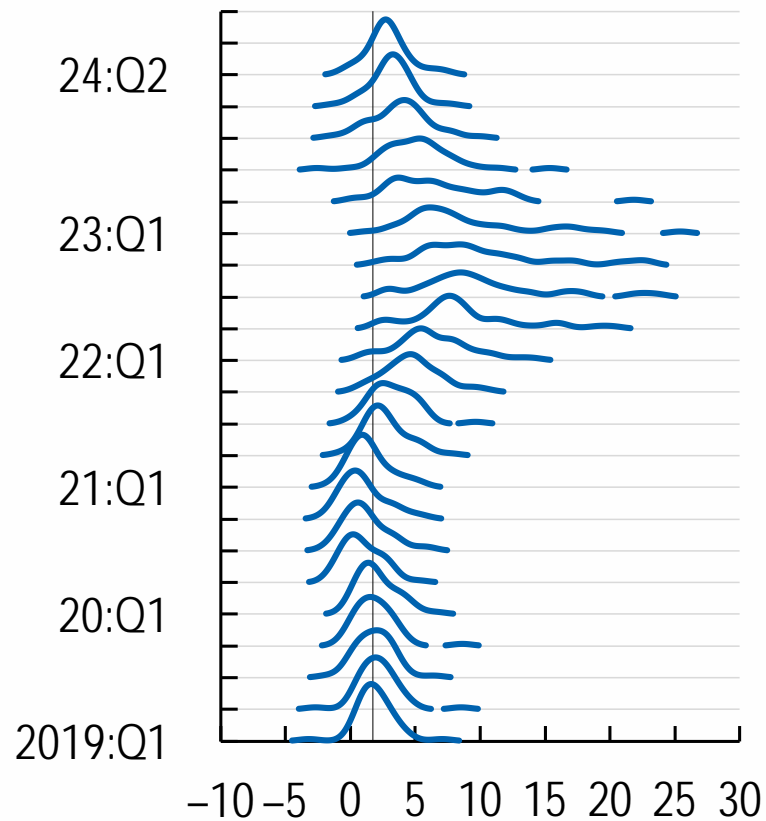


Source: IMF staff calculations.

Inflation declining and converging across countries supported by tight monetary policy...

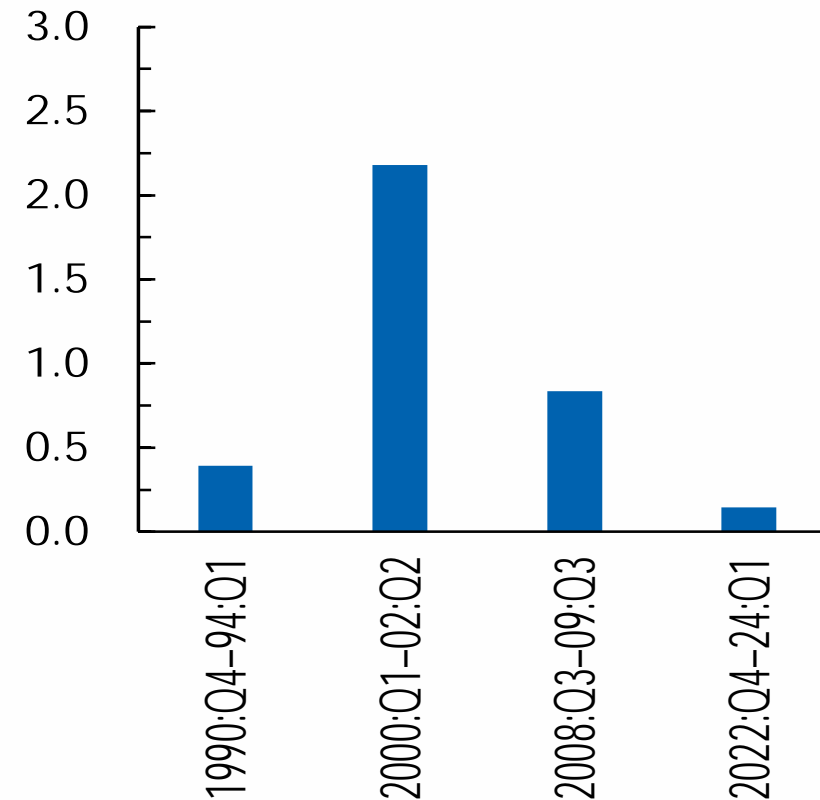
Headline Inflation Distribution

(Percent, year over year)



Output-Inflation Sacrifice Ratio

(Change in output gap for a change in inflation)



