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June 8, 2021

**Statement by Mr. Mohieldin, Mr. Alhosani, and Ms. Choueiri on The Managing Director's Statement on the Work Program of the Executive Board
(Preliminary)
Executive Board Meeting
June 10, 2021**

1. We welcome the opportunity to discuss the Fund's Work Program. The Fund continues to do a commendable work in meeting its members' needs in the midst of an unprecedented crisis. While the outlook is marked by high uncertainty and great divergence, the Fund has an important role in supporting a durable exit from the crisis, minimizing long-term scarring, and building a more sustainable, resilient, and inclusive global economy. The Work Program provides general directions in this regard, which we broadly support. We have the following comments:

Securing a Safe Exit from the Crisis

2. **Flagship reports.** The flagship reports appropriately focus on the need to secure a safe exit from the crisis. We look forward to discussing the prospects for global growth and inflation in the *World Economic Outlook* and would welcome a focus on **the risks of mounting inflationary pressures**. The *Global Financial Stability Report* could usefully examine topics that are closer to the core mandate of the Fund, including the implications of **continued unconventional monetary policy, as well as the disconnect between the economy and the markets and related financial risks**. The *Fiscal Monitor* will appropriately consider the credibility of public finances against the backdrop of historically high levels of public debt. It would be useful that the report also examines **the implications for member countries, especially emerging market and developing countries (EMDCs), of the recent G7 Finance Ministers' agreement on the reform of the global tax system**. Based on our engagement with our member countries, we sense a need for them to have a **full understanding of the impact of digitalization on monetary and fiscal policy**. Specifically, our monetary authorities would appreciate up-to-date information on digital

currencies and clearer positions on crypto currencies and the way to handle them. Adequate and timely capacity development is also needed in these areas.

3. Middle-Income Countries (MICs). We find the regional briefings informative and look forward to the discussion on *Emerging Markets: Landscape, Prospects and Risks* given the specific challenges facing emerging market economies, particularly in the context of a potentially divergent recovery. More broadly, we encourage the Fund to accord increased attention to MICs to help address their immediate and long-standing challenges. In the aftermath of the COVID-19 crisis, poverty could dramatically increase in many, which would reverse hard-won gains achieved in recent years. As many MICs do not have access to swap lines or regional financing arrangements, we see an important role for the Fund, with rapid and flexible responses, to provide financial support where and when needed. The envisaged SDR allocation and a program to voluntarily re-channel SDR allocations from members with strong external positions to MICs that are struggling to meet their Sustainable Development Goals (SDGs) would be helpful. **We also support the creation of a new trust Fund for MICs dedicated to addressing macro-critical issues related to economic resilience and sustainability.**

4. Debt. Given the significant increase in debt vulnerabilities in many member countries, we welcome the comprehensive focus on debt-related issues in the work program, including updates on the *Debt Service Suspension Initiative* and the *Implementation and Extension of the G20 DSSI and Common Framework*, which provide welcomed support to eligible low-income countries members. We also support the Fund's work on the implementation of the multi-pronged approach and look forward to the envisaged engagement on the restructuring of sovereign debt. Nonetheless, these efforts are incomplete, and we support additional work to improve the international debt architecture, in which we believe that the Fund should have a leading role. The priorities are to (i) strengthen the international framework for sovereign debt resolution, (ii) ensure shared responsibility between debtors and creditors and fair burden-sharing between public and private creditors, (iii) improve debt transparency, including critical indicators to monitor debt vulnerabilities as part of an early warning system, and (iv) provide capacity development to both Fund staff and member countries to carry out this work.

5. Debt burdens are not limited to the poorest countries, and we would like to suggest consideration of an extension of the Common Framework to cover MICs as many of them are facing rising debt vulnerabilities. *We would appreciate staff's comments on this proposal.* On June 1, 2021, at an event on Debt Relief for MICs, Carmen Reinhart also saw a need for a large liquidity facility because MICs will be facing liquidity, not solvency problems, and will need further support than the pandemic finance currently provided by the Fund and Multilateral Development Banks. *We would be interested in staff's views, particularly on whether MICs' needs should be addressed as a liquidity and not solvency matter.* Attention to risks of a looming debt crisis in MICs and low-income

countries (LICs) and to worsening corporate financial conditions in these countries is also warranted.

Facilitating a Transformational Recovery

6. **SDGs, Sustainability, and Climate.** We agree broadly with the priorities for long-term transformation and would emphasize that these need to be tailored to individual country circumstances, with appropriate sequencing. They should also focus on preventing many member countries from retreating from hard-won progress towards the SDGs, by creating jobs, promoting more equality, financial inclusion, the digitalization of the economy, and a greener economy. We welcome the Fund's coverage of progress toward the SDGs in some of its surveillance and research work and encourage more systematic monitoring of progress going forward, especially given the setbacks during the pandemic. While the SDGs framework is a useful guide to member countries' medium- and long-term policy priorities, especially in EMDCs, the Fund needs to focus on macro-critical areas where it can provide support to member countries' Ministries of Finance and Central banks.

