



# IMF CAPACITY DEVELOPMENT

## 2022 Highlights



Excerpts from the IMF Annual Report  
**CRISIS UPON CRISIS**

# IMF CAPACITY DEVELOPMENT

## 2022 HIGHLIGHTS

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## Message from the First Deputy Managing Director

Institution building is more critical than ever as policymakers respond to the ongoing series of economic shocks experienced by global economies in recent years. The challenge is building these institutions while managing unprecedented uncertainty and risks, overcoming the scarring effects from the pandemic, and pursuing transformational reforms toward a resilient and inclusive future.

Here at the International Monetary Fund our capacity development work supports member countries' efforts to build institutions, and this work is country-tailored and aligned with our institution's surveillance and lending priorities. We calibrate capacity development (CD), country programs, and financial assistance to help countries develop policy frameworks and tools while balancing and hopefully mitigating difficult trade-offs.

In delivering this support, we rely extensively on our network of 17 Regional Capacity Development Centers and long-term experts in the field. Following the adoption of the IMF Strategy for Fragile and Conflict-Affected States, we are ramping up our support to these member countries by further expanding our field presence.

With a focus on areas critical to better economic management, IMF CD work supports countries' efforts to develop more robust public financial management systems, improve revenue mobilization, and strengthen monetary and exchange rate policy frameworks, bank supervision, and governance. We also continue to support transformative policy actions that address longer-term challenges, including inequality, fragility, digitalization, and climate change.

Since the onset of the pandemic, we have leveraged technology and created hybrid delivery models to help countries mitigate the economic impact of the crisis and support their recovery. Over 175 member countries have received CD through more than 4,000 remote engagements, a majority of which benefited low-income countries and fragile and conflict-affected states. Our online learning program has been expanding at a rapid

pace and has benefited more than 130,000 active learners so far.

The COVID-19 Crisis CD Initiative, which we launched in 2020 with a number of partners, has been a centerpiece of our short-term response to members' emergency pandemic-related CD needs.

All this has been possible thanks to the IMF's development partners, which fund more than half of the IMF's CD activities. Over the past three years, the top five contributors to our efforts have been Japan, Switzerland, the European Union, Kuwait, and Germany.

Reinforcing our existing partnerships and building new ones are essential to achieving our goals of maintaining global macroeconomic and financial stability and securing a sustainable and inclusive recovery. Our work together with many partners and country authorities is a bulwark against the global events pushing toward fragmentation—it is after all a way to share knowledge and expertise, and create new bonds and relationships between experts across countries to tackle common policy challenges.

You can learn more about IMF capacity development in this excerpt from the *IMF Annual Report 2022* and by visiting [IMF.org/CapDev](https://www.imf.org/CapDev).



**GITA GOPINATH**  
FIRST DEPUTY MANAGING DIRECTOR



# WHAT WE DO

The IMF works to achieve sustainable growth and prosperity for all of its 190 member countries through:

## ECONOMIC SURVEILLANCE

**126**  
country health checks

The IMF monitors the international monetary system as well as the economic and financial policies of its member countries. As part of this monitoring, known as surveillance, which takes place both at the global level and in individual countries, the IMF highlights possible risks to stability and advises on policy adjustments to address these risks. Country surveillance culminates in regular (usually annual) consultations with individual member countries, known as Article IV consultations. For members with systemically important financial sectors, the IMF also conducts regular in-depth analysis of the countries' financial sectors under the FSAP.

## LENDING

**\$113**  
billion to  
**23 countries,**  
including  
**\$9 billion** to  
14 low-income  
countries, for  
a total of **\$219**  
billion to **92**  
countries since  
the start of the  
pandemic

The IMF provides financing to member countries experiencing actual, potential, or prospective balance of payments problems 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

**\$242**  
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 capacity development is delivered in person and remotely by long-term in-country resident advisors or by advisors at regional capacity development centers, during short-term visits by IMF staff members and experts, and through classroom training 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 countries to modernize their economic policies and strengthen such institutions by providing technical assistance and training focused on issues that are critical to economic stability and growth.

Uganda

The IMF provides capacity development (CD)—hands-on technical assistance, policy-oriented 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 UN 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, and also helps countries tackle cross-cutting issues, such as income and gender inequality, corruption, climate change, and digital money. The IMF is uniquely positioned to support its membership in these areas, with its global reach, institutional experience, and world-class expertise. All IMF members benefit from CD, but support for fragile and conflict-affected countries is prioritized.

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 capacities. The IMF works with countries through a global network of 17 regional centers, in-country placements of long-term resident advisors, short-term visits by IMF staff members and experts (in person and remotely), classroom training, and free online courses. In addition, a variety of publications provide technical information and cross-country analysis useful to country authorities.

In response to the COVID-19 pandemic, IMF CD swiftly adopted innovative remote delivery modalities providing real-time support to about 180 countries. These included working with tax administrations and budget offices to help restore operations and helping

countries on issues such as debt sustainability, public investment management, cash management, financial supervision, and the development of strong macroeconomic frameworks. A series of about 110 technical notes on crisis-related policy issues has been published for the membership’s benefit. A new fiscal risk toolkit has been released on a dedicated portal, providing a suite of analytical tools to guide government policy and CD on fiscal risk

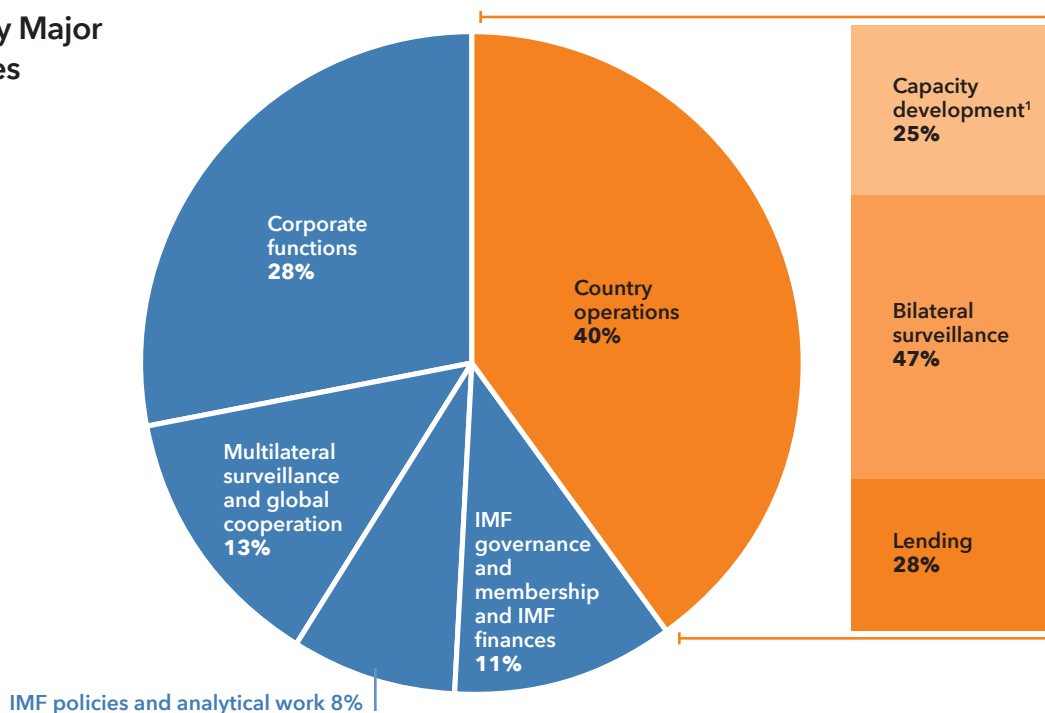


Brazil

management. As part of the move to a hybrid model for CD delivery, in-person delivery gradually resumed in the final months of FY 2022.

The IMF has also supported countries in strengthening the collection and publication of economic data to improve economic decision making and boost transparency. As countries ramped up emergency spending in response to the COVID-19 pandemic, the IMF supported them in strengthening their governance frameworks so

Figure 1.1  
**Spending by Major  
 IMF Activities**  
 FY 2022



Source: IMF staff estimates.

Note: Excludes minor miscellaneous items and travel.

<sup>1</sup>Direct delivery only. Excludes capacity development activities related to policy, analytics, and other output areas.

money could quickly get to those who need it the most. The IMF is also helping them think through new challenges such as finding digital solutions for direct cash transfers, protecting health expenditures and other social spending, and preparing for the challenges posed by climate change.

During the pandemic the IMF significantly increased its number of free online courses, which saw a sharp increase in participation, with more than 140,000 cumulative active learners since program inception, compared with about 60,000 as recently as the end of 2019.