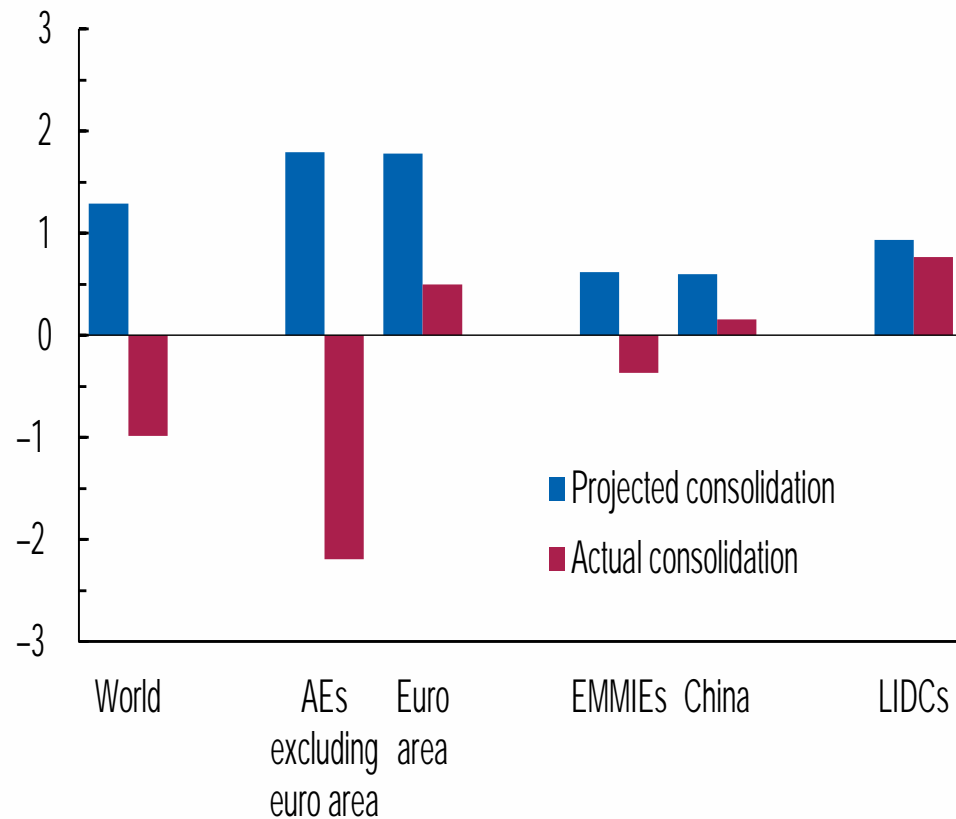
Sources: OECD and IMF staff calculations.

Note: The sample for the headline inflation distribution includes 32 advanced economies and 13 emerging market and developing economies. The sample for estimating the sacrifice ratio includes 37 advanced economies.

... combined with loose fiscal policy

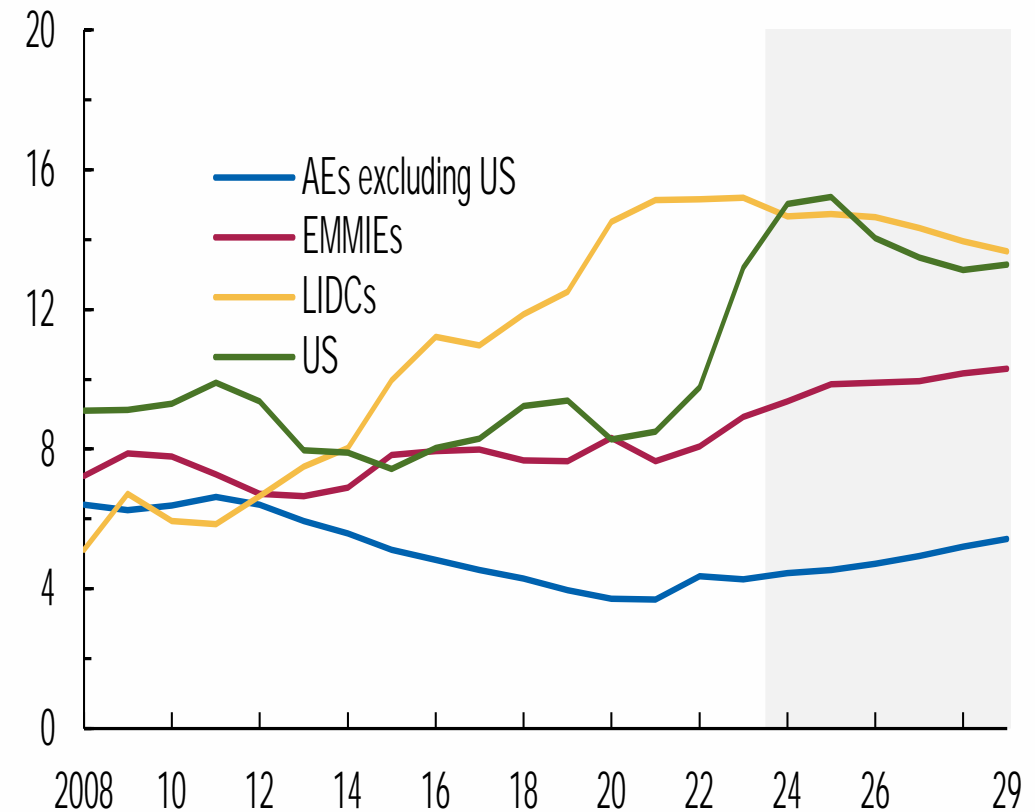
Fiscal Slippage

(Percentage points; 2024 minus 2022 primary balance)