7. We remain of the view that it is within the SDGs that the Fund's work on climate change should fit. Climate change is, after all, SDG Goal number thirteen. Achieving it should not contradict the broader and more comprehensive development framework. Mindful of this context, the *Strategy for IMF Engagement on Climate Change Issues* rightly aims to explain why, when, and how the Fund should be engaged in climate change issues, including collaboration with stakeholders. It is important for the Fund's work on climate to be carried out in accordance with the Paris Agreement, which enjoys multilateral consensus. It is also essential that our work carefully assesses the considerable transition costs involved in achieving climate objectives in oil producing countries.

8. **Digitalization.** We support the Fund's work on digitalization. In addition to the points raised above, we welcome the planned series of Staff Discussion Notes, which should help to keep our country authorities up-to-date on developments in the areas of digital money, fintech, artificial intelligence in finance as well as innovations on the fiscal side.

9. **Fragile and conflict-affected states.** Fragile and conflict-affected states, as well as countries hosting large refugee populations, face daunting challenges. The COVID-19 pandemic added even greater stress, exacerbating poverty and humanitarian needs in many of them. We welcome the planned discussion on *Enhancing the Fund's Engagement in Fragile and Conflict-Affected States* building on work following the 2018 Independent Evaluation Report. The Fund has an important role to play in these countries as economic development is a key contributor to peacebuilding and stabilization of fragile and conflict-affected situations. Significant support and coordination by the donor community and international organizations, including the Fund, is crucial in supporting these economies. We welcome

establishment of a dedicated team and look forward to close cooperation with them on fragile and conflict-affected states.

Fund Resources, Budget, IEO, Regional Diversity, and Partnerships

10. Sixteenth General Review of Quotas. We reiterate our position that the Fund should be a quota-based institution and are looking forward to further discussions on the *Sixteenth General Review of Quotas* as envisaged in the Work Program.

11. Budget. We remain concerned that the Fund budget has become too constraining to allow the institution to effectively deliver on its mandate, even without the impact of the current pandemic, let alone to meet the evolving needs of the membership. We are also concerned that continued reprioritization and reallocations will be detrimental to the quality of the Fund's work and, therefore, its engagement with the membership. We, therefore, welcome the discussion of a *Proposed Budget Augmentation* and would support sufficient resources to fulfill the Fund's mandate. Failing to deliver on key medium-term priorities due to lack of adequate resources will hamper the recovery by affecting the portion of the membership that is most in need, namely LICs and MICs. *We are concerned that key policy reviews pertaining to the Fund's core mandate in surveillance and lending will be delayed (Table 2) and would appreciate staff's comments on the expected timeline for completing them.*

12. Independent Evaluation Office (IEO). The IEO has provided valuable guidance to upgrade the effectiveness of Fund analytical work and traction. We appreciate the priority the Managing Director has given to this work and look forward to the planned agenda of discussions, including the *Management Implementation Plans* and the *Eleventh Periodic Monitoring Report on the Status of Management Implementation Plans in Response to Board-Endorsed IEO Recommendations*.

13. Regional Diversity and Under-Representation. Promoting regional diversity is necessary to ensure the Fund's traction and legitimacy. Regional diversity improves the Fund's ability to leverage the skills and perspectives that its staff can bring to analysis and policy discussions when serving the membership, including by taking into consideration the political economy of member countries and their unique circumstances when designing policies and programs, as well as facilitating communication and cultural understanding when engaging with the authorities and other counterparts. We are concerned about the long-standing issue of underrepresentation at the Fund, particularly for the MENA and East Asia regions, in recruitment, career progression, and promotion. This worrisome issue has been repeatedly brought to the attention of Fund management over the last two decades. Achieving the 2025 Diversity Benchmarks in under-represented regions must remain at the forefront of the *2020-2021 Diversity & Inclusion Report*. We would welcome determined efforts towards

fostering accountability and creating a level playing field within the Fund that translate into tangible progress in the representation of under-represented regions.

14. Partnership and Cooperation with Other Organizations. Many of the areas outlined in the Work Program require effective partnerships that include the World Bank Group, as relevant, and can be extended to other Multilateral Development Banks, UN agencies, the OECD, FSB, and BIS. These partnerships need to be effective, mindful of the various mandates and governance structures, and consistent with member countries' governments and central banks' needs.