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**Statement by Ms. Mannathoko, Mr. Garang, Ms. Maidu, and Mr. Essuvi on  
Comprehensive Surveillance Review  
(Preliminary)  
Executive Board Meeting  
May 10, 2021**

1. We welcome the excellent work presented in this surveillance review. We value the analysis and broad thinking in the various background papers. The review makes a robust effort to define reforms needed to modernize and enhance the quality and traction of Fund surveillance in the post-COVID-19 era. We appreciate the broad consultation and the fact that various concerns we have raised at the Board over the past year or so are addressed therein. We expect the measures proposed to help member countries navigate challenges emanating from both the COVID-19 pandemic, and other emerging trends that have significant macroeconomic and financial implications.
2. **We agree with staff's assessment of major trends and the macro-financial landscape over the next decade, and broadly support the strategic direction outlined for surveillance.** The COVID-19 pandemic has transformed the backdrop against which the Fund's surveillance will occur, elevating pre-existing risks and uncertainties and introducing regional divergence into global economic recovery prospects. The pandemic has interrupted development, raising poverty, inequality and macro-financial risks, even as countries continue to contend with limited policy space, vulnerabilities, and structural rigidities. At the same time, the pandemic has accelerated some trends, that will continue to shape surveillance, the adoption of digital technologies being the most obvious. We face a world characterized by rapid technological change alongside elevated uncertainties, wide-ranging spillovers, multiple shocks in some regions and strains on countries' policy space. Surveillance over the next decade has to reflect this with a risk-based focus and reframing to limit outward spillovers from systemic countries, especially outward spillovers to the most vulnerable regions prone to current and capital account shocks. Surveillance also has to be adequately equipped to help countries leverage opportunities presented by technological advances and climate change. In this regard, the four priorities identified, namely; confronting risks and uncertainties, preempting and mitigating adverse spillovers, fostering economic sustainability, and adopting unified policy advice, are appropriate and will better

position Fund surveillance to help member countries navigate the challenges posed by the emerging economic landscape.

### The Four Priorities

3. **The surveillance priorities identified will likely enhance the quality of Fund surveillance, preparing it to confront more frequent risks and longer periods of uncertainty.** In countries prone to frequent commodity price and health shocks, and those facing high climate risks due to excessive temperatures and frequent disasters, surveillance has to be able to guide efforts to build resilience in a manner that supports and does not suppress growth. When spending plans divert resources away from pro-growth spending that also builds resilience, countries risk economic deterioration over time and a return to dependency on IMF resources. Surveillance will also need to assess cybersecurity preparedness in a more structured manner, especially in more vulnerable regions where cyber-security risks are highest, as well as in systemic economies. Similarly, rising inequality increases risks from social unrest. We welcome efforts to deepen staff awareness and knowledge on all these issues.
4. **Closer attention to negative spillovers to poorer, more vulnerable regions is important.** We look forward to the operationalization of the Spillovers Forum and the envisaged benefits. *We are supportive of a Forum that ensures that the interests of developing regions like SSA are well represented.* To the extent that planning by systemic economies in areas such as climate, trade and finance among others, can take into account the spillover consequences from the design and structuring of policies, and seek to moderate negative spillovers, this will help reduce persistent shocks in poorer, more vulnerable regions and slow the current divergence in economic prospects of poorer regions. We concur with staff on the need to strengthen analytical frameworks for both inward and outward spillovers in a consistent manner. For developing countries with elevated financial vulnerabilities arising from capital flow reversals, we urge staff to strengthen analysis around financial and capital flow management, ensuring that analytical assumptions adequately accommodate market imperfections. Deepened country-level and global analysis to support the Fund's policy advice will be important to minimize spillovers and build the resilience to shocks needed for durable, inclusive growth. *Could staff elaborate on the envisaged design of the Spillover Forum and on ensuring adequate representation of the views of developing regions in the Forum?*
5. **We support the intent to improve and modernize surveillance, while retaining the core elements required under the Integrated Surveillance Decision and the principle of macro-criticality.** The proposed changes will allow a focus on important issues while ensuring surveillance remains well-targeted, timely, better informed, coordinated, and forward-looking. We also support better integration of financial surveillance with Article IVs, as macro-financial challenges are likely to grow in the wake of the pandemic. Broader scenario analysis and contingency planning around macro-critical issues will also be important to account for risk and uncertainty. *Regarding multilateral-bilateral surveillance linkages, are staff satisfied with the current level of integration of insights and guidance in flagships relating to trends in trade, migration, digital currencies, demographics, and climate, among others, into bilateral surveillance? Can more be done to enhance this? Could this better support the collective action and complementarity needed to ensure a strong but fairer global recovery?*