General Government Interest Payments

(Percent of general government revenues)



The IMF and its Crisis Response

Compounding Crises
Pandemic | War | Food & Energy

Global challenges

Global growth

Emergency financing and debt relief

Enhancing Liquidity / SDR Allocation

New & Adjusted Lending Arrangements

Longer-term challenges

How the IMF is helping countries **Financing and Debt Relief**

- ✓ **\$314 billion new financing approved** for 96 countries since the beginning of pandemic, including \$33 billion for the poorest countries at 0% interest.
- ✓ Since Russia's invasion of Ukraine, \$143.9 billion
- ✓ Access to **emergency financing** for 83 countries; single upfront disbursement, no ex-ante conditionality; new **food shock window** for 6 countries (e.g., **Malawi, Haiti, South Sudan**)
- ✓ **Debt service relief** of \$964 million (April 2020-April 2022) to 31 countries

The IMF and its Crisis Response

Compounding Crises
Pandemic | War | Food & Energy

Global challenges

Global growth

Emergency financing and debt relief

Enhancing Liquidity / SDR Allocation

New & Adjusted Lending Arrangements

Longer-term challenges

How the IMF is helping countries

Enhancing Liquidity

- ✓ **Flexible Credit Line** Insurance for countries with very strong policy frameworks and track records in economic performance – e.g., **Morocco, Mexico, Colombia**
- ✓ **Precautionary and Liquidity Line** for countries with sound economic fundamentals but with some remaining vulnerabilities that may need liquidity – **Panama**

The IMF and its Crisis Response

Compounding Crises
Pandemic | War | Food & Energy

Global challenges

Global growth

Emergency financing and debt relief

Enhancing Liquidity / SDR Allocation

New & Adjusted Lending Arrangements

Longer-term challenges

How the IMF is helping countries

\$650 billion SDR Allocation

for all IMF member countries

- ✓ Augmentation of IMF reserve asset
- ✓ Does not add to countries' debt burdens
- ✓ Allocation according to quota
- ✓ Can be channeled from rich to poor countries

The IMF and its Crisis Response

Compounding Crises
Pandemic | War | Food & Energy

Global challenges

Global growth

Emergency financing and debt relief

Enhancing Liquidity / SDR Allocation

New & Adjusted Lending Arrangements

Longer-term challenges

How the IMF is helping countries

New & Adjusted Lending Arrangements

- ✓ Total lending capacity of **\$1 trillion**
- ✓ Recalibrating and augmenting existing arrangements
- ✓ Streamlining conditionality and focusing on crisis impact on households in most new arrangements

The IMF and its Crisis Response

Compounding Crises
Pandemic | War | Food & Energy

Global challenges

Global growth

Emergency financing and debt relief

Enhancing Liquidity / SDR Allocation

New & Adjusted Lending Arrangements

Longer-term challenges

How the IMF is helping countries **A new Resilience and Sustainability Facility**

- ✓ Complements existing IMF lending toolkit to support policy reforms that mitigate macroeconomic shocks and prospective balance of payments risks
- ✓ Focus on longer-term challenges, such as **climate change** and **pandemic preparedness**
- ✓ Affordable, longer-term financing, funded in part through voluntary channeling of SDR allocation, contributions are around \$60 billion.
- ✓ First users: **Costa Rica, Barbados, Rwanda, Bangladesh, Jamaica, Morocco**

