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GRAY/20/2387

June 9, 2020

**Statement by Mr. Mozhin, Mr. Palei, and Mr. Potapov on The Managing Director's
Statement on the Work Program of the Executive Board
(Preliminary)
Executive Board Meeting
June 11, 2020**

1. We welcome the opportunity to discuss the proposed crisis-focused work program of the Executive Board. The COVID-19 crisis has substantially increased the risks for the Fund, heightened budget pressures, and led to the unduly delays in the Fund's surveillance activities and further delayed many important policy reviews. We are very concerned about the risks of excessive and sustained pressures on staff, their safety and health in the times of intensive program engagement combined with additional challenges from WFH. We broadly support the work priorities for the immediate period of six months and look forward to greater details on other critical policy issues that are expected to be postponed till the remainder of the fiscal year.
2. The Fund's rapid response to the crisis has helped mitigate the immediate pandemic impact on the global economy and support the membership. We broadly agree that the immediate focus should remain on prioritizing emergency financial support, examining the impact of the crisis and policy responses, and providing timely and targeted capacity development. At the same time, the Fund is facing an increase in complex and sizeable Upper Credit Tranche (UCT)-quality arrangements, which requires a resumption of the surveillance activities. *Could staff elaborate on a right balance between a possible second wave of emergency financing facilities and a more active use of UCT-quality programs in the current uncertain environment?*
3. We welcome the fact that the Fund's crisis-related work is expected to gradually move from the initial emergency response to ongoing crisis management and recovery. We

support the resumption of work on debt issues, trade developments, the integrated policy framework (IPF), low or negative interest rates, the central bank transparency code, and digitalization. At the same time, the work program could have shed more light on those policy issues that are being put temporarily on hold. *Could staff elaborate on the key factors underpinning their choice of issues that are proposed to be resumed or postponed?*

4. We believe that the work program should retain some flexibility in accommodating a possible urgent need to discuss the postponed and/or new issues if warranted by the circumstances. *Like Mr. Beblawi and Ms. Abdelati, we wonder when the Board can be engaged on the key conclusions of the IEO evaluation of IMF advice on capital flows. Could staff also comment on a series of SDNs that were postponed in the beginning of March, including the SDN on dominant currencies and external adjustment?*

5. We look forward to the paper on the Lending Strategy that is intended to propose an overarching framework to guide Fund lending in the context of inherent uncertainty and mounting debt and other pressures. *Could staff elaborate on the key specific issues that are expected to be addressed in this paper and the timeline of its preparation?*

6. On many previous occasions, we expressed our concerns about the delays in the Fund's surveillance that may create substantial challenges for the Fund and its members at the time when they are actively seeking the Fund's policy advice and when debt sustainability and financial vulnerabilities are being exacerbated. In this context, we look forward to the Board discussion on "Surveillance During the COVID-19 Crisis: Engagement on Country and Thematic Issues". We understand that staff will propose a gradual resumption of Article IV consultations focused on crisis-related priorities, beginning with systemic and other highly relevant non-program cases. We also note that the work program incorporates the recent preliminary proposals under the CSR, including informal briefings on cross cutting issues. We believe that the current situation offers a good opportunity to test these proposals and draw on the lessons when the crisis abates.

7. Given the mounting debt vulnerabilities across the Fund's members, we welcome the prominence of the debt issues in the work program. We look forward to further discussions on the debt sustainability framework for market access countries, debt limits policy, and IMF-WB multipronged approach to addressing emerging debt vulnerabilities. We also believe that the Board should have a more comprehensive and formal engagement on the report on sovereign debt resolution. Strengthening approaches to debt restructuring remains an important priority for the Fund and should not be sidelined in the agenda. *Staff's comments would be appreciated.*

8. Risks to the adequacy of the Fund's resources have increased substantially due to COVID-19 and the necessary modifications of the Fund's lending toolkit. We welcome the plans to have regular reviews of adequacy of the Fund's resources. In our view, it is also paramount to explore a contingency plan for the Fund's resources.

9. The rapid expansion of emergency financing has increased the governance-related risks for the Fund members and the Fund itself, its resources, and its reputation. We certainly agree that the Fund should continue its work on strengthening governance in line with the enhanced governance framework. Moreover, we should adjust it to the rapid pace of the COVID-19 developments and the scale of anti-crisis measures. We reiterate our proposal to create a separate safeguards policy tracker similar to the one the Fund already uses for other areas/policies. We look forward to the interim paper and the upcoming meeting on the enhanced governance framework.

10. We welcome the recent steps to strengthen knowledge management at the Fund, including the creation of the COVID-19 Knowledge Hub and the COVID-19 High-Frequency Data Hub. We believe that these initiatives can be very useful in supporting the efforts to address the current unprecedented crisis. Since the creation of the Knowledge Management Unit, our chair has been actively calling for expeditious improvements in various knowledge platforms to facilitate and speed up the dissemination of knowledge, policy advice, and best practices across the Fund and its members. In this context, we remain concerned about the limited access of the Board to the Fund's knowledge.

11. Finally, the Fund is facing an unprecedented surge in demand from the membership for financing, policy advice, and high-quality surveillance. The scope for spending reallocations and prioritizations without adverse implications for the quality of the Fund's work and policy advice had waned even prior to the COVID-19 crisis. The crisis dramatically highlighted the pitfalls of the past decisions on delaying key policy reviews, to a large extent, due to the rigid budget constraints. Rising budget pressures point to the urgent need for a substantial structural increase in the Fund's budget envelope, as was confirmed by the OBP and the ORM.