IMF development partners support about half of the Fund’s CD work. They have helped fund the IMF’s COVID-19 CD Initiative, with about \$40 million raised so far. Together, the IMF and its partners are striving to help our members build forward better and work toward a greener, smarter, and more equitable future.

On May 1, 2022, the IMF launched its revised policy on the dissemination of CD information. The policy builds on existing dissemination progress and represents an important step in the IMF’s commitment to transparency. The policy was informed by discussions with the Executive Board and drew from the Updated Framework on the Dissemination of Capacity Development Information. It prioritizes sharing CD information more widely to support coordination and synergies among CD providers and financing partners, contribute to knowledge as a global public good, facilitate accountability to funding partners and the membership, and empower ownership within CD recipient countries. Protection of CD recipient confidentiality and preservation of the IMF’s role as a trusted advisor to its membership remain core to the policy.



## THE IMF’S ONLINE LEARNING PROGRAM:

The IMF’s online learning program has played an important role in serving the needs of its membership during the COVID-19 crisis.

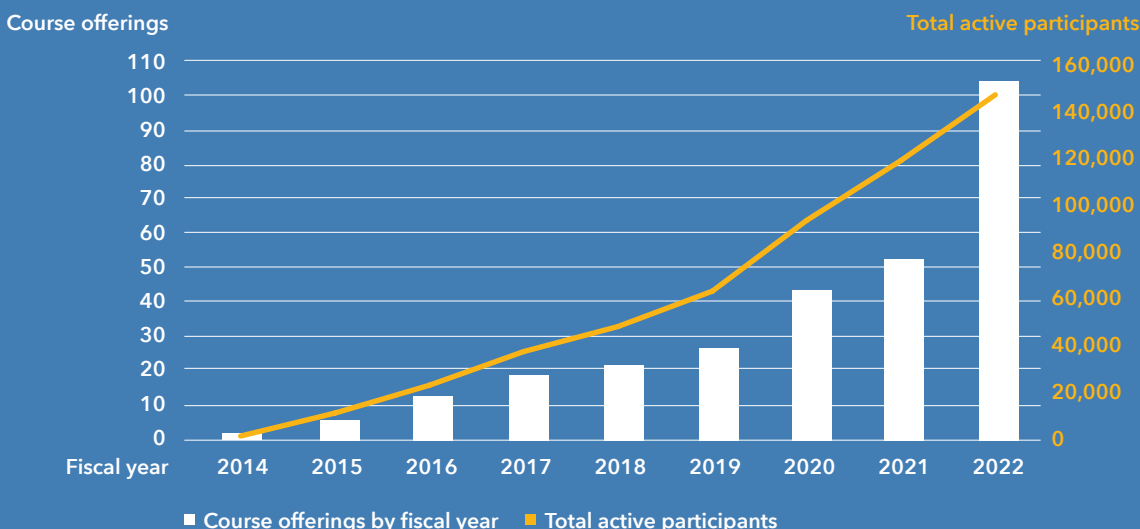
Over the past year, participation in the program has continued to grow, bringing the overall number of cumulative active global learners to more than 140,000. The IMF Institute Learning Channel offers microlearning videos in various areas of IMF expertise and has more than doubled its audience since its launch in April 2020, to about 10,000 subscribers and more than 750,000 individual views.

With more than 50 online courses available on the edX open online learning platform, the curriculum continues to be enriched in key areas of global interest. New series of modular courses have been rolled out on the topics of debt sustainability and debt management, tax administration (“Virtual Training to Advance Revenue Administration,” or VITARA), and inclusive growth. New courses on the macroeconomics

of climate change (“Macroeconomics of Climate Change–Science, Economics, and Policies,” or MCCx-SEP), macroeconomic statistics (NASx, CPlx), revenue forecasting (“Revenue Forecasting and Analysis,” or RFAx), and cyber risk supervision (CRSx) are now available, together with 21 translations of online courses.

As the program continues to adapt to the needs of the membership, several blended courses have been launched, combining asynchronous online learning with interactive virtual sessions fully tailored to the needs of learners and recipients of technical assistance. Blended approaches have the merit not only of making the IMF’s capacity development more efficient, but also of increasing its impact. There is a strong emerging view that blended learning is paving the way for the new model of capacity development delivery.

### Online Learning Course Participation over Time



*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.*

Source: IMF, Institute for Capacity Development.



# Capacity development in numbers


As of April 30, 2022

 **\$242<sub>M</sub>**

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

 **532**

courses delivered

 **2,522**

technical assistance visits  
involving 1,331 experts

 **7**

training languages offered

 **5**

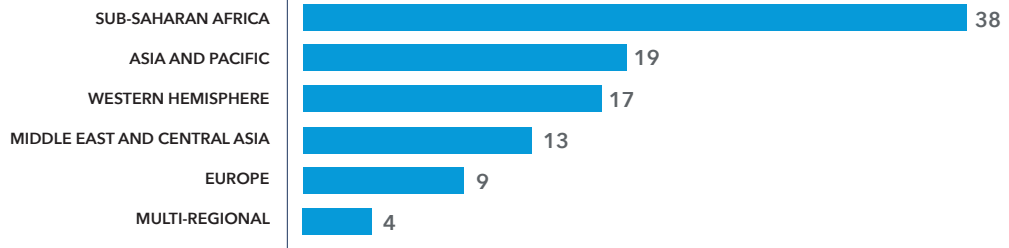
fragile states among the top  
10 recipients of technical  
assistance

 **23,109**

officials trained

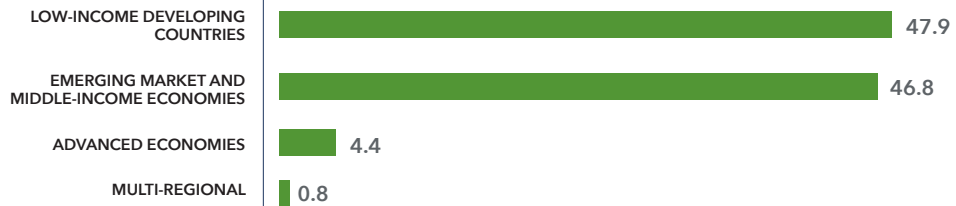
Nigeria

Figure 1.2  
DIRECT CD  
DELIVERY BY  
**REGION**  
FY 2022  
(percentage share  
of total)



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

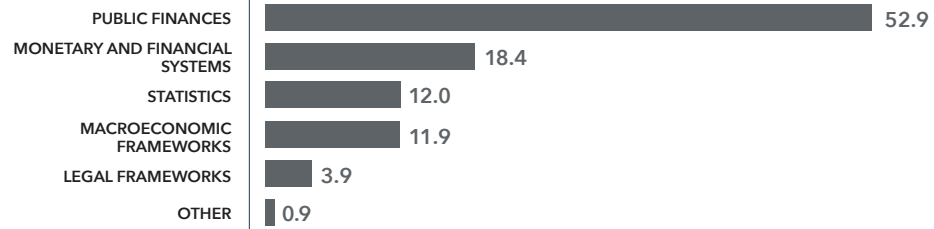
Figure 1.3  
DIRECT CD  
DELIVERY BY  
**INCOME GROUP**  
FY 2022  
(percentage share  
of total)



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

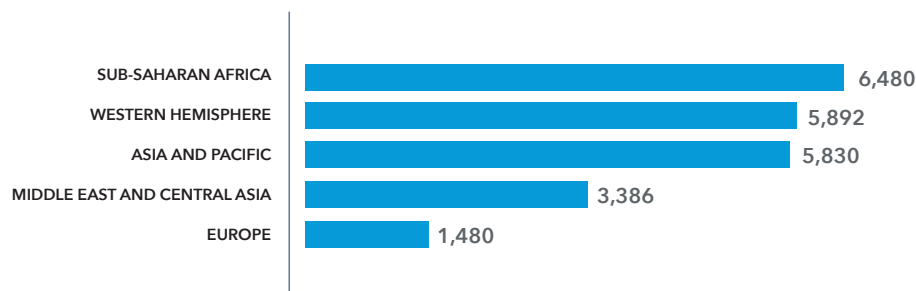
Note: Advanced economies are as classified in the April 2022 *World Economic Outlook*. Low-income developing countries are as defined by the IMF. Emerging market and middle-income economies comprise those not classified as advanced economies or low-income developing countries.