The IMF and its Crisis Response

Compounding Crises
Pandemic | War | Food & Energy

Global challenges

Global growth

Emergency financing and debt relief

Enhancing Liquidity / SDR Allocation

New & Adjusted Lending Arrangements

Longer-term challenges

How the IMF is helping countries

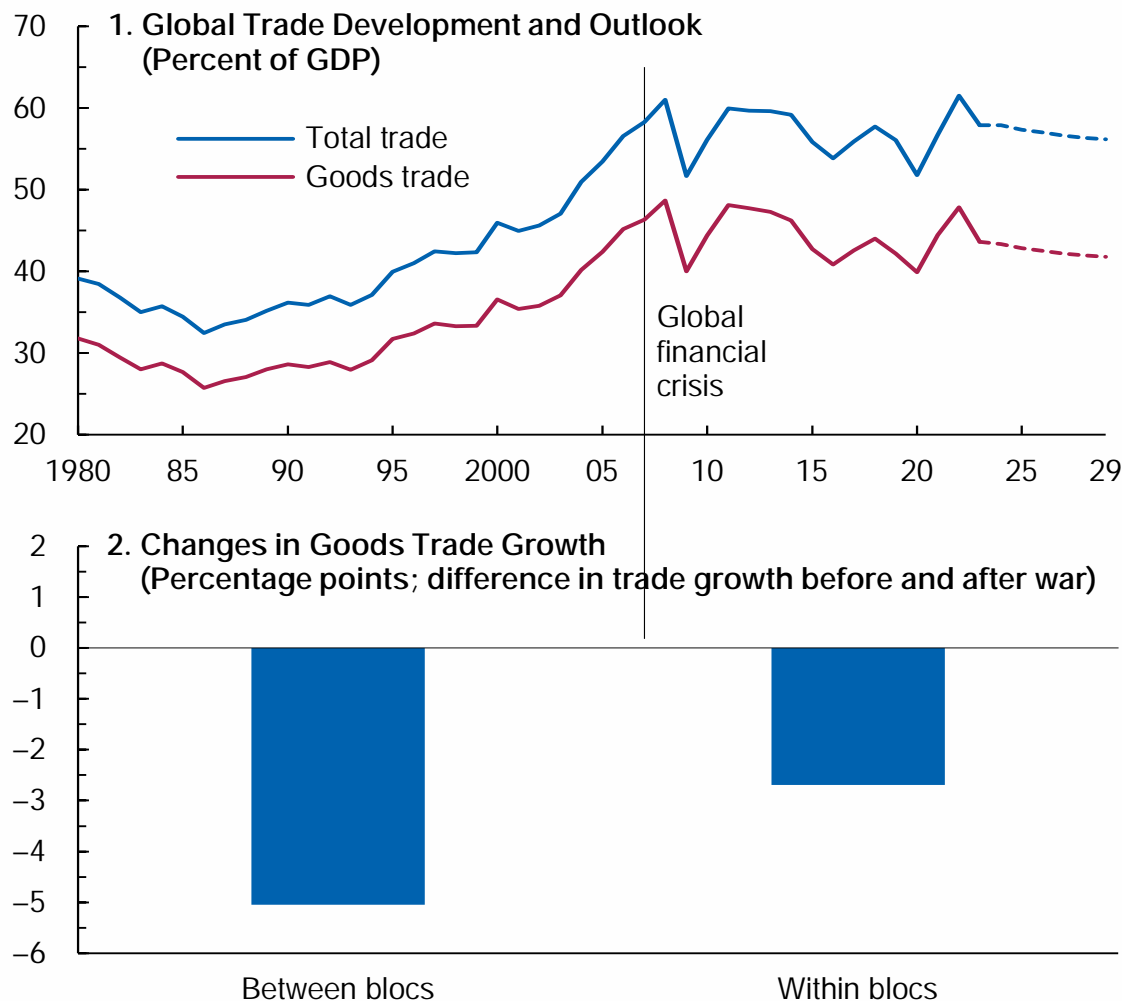
Capacity Development

- ✓ Providing real-time technical assistance and training to over 160 countries:
 - public financial management, social spending, tax administration, digital currencies
- ✓ Hands-on advice, practical tools and policy-oriented training to over 90% of countries who requested COVID-19 emergency financing
- ✓ CCAMTAC in Almaty, Kazakhstan is newest of 17 regional TA centers

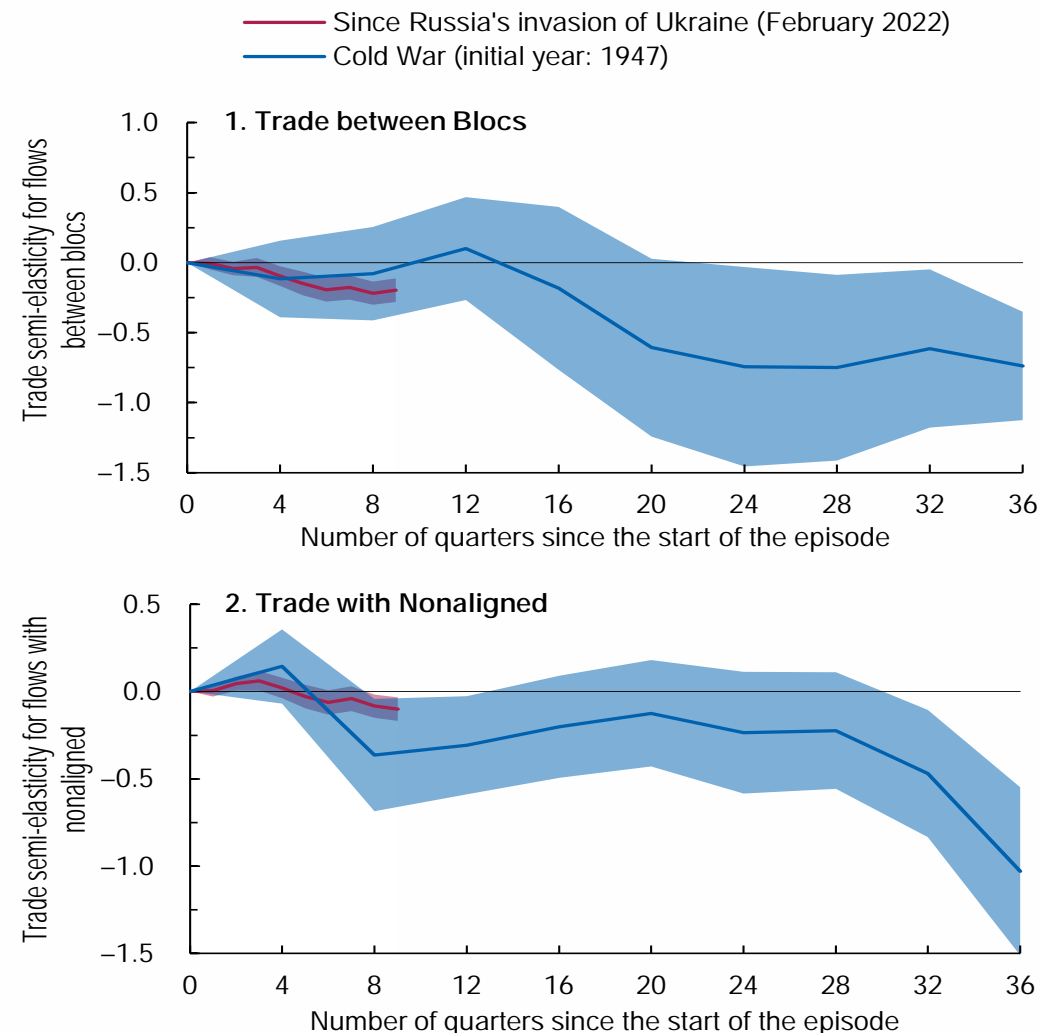
Special Topic: Geo-Economic Fragmentation

