



# 2020 SPECA Economic Forum

## Economic Policies and Financing Strategies to Support Socioeconomic Recovery

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# Outline

- Safeguarding macroeconomic policy space
- Mobilizing financing
- Making the recovery sustainable and inclusive
- Role of the IMF



# Rebuilding buffers, managing risks, and creating policy space to meet the SDGs

## Rebuilding buffers and reducing GFNs...

- Fiscal consolidation efforts, embedded in MT fiscal frameworks and fiscal rules
- Reducing GFNs, especially in oil importers which rely more on external financing sources

## Managing fiscal risks...

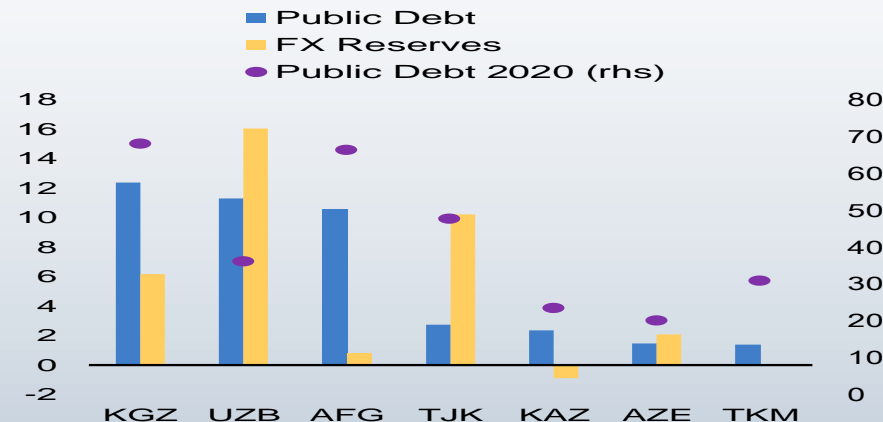
- Impact of SOEs and off-budget items assessed, managed and disclosed
- Apply suitable mitigation measures

## Creating fiscal space to meet the SDGs

- Done in a growth-friendly way
- Use both revenue and expenditure measures reflecting country specifics

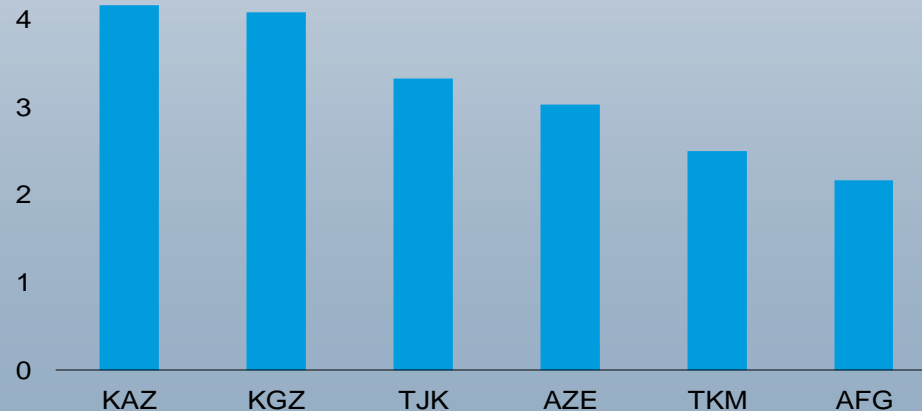
## Change in Public Debt and FX Reserves

(Percent of GDP, Revisions from October 2019 WEO)



