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**Statement by Ms. Levonian, Mr. O'Brolchain, and Mr. Weil on The Managing Director's
Statement on the Work Program of the Executive Board
(Preliminary)
Executive Board Meeting
June 10, 2021**

Thank you to the Managing Director for her statement on the Board Work Program (BWP), and for her tireless efforts to lead the global economy out of the COVID-19 crisis. If implemented diligently, the proposed BWP will help support the membership through the ongoing crisis, shape the global recovery, and build a global economy that is more resilient, inclusive, and sustainable than the one that entered the pandemic. The BWP is also a helpful reminder of the demands placed on the Fund's dedicated staff, whose work is tremendously valued by the membership.

We welcome efforts to resume to a year-long horizon for planning purposes. As the global economy recovers from this unprecedented crisis, so too should Fund planning and business cycles. We also welcome the inclusion of a medium-term schedule of major policy reviews which provides the Board a more holistic view of the medium-term policy agenda.

Against the backdrop of a well-crafted BWP, below we have highlighted opportunities to ensure that the membership benefits from as comprehensive and coherent an agenda as possible.

Fund-wide Strategy

We welcome planned strategies in a number of core policy areas (e.g., gender, climate, digital money). The time may be right to articulate an overarching Fund strategic plan. The IMFC Communiqué and Global Policy Agenda are key pillars to guide the work of the Fund, but they are not board-endorsed plans that set out strategic objectives and outline how the Fund will position and organize itself to deliver for the membership. Nor is the

Administrative Budget a strategic plan, even if at times it tries to stand in the place of one. In a mature and complex institution such as the Fund, a Board-endorsed strategic plan, on a rolling multi-year horizon, should inform the BWP and the budget. Such an approach to planning would lend more coherence to the BWP and mitigate the risk of the Fund planning and working in silos. All Departments should be working towards the achievement of Fund-wide strategic objectives.

Lending

We should ensure that the Fund's lending toolkit meets the membership's BOP needs.

We support plans to look at vaccine/pandemic financing options to ensure that Fund financing is there when it is needed most. We note that changes to the emergency financing toolkit may be explored in this context. Since the onset of the pandemic the Fund has made several rounds of adjustments to the toolkit, including new facilities, modified access, and streamlined safeguards across both GRA and PRGT facilities. Yet, it is not clear that such changes have been guided by a comprehensive lending strategy. Rather, adjustments have been proposed and adopted in an ad hoc manner. Management should consider whether Board engagement is needed to take stock of Fund lending in the pandemic to-date. Stock-taking and the formalization of a pandemic lending strategy could ensure a holistic approach to deploying the toolkit.

We welcome the workstreams being implemented to help the Fund's poorest and most vulnerable members but would have liked to see more continuity in the small states agenda. We welcome work to enhance the Fund's engagement in fragile and conflict-afflicted states. Ahead of the conclusion of the Review of Concessional Financing and Policies we encourage management to reflect on the Board's recent feedback regarding the risks of financing gaps and unmet expectations. We note however that the small state agenda seems to have been de-prioritized in this BWP, which is regrettable on the heels of record economic contractions in the Caribbean and in the face of considerable financing needs to build resilience to external shocks, including climate change.

The forthcoming general SDR allocation will enhance global liquidity, help the global recovery, and support long-term reserve asset needs. The Board agenda on SDRs is comprehensive, including a welcome briefing on post-allocation channeling. We would emphasize the importance of measures to enhance transparency and accountability in the use of SDRs in this general allocation as well as the importance of updating the Guidance Note for Fund Staff on the Treatment and Use of SDR Allocations. We would welcome informal Board engagements, such as an informal seminar or technical Q&A, on these topics.

Surveillance

Trade issues are not covered in this BWP. Pandemic-related trade restrictions have escalated a pre-existing debate over the role of supply chains and how we can enhance supply resilience. Our collective focus is justifiably on durably exiting this global health crisis, but we can ill-afford to put trade issues on the backburner. While the ESR always provides valuable, rigorous, and impartial surveillance of external positions, we would have appreciated trade policy issues being better anchored in this BWP. The topics for the forthcoming WEO, including prospects for growth and inflation, and resilience to climate change, are well chosen. However, consideration could also be given to including analysis of supply chain resilience, including risks from technological decoupling, to reinforce the importance of the rules-based multilateral trading system and underscore the costs of returning to a pre-pandemic world characterized by escalating trade tensions and waning multilateralism.