Global Trade Stable, Fragmentation Starting to Emerge

Globalization and Trade Fragmentation



Trade Fragmentation: Cold War and Now



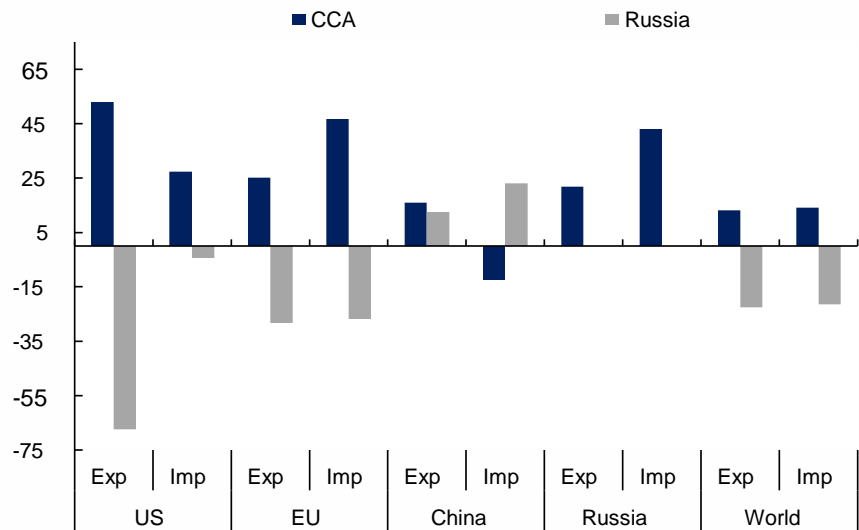
Sources: Gopinath, Gourinchas, Presbitero, and Topalova (2024); and IMF staff calculations.

Note: The right figure plots the change in global trade between blocs (panel 1) and with nonaligned countries (panel 2) during the Cold War (blue line, with $t_0 = 1947$) and since Russia's invasion of Ukraine (red line, with $t_0 = 2021:Q4$).

Impact: CCA Countries Facilitate Trade between Political Blocks

Some CCA countries acting as “connectors” between political blocks

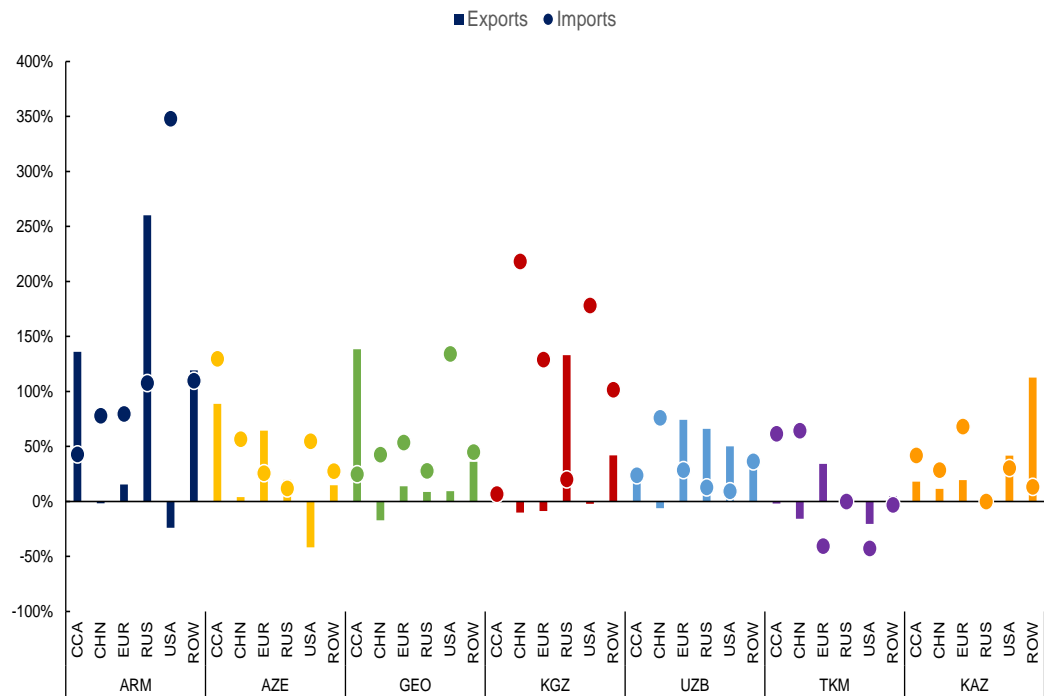
Trade Shares with Partner Countries, 2021–22
(Percentage change)



