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GRAY/21/1553

June 8, 2021

**Statement by Mr. Mozhin, Mr. Palei, and Mr. Potapov on The Managing Director's
Statement on the Work Program of the Executive Board
(Preliminary)
Executive Board Meeting
June 10, 2021**

1. **We welcome the opportunity to discuss the work program of the Executive Board.** The work program remains affected by the crisis developments and the lack of budget resources to address many critical issues. We thank staff for their efforts to prioritize the program in the current complex environment and highlight the need to support the global recovery from the COVID-19 crisis. We also thank staff and management for presenting the policy review schedule and the plans to gradually eliminate unacceptable and widespread delays in the mandatory policy reviews at the Fund. This is a welcome step to strengthen governance, especially in a rapidly changing environment.

General Issues

2. **We believe that the work program needs a more careful balance between formal and informal (informal to engage, briefing) meetings.** The main difference between the formal and informal meetings is in accountability and governance areas. For the Board to play its proper role, Directors need records of their discussions and debates, as well as their reflection in a summing up, even if the discussions are not final. The shift toward much greater reliance on informal meetings, in our opinion, is likely to undermine governance at the Fund. According to Table 1, the Board is expected to have 30 formal, 16 informal to engage, and 29 informal to brief meetings. Moreover, a number of meetings on policy and administrative issues are proposed on a LOT basis, which will be complemented by LOT meetings on a growing number of Article IV consultations. We note that some policy issues that are proposed for informal discussion are challenging to address and, therefore, may

require more than one formal discussion to achieve broadly shared views on how the IMF should proceed going forward. The formal meetings are also better suited to accurately reflect members' views and maintain institutional memory at the Fund. At the same time, we call for reducing the number of meetings of secondary importance and/or limited value for the Board. The Agenda and Procedures Committee should reevaluate current trends.

3. *Against this background, we ask staff to elaborate on the current plans to advance the following topics in the work program after conducting the Board's informal discussions: (i) Voluntary Post-Allocation Channeling of SDRs; (ii) "International Corporate Taxation–Update"; (iii) International Carbon Price Floor and Border Carbon Adjustment; (iv) Vaccine/Pandemic Financing Options; (v) Developing an Analytical Framework for Central Bank Digital Currency; (vi) Briefing on Fund's Engagement on Inclusion: Inequality, Gender, and Social Spending; and (vii) Gender Strategy.*

4. **Addressing the persistent and long delays in the key policy reviews remains an important priority.** On many previous occasions, we expressed our concerns about the widespread delays in the key policy reviews at the Fund. These delays undermine the role of the Board in the Fund's governance, as well as undermine proper enterprise risk management. We thank staff for providing an updated policy review schedule in Table 2 of the work program. We encourage staff to expedite progress in this area. *We note that some of the reviews continue to miss deadlines and would appreciate staff's additional elaborations on how to strengthen safeguards here.*

5. **The 2020 Risk Report called for a review of the guidance on assessing capacity to repay, which was last updated in 1990.** *Do staff plan to conduct this review in the upcoming years, given the Fund's elevated lending risks? Also, according to the IEO, we need to evaluate and update guidance on the core process of reviewing the documents at the Fund. Staff's views on the urgency of this task would be appreciated.*

Multilateral Surveillance

6. **We reiterate our view that the IMF's flagship reports should be focused on the key challenges stemming from the COVID-19 crisis.** It is paramount to strike the right balance between, on the one hand, immediate priorities and, on the other hand, medium to longer-term challenges. In this context, we welcome the focus of the flagship reports on growth, inflation, financial stability risks, and record public debt levels. We understand that a substantial part of the WEO and GFSR will be devoted to **macroeconomic aspects of inequality and climate change**. In addressing these topics, it is imperative to continue searching for the right balance between the key short-term risks to the outlook and the medium-term challenges.

Analytical Work

7. **We broadly welcome the main topics for analytical work presented in the work program. At the same time, we invite staff to elaborate on the workstreams related to structural reforms in post-pandemic economies.** We recall that two years ago staff updated the Fund's internal database on structural reforms covering the main structural areas, including trade, domestic and external finance, product markets, and labor market regulation. The database featured prominently in the WEO and several other publications and was praised by staff. *Given the importance of the topic in the current environment, we believe that a Board meeting on structural reforms, including the update and a more detailed presentation of the structural reform database should be a part of our work program. Staff comments would be appreciated.*

Fund Policies

8. **We welcome the prominence of the debt issues in the work program.** We look forward to the review of the IMF's lending into arrears and official arrears policies, as they still contain substantial gaps. We also support continuing close attention to debt transparency and domestic debt restructuring. *We note the informal nature of the Board's discussions on restructuring of sovereign domestic debt and debt transparency and invite staff to elaborate on their plans to further advance the work on these issues and on how to incorporate possible conclusions in the Fund's respective policies.*

9. **According to the Fall 2020 survey of departments' risk perceptions, the Fund was perceived to be less prepared for the materialization of credit risks and risks to the Fund's preferred creditor status.** *We would appreciate staff's comments on how the envisioned work on debt issues will help mitigate these risks.*

10. **We look forward to the delayed review of the framework for enhanced Fund engagement on governance.** The review should cover the experience with the main governance elements and how they can be further advanced through innovative tools, including fiscal transparency evaluations, PIMA, SOEs assessments, central banks safeguards assessments, anti-money laundering frameworks, and others.

Fund Finances

We call for ambitious approaches to reach a compromise on the 16th General Review of Quotas and highlight the need for regular reviews of adequacy of the Fund's resources. Risks to the adequacy of the Fund's resources have increased substantially due to COVID-19 and the necessary modifications of the Fund's lending toolkit.

Operational Issues

11. **We note that the work program partly incorporates some of the recent proposals under the CSR, including meetings on country matters.** We recall that at the time of the CSR completion, it was proposed that the topics and formats of CMMs should be defined by the Board in the work program. *We would appreciate staff's comments on the key topics of the country matters briefings.*

12. **We believe that the Board should have a formal discussion on the Medical Benefits Plan – Annual and Five-Year Review of Finances, particularly in light of the fact that this meeting will provide an opportunity to reflect on the five-year review.**

13. **We believe that more than additional briefings on the key modernization projects would be necessary to provide the Board with details on the ongoing work and budget implications.** We encourage staff to stand ready to update the Board on a case-by-case basis. We continue to call on a **dedicated meeting on knowledge exchange at the Fund**, as well as with external partners and members' authorities.

Budget Augmentation

14. **We look forward to the discussion on budget augmentation to enable the Fund to address the accumulated and new budget pressures, deliver on its mandate in the core areas of expertise, and support the rising workload on the new priorities.** Spending reallocations and reprioritizations without adverse implications for the quality of the Fund's work have reached their limits well before the COVID-19 crisis. The hard budget constraints have prevented the Fund from embarking on important work streams and expanding the use of the Fund's great internal products for a broader part of its membership. The IEO's recent evaluations and the widespread delays in the policy reviews confirmed these troubling conclusions. *We also look forward to the Board's formal discussion on the Fund's engagement on climate and digital issues, as well as on its engagement in fragile and conflict-affected states.*