## Cumulative Primary Balance Adjustment, 2021–24

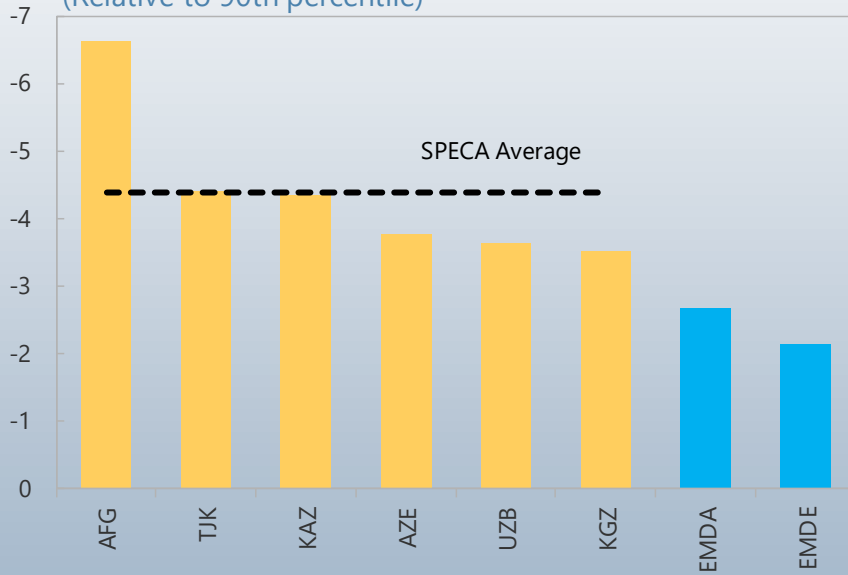
(In Percent of GDP)



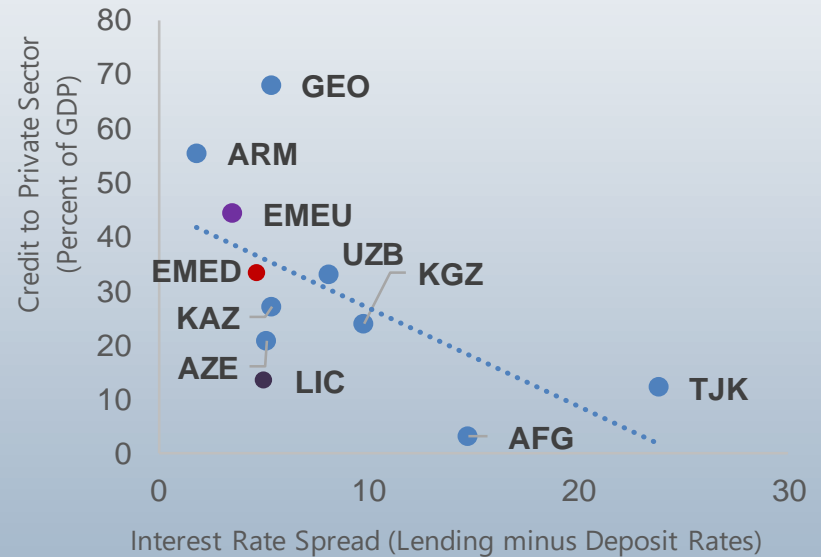


# Mobilizing private financing for the recovery

**SME Financial Inclusion Gaps**  
(Relative to 90th percentile)



**Private Sector Credit and Interest Rate Spreads**



Source: IMF, Financial Inclusion of SMEs in the Middle East and Central Asia, 2019.



## Supporting bank credit and SME financial inclusion requires a holistic reform approach

### STRENGTHENED INSTITUTIONS

- Competitive banking systems
- Sound financial supervision
- Credit information availability
- Strong legal frameworks to enforce collateral
- Expedite private debt restructuring

### REDUCED STATE FOOTPRINT

- Reduce private sector crowding-out
- Enhance financial oversight, risk management and efficient credit allocation
- Phase out public credit guarantees with recovery

### STRONGER BANKS' BALANCE SHEETS

- Encourage balance sheet repair
- Forward-looking analyses to identify drivers of balance sheet impairment
- Restructure non-viable, non-systemic banks
- Maintain minimum financial and supervisory standards



## With public and bank balance sheets strained, relying on alternative sources of financing is important

### Increase role of fintech...

- Help mitigate pandemic impact
- Support recovery through more available funding (P2P lending and crowdfunding) and innovative solutions for SMEs

### Deepen corporate and equity markets...

- For project financing and infrastructure investment
- Strengthen financial sector infrastructure and oversight

### Promote green finance...

- Given limited diversification and high dependence on natural resources
- To support new investments into "green" sectors





