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June 9, 2020

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

We thank the Managing Director for her Statement on the Work Program and broadly support the key priorities. Over the past few months, the Fund and its staff have gone to great lengths and undertaken commendable and unprecedented efforts in mounting a rapid and comprehensive crisis response.

As the crisis recedes in the coming weeks and months, we support the intended re-focus on other issues that are essential to members from a more medium to long-term perspective, including drawing lessons from the crisis and our response and considering new or intensified challenges that emerge in its wake. In this regard, we welcome the advancement of work on key surveillance reviews. While the Fund's core tasks should continue to be the primary focus of the Fund, we also look forward to further work on important topics such as climate change, fintech, and fragile states.

Budgetary Resources

We value the ongoing re-prioritization to make efficient use of the current available budget. In case the ongoing efforts are not sufficient to manage the crisis-related work and at the same time maintain the real flat budget, we are open to enter discussions about a temporary and targeted increase of the budget to cope with crisis-related expenses.

Responses to Risk

As we have highlighted in other recent Executive Board meetings, we are highly concerned with regard to substantially increased risks to the Fund's resources. We stress the importance of an effective response to deal with the Fund's risk profile, which has deteriorated, directly because of the crisis and the resulting increased demand for Fund resources, but also as result of some of the policy and procedural changes made by the Fund with the aim to better address crisis-related needs of its members. Against this background,

we welcome the increased reporting of risks, including in the context of this work program. We also support the ongoing efforts "toward articulating more clearly ex ante the enterprise risk implications of key policy proposals by identifying the risks the proposals seek to address, the risks they may raise, how these are mitigated, and the residual risks that may remain"

However, we need to go beyond just reporting these risks and have a discussion of concrete proposals on how to mitigate them, especially those stemming from increased lending activities including in the context of emergency financing provision.

Accordingly, questions regarding debt sustainability and governance issues, as well as the review of the adequacy of the Fund's precautionary balances, are key topics for the Executive Board's work going forward.

Lending Strategy

Given that the current Mid-year Risk Update classifies risks to the Fund's UFR portfolio as "extremely high", we look forward to the planned Board discussion of a paper on the "Lending Strategy". The discussion of an "overarching framework to guide Fund lending in the context of inherent uncertainty and mounting debt and other pressures" appears a useful and very timely undertaking.

In this context, we call for a cautious approach, given the fact that past changes to the Fund's toolkit have exhibited a clear tendency to shift the balance between providing financial support for members and safeguarding of Fund resources to the former, at the expense of the latter. This holds also true for the current discussions on further increasing access limits, which carries the risk of undermining the catalytic financing role of the Fund given its preferred creditor status.

We strongly doubt that, as noted in the Work Program, lending risks can eventually be mitigated "by further aligning the lending toolkit with members' needs", given that this mostly implies an increase of access to the Fund's resources - and thus increased levels of country debt - and more "flexible" conditions for their use. *We thus would welcome comments from staff on how to mitigate existing and prevent future "extremely high" lending risks as well as further information on the content and (preliminary) proposals of the planned paper on the Lending Strategy.*

Sovereign Debt

Relatedly, we might want to further reflect upon the IMF's role in debt restructurings and the envisaged briefing on the G20 Note on Sovereign Debt Resolution provides a welcome opportunity for that. Ahead of that G 20 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 are also looking forward to engaging more intensively with staff on how we can address debt overhangs in substance, including potential renewed discussions on a

sovereign debt restructuring mechanism, fair burden sharing with broad participation of creditors, the assumptions underpinning staff's debt sustainability analyses, and the implications of climate change.

Climate Change

Climate change must remain high on the IMF's agenda and the Managing Director has been impactful in her public messaging on promoting a "green recovery". The current exceptional situation also creates opportunities for sustainable transitions, such as moving away from fuel subsidies in view of low oil prices. The Fund can support the membership by identifying and promoting policies within the Funds mandate that contribute to a green recovery and we encourage staff to deliver timely and substantive work on this. We would be interested in an informal board meeting on cross-country experiences with greening the recovery and also look forward to the board meeting on Integrating Climate Change into Surveillance, which will provide an opportunity to discuss how to structurally integrate climate change mitigation and adaptation into the Fund's surveillance when these are deemed macro-critical.

Board Procedures

Lastly, we appreciate the significant challenges in managing the Board Calendar and the circulation of documents for Board meetings in the current extremely busy period. Yet we encourage staff to observe minimum circulation periods in cases beyond the provision of emergency financial assistance (which are already subject to a temporary shortening of circulation periods), in particular for those country or policy items that are not extremely urgent timewise. The preparation for Board meetings would also be greatly facilitated if items could be put on the Calendar with a bit more lead time than is presently the case in some instances.