Sources: CEPII BACI database; and IMF staff calculations.
Note: The figure shows the change in the nonhydrocarbon share of CCAMM exports and imports for the European Union, United States, China, and the rest of the world between 2021 and 2022. CCAMM = Caucasus, Central Asia, Mongolia and Moldova; EU = European Union; data for CCAMM does not include Mongolia or Moldova.

This role more evident for Armenia, Georgia, and the Kyrgyz Republic

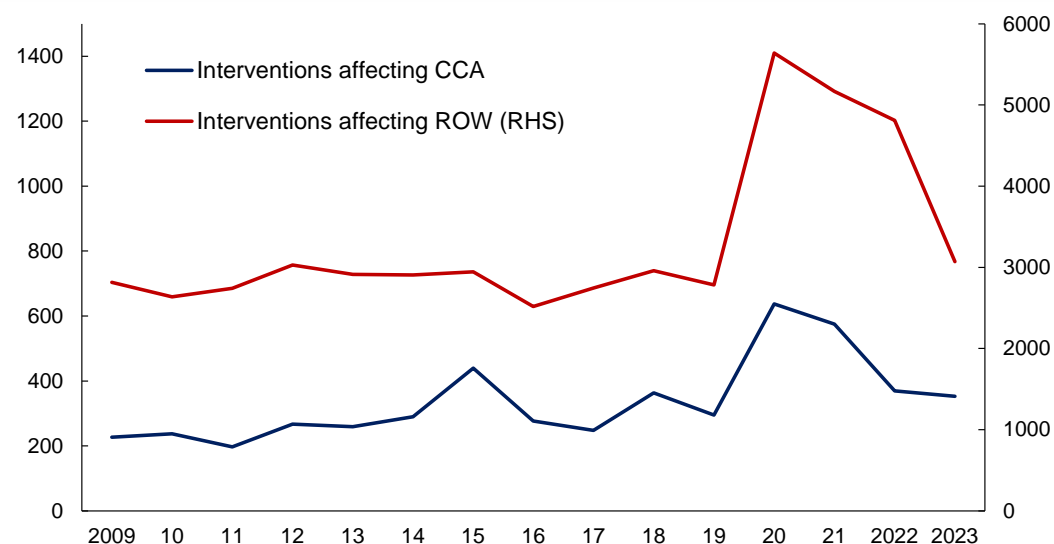
Exports and Imports by Trading Partner
(Percentage change, 2022–23 average versus 2021)



Impact: CCA Trade Has Benefited from Fragmentation

Geopolitical tensions have increased trade interventions between political blocks...

Trends in Trade Interventions
(Number)

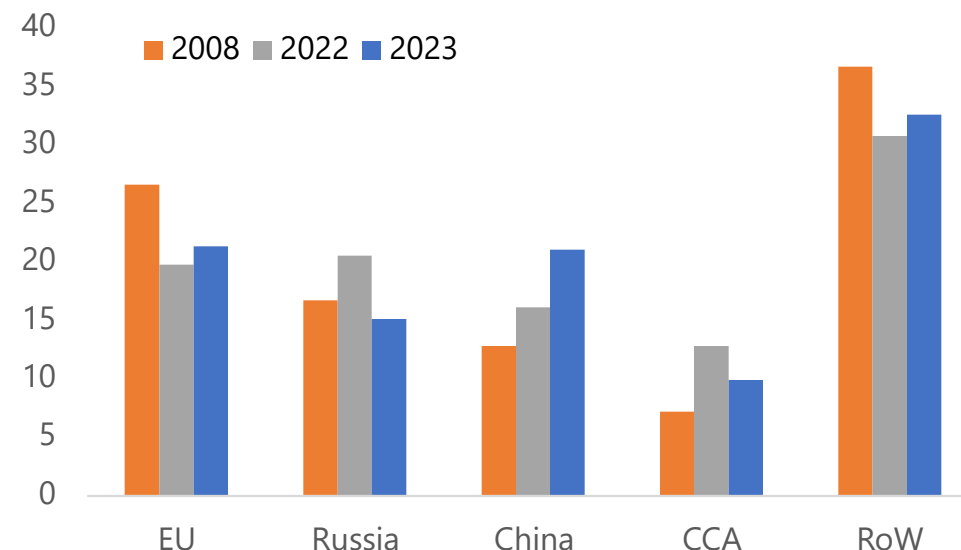


Sources: Global Trade Alert database 2023; and IMF staff calculations.

