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June 9, 2020

**Statement by Mr. Ray, Ms. Johnson, and Mr. Shin 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 statement on the Work Program of the Executive Board, which is appropriately targeted to respond to the unprecedented global crisis arising from the COVID-19 pandemic. As staff, management and the Executive Board have pivoted to swiftly respond to the crisis to support the membership, this has unsurprisingly led to an increased workload. And the increased workload is also set in unusual circumstances, which have changed the way in which the Fund delivers surveillance, policy advice and capacity development and has also seen the need for staff to change their operating environment and adapt to new ways of working. We therefore consider that it is essential that the work program remains focused on the needs of the membership for this current crisis. A joined-up approach will be required to enable the Fund to be effective. This will require putting in place an appropriate lending strategy supported by candid analysis of its implications for the Fund's resources, buttressed by effective surveillance and practical capacity development. Further, given the significant uncertainty around the pandemic, staff and management should be ready to further adjust the work program and reprioritize as needed.

Crisis Board work priorities

We welcome the focus on crisis related work in the Work Program – focusing on lending, the adequacy and appropriate use of Fund resources, debt issues, multilateral surveillance, emerging themes and regional issues.

We strongly support fast-tracking the discussion of the Fund's lending strategy, which could provide the umbrella framework to guide subsequent discussions, including on access limits, the review of concessional financing, as well as broader Fund resourcing issues including PRGT financing and the review of precautionary balances. We encourage staff and management to keep a wide lens on these reviews. Staff are encouraged to be innovative and

consider all available options to meet members' needs. The sequencing of these policy items is also important – to ensure that the Fund is able to respond in a timely way to meet members needs, while also balancing the risks for the Fund. *Can staff comment on when the lending strategy is likely to come to the Board?*

Regular and candid communication on likely resource demands are critical. The uncertainty of the crisis, the increased demand for Fund resources and anticipated modifications to the lending toolkit give rise to significant risks around the adequacy of the Fund's resources. It is important that the Board is kept engaged on the resourcing pressures so a case can be made to the membership for the mobilization of additional resources, if needed. The use of safeguards measures and attention to governance considerations can mitigate concerns over the use of Fund resources but should be balanced against the risk of unduly delaying financing.

We welcome the continued focus on debt issues in the Work Program but see value in a broader agenda being considered. We welcome and support the progress on the Review of Debt Limits Policy, the Debt Sustainability Framework for Market Access Countries and the joint World Bank-Fund multipronged approach to debt vulnerabilities as well as looking ahead to consider corporate insolvency and debt restructuring. Ahead of that meeting, we would support a Board meeting on the role of the Fund in sovereign debt restructuring. We also see value in a broader agenda on debt issues being considered in the Work Program, which would move beyond debt assistance to heavily indebted poor countries to what Fund advice would be to those countries needing to finance large fiscal exposures as a result of the pandemic. *Staff comments are welcome.*

We endorse the continued focus on the Integrated Policy Framework, but consider that the finalization of this framework needs to be informed by the Independent Evaluation Office (IEO) evaluation on capital flows. More broadly, Fund policy must be informed by the work of the IEO where relevant and work from the IEO should be brought to the Board where it can usefully contribute to the Board's work agenda. We do not consider that it is appropriate to sideline the IEO during this time of crisis and we support ongoing strong, independent evaluation for the Fund's policy work.

We welcome that the flagship reports will continue to be dedicated to the crisis. We continue to support ongoing efforts to streamline the flagships to be more concise and targeted, and both analytical and thematic chapters should focus on the current economic environment or policies required for a robust and inclusive recovery. We welcome proposed analysis of the trade developments as a result of the pandemic, but we consider that the Work Program misses an opportunity to consider the broader impact of the pandemic on globalization. This could include the impact of COVID-19 on cross border flows of capital, labor and goods and services, including supply chain disruptions and its implication on global imbalances, remittances, tourism or structural changes such as lower international travel or higher saving rates and lower investment. *Staff comments are welcome.*

Moving towards recovery

As we see the immediacy of the crisis hopefully wane, the Fund's operations will likely shift from supporting members needs through emergency financing to supporting members through programs, while gradually resuming bilateral surveillance.

The Board should consider a 'surveillance strategy' which uses a risk-based approach to determine how to phase the return of bilateral surveillance. While we acknowledge the critical role that bilateral surveillance can play in bringing to the fore potential risks and helping the Fund to monitor global stability, we do not consider that Fund bilateral surveillance should resume only for systemic countries. Instead, the focus should be on those members with programs, as well as non-program members such as important emerging markets and small and fragile states (especially those on a 24-month cycle) that benefit most from, and rely on, Fund advice.

The resumption of bilateral surveillance should consider how to better engage with members; the pandemic is providing an opportunity to explore alternative approaches and modalities. Recent experience has demonstrated that streamlined engagements through targeted missions and shorter staff reports can be effective in engaging with members and we should look to build on these experiences rather than returning to previous practices. We also encourage staff to continue efforts to integrate capacity building needs into bilateral surveillance, which should focus on recovery efforts.

The Fund can make important contributions to the ongoing discussion on climate change, within the limits of its mandate and expertise. The integration of climate change into surveillance should be guided by the concept of macro criticality. Any integration into surveillance should take into account the expertise and responsibilities of other institutions: here the IEO's evaluation on collaboration with the World Bank on macro-structural issues should be discussed by the Board as a precursor. The Fund has an important role to play in rallying broader international financial institution support, particularly for small states where adaptation to climate change is critical and access to financing is challenging. As time allows, we continue to support a review of the pilot and potential for a wider rollout of Climate Change Assessment Programs.

Continued efforts will be needed to prioritize

A strategy is required to guide the prioritization and sequencing of the Board agenda. In our view the Comprehensive Surveillance Review and Review of the Financial Sector Assessment Program will be critical and should be resumed as soon as feasible, informed by lessons learned from the pandemic. The Review of the Fund's policy on Multiple Currency Practices should also be finalized as the delay in completion of this review is leading to continued unproductive conversations with time-poor authorities during a crisis.

Given the significant changes in the global trade environment and potential difficulties in presenting a multilaterally consistent assessment, we question the usefulness of undertaking an External Sector Report in 2020. We could see some merit in the exercise,

if it were tailored to the impact of the crisis on global imbalances and countries' external sector adjustments.

Staff and management should be more selective in the work program to support the G20 and broader research papers (e.g. working papers and SDNs). These should be brought to the Board in the most efficient way while maintaining continued Board oversight. There appears to be a significant work agenda around digitalization and fintech that does not appear time critical. We also question whether the Central Bank Transparency Code, Developing a Global Approach to Data Policy Frameworks and Cyber Risks could be postponed as they are not critical to the crisis response.

While we acknowledge all the efforts being made by staff faced with a busy policy agenda and increased workloads, we do not consider that staff have made a clear case for a supplemental budget. Indeed, management's decision to seek a large pay increase suggests that there is no case for a supplemental budget, for management must have calculated that the pay rise was affordable. Staff should continue to undertake efforts to reprioritize and reallocate resources within the existing budget envelope.