Figure 1.4  
DIRECT CD  
DELIVERY BY  
**TOPIC**  
FY 2022  
(percentage share  
of total)



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

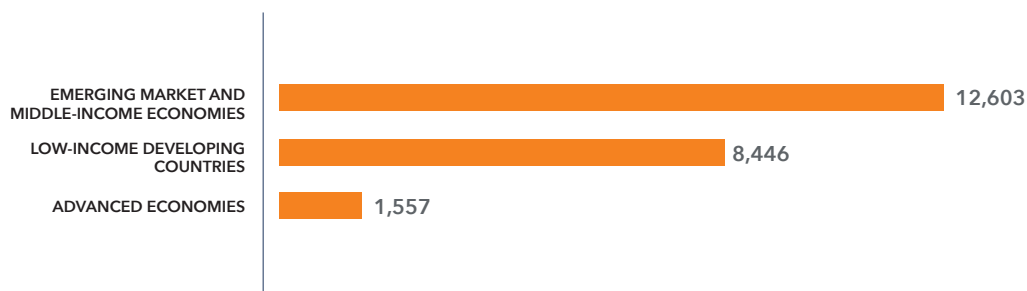
Figure 1.5  
**TRAINING**  
 Participation  
 by Participant  
 Region of Origin  
 FY 2022  
 (number of participants)



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 1.6  
**TRAINING**  
 Participation  
 by Income Group  
 FY 2022  
 (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 1.3.

### Top 10 Partners for IMF Capacity Development

(signed agreements in US dollars, average, FY 2020-22)

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

### Top 10 Recipients of IMF Technical Assistance

(FY 2022, US dollars spending)

1. Cambodia
2. Uzbekistan
3. Sierra Leone
4. Liberia
5. The Gambia
6. Democratic Republic of the Congo
7. Madagascar
8. Angola
9. China
10. Mozambique

Sources: IMF, Capacity Development Management and Administration Program; IMF, Participant and Applicant Tracking System; and IMF staff calculations.

### Top 10 Recipients by Training Participation

(FY 2022, participant weeks)

1. India
2. Kenya
3. China
4. Indonesia
5. Cambodia
6. Bangladesh
7. Nigeria
8. Uganda
9. St. Lucia
10. Madagascar

Sources: IMF, Capacity Development Management and Administration Program; IMF, Participant and Applicant Tracking System; and IMF staff calculations.

Table 1.1

## Thematic and Country Funds for IMF Capacity Development

As of April 30, 2022

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

Source: IMF, Institute for Capacity Development.

Table 1.2

**IMF Regional Capacity Development Centers**

As of April 30, 2022

<b>Name</b>	<b>Partners</b>	<b>Member Countries</b>
<b>Africa Training Institute (ATI)</b>	China, Germany, Mauritius (host), European Investment Bank	45 countries in sub-Saharan Africa are eligible for training
<b>AFRITAC Central (AFC)</b>	China, European Union, France, Gabon (host), Germany, The Netherlands, Switzerland, European Investment Bank	Burundi, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, São Tomé and Príncipe
<b>East AFRITAC (AFE)</b>	China, European Union, Germany, The Netherlands, Norway, Switzerland, Tanzania (host), United Kingdom	Eritrea, Ethiopia, Kenya, Malawi, Rwanda, South Sudan (since May 2020), Tanzania, Uganda
<b>AFRITAC South (AFS)</b>	Australia, China, European Union, Germany, Mauritius (host), The Netherlands, Switzerland, United Kingdom, European Investment Bank	Angola, Botswana, Comoros, Eswatini, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, Zimbabwe
<b>AFRITAC West (AFW)</b>	China, Côte d'Ivoire (host), European Union, France, Germany, Luxembourg, The Netherlands, Norway, Switzerland, European Investment Bank	Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Togo
<b>AFRITAC West 2 (AFW2)</b>	China, European Union, Germany, Ghana (host), Switzerland, United Kingdom, European Investment Bank	Cabo Verde, The Gambia, Ghana, Liberia, Nigeria, Sierra Leone
<b>IMF Capacity Development Office in Thailand (CDOT)</b>	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
<b>Caribbean Regional Technical Assistance Center (CARTAC)</b>	Barbados (host), Canada, European Union, Mexico, The Netherlands, United Kingdom, United States, Caribbean Development Bank, Eastern Caribbean Central Bank	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

Name	Partners	Member Countries
<b>Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC)</b>	China, Kazakhstan (host), Korea, Poland, Russia, Switzerland, Asian Development Bank	Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, Uzbekistan
<b>Central America, Panama, and the Dominican Republic Regional Technical Assistance Center (CAPTAC-DR)</b>	Colombia, European Union, Guatemala (host), Luxembourg, Mexico, Norway, Spain, Central American Bank for Economic Integration	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama
<b>China-IMF Capacity Development Center (CICDC)</b>	China (host)	China and a range of other countries are eligible for training
<b>Joint Vienna Institute (JVI)</b>	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
<b>Middle East Center for Economics and Finance (CEF)</b>	Kuwait (host)	Arab League member countries are eligible for training
<b>Middle East Regional Technical Assistance Center (METAC)</b>	European Union, France, Germany, Lebanon (host), The Netherlands, Switzerland	Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, West Bank and Gaza, Yemen
<b>Pacific Financial Technical Assistance Center (PFTAC)</b>	Australia, Canada, European Union, Fiji (host), Korea, New Zealand, United States, Asian Development Bank	Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, Vanuatu
<b>IMF-Singapore Regional Training Institute (STI)</b>	Australia, Japan, Singapore (host)	37 countries in the Asia and Pacific region are eligible for training
<b>South Asia Regional Training and Technical Assistance Center (SARTTAC)</b>	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

Zimbabwe



**We live in a more shock-prone world.** The development of vaccines and unprecedented monetary, fiscal, and financial support, including the IMF's historic general special drawing right (SDR) allocation of about \$650 billion, made a global recovery possible. But Russia's invasion of Ukraine upended it, severely setting back global economic prospects.

Economic risks have risen sharply as a result. Geopolitical and social tensions have escalated as poverty and inequality have increased. Inflation in many countries has risen sharply, fueled by a combination of surging energy, food, and commodity prices, labor shortages, and supply disruptions. Public and private debt has reached new highs. With more limited fiscal space, countries will face increasingly difficult policy trade-offs as they tackle rising inflation, heightened macro-financial risks, and slowing growth. Emerging market and developing economies with large foreign currency borrowing and external financing needs will also need to prepare for possible turbulence in financial markets as the monetary policy stance in advanced economies tightens.

Even as policymakers focus on cushioning the impact of the war in Ukraine and the pandemic, the world is also facing sweeping forces of longer-term change, including those from the effects of climate change and the digital revolution. The impacts of these forces will inevitably play out in the balance of payments of individual countries, making structural reforms and improvements to policy frameworks all the more important for building resilience and achieving long-term, inclusive growth.

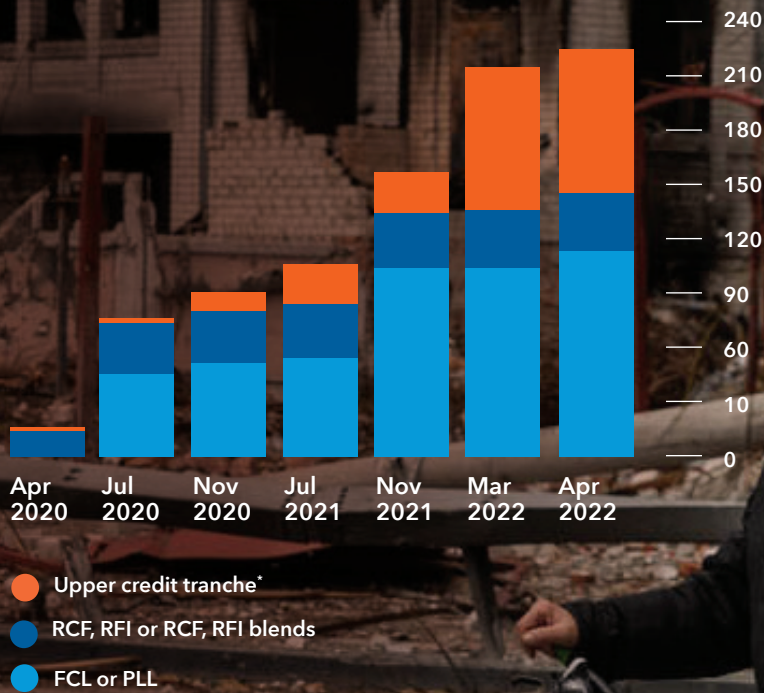
Today's economic challenges—from the pandemic and spillovers of war to climate change and digitalization—reveal economic and geopolitical fault lines in the global economic and financial system. With many countries likely to need financial assistance, it has become ever more critical to maintain a reliable global financial safety net with the IMF at its center. To better support its members during these difficult times, the IMF is revisiting its policy advice, lending activities, and capacity building, including through the establishment of the Resilience and Sustainability Trust in April 2022.