## Integration in international trade and financial networks brings multiple benefits, especially now

### Increase trade and financial integration...

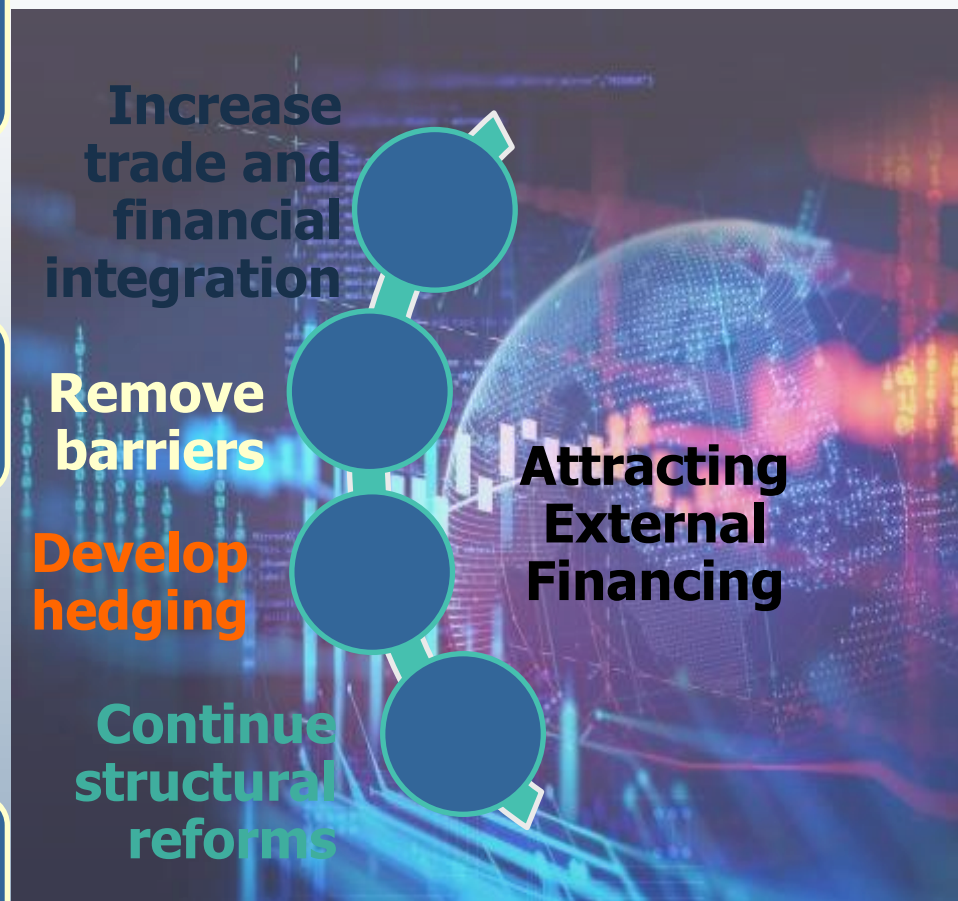
- Benefits of FDI: stable financing: upgrade skills and access technology
- Develop domestic capital markets

### Remove barriers and develop hedging instruments...

- Remove trading and FX restrictions; tariff and nontariff barriers
- Increase market size for SOEs
- Develop FX markets, and currency risk hedging instruments

### Continue structural reforms to move up the value chain

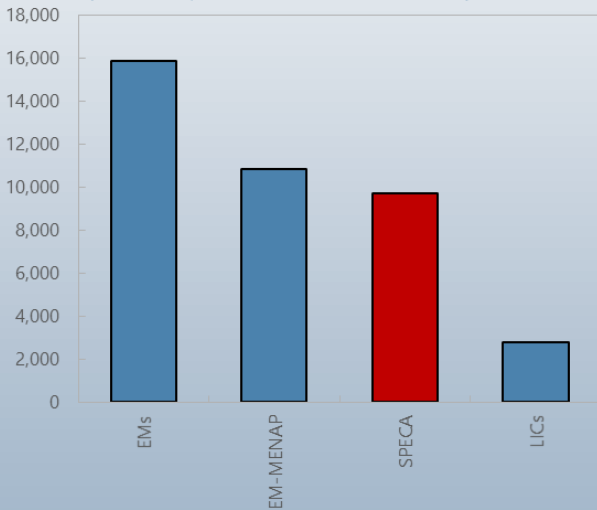
- Improve governance and institutions
- Increase human skills



