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June 9, 2020

**Statement by Mr. De Lannoy, Mr. Cools, and Mr. Hanson on The Managing Director's
Statement on the Work Program of the Executive Board
(Preliminary)
Executive Board Meeting
June 11, 2020**

We welcome the Managing Director's Work Program, which balances the need of an immediate crisis response, as well as dealing with the longer-term issues. We agree that the primary focus of the Work Program should be the crisis response, and we look forward to the discussion on the Lending Strategy as an opportunity to assess the effectiveness of our revamped toolkit to deal with a protracted crisis. The discussion on the Lending Strategy will also allow us to have an integrated discussion on credit risk and resource needs under various scenarios. The Fund's work is inherently high-risk. A discussion on the Fund's Lending Strategy would allow a more articulate discussion on how the Fund can manage those risks, the required safeguards for the Fund's resources, and the catalytic role of Fund lending in light of the current crisis.

Debt Issues

We welcome each of the proposed agenda items on debt and would invite management to put forward a date for the formal Board discussions on the MAC DSA and the Debt Limits Policy. In light of its importance for debt transparency, we also look forward to an early discussion of the Review of Data Provision to the Fund.

We look forward to the Board meeting on the G20 note on sovereign debt resolution. Ahead of that meeting, we would like to request a Board meeting on the role of the Fund in sovereign debt restructuring. Such a meeting would provide an opportunity to discuss policies and practices regarding Fund involvement in the sovereign debt restructuring process.

We would welcome regular Board updates on current debt challenges and initiatives to address those, including updates on progress with the G20 Debt Service Suspension Initiative. The Board meeting on the Multipronged Approach for Addressing Emerging Debt Vulnerabilities may be an opportunity to have such a discussion.

Financial Sector Issues

We look forward to further analysis of financial sector vulnerabilities laid bare by the Covid-19 crisis. Increased vulnerabilities, especially in the non-banking sector will undoubtedly require enhanced financial surveillance. We therefore invite staff to integrate the lessons of the unfolding crisis in the postponed FSAP review, including the expected need for more resources.

IEO Work Program

The Independent Evaluation Office terms of reference state that it “will be independent of Fund management and staff” and that “its structure and modalities of operation must protect its operational independence - both actual and perceived.” Therefore, we are surprised by the proposed postponement of IEO related work. The IEO’s independent view is critical for the Board’s operation and the Fund’s governance.

We believe that in light of this unprecedented crisis, the IEO’s work is even more important than before. An evaluation of the Fund’s crisis response should take the form of several sub-evaluations which can be delivered subsequentially, so that they can still prove their usefulness as the crisis continues to unfold. A key evaluation would be the appropriateness of the Fund’s Emergency Facilities in the current crisis.

We were also wondering when the evaluation on collaboration with the World Bank will be discussed the Board? In light of scarce resources, collaboration between to Fund and the World Bank, making use of each institution’s expertise and strengths, e.g. in the field of climate change, is key.

Climate

Climate change must remain high on the Fund’s agenda. The GPA rightly stresses the need to seek synergies between the recovery and addressing shared challenges. The Managing Director has been impactful in her public messaging, saying that “we must do everything in our power to promote a green recovery”. Besides, the exceptional situation in which we are today also creates possibilities for sustainable transitions, such as moving away from fossil fuel subsidies thanks to low oil prices. The challenge for staff is to deliver substantive and timely work to support this. The Fund can support the membership by identifying and promoting policies that contribute to a green recovery and hence help governments which want to make the most out of coming out of this crisis in a sustainable way. With the COVID-19 policy tracker, the IMF has a unique and comprehensive overview of policy responses to the crisis. We would welcome if staff could identify both measures that can be classified as green and those which should be avoided since they harm the environment. Building on this, we would be interested in an informal Board meeting on cross-country experiences with greening the recovery. We also look forward to the Board meeting on Integrating Climate Change into Surveillance, which provides an opportunity to discuss how to structurally integrate climate change mitigation and adaptation into the Fund’s surveillance.

Risk

Finally, we welcome the mention in the Work Program to continue articulating more clearly ex ante the enterprise risk implications of key policy proposals, and look forward to further improvements in the Fund’s enterprise risk framework. For instance, providing a risk impact assessment of proposed decisions within accompanying Board documentation should become common practice in the short- to medium-term.

Budget

We recognize the increased work pressures resulting from the crisis. We are open to consider a temporary augmentation of budgetary resources, as we acknowledge that adequate resources are necessary for the Fund to deliver on its mandate. However, we would like to re-iterate our call for staff to make a clear case for additional resources, as agreed during the FY2020 budget Board discussion. These discussions should not be pre-empted but be held in due time with all the necessary information available – including the financial outcome by department for FY2020. We believe the wording in the Work Program should be adjusted accordingly.