

The contents of this document are preliminary and subject to change.

GRAY/20/2348

June 9, 2020

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

1. We thank the Managing Director for the comprehensive and ambitious work program for the next four months until the Annual Meetings in October, and the outline of the main topics to be examined during the remainder of the current fiscal year. The priority given in the period ahead to help member countries navigate the impact of the Covid-19 crisis and prepare for the recovery is highly appreciated. We broadly support the core of the work program proposal. Having said that, we want to offer some remarks on specific elements as presented in the document.
2. We agree that during the ongoing phase of the crisis, priority should be given to emergency financial assistance, analysis of the impact of the crisis and its policy responses, and targeted Capacity Development. The Fund has so far provided support to more than 70 members to cope with the fallout of the crisis, including approving the first two new Flexible Credit Lines (FCL) since the global financial crisis in 2009. However, this support seems to have been insufficient in many cases, and some countries were left with no support at all at a time of need, when alternative sources of financing are limited and progress on Upper Credit Tranche (UCT)-quality programs is extremely difficult to achieve. We invite management and staff to maintain an open attitude towards the rapidly evolving needs of the membership, including by, if needed, reconsidering again the temporary access limits of the emergency financing facilities. More generally, we welcome the scheduling of a meeting to assess the overarching framework to guide Fund lending in the current context of uncertainty and raising debt. However, given the urgency of the matter we would rather favor having a formal meeting scheduled within the work program period.

3. We look forward to concluding the discussion on the temporary increase of normal access limits, which is fundamental not only to provide room for emergency financing in some countries that have already reached their annual and/or cumulative limits, but also to allow follow-up UCT-quality arrangements. We expect a comprehensive analysis for the upcoming formal Board discussion, including to consider how the ratio of access limits to relevant global economic metrics such as global GDP, trade, external liabilities and gross financing needs evolved over time. As we have stated in the Board meeting on June 2, annual and cumulative normal access limits are not commandments written in stone. They are policy decisions which need to be reassessed whenever warranted. We recall that access limits to the Fund's GRA were expected to be reviewed in early 2021, in line with the standard 5-year review cycle, but we believe the current global outlook calls for this review to be brought forward.
4. In the current uncertain environment, maintaining the engagement with the Board on IMF resources (both GRA and PRGT) is paramount. We look forward to the updates on the progress regarding the PRGT and the CCRT fund raising efforts, as well as on the doubling of the NAB and the new round of BBAs. We also welcome the intention to discuss from a more holistic perspective the funding of the IMF concessional lending. In addition, we underscore that the Fund must remain a quota-based institution and previous crisis have often been windows of opportunity to catalyze support to general quota reviews, as happened in 2009-2010. This is particularly relevant as the crisis may push demand towards the ceiling of the Fund total resource envelope. Regrettably, the work program is muted on this issue. *Could staff inform when the next annual quota data update would be complete?*
5. We welcome the focus of the Fall 2020 flagship publications on crisis-related policies. We also welcome the commitment of management and staff to frequently brief the Board on economic and financial developments. Further, we agree that it is important that the Board remains informed about emerging debt issues, including developments in market access economies and low-income countries and the implementation of the G20 Debt Service Suspension Initiative (DSSI). The conclusion of the review of the Debt Sustainability Framework for Market Access Countries should bring important improvements to the way the Fund approach such analysis. We look forward to the continuation of the debate on the Integrated Policy Framework and on the assessment of the impact of prolonged low or negative interest rates, areas in which past and ongoing IEO evaluations will be very useful to inform staff's work. The evolving work on the Central Bank Transparency Code is also welcome, albeit perhaps not a priority at this point. Although we are not fully convinced that the pace of direct crisis work will relent in the short-term, we also look

forward to the discussion on surveillance during the Covid-19 crisis and more generally on the resumption of regular surveillance work.

6. We would expect more Board engagement with the IEO in the proposed work program. Over the years, the IEO has been instrumental to foster an internal learning culture and improve the external perception of IMF work. We fear that, by sidelining the activities of the IEO in the current work program, recent gains brought by the independent evaluation process to the institution could be put at risk. In our view, the IEO is as fundamental to the Fund in periods of crisis as it is in periods of stability. As we stressed in the informal session to brief on the Integrated Policy Framework last May, it would be important to count with inputs from the IEO on this topic based on the conclusions from its evaluation on the IMF policy advice on capital flows.
7. Management, staff and the Board have responded aptly to the challenges posed by the Covid-19 crisis, but we recognize that the workload has increased substantially, and this has only been possible thanks to staff's dedication and commitment to the Fund's mandate. As the Board has already discussed in some occasions, the Fund should be open to temporarily increase its workforce, including by the recruitment of new talents and the exceptional summoning of experienced staff that have already retired. We are open to consider possible HR initiatives in this direction, as warranted.