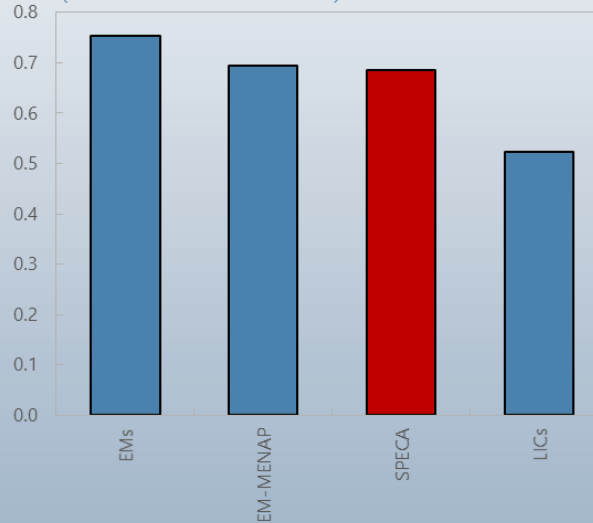


# SPECA countries lagged peers in infrastructure, private investment and human capital

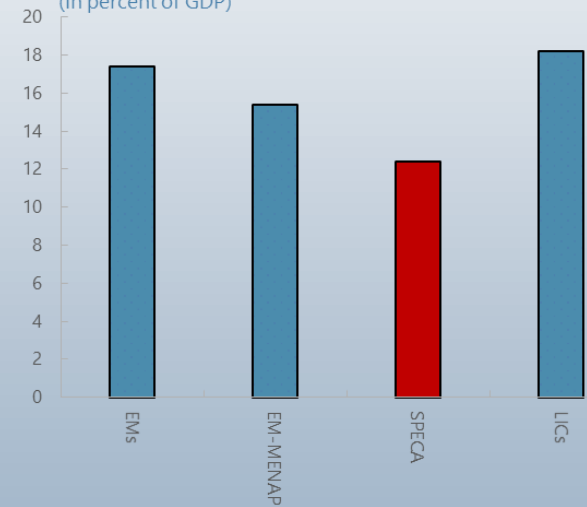
**GNI per Capita**  
(2011 PPP\$, 2017 or latest available value)



**Human Development Index**  
(2017 or latest available value)



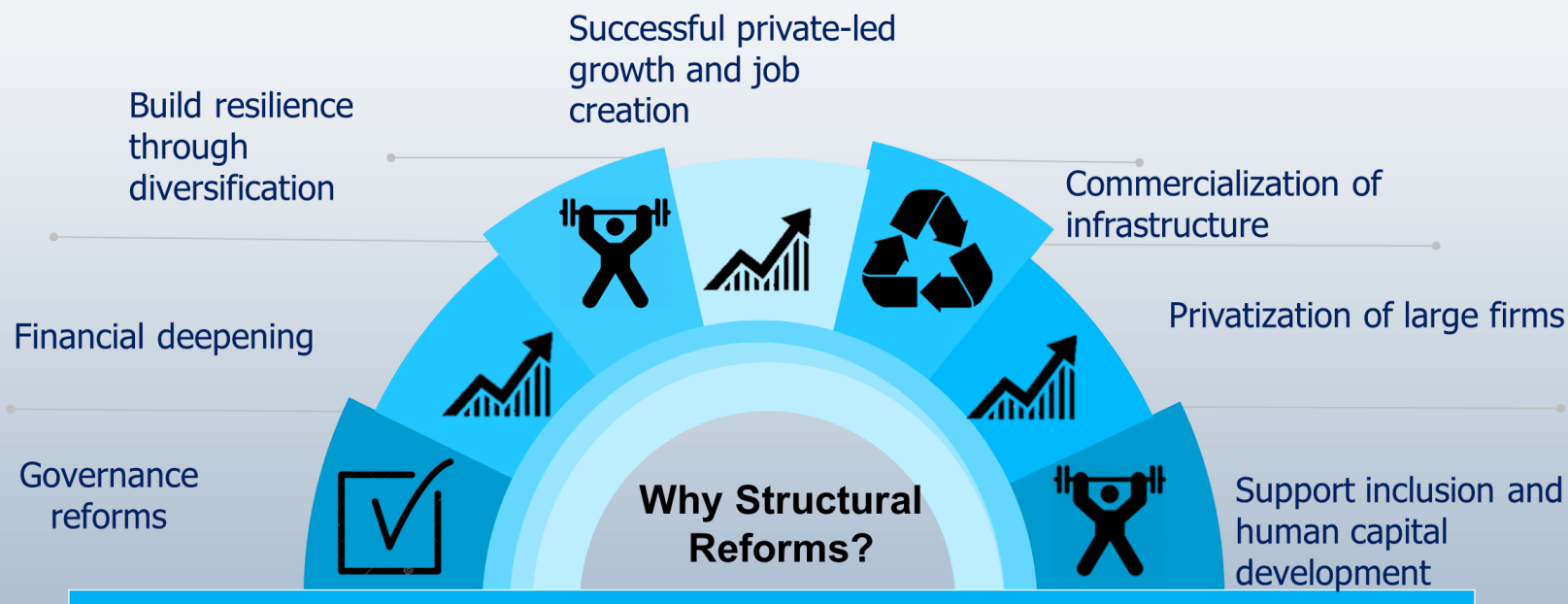
**Private Investment, 2018**  
(In percent of GDP)