Figure 1.7

# IMF Financial Support

(cumulative, billions of US dollars)

IMF lending has provided countries much-needed liquidity support.



Sources: IMF, Finance Department; and IMF, Strategy, Policy and Review Department.

Note: As of April 30, 2022. FCL = Flexible Credit Line; PLL = Precautionary and Liquidity Line; RCF = Rapid Credit Facility; RFI = Rapid Financing Instrument.

\* Indicates both new programs and augmentation of existing programs.

Ukraine

# COVID-19 AND THE WAR IN UKRAINE

**The war in Ukraine has dealt a major blow to the global economy.**

**T**he economic fallout from Russia's invasion of Ukraine is another massive setback to the global economy. The toll on Ukraine is immense, but the impact stretches far beyond Ukraine's borders.

The severity of disruptions in commodity markets and to supply chains will weigh heavily on macro-financial stability and growth, adding to an already-complicated policy environment for countries still recovering from the COVID-19 pandemic.

Inflation, which had already been rising in many countries as a result of supply-demand imbalances and policy support during the pandemic, is likely to remain higher for longer. Financial conditions have also tightened significantly, putting pressure on a wide range of emerging market and developing economies—through higher borrowing costs and the risk of capital outflows.

The war in Ukraine may contribute to the dangerous divergence between advanced and emerging market and developing economies. More broadly, it risks fragmenting the global economy into geopolitical blocs with distinct technology standards, cross-border payment systems, and reserve currencies. Such a tectonic shift represents the most serious challenge to the rules-based system that has governed international and economic relations for the last 75 years, jeopardizing the gains made over the past several decades.

## STEPPING UP

In response, the IMF has provided vital financing, real-time advice, capacity development, and support to its members.

\$1.4 billion in emergency financing to Ukraine was approved in FY 2022, and—at the request of several IMF member countries—a special account was established that will provide donors with a secure vehicle for directing further financial assistance to Ukraine. Support for Ukraine's heavily affected neighbors and member countries experiencing fragility or conflict is also underway.

IMF lending and a historic \$650 billion allocation of SDRs helped provide much-needed liquidity to countries worldwide, many of which have limited fiscal space after the pandemic. More than \$219 billion in loans to 92 countries has been approved since the onset of the pandemic. To facilitate access to emergency financing, increases to the cumulative access limits for the IMF's emergency financing instruments were extended through the end of June 2023.

As of April 2022, only

7%

of people in low-income  
developing countries  
had been fully vaccinated,  
compared with

73%

in advanced economies.

One hundred twenty-six Article IV consultations, six Financial System Stability Assessments, and nearly 2,900 virtual technical visits were conducted during FY 2022. About 60 percent of the IMF's technical assistance during the financial year was provided to fragile and conflict-affected states, low-income countries, and small states.

## GLOBAL PARTNERSHIPS

In June 2021, the IMF joined forces with the World Bank, World Health Organization, and World Trade Organization to accelerate access to COVID-19 vaccines, therapeutics, and diagnostics. Led by the heads of the institutions, a task force was created to mobilize support and funding for a \$50 billion proposal by the IMF staff to end the COVID pandemic. A global target was set to vaccinate at least 40 percent of the population in all countries by the end of 2021 and 70 percent by mid-2022.

To meet the target, the task force called on Group of Twenty (G20) countries to share more vaccine doses with low- and middle-income countries; provide financing, including grants and concessional financing; and remove all barriers to exports of inputs for finished vaccines, diagnostics, and therapeutics.

A global database ([www.Covid19GlobalTracker.org](http://www.Covid19GlobalTracker.org)) and country-by-country data dashboards were set up to track and monitor progress toward targets and improve transparency. Access to essential tools for fighting COVID-19, nevertheless, remains very

uneven. As of April 2022, only 7 percent of people in low-income developing countries had been fully vaccinated, compared with 73 percent in advanced economies. There are similar gaps in access to oxygen, treatments, and personal protective equipment.

Equipping developing economies to fight the pandemic and prepare for future health care needs is in everyone's interest: no one is safe until everyone is safe. An updated plan shows that a modest \$15 billion in grants in

2022 and \$10 billion annually thereafter could greatly strengthen global health systems.

More recently, the IMF, World Bank, UN World Food Program, and World Trade Organization have called for urgent, coordinated action on food security and have appealed to countries to avoid restricting food or fertilizer exports.

In collaboration with partners, the IMF continues to champion global cooperation and multilateralism.

## GOVERNANCE REFORM

Progress toward governance reform and a timely and successful conclusion of the 16th General Review of Quotas are crucial for ensuring a strong, quota-based, and adequately resourced IMF. The review is expected to build on the 2010 agreement, including efforts to protect quotas and voting shares of the IMF's poorest members. The current formula for determining quotas, which was approved in 2008 and has been used as a guide, will also be reviewed.

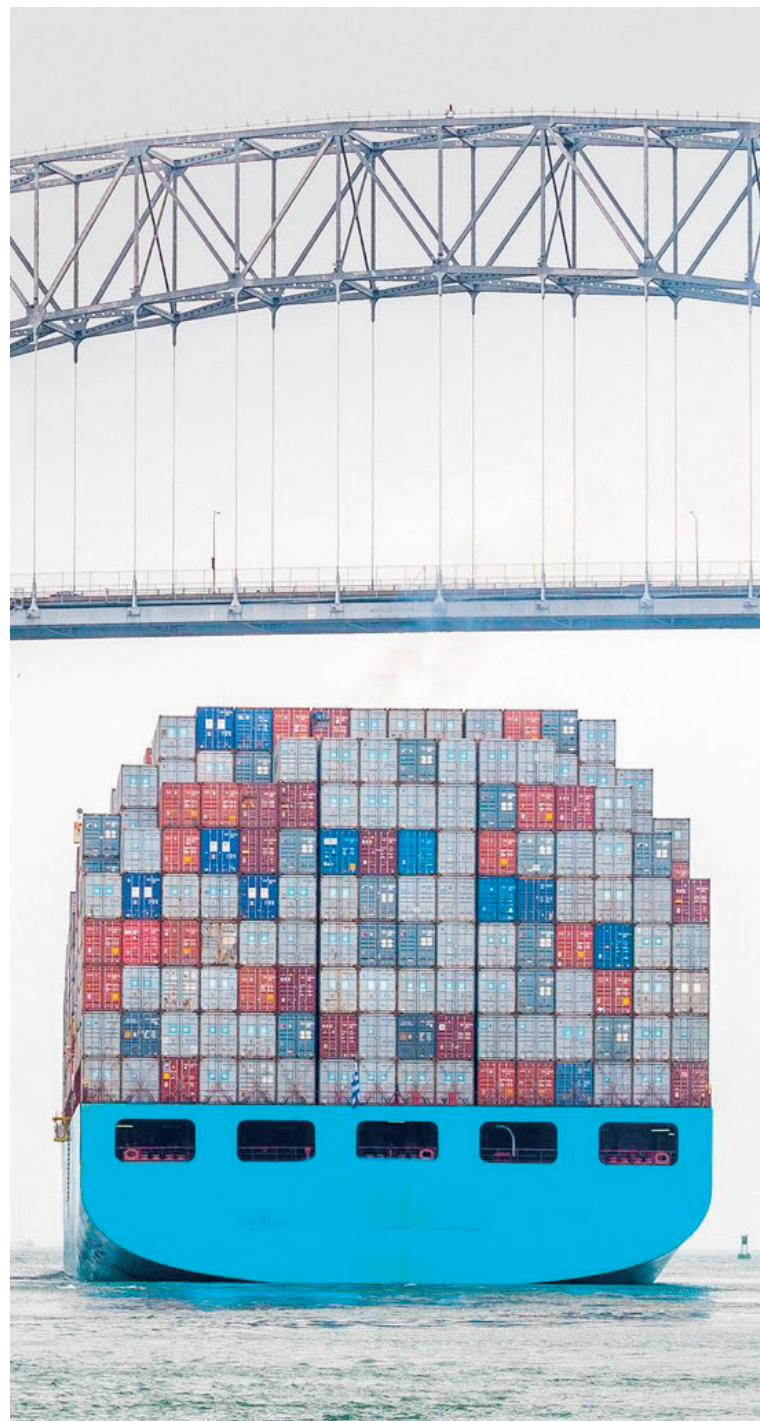
# A MORE EQUITABLE RECOVERY

**Low-income countries have less scope to respond. The IMF is stepping up to help countries most in need.**

**O**n August 2, 2021, the IMF's Board of Governors approved a general allocation of SDRs equivalent to \$650 billion—the largest in IMF history. The newly created SDRs were distributed to all 190 members in proportion to their IMF quota shares, providing a substantial liquidity boost to countries. About \$275 billion went to emerging market and developing economies, and low-income countries received about \$21 billion.