6. **Economic sustainability is an increasingly important factor that needs to be prioritized and addressed upfront in surveillance.** Elevated public and private debt levels amidst increased uncertainty could hamper efforts to boost growth while building buffers, thus the design of IMF surveillance advice and support will, among other things, require the flexibility needed for intertemporal tradeoffs across a longer time horizon. Surveillance also needs to have the flexibility to better accommodate emerging priorities as digitalization rapidly pervades all aspects of economic activity, and as climate impacts and risks continue to grow. Like staff we expect digital technology to aid fiscal policy and public administration, while expanding access to financial services, and reshaping the financial industry and monetary policy. In addition, we agree that climate change, distributional considerations, and demographic shifts, alongside the quality of governance and institutions will be increasingly critical for sustainable economic growth and stability. This in turn will require enhanced knowledge in IMF staff alongside effective collaboration in some areas, and flexibility in surveillance both to accommodate developments and to provide a longer-term perspective in the design of surveillance advice.
7. **Economic sustainability is also impacted by the effectiveness of social contracts between citizens and the state, and this effectiveness is in turn affected by the design of economic systems.** In the global arena, the rise of corporate power that has accompanied digitalization, and the concentration of wealth and influence in a few private entities needs ongoing attention, with the IMF providing the analysis needed to guide the design of a new, fairer, global economic architecture where democracy and economic welfare for the majority are not usurped by corporate power. As this chair has indicated in Board discussions over the past two years on international corporate taxation and corporate power, even organizations representing major private sector corporations are now highlighting the flaws in a dogged approach to Milton Friedman's shareholder supremacy doctrine, which has created the current unsustainable economic system that evolved to concentrate and reward wealth at the expense of the broader population, reflected in part in an underutilized global labor force and broadening social dissatisfaction. Staff scenarios illustrate how emerging trends in the surveillance landscape, including digitalization and climate change could be exacerbated by the diminished role of governments, and IMF analysis and advice has to be able to guide change and articulate the cost of inaction on this issue.
8. **A more unified and holistic approach to policy design and advice would be beneficial.** An underlying structure is needed to better understand policy trade-offs, as multifaceted policy responses are adopted by more countries. Therefore, we welcome the consideration of the macro-financial aspects of adopting a more unified approach to policy advice in the background paper. We urge equal attention in this work stream to the different types of shocks affecting different member countries, as this will be necessary to ensure effective tailoring of advice to country-specific circumstances. We look forward to upcoming Board discussions on macroprudential and external sector policies, including on the IPF. In the same vein, we welcome the planned integration of FSAP and IPF into Article IVs, which should be structured to ensure that macro-financial policy advice is strengthened and more effective. We also hope to see more work on macroeconomic frameworks that effectively back transformational policies needed to achieve diversification in commodity dependent economies, as a means to contain the impact of external shocks. *Could staff comment on this and on progress made in meeting past IEO recommendations such as those in 2018 evaluation "The IMF and Social Protection," that called for a clear strategic framework to guide the Fund's involvement in social protection and for tailored advice based on in-depth*

*analysis of the country contexts? As staff acknowledges that LICs and fragile states will likely struggle with the impact of the crisis and that modalities to overcome these challenges should recognize country peculiarities, we look forward to updates on specific work underway to assist these members under the surveillance framework.*

### **Flexibility in rolling out CSR reforms, and addressing traction**

9. **Given some of the challenges discussed above, we agree on the importance of a flexible approach to rolling out the CSR that allows for revisiting aspects of surveillance should the crisis take a new turn.** We also consider that the speed of technological change and adoption enabled by digitalization may require us to rethink some aspects of surveillance as we proceed. A gradual approach to the operationalization of the CSR, allowing room for substantial experimentation and piloting while incorporating learning and efficiency gains, makes sense.
10. **On whether the CSR proposals will enhance the traction of the Fund's surveillance work, we believe key considerations here are trust and mutual respect, alongside the adequacy of systems for implementing reforms.** While we support the intent to enhance traction by developing timelier, topical, and targeted engagement, we would also add, however, that in our constituency, the main lesson we have learnt is that traction requires mutual respect and trust, whether in a program or surveillance setting. Thus, internal reforms in the IMF that monitor and further enhance trust-building and mutual respect are likely to be beneficial. Staff need to invest more in building relations with country authorities and strengthening interpersonal engagement and social intelligence. We also note the current rotation of the country teams, including resident representatives, and the attendant implications for country-specific knowledge, relationship building and traction. *Could staff advise if there are plans to survey authorities and assess the effectiveness and impacts of the 3-year rotation cycle of mission chiefs and resident representatives, in surveillance and programs, as we have found that high turnover of staff can erode hard-earned trust and undermine effective relations, especially in program countries?*
11. **The adequacy of systems in countries to implement reforms can also affect traction of Fund advice, thus integration of capacity development with surveillance will need to be deliberately structured to increase traction.** First, CD could be structured as a series of sessions with the same committees of country participants over a couple of years until their respective systems are fully operational, with participants reporting back to their peers and the panel on progress and sharing experiences. This would moderate costs when the first best option of CD comprising experienced resident expertise that helps authorities build up-to-date systems and processes over time, is not possible due to resource constraints. Second, effective advice also entails adequate understanding of countries' initial conditions and context, as well as political economy constraints and appropriate assumptions. Continuous engagement with country authorities and knowing how to encourage ownership of advice and optimize the role of mission chiefs, also matters. *Staff views are welcome.*
12. **We hope the review will find ways to further support ongoing efforts to expand digital systems in countries and boost data provision.** The forthcoming Review of Data Provision to the Fund for Surveillance Purposes and the tenth Review of the Fund's Data Standards Initiatives, should both ensure that there is more and better data that strengthens fact-based analysis in surveillance. More adequate data would support enhanced tools for surveillance, including on cross-cutting issues, while improving knowledge management and better

informing risk management. The proposed Granular Policy Initiative and upgraded country portals will further strengthen knowledge management and Fund advice, including by better leveraging lessons from cross-country experiences. We also encourage work under the G20 Data Initiative, as it helps authorities provide timely, quality data for surveillance and policy making. *Could staff elaborate on work underway towards the reimagined country portal?*

13. **The modernization of surveillance has been partially costed while the Fund remains within the flat real budget envelope.** However, given the uncertainties on the transition costs, including on experimentation and new ways of working, we underscore the need to carefully identify the budget resource and make the trade-offs clear, while ensuring that resources are not diverted away from current support levels for developing countries. Staff propose streamlining the number of existing Article IV consultations should cost overruns occur; we emphasize that this should not be at the expense of developing regions like SSA that faces the lowest growth globally this year and is struggling to avoid divergence. Given limited research available on SSA countries, we also emphasize the importance of country-specific analysis in selected issues papers for developing countries. *Could staff provide the selection details for the proposed experimentation over the two-year period?*