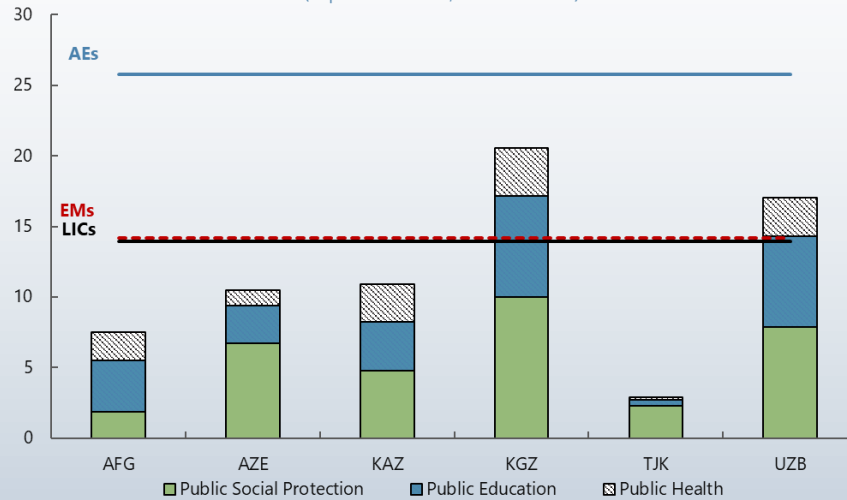
# Further efforts to improve human development and private investments will present large potential gains for the SPECA region: the need for structural reforms