This allocation helped boost reserves and improve global market confidence, supported market access for emerging market and developing economies, and freed up resources for much-needed health and recovery efforts. Low-income countries are using up to 40 percent of their SDRs on essential spending.

Between when the SDR allocation was made effective and the end of April 2022, members converted about SDR 14.1 billion (equivalent to \$19 billion) into freely usable currency through voluntary



Panama

Figure 1.8

# Largest SDR Allocation in IMF History

New SDR allocation of \$650 billion, of which about \$275 billion went to emerging market and developing economies.



Sources: IMF, Finance Department; and IMF, Strategy, Policy and Review Department.

Kenya

trading arrangements. Of this figure, SDR sales by low-income countries accounted for about \$4.5 billion.

Options are also available for countries with strong external positions to voluntarily channel their SDR allocation to poorer and more vulnerable countries, through either the IMF's trust for concessional lending to low-income countries, the Poverty Reduction and Growth Trust (PRGT), or the newly established Resilience and Sustainability Trust (RST).

The RST will complement the IMF's existing lending toolkit by providing affordable longer-term financing under a Resilience and Sustainability Facility (RSF) arrangement to support countries as they tackle structural challenges that pose significant macroeconomic risks. These will initially include climate change and pandemic preparedness.

Compared with the General Resources Account (GRA) and the PRGT, the RST will provide significantly longer financing terms—with a 10½-year grace period and 20-year maturity—and a tiered interest rate structure providing the most concessionality to the poorest countries. About three-quarters of the IMF's membership (143 countries) are eligible for RST financing. This includes all low-income countries eligible to receive PRGT financing, vulnerable small states, and lower-middle-income countries.

Members have converted

**SDR**  
**14.1**  
**billion**

**(around \$19 billion)**  
**into freely usable currency**  
**through voluntary trading**  
**arrangements.**

## SUPPORT FOR VULNERABLE COUNTRIES

The overlapping global crises of war, pandemic, and inflation are hitting the poorest countries hardest. Low-income developing countries experienced significant declines in per capita income during the pandemic. Now they are facing a sudden surge in energy, fertilizer, and food prices exacerbated by the war in

Ukraine. This is contributing to an increase in poverty and inequality, widening the divergence between advanced and emerging market and developing economies. While aggregate output for advanced economies is expected to return to its pre-pandemic trend by 2025, employment and economic activity in emerging markets and low-income developing countries are unlikely to recover in the medium term. This suggests some permanent scarring.

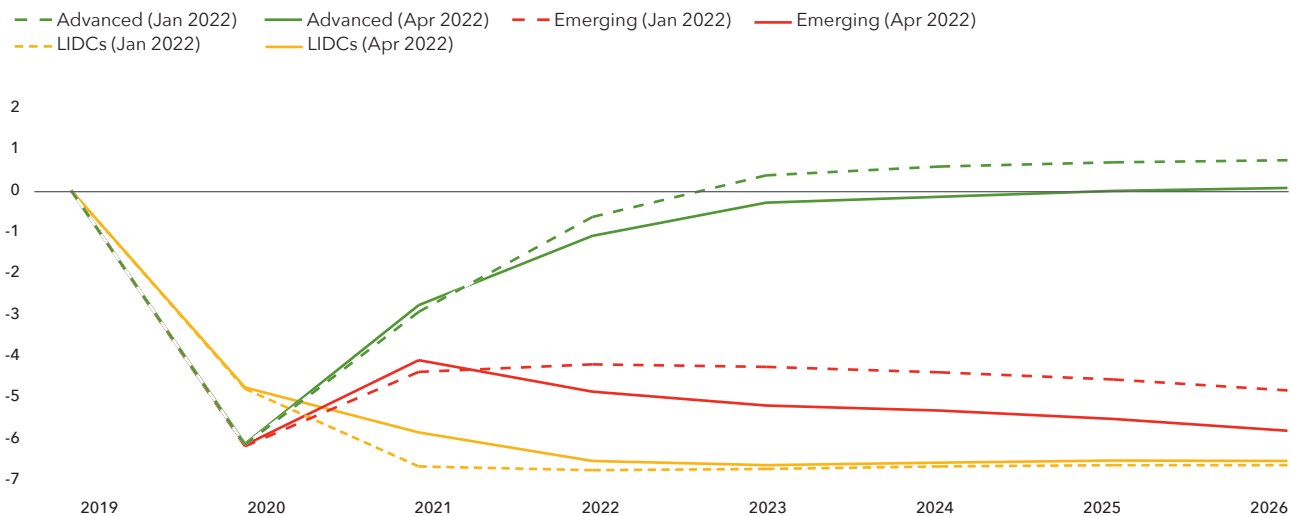
To better support low-income countries, reforms to the IMF's concessional lending facilities were introduced in July 2021. Limits on annual access to concessional financing increased by 45 percent, fully aligning them with those in the GRA, and hard caps on cumulative limits were eliminated altogether for the poorest countries, provided they meet the requirements for obtaining above-normal access. Cumulative limits for emergency financing instruments were also raised in December 2021. These reforms will make more concessional financing

Figure 1.9

### Persistent Scarring

(percent deviation from January 2020 *World Economic Outlook* forecasted level)

**Employment and economic activity in emerging markets and low-income developing countries is unlikely to recover in the medium term.**



Sources: IMF, *World Economic Outlook*; and IMF staff calculations. LIDCs = Low-Income Developing Countries.

available to countries with strong policies and large balance of payments needs.

The IMF’s Executive Board also approved an associated two-stage fundraising strategy to support the PRGT’s long-term sustainability, involving new contributions for subsidy and loan resources, facilitated by the channeling of SDRs. These reforms to the PRGT will ensure that the IMF has the capacity to respond flexibly to low-income countries’ needs over the medium term while continuing to provide concessional loans at zero interest rates.

Lending is expected to be provided through multiyear lending arrangements—a shift from 2020, when countries largely tapped the IMF’s emergency financing facilities.

A new framework to support fragile and conflict-affected states has been put in place, following approval in March 2022. The impact of the

COVID-19 crisis and of the spillovers from the war in Ukraine have put these countries at significant risk of falling even further behind the rest of the world, given their long-term structural challenges, such as weak institutional capacity, governance challenges, limited resources, and struggles with environmental degradation or active conflict. About one-fifth of IMF members are classified as fragile and conflict-affected states.

The new framework includes rolling out country engagement strategies across fragile and conflict-affected states to better tailor IMF engagement, inform program design and conditionality, and support a stronger dialogue with country authorities and partners; an expanded IMF field presence to further support capacity development; and enhanced partnerships with other international financial institutions and donors, including the World Bank.





## How the SDR Allocation Has Helped Member Countries

The IMF has published a tracker on member countries' use of special drawing right (SDR) allocations, drawing from staff reports published after the implementation of the general allocation. The tracker's goal is to promote transparency and accountability about how countries are putting these resources to use.

Some countries have used or plan to use their allocations to support health and vaccine-related spending, to finance their overall budget deficits, or to retire expensive debt.

Here are some examples of how countries are putting their allocations to use:



**Ecuador:** The allocation went directly to the 2021 government budget and was used to cover financing shortfalls. A new budget code is being used to monitor how the SDR proceeds are spent.



**Guinea-Bissau:** The allocation helped close the country's external financing gap and was used to service external non-concessional debt.



**Moldova:** Given the country's large financing needs, the authorities used the allocation for budgetary financing. Special legislation was drafted and approved by Parliament to ensure consistency with the government's legal framework.



**Senegal:** The authorities spent about half of the SDR allocation on the health sector, domestic vaccine production, and cash transfers and to pay down unmet debt obligations. The other half is expected to be used to cover financing needs and financial transactions.

A high-angle, long-exposure photograph of a bustling outdoor market in Uganda. The scene is filled with people, many of whom are blurred due to motion, creating a sense of constant activity. Stalls and tables are set up throughout the market, displaying a variety of goods, including clothing, fabrics, and household items. In the background, there are signs for businesses like 'ELECTRIC REPAIR' and 'Kikubo Lane'. The overall atmosphere is one of a vibrant, busy community hub.