Note: Trade interventions are defined as those that discriminate against foreign commercial interests. The main categories of interventions include: export and import policy instruments, subsidies and state aid, trade defense instruments etc. CCA = Caucasus and Central Asia; MENA & PAK excl. GCC = Middle East, North Africa, and Pakistan excluding the GCC; ROW = Rest of the world.

...boosting bilateral trade of non-aligned CCA countries

CCA Bilateral trade
(Percent of total trade)

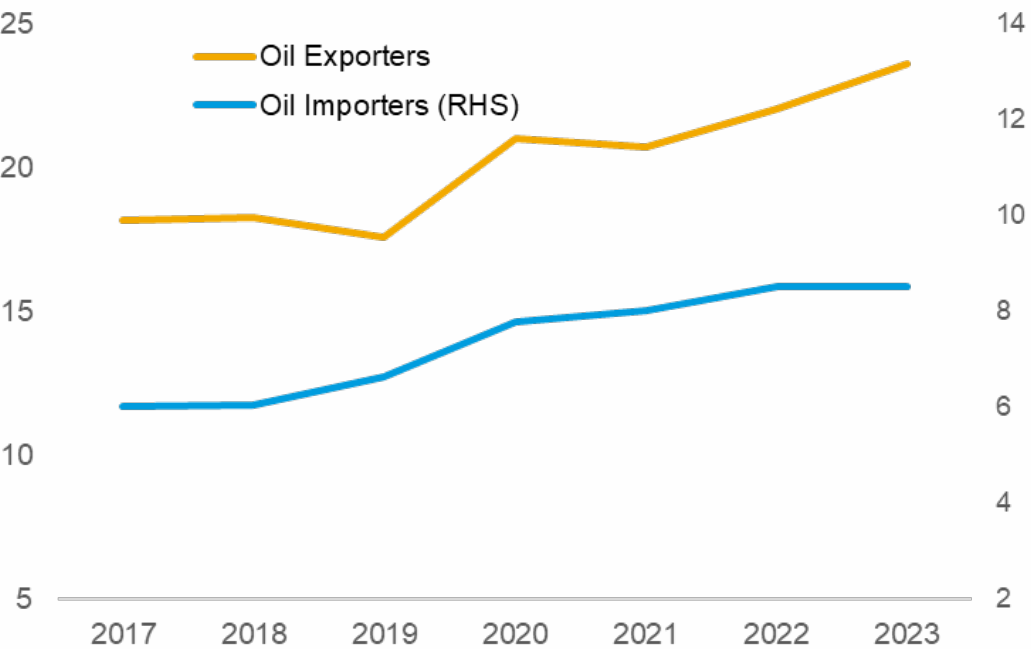


Source: IMF Direction of Trade Statistics database.

Impact: Financial Inflows Supporting Foreign Reserves and Credit

Bolstering external buffers...

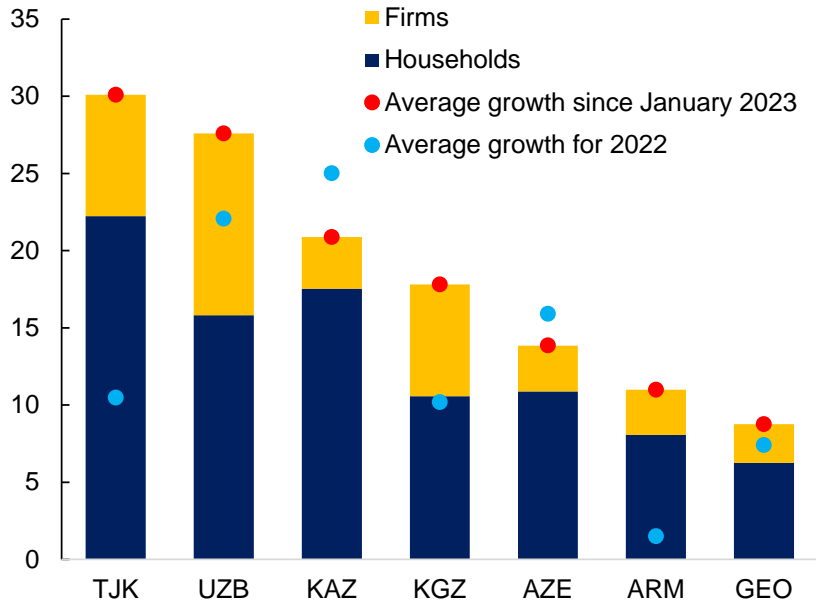
CCA: Total Reserves
(Billion USD, average)



Source: IMF World Economic Outlook database.