The Fiscal Monitor's focus on improving the credibility of fiscal frameworks is welcome. This approach presents an opportunity for the Fund to provide more granular fiscal policy advice that is tailored to a multi-speed recovery in order to avoid the perception of a one-size-fits all prescription in the crisis. In particular, we would welcome a focus on how the thinking around fiscal anchors and rules in advanced economies may need to evolve post-COVID. We look forward to the Fiscal Monitor, and all of the flagship research, continuing to highlight country best practices and lessons learned from the evolving policy response to the pandemic.

With the successful conclusion of the CSR, we should not delay important downstream policy reviews. In particular, we are concerned with the long horizon to launch the review of the Fund's policies to address excessive delays in the completion of Article IV consultations. The timeline for launching the transparency policy also seems long considering repeated calls for its prompt execution post-CSR. The review of the misreporting policies should be anchored in the medium-term BWP given recent high-profile cases of lengthy delays in notifying the Board of serious misreporting and gaps in the policy's application.

Capacity Development

The capacity development agenda for FY2022 is balanced and helpfully includes an opportunity to engage on priorities over the medium-term. We noted that the review of the capacity development strategy would normally occur in 2023 but is scheduled for Q3 in FY2024. We should not wait too long to update the strategy with the lesson-learned from the crisis which has been especially disruptive in the area of technical assistance. *Is there any reason that the capacity development strategy cannot be reviewed in 2023?*

Policies for a Transformational Recovery

We strongly welcome plans for the adoption of climate and gender strategies which both seem well sequenced with the MIP in response to the IEO's evaluation of the Fund's collaboration with the World Bank on macrostructural issues. We look forward to the opportunity to take stock of the Fund's work on climate and gender issues and frame overarching strategies to orient, coordinate, and drive the Fund's work moving forward. The Fund should consider how these strategies will support the ongoing integration of climate and gender issues into bilateral surveillance to support a more transformative recovery. Given the importance of cooperation with the World Bank in these areas, it will be crucial for these two strategies to fully internalize the lessons learned from the IEO's evaluation of the corresponding pilot initiatives. We took note that the last review of Bank-Fund collaboration was in 2010 with this work expected to be on a 5-year cycle. *When will SPR next review Bank-Fund collaboration?*

The debt agenda is appropriately ambitious and comprehensive. We are pleased to see the very good coverage of debt issues in the BWP, and in particular we welcome the planned opportunity to consider options that could support greater debt transparency. It will be important for all the various Fund debt-related threads to coalesce into a coherent strategy, which underscores the value of a timely update on the joint Bank-Fund multipronged approach for addressing debt vulnerabilities.

The agenda on digitalization is welcome if somewhat narrow. We look forward to planned discussions of the Fund's digital money strategy, the international monetary system, and digital money, and the analytical framework for central bank digital currency. However, the COVID-crisis has accelerated structural trends in economies worldwide as digital adoption by businesses and governments took quantum leaps. We would have expected the Fund's digitalization agenda to focus on associated transition risks for economies and the necessary structural policy agenda to harness the potential of digitalization.

The BWP comes across as somewhat light on core monetary and financial sector issues, especially in relation to global inflation dynamics which are the subject of ongoing debate. We do however welcome plans for the forthcoming WEO to discuss prospects for inflation as well as planned joint FAD/SPR/MCM analytical work on fiscal-monetary coordination.

We welcome the planned review of the Institutional View on the Liberalization and Management of Capital Flows. This will be an excellent opportunity to draw insights from the Integrated Policy Framework as well as the IEO evaluation of IMF Advice on Capital Flows. Management previously indicated that the review of the EBA and EBA-lite

frameworks would be planned for Q1 2022, yet we did not see this item anchored in the BWP. *Staff comments are welcome.*

Organizing Ourselves to Deliver

Administrative Budget – We are prepared to consider a well-supported business case for a structural increase to the administrative budget. We look forward to our first engagement on this issue in July and expect staff to provide the Board with a suite of options to ensure that the budget aligns with the priorities of the membership.

Risk Management – We look forward to reviewing management’s action plan in response to the OIA’s ERM audit which will hopefully provide a roadmap for enhancements in the areas of risk governance, risk acceptance and tolerance, and empowerment of the risk function.

Operations – The Fund must draw lessons from over a year in a remote working environment to ensure that it continues delivering for the membership, including in new more efficient and effective ways, through the crisis and recovery. To this end we look forward to the briefing on the roadmap to the future of work at the Fund.

IHR – Given significant delays and cost overruns associated with the IHR project we would have expected more frequent updates to the Board on its status. Consideration should be given to dedicated regular Board updates on this off-track major project.

Accounting – We look forward to staff’s recommendation on a solution to isolate the impact of pension-driven volatility on reserve accumulation and the path of precautionary balances. *When does staff expect to bring this work forward to the Board?*