Public debt now  
represents close to

**40%**

of the global total—  
the most in almost  
six decades.

Uganda

# DEBT DYNAMICS

**Debt vulnerabilities are rising, with potential costs and risks to debtors, creditors, and, more broadly, global stability and prosperity.**

**T**he war in Ukraine is adding to the strain on public finances even as countries are still reeling from the pandemic. Extraordinary policy support during the pandemic stabilized financial markets and gradually eased liquidity and credit conditions around the world, contributing to the recovery. But deficits increased and debt accumulated much faster than during previous

recessions, including the global financial crisis.

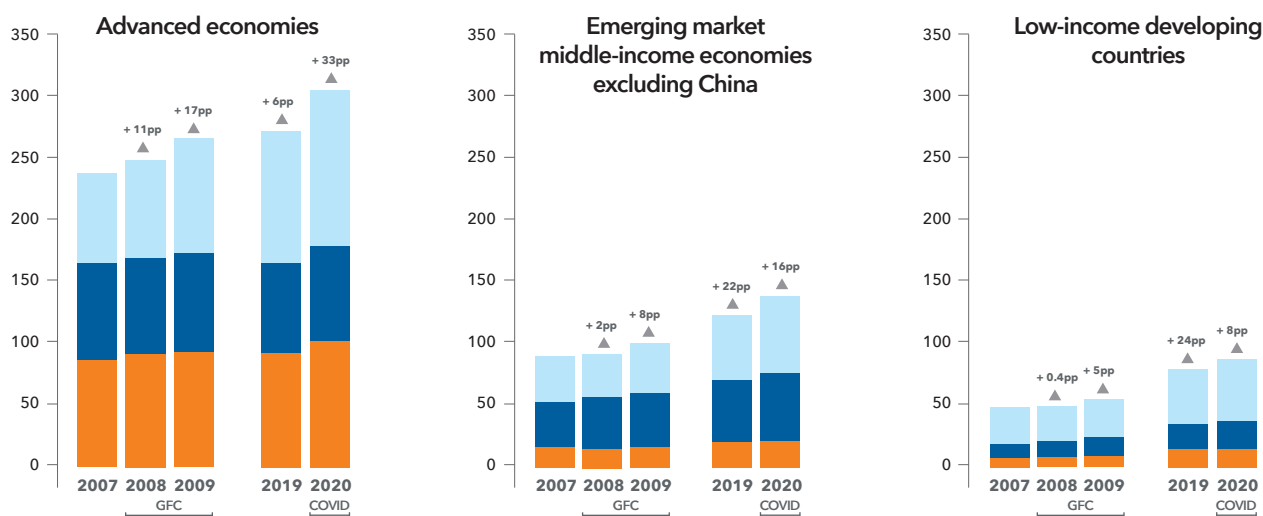
According to the IMF’s Global Debt Database (Figure 1.10), overall borrowing jumped by 28 percentage points to 256 percent of GDP in 2020. Government borrowing accounted for about half of this increase, with the remainder from nonfinancial corporations and households. Public debt now represents close to 40 percent of the global total—the most in almost six decades.

Figure 1.10  
**Record Debt**

(percent of GDP)

● Nonfinancial corporations ● Household debt ● Public debt

**Global debt is rising rapidly. Debt restructurings are likely to become more frequent.**



Sources: IMF, Global Debt Database; IMF, *World Economic Outlook*; and IMF staff calculations.

Note: Public debt refers to the largest category of debt available (nonfinancial public sector, general government, and central government, in decreasing order). Private debt includes only loans and securities. All income and regional groups follow the *World Economic Outlook's* methodology. Total debt (as a percentage of GDP) is close but not exactly equal to the sum of the components of public and private debt. This is because of the difference in country coverage for the corresponding variables, which causes the corresponding country weights to differ. Here, household debt is used as the residual. Total debt for the world in 2020 is estimated at 256 percent; advanced economies at 300 percent; the United States at 298 percent and advanced economies excluding the United States at 301 percent; emerging market economies excluding China at 137 percent and low-income developing countries at 87 percent of GDP.

GFC = Global Financial Crisis; pp = percentage points.

## The IMF provided debt relief totaling

# SDR 690 million

(about \$927 million)  
to its poorest members.

Governments are now struggling with rising import prices and debt bills in a highly uncertain environment of elevated inflation and a slowdown in growth. As monetary policy tightens to curb inflation, sovereign borrowing costs will rise, narrowing the scope for government spending and increasing debt vulnerabilities, especially in emerging market and developing economies. To complicate matters, the extent of liabilities and their terms are not fully known in many cases.

To address the problem of unsustainable debt, the G20 and the Paris Club reached an agreement in November 2020 on a Common Framework for Debt Treatments beyond the earlier Debt Service Suspension Initiative (DSSI), which aims to deal with insolvency and protracted liquidity problems in eligible countries by providing debt relief consistent with the debtor's spending needs and capacity to pay.

The Common Framework is off to a slow start: not a single country has achieved restructuring to date. The nature of the delays is varied and traces both to creditors and debtors, but urgent action is needed by all relevant stakeholders to ensure that the framework delivers. This includes clarifying steps and timelines on the framework process, early engagement with all stakeholders, more clarity on how comparability of treatment of private sector creditors will be implemented, and expansion of the framework to other non-DSSI-eligible heavily indebted countries.

A standstill on debt service payments during negotiation under the framework would provide relief to debtors under stress and provide incentives for faster agreement. Jointly with the World Bank, the IMF will continue to support implementation of the framework.

More broadly, governments must adopt medium-term policy frameworks that balance short-

term needs and investments with medium-term fiscal sustainability. Reforms to improve debt transparency and strengthen debt management policies and frameworks are essential to reduce risks. To support low-income countries and emerging market and developing economies in this effort, the IMF and World Bank have, since 2018, been addressing rising debt vulnerabilities through a multipronged approach. Work launched under the multipronged umbrella to enhance debt transparency continues, including by strengthening debt management capacity, applying accurate debt analysis tools, and improving policies. The IMF continues to work with partners to strengthen the debt resolution architecture.

For low-income countries, reforms to the IMF's debt limits policy, which went into effect in June 2021, give those countries more flexibility to manage their debt while incorporating safeguards to preserve or restore debt sustainability. The debt limits policy is an important tool for addressing debt vulnerabilities and a useful reference framework for lending decisions by other creditors.

## DEBT RELIEF

Debt relief by official creditors was made available through the G20 DSSI, which the IMF, together with the World Bank, helped support. The initiative took effect in May 2020 and delivered \$12.9 billion in debt relief to 48 countries before it expired in December 2021.

In parallel, the IMF provided debt service relief on its own lending under its Catastrophe Containment and Relief Trust (CCRT) to its poorest members. The IMF Executive Board approved the fifth and final tranche of this relief in December 2021, and the relief effort expired in April 2022, bringing total debt relief close to SDR 690 million (about \$927 million). Eighteen IMF members and the European Union helped finance this support, with grant pledges of about SDR 609 million (\$819 million).

With the end of debt relief, and interest rates set to increase, borrowing costs could rise significantly, placing pressure on national budgets and making

it increasingly difficult for low-income countries to service their debt. About 60 percent of low-income developing countries are already at high risk of or in debt distress. The economic shocks from the war in Ukraine only add to their challenges. Continued support from the international community will be critical for these countries.

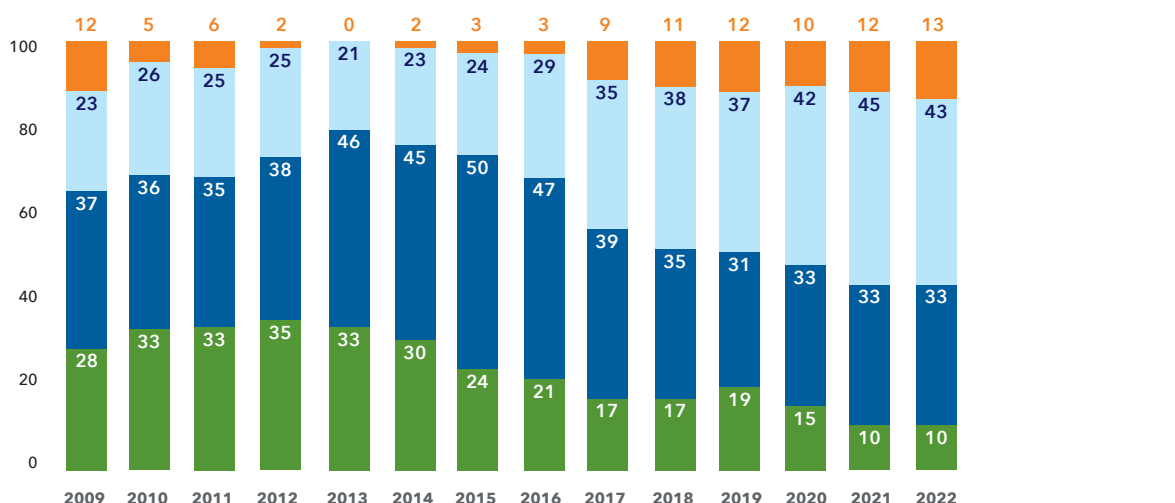
Sudan, meanwhile, has taken the necessary steps to begin receiving debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. It is the 38th country to reach this milestone, known as the HIPC decision point. Once it reaches the HIPC completion point, Sudan’s external public debt will be reduced by more than \$50 billion in net present value terms, representing more than 90 percent of its total external debt. The normalization of Sudan’s relations with the international community has enabled it to obtain access to additional financial resources, setting the country on a path to achieve more inclusive growth.