...and domestic credit

CCA: Private Sector Credit Growth and Contributions
(Percentage points, year-over-year monthly growth, simple averages)



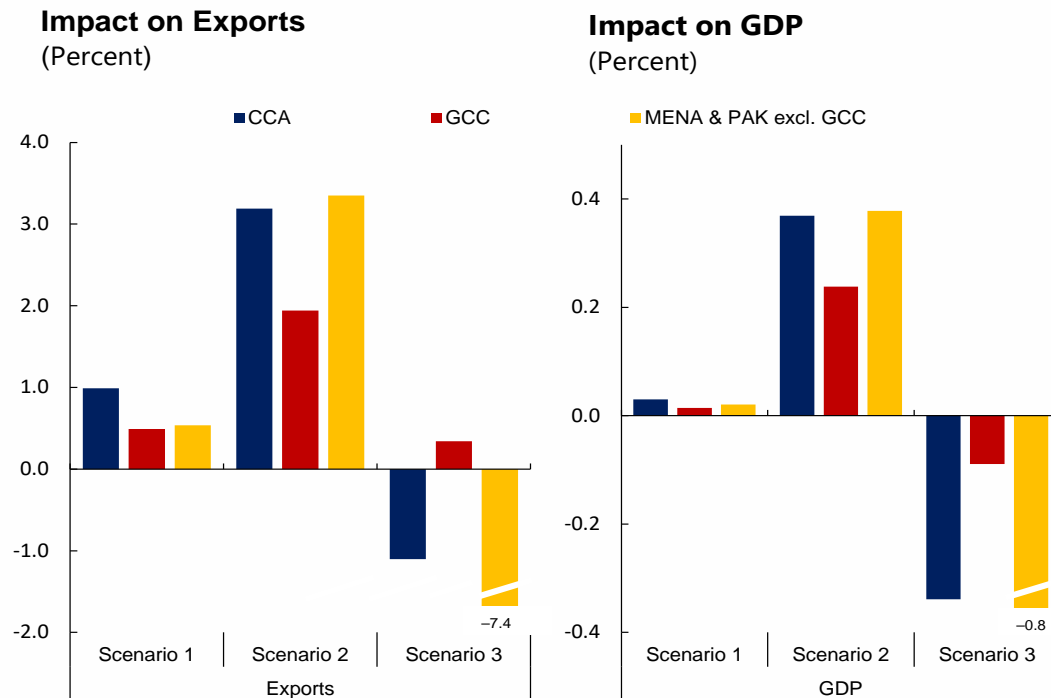
Note: Country abbreviations are International Organization for Standardization (ISO) country codes. CCA = Caucasus and Central Asia.

Source: IMF International Financial Statistics database.

Prospects: Increased Risk of Geoeconomic Fragmentation

The impact of further fragmentation could vary greatly depending on the scenario

The net effect on trade and output depends on two opposing forces:



Source: IMF MCD Spring 2024 REO.

- A potential loss of trade partners would lead to reduced trade, adversely affecting output.
- Trade diversion due to fragmentation would redirect trade toward countries that can trade.
- Maintaining neutrality would enable CCA countries to intermediate trade between rival blocks, reaping trade and output gains.

IMF Arrangement in Armenia

Stand-By Arrangement: Program Implementation

36-month; Precautionary; semi-annual reviews; quantitative performance criteria and structural benchmarks; SDR 180 million (about US\$250 million or 140 percent of Armenia's quota in the IMF).

- Three reviews completed; fourth review ongoing
- All end-June quantitative performance criteria were met (NIR, fiscal target, budget domestic lending, external public debt arrears)
- Progress on structural benchmarks has been ongoing
- A few structural benchmarks were reset

IMF Staff Current Projections

Armenia: Selected Economic and Financial Indicators, 2021–29

	2023	2024	2025	2026	2027	2028	2029
	Act.	Proj.					
National income and prices:							
Real GDP (percent change)	8.3	6.0	4.9	4.5	4.5	4.5	4.5
CPI (period average; percent change)	2.0	0.2	3.1	4.0	4.0	4.0	4.0
Fiscal balance (percent of GDP)	-2.0	-4.8	-5.5	-4.5	-4.3	-3.8	-3.5
Public debt (in percent of GDP)	50.7	52.3	55.6	56.4	57.2	57.2	56.6
Central Government's debt (in percent of GDP)	48.4	49.7	53.3	54.6	55.7	55.6	55.2
Current account balance (in percent of GDP)	-2.3	-4.5	-4.5	-4.8	-4.9	-4.9	-4.8

Sources: Armenian authorities; and Fund staff estimates and projections.

Ongoing Structural Benchmarks to Be Implemented

Deadline	Status	Macro Criticality	Measure
June 2024	Implemented with delay	Improve tax compliance	Submit to parliament an amendment to the Tax Code to empower the SRC with authority to audit natural persons and include broader indirect audit methods.
September 2024	Implemented with delay	Improve public financial management	Submit to parliament an amendment to the Budget System Law and revise the PIM decree to clarify the definition of public investment projects in both legal frameworks.
June 2024	Expected to be implemented by mid-December	Enhance labor force participation and boost employment.	Approve a costed employment strategy that details plans to bolster active labor market policies and modernize labor market statistics to inform the implementation of employment policies.
June 2024	Proposed to be rescheduled to March 2025	Strengthen the regulatory and supervisory framework	Prepare and submit to parliament a draft law for an enhanced bank resolution framework that is in line with the Financial Stability Board's Key Attributes for Effective Resolution Regimes for Financial Institutions.
September 2024	Proposed to be rescheduled to March 2025	Support export-oriented growth	Complete and approve an export strategy that identifies and streamlines bottlenecks to export expansion.

DISCUSSION