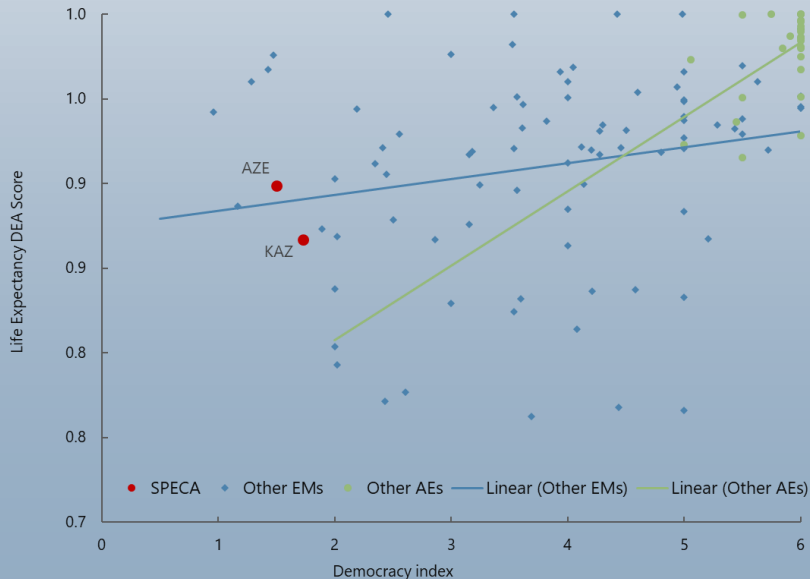


# The recovery must be sustainable and inclusive to achieve the SDGs

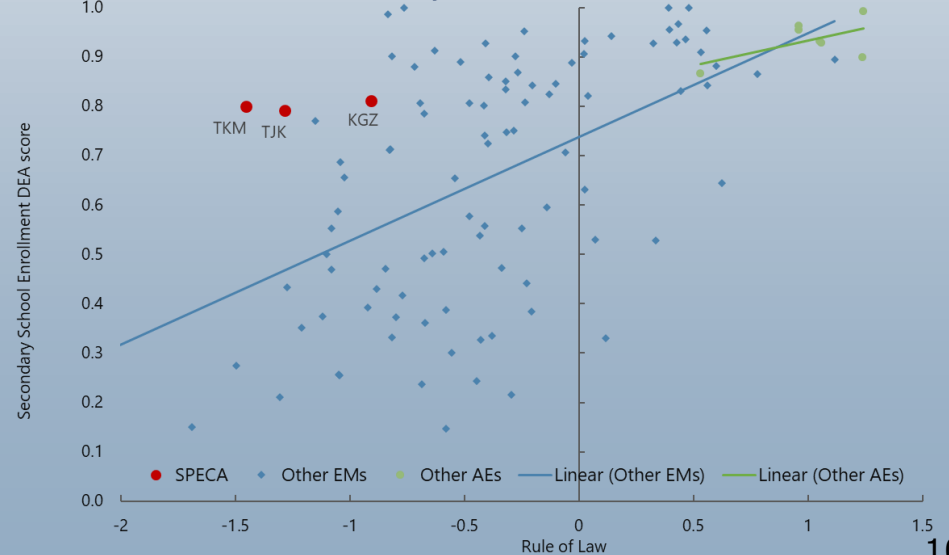
**Public Social Spending**  
(In percent of GDP, latest available)



**Quality of Democracy and Life Expectancy DEA Score**



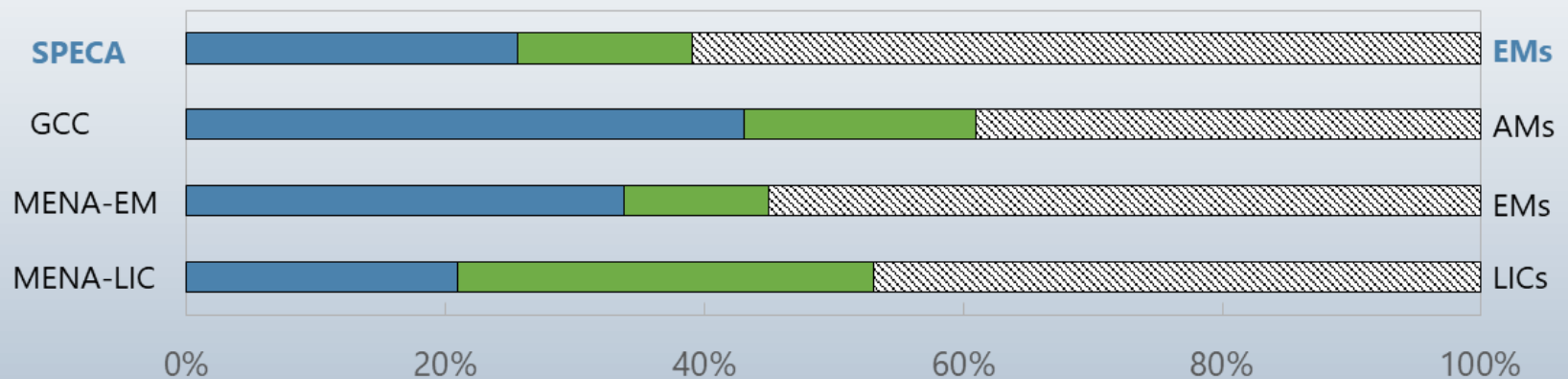
**Rule of Law and Secondary School Enrollment DEA Score**





# Potential gains in human development from improved social spending and governance reform

Estimated Boost to HDI from Additional Social Protection Spending and Improved Governance  
(latest available)



- HDI boost from 10% additional social protection spending over 3 years at current corruption levels
- Extra HDI boost from 10% additional social protection spending over 3 years at comparators' corruption levels
- ▨ Remaining distance to comparators



# IMF stands ready to support member countries during the pandemic