Figure 1.11

## Rising Debt Risks in Low-Income Countries

(percent of DSSI countries with LIC DSAs)

The proportion of countries in debt distress, or at high risk of debt distress, has doubled to 60 percent from 2015 levels.



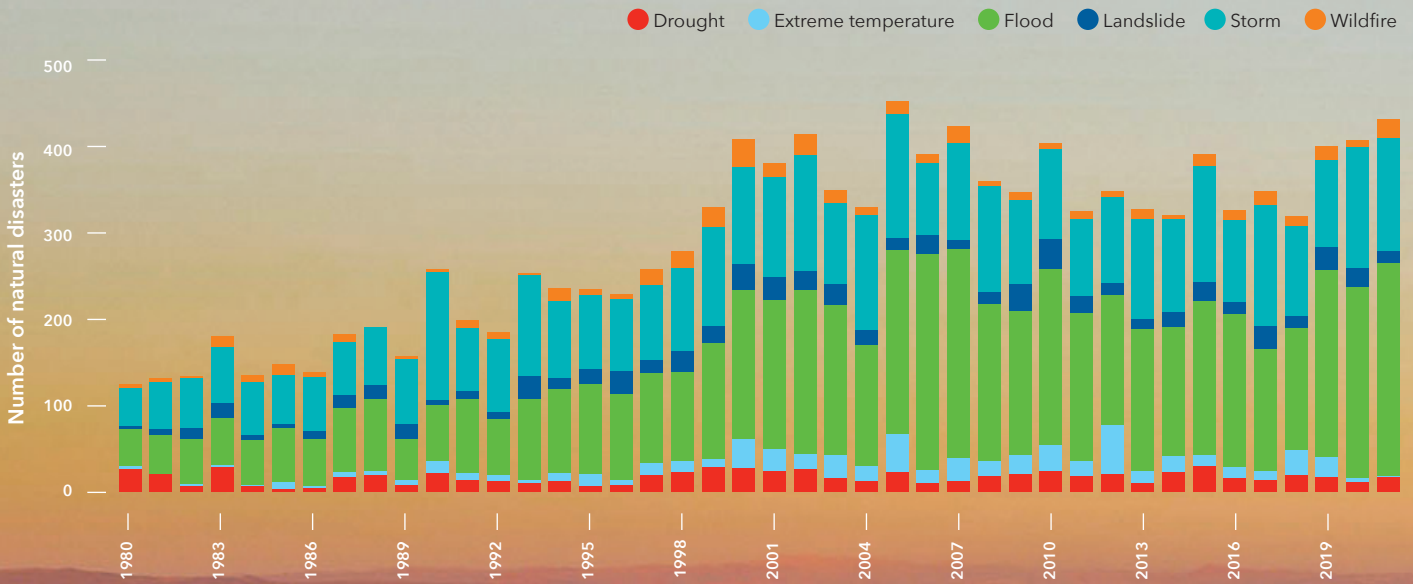
Source: LIC DSA database.

Note: As of March 31, 2022. DSSI = Debt service suspension initiative; LIC = Low-income countries; DSAs = Debt sustainability analyses.

Figure 1.12

# Frequency of Natural Disasters

Climate change has caused a surge in natural disasters.



Source: EM-DAT, CRED / UCLouvain, Brussels, Belgium.

# CLIMATE CHANGE, DIGITALIZATION, AND INCLUSION

**Major structural transformations are underway. Policymakers should seize the opportunities.**

**E**ven as countries battle crises on multiple fronts, it is crucial not to overlook the longer-term challenge of improving their resilience to shocks and achieving sustainable and inclusive growth. If these long-term challenges are not addressed in a timely manner, there can be significant economic consequences, with the potential for future balance of payments problems.

## TACKLING CLIMATE CHANGE

Climate change imposes large economic and social costs, in part by contributing to a higher frequency and intensity of natural disasters, affecting macroeconomic and financial stability. For the IMF to live up to its mandate, it needs to assist its members in managing these challenges by rapidly scaling up and more systematically covering climate-related issues through its lending as well as its analytical, surveillance, and capacity development work.

The Executive Board approved a strategy to help members address climate-change-related policy challenges in July 2021. As part of the IMF's surveillance, mitigation and adaptation policies and strategies for managing the transition to a low-carbon economy—especially for countries heavily dependent on fossil fuel production—are now regularly covered during Article IV consultations. In the past year, climate issues featured in about 30 country assessments, including those for Barbados, Canada, China, Fiji,



**In FY 2022, climate featured in assessments of about 30 countries, including Barbados, Canada, China, Fiji, Germany, Malawi, Mexico, the United Kingdom, and the United States.**

Germany, Malawi, Mexico, the United Kingdom, and the United States.

In an effort to integrate in-depth climate-related risk assessments into the Fund's work, the IMF's Financial Sector Assessment Program (FSAP) now incorporates climate risk analysis, including stress testing where relevant. Climate risk analysis has been completed in regard to Colombia, Norway, the Philippines, South Africa, and the United Kingdom. Assessment of supervisory frameworks will also start evaluating climate risks.

Work is also underway to scale up climate-related capacity development. For example, to help governments improve the effectiveness of public investment in low-carbon and climate-resilient infrastructure, a new climate module has been added to the current Public Investment Management Assessment (PIMA) framework. The "Climate-PIMA" has been tested in more than 15 countries. A new IMF climate diagnostic tool, the Climate Macroeconomic Assessment Program, has been developed and piloted in two countries. The tool is intended to assess the macro-fiscal risks of climate shocks and stresses, the preparedness of climate-vulnerable countries, and the implications of mitigation and adaptation policies. A "green public financial management" framework was released in August 2021 and showcased in several regional trainings, helping governments integrate

climate into public financial management practices.

To improve data and disclosure to more effectively price and manage climate risks, in 2021 the IMF launched the Climate Change Indicators Dashboard, which has since been further updated. The

