

2020 second regular session of the Executive Board

Virtual session

High-level event under the theme: **Breaking down institutional silos and ensuring more integrated programming, funding and implementation**

Ms K. Georgieva, Managing Director of the International Monetary Fund: It is my great honour to join you today. Thank you very much for inviting me. Heartfelt congratulations to the World Food Programme for a well-deserved recognition. I have seen first-hand the incredible dedication of staff of the World Food Programme and, in fact, one of my transformative moments in my own life came in a visit to the Sahel during one of the repetitive droughts that has been devastating lives of people.

Together with the people from the World Food Programme I vividly remember this trip. I came from my home country, from Bulgaria, with at that time a toddler granddaughter, a healthy baby girl, and then together with my colleagues from the World Food Programme we walked into a clinic for malnourished children.

We were in a room with over 40 boys and girls and what was so heart-breaking was how quiet this room was. The kids were so weak, not only they could not laugh, they could not even cry and this deafening silence in a room full of children made it so crystal-clear to me why a world free of hunger is a moral imperative, why the World Food Programme is so right to drum up this message that hunger is the world's greatest solvable problem.

But, unfortunately, as we are gathering today, it is not yet solved and, even worse, because of COVID-19, what we see is the danger of children, women, men, being pushed at the border and beyond their very existence. This danger is growing and I cannot thank you enough for bringing us together so we can work together towards achieving a transformative moment in our human history.

And that is at the heart of what this making today is about. We all as organizations, the World Food Programme, the IMF, the World Bank, we are all created with a common objective and this common objective is to improve the lives of people.

We ought to bring our comparative strength towards this objective and what I want to do, responding to your questions is, first, to identify what is the comparative advantage of the IMF working with other organizations in this extraordinary time when we are fighting the worst recession since the Great Depression and then, secondly, what does it mean specifically in actions in 2021 that is going to be a very tough year and how we can integrate in these actions a very pressing topic that is sustainability.

First, what is the contribution of the IMF? What we bring to this partnership of multilateral organizations are three parts of our mandate that are unique and they contribute to the bigger public good. One is where the organization sits to keep a hand on the pulse of the world economy, to analyse conditions in each and every country and trends in countries and globally, and then to provide advice on how best to use resources at the country level.

And we are doing this in countries, and I want to particularly stress how we are bringing the international community together in some of the most vulnerable countries. In the note that we have today there were specific examples, like Liberia and others. More than ever we have to deploy our skills for the benefit of prioritizing action.

Secondly, we are the world's first responder at the time of crisis, and we take that mission and this mandate to heart. In this crisis we have already deployed support for 81 countries; 47 of them are low-income countries. Never in our history we have done so much so fast and rightly so and I want to stress that we see a role for us to continue with programme support for countries that certainly are going to need it.

And, third, we have a particularly unique role as an organization to help prioritize spending and over the last years we have taken this particularly to heart when it comes down to social spending. And there the collaboration, including with the World Food Programme is most visible when we define social safety nets, when we define the priorities of the most vulnerable people



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and how they can be reached. It is organizations like the World Food Programme that make implementation of these priorities viable.

What does that all mean for us in 2021? First, we have a very pressing need, especially in low-income countries, to make sure there is fiscal space for countries to act, to buffer the risks coming from COVID-19, to recover from this crisis. And in terms of fiscal space, let us be very clear in this meeting. Advanced economies are in a much better place than low-income countries. Just to give you the numbers, in 2020 advanced economies on average deployed 20 percent of GDP in fiscal action and monetary support. Emerging markets somewhere between 6 percent and 8 percent. Low-income countries, 2 percent. In other words, advanced economies do whatever it takes, low-income countries do as much as they can, what they can afford to do.

And in that sense, that takes me to my next point, and it answers directly your question on that. Fiscal space can be generated also by recognizing that some of these countries are under tremendous debt distress. They came into the crisis in a difficult place and they are being hit hard by this crisis. Around nearly half of the low-income countries are in debt distress.

I want to recognize David Malpass. He will be the next speaker. David and I have called for debt service suspension. G20 embraced it. G20 also came up with a framework. And it is particularly important, as you asked in your question, for Africa because Africa is the continent that is in this crisis facing dramatic economic hits. This year, 2020, the African economies will grow -3 percent. In other words, they will shrink, the first time in decades this is happening. And that is bad. Even worse is that for 2021 we project global growth at 5.4 percent for the world, but only 3 percent for Africa.

Africa has to grow 6, 7, 8 percent, not 3 percent, and we cannot achieve that unless countries actually take a breathing space from debt service. For some of these countries, that service suspension, kicking the can down the road, may be sufficient, they can recover. But, for some, it is not going to be sufficient and David and I have been pressing the point of case-by-case debt restructuring. We will have to do it earlier rather than later if we want to have the positive impact necessary.

And of course, last but not least, we will have to continue to provide financial support on-scale compatible to the incredible shock COVID-19 is creating. I can just reiterate that as we do so it is crucially important to target this support to the most vulnerable countries as priority and within countries to the most vulnerable people. The Secretary-General spoke about the fate of women. We also know that the low-skilled are going to be affected, that the young generation is going to be affected dramatically. We have to make sure that we prioritize their needs accordingly.

Let me finish by saying that our success of working together would be judged by how effective we are in this time of crisis. But it will also be judged by how effective we are to build resilience to shocks to come. I was so pleased that the Secretary-General and my good friend David Beasley recognize the looming climate crisis and how critical it is that we take the simplest lesson from what has happened from COVID-19.

Simple, prevention is better than cure. We have to work together at every level, from communities to countries, to global level, to make sure that we invest in resilient people, people that are healthy, educated, with the skills for the economy of tomorrow, not the economy of yesterday. That we invest in a resilient planet, that we have our oceans and our land and our forests able to sustain the aspirations of people and actually sustain a healthy agricultural system that can feed the world's people and also retain resilient finance.

I would not be the IMF if I did not finish on that note that today we lean forward, we use resources. Low interest rates allow us to do more, but ultimately what we borrow will have to be paid back in the future. Therefore, we do need to think of financial sustainability on par with the actions we take up on people and on planet. Again, I want to recognize that the World Food Programme is doing us all a huge favour by pressing us to come together because only together we can deal with the challenges of today and those that are going to come in the future.

