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June 9, 2020

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

We **broadly agree with the priorities** presented in this crisis-focused Work Program (WP) supporting crisis mitigation and finding a path to recovery. The continued uncertainty of the evolving pandemic and its implications for the membership will necessarily require flexibility in the WP. We hope that this flexibility will be accompanied by active and early information-sharing from staff on developments impacting the priorities in the Board's agenda. Furthermore, we would want to highlight the importance of distributing the documents and other material early enough to allow for consultation with capitals.

These exceptional times demand us to focus on the near term to mitigate the impact of the health, economic, and debt crises. However, the Fund's support to members regarding policy responses should gradually evolve towards greater focus on fostering a strong and sustainable recovery and building a path towards a resilient, inclusive, and green economy in the longer term. We welcome the opportunity to engage in "Integrating **Climate Change** into Surveillance" and encourage focus on supporting the membership in developing policies for a green recovery.

We encourage staff to bring forward the policy work related to improving debt sustainability. The current situation will warrant a discussion to improve the architecture for sovereign debt restructuring. We welcome the briefing on the sovereign debt resolution landscape, including the introspective elements regarding Fund policies in this regard. We would like to request a dedicated board meeting on the role of the Fund in sovereign debt restructurings ahead of that meeting. Such a meeting would provide an opportunity to discuss policies and practices regarding Fund involvement in the sovereign debt restructuring processes. Furthermore, we call for speedy approval and implementation of the revised MAC-DSA framework and Debt Limits Policy to ensure

that the best possible tools are at hand when assessing and managing the risks related to increased indebtedness.

Related to increasing debt levels, we would encourage focusing on the implications of and required policy responses to the **increased indebtedness** across members once the immediate crisis period has passed. It is important that fiscal sustainability is maintained to ensure resilience and the ability to respond both to future shocks and to the long-term implications of aging and climate change. Particular focus on the difficult **debt situation in LICs** is warranted. The crisis has also led to large dislocations and asymmetric sectoral impacts and has accelerated some previous trends, such as digitalization. We would welcome the Fund's analysis of these various **longer-term structural consequences of the current crisis**, both to the demand and supply side. We would also encourage focusing on the longer-term implications of the crisis on **international trade**, global value chains, and resilience of trade connections as well as finding ways to facilitate the recovery of international trade.

Understanding the structural effects should be complemented by examining the macroeconomic and financial effects following the COVID 19 shock and related policy responses. During the spring, **capital outflows** from emerging and developing countries have been unprecedented in scale and speed. This has further elevated the importance of the Fund's work on the **Integrated Policy Framework (IPF)** and the IEO's evaluation on the IMF's Advice on Capital Flows. At the same time, we urge caution in pushing this complex work stream too quickly not to compromise the quality of the analysis. Furthermore, the crisis and related monetary policy responses amplify the dynamics related to **the low-for-long environment** and thus we encourage staff to continue the related work and welcome the proposed briefing on the impact of low or negative interest rates.

The crisis and high demand for Fund support warrant increased focus on Fund resources. We highly value the recent updates on Fund resources and the commitment to continue to hold these updates regularly. It is important to ensure that the ability of the Fund to respond to the needs of its members and the global community is secured. We welcome that the Review of the **Fund's concessional assistance** focuses on restoring the funding framework for PRGT and we also look forward to discussions on the adequacy of the **Fund's precautionary balances**. *We would furthermore strongly welcome if staff could provide more information on the purported scope of discussions on the Fund's Lending Strategy which is mentioned briefly in the draft WP.*

We note that staff intends to return to the Board with a **supplementary budget** later this year to ensure sufficient resources to manage the large increase in Fund financing. For a fully informed decision, we call for the budget request to include a **thorough assessment** of resource reallocations already made within the existing budget envelope, an analysis of the allocation of the additional carryforward approved with the budget proposal and clear justification for any additional resources, grounded in the Board's crisis work program.

We note that the WP features **Briefings on Country Matters**, in line with the stated objectives of the ongoing 2020 Comprehensive Surveillance Review to provide more focus on cross-cutting issues. The groupings of the selected countries are region-based. *In the long-run, does staff plan carrying-out briefings on Country Matters that would cover different countries from multiple regions, as suggested by discussions on the CSR?*

Finally, we note that the **IEO** has been working and is ready to report to the Board on several pertinent issues. This include the collaboration with the World Bank on macrostructural issues, IMF engagement with small states and IMF advice on capital flows. We would find it useful if these postponed meetings could be brought forward in order not to miss the opportunity to further inform Board discussions. Board seminars could be an option if formal meetings are not possible in a timely way. *Staff comments would be appreciated.*