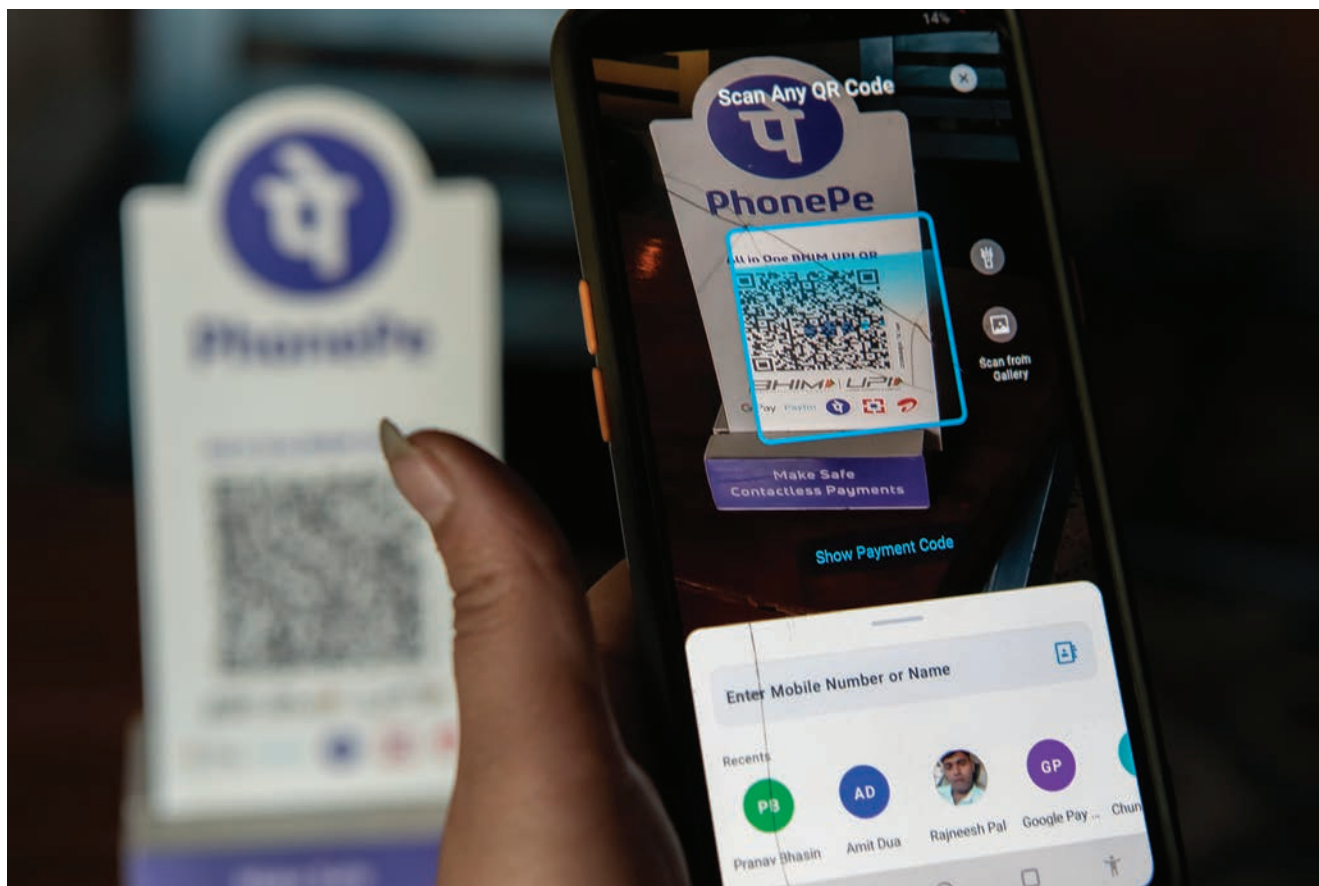
dashboard builds on collaboration with other international organizations and includes a range of distinctive indicators that demonstrate the impact of economic activity on climate change, making it a one-stop shop for relevant climate-change-related macroeconomic data. These indicators have been grouped into five categories: Economic Activity, Cross-Border, Financial and Risk, Government Policy, and Climate Change Data.

IMF staff members also cohost the Secretariat of the Coalition of Finance Ministers for Climate Action, as well as the Financial Stability Board's working group on climate risks, data, and vulnerabilities. The institution collaborates with international organizations such as the Bank for International Settlements; Network for Greening the Financial System, where IMF staff members cochair the "bridging the data gaps" workstream; Organisation for Economic Co-operation and Development; United Nations; and World Bank.

## **DIGITALIZATION**

Digital forms of money are diverse and evolving rapidly. The opportunities are immense, but the challenges to





## India

policy-makers are also stark, complex, and widespread. The most far-reaching implications are to the stability of the international monetary system. Digital money must be designed and regulated so that member countries reap the potential benefits, including greater financial inclusion and more efficient payments across borders. Achieving these goals requires managing risks related to capital flow volatility and loss of control over monetary policy. International cooperation will be key to mitigating cross-border spillovers.

The IMF has a mandate to help ensure that widespread adoption of new forms of digital money fosters domestic economic and financial stability, as well as the stability of the international monetary system, and is engaging regularly with authorities to evaluate country-specific policies, identify policy options and trade-offs, and provide capacity development.

To do so, the IMF is deepening its expertise and collaborating closely with the Bank for International

**The Fund continues to deliver hands-on capacity development, particularly on gender budgeting, and has started a new collaboration with the Gates Foundation to strengthen analysis and advice on gender policies and institutions.**

Settlements, Financial Stability Board, World Bank, and other international working groups and standard-setting bodies.

As part of the IMF's surveillance, the broad domestic effects of digital money adoption are also being covered in an increasing number of countries. For example, the recent Article IV consultation on The Bahamas included an analysis of the introduction of the "Sand Dollar" (the digital version of the Bahamian dollar). Analysis of risks related to digital financial services will also be included in FSAP reports, as was done recently for Korea, Singapore, and Switzerland. Assessment tools are being upgraded to incorporate new sources of risks, as well as guidance and recommendations issued by international standard-setting bodies.

Digitalization and mobile money are also rapidly transforming fiscal operations and policies through GovTech, an area of increasing IMF support to members. During the pandemic, governments accelerated digital delivery of key government services. Revenue administrations are increasingly using e-tax filing and e-payment systems and digital technologies to improve compliance management, helping to reduce tax evasion and boost revenue mobilization. Digital technologies are also improving the efficiency and effectiveness

of public financial management systems and processes, including budget preparation and execution, cash and debt management, e-procurement, financial reporting and audits, and administration of social programs. In many countries, digitalization is also enabling improvements in governance and fiscal transparency, allowing citizens and other stakeholders to have easy access to information on government revenues and spending and reducing opportunities for corruption.

## **INCLUSIVE GROWTH AND GENDER**

Inequalities within and across countries widened during the pandemic. Spillovers from the war in Ukraine, including the threat of fragmentation, are likely to amplify these inequalities, potentially rolling back years of progress.

The pandemic has also deepened long-standing gender gaps, which has macro-critical implications. IMF research has consistently underscored the benefits of addressing extreme inequality, including greater productivity and financial stability.

The IMF finalized a strategy in July 2022 to better integrate work on gender in its analysis and advice. The Fund continues to deliver hands-on capacity development, particularly on gender budgeting, and has started a new collaboration with the Gates



### Côte d'Ivoire

Foundation to strengthen analysis and advice on gender policies and institutions. As part of the Platform for Collaboration on Tax—a joint initiative with the Organisation for Economic Co-operation and Development, United Nations, and World Bank—the IMF is also considering the role of taxation in achieving gender equality.

In addition to the analytical work underway on income and wealth inequality, the IMF continues to implement its strategy for engagement on social spending. The IMF's COVID-19 Crisis

Capacity Development Initiative is helping low-income countries and emerging market and developing economies address inequalities, including by improving tax policies and leveraging digitalization to create safety nets and accelerate cash transfers.

A study is also underway on epidemics, gender, and human capital, drawing lessons from previous health crises. The analysis will quantify the impact of health crises on school completion rates in low-income countries, particularly for girls.



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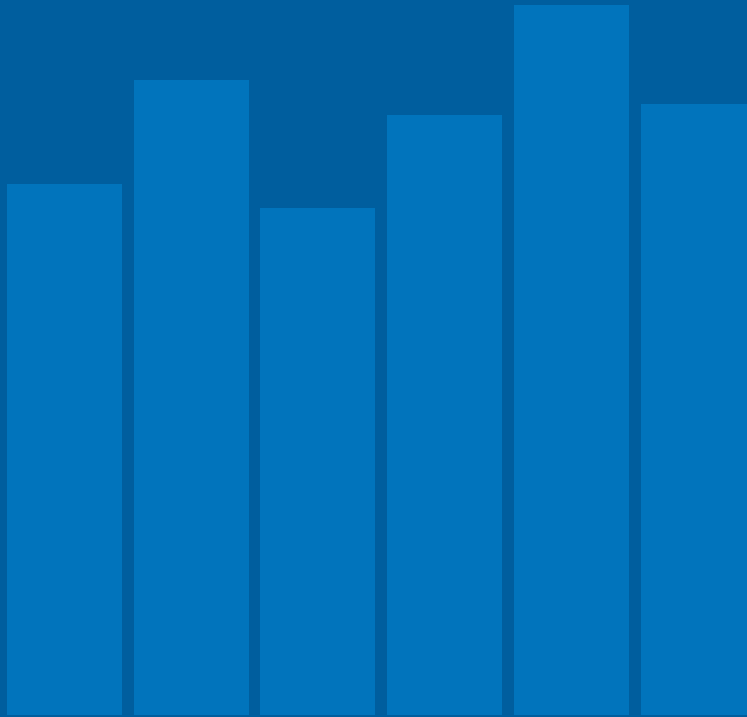
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**"WE LIVE IN A MORE SHOCK-PRONE WORLD, AND WE NEED THE STRENGTH OF THE COLLECTIVE TO DEAL WITH SHOCKS TO COME."**

**KRISTALINA GEORGIEVA , IMF MANAGING DIRECTOR**

