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**Statement by Ms. Mannathoko and Mr. Ismail on Statement by the Managing Director
on the Work Program of Executive Board
(Preliminary)
Executive Board Meeting 21/113
December 3, 2021**

We welcome the Managing Director’s Statement on the policy agenda in the Work Program (WP) of the Executive Board for the remainder of FY 2022; and the priority topics selected for engagement in FY 2023. The WP is well-aligned with the fall 2021 Global Policy Agenda and the IMFC Communiqué. It outlines the work needed to support the global recovery and facilitate the transition towards a digital and green global economy. It also rightly prioritizes vaccines as the main solution to the ongoing health crisis. That said, given the high degree of uncertainty surrounding the pandemic, we underscore the need to ensure adequate flexibility to adjust the work program if necessary, to be able to better serve the membership. In this regard, there is at least one overdue deliverable from the pre-pandemic IMFC Communiqué that and requires attention in the current WP. We offer the following comments.

Vaccinating the World

The emergence of the Omicron variant is a wake-up-call. It is now more critical than ever that the Multilateral Leaders Taskforce (MLT) accelerate global vaccination. The priority accorded to “Vaccinating the World” in the Work Program, therefore, is welcome. We note that some countries have secured as much as 300 to 500 percent of the full vaccination requirements for their populations and encourage Management to use the MLT to motivate reprioritization of vaccine orders and distribution to support global vaccination targets first. An enhancement of the IMF-WHO Vaccine Tracker to report on vaccine deliveries (of orders) and on vaccine expiration and disposal, could help in this regard. We also note the need to brief the Board on progress with vaccine financing to better support vaccination in countries with limited fiscal space. In addition, briefings to discuss the progress made on achieving the global vaccination goals for 2021 and 2022 will provide an opportunity to consider corrective actions as needed. *Could staff indicate when these briefings are likely to be provided to the Board?*

Calibrating Policies

The work program should prioritize policies and measures to curb divergence. At the global level, we welcome the 2022 Spring WEO's emphasis on navigating the difficult tradeoffs countries face as they seek to secure recovery with limited room to maneuver. The combination of the ongoing supply chain disruptions with their impact on food and other prices, and rising energy prices, will likely sustain inflationary pressures into 2022, making it difficult to contain inflation expectations. As movement towards interest rate normalization seems more likely, we encourage a focus on containing interest rates and spillovers which could have severe implications for debt vulnerabilities in the midst of G20 Common Framework delays. Weaker global financial conditions and capital flow reversals could also prove challenging, and in this regard, we encourage timely operationalization of the Integrated Policy Framework and the revised Institutional View of capital flow management. *Staff comments are welcome. Could staff also clarify if the IV review's analytical work covers the interplay between Capital Flows, CFMs, and Crises? This workstream is becoming more urgent as the threat of a shift in risk appetite and possible capital flow reversals, grows.*

Alongside analysis of financial market developments, we also welcome the focus of the Global Financial Stability Report's (GFSR) analytical chapters on the sovereign-bank nexus in emerging markets (EMs), and the fintech sector, *and encourage some sampling of the empirical experience of developing countries alongside EMs. Could staff clarify whether the review of financial market developments will include an update on zombification in firms and its implications for the financial sector?*

As noted earlier, there is a missing deliverable from the two 2019 IMFC Communiqués that preceded the pandemic. The workstream on illicit financial flows that was shelved when the pandemic hit, now needs urgent attention, to support domestic resource mobilization in the face of sharp reductions in revenues due to the pandemic. A 2020 UNCTAD report indicates that Africa is losing nearly \$89bn a year in illicit financial flows due to activities such as tax evasion and theft. This is more than the continent receives in development aid, with the result that Africa is a "net creditor to the world." Nearly half of this annual figure reflects resources channeled using the export of commodities such as gold, diamonds and platinum as a conduit. Gold accounted for 77% of total under-invoiced exports worth \$40bn in 2015, the report showed. *We wonder if there is scope to incorporate illicit financial flows in the context of analytical work related to the IV and External Sector Assessments. Staff comments are welcome.*

The Fiscal Monitor's analytical chapter on corporate taxation, carbon taxation, and information sharing is also appropriate. It will be important for the analysis to clarify what the *optimal design* of the international corporate tax system would look like for low income and other developing countries, and how carbon taxation should be structured and implemented to ensure a fair and just transition to net zero emissions. *Regarding the ongoing pandemic, could staff indicate when they envisage a discussion of exit strategies and the implications of withdrawing fiscal support policies, similar to the planned discussion on Central Bank Exit Strategies under the GFSR? The fiscal discussion will be important to provide a policy framework to facilitate an appropriately calibrated and coordinated withdrawal of fiscal support policies.*

The ongoing debt agenda is becoming increasingly important amidst elevated debt levels, their macro-fiscal implications and risks of interest rate normalization. In this context, we encourage Fund efforts to seek resources to ensure that the Catastrophe Containment and Relief Trust (CCRT) remains adequately funded to provide CCRT debt service relief, as long as countries struggle to exit the crisis and recover. The update of the Debt Service Suspension Initiative (DSSI) and Common Framework is critical, and in this regard, we hope the G20 will revisit extending DSSI relief, at least until the CF is operating effectively. The DSSI/CF update will need to motivate urgent and efficient debt restructurings under the common framework, for the new architecture to work and attract more debtor countries. We hope the Zambia case can serve as an illustration of more efficient and timely restructuring. The update on the Multipronged Approach for Assessing Debt Vulnerabilities will need to consider the impact of large exchange rate depreciations and risks from interest rate normalization that could take place in 2022. *We also hope that an update on the Contractual Approach for Sovereign Debt Restructuring will help clarify how private creditors in existing arrangements with DSSI/CF participants, will be brought on board into restructurings, and why the current bond contracts have not served as a solution in this regard. We also urge exploration of the scope for debt-for-climate swap arrangements, as part of sovereign debt restructuring packages, outside the common framework. Staff comments are welcome.*

We support the proposed workstreams on lending policies amidst growing demand for Fund resources. Scheduled discussions on establishing a new Resilience and Sustainability Trust, Eligibility to Use the Fund's Facilities for Concessional Financing, and Fund's Arrears Policies and Perimeter, remain essential to ensure that adequate support is provided to LICs (and MICs under the RST) to mitigate the impact of the pandemic and support the recovery.

Accelerating a Transformational Recovery

The WP rightly seeks to accelerate the transformation of the global economy in line with the priorities identified in the new strategies on climate change, digitalization, countries in fragile and conflict-affected situations (FCS), and inclusion. On the climate-change workstream, while mitigation should continue to be the priority for large emitters, in developing countries, adaptation, resilience and climate transition considerations are growing. Various countries are starting to face food security and population displacement challenges due to climate shocks, while others face the prospect of dominant fossil fuel industries being phased out. Integrating Climate Change in the Public Investment Management Assessment Framework, the Integration of Climate Adaptation in Fiscal Policy, and Assessing the Financial Stability Implications of Climate Risks are all important for many low- and middle-income countries. We underscore the importance of ensuring a balanced representation of regional and country case studies in climate analysis to enable appropriately tailored policy advice. We look forward to considering the modalities for the new Climate Macroeconomic Assessment Program and to the brief on the Implementation of the Climate Strategy.

Timely delivery on the digital agenda remains essential. In this context, prioritizing the work and Board engagement on Digital Money and the International Monetary System will help to ensure that member countries are adequately equipped to deal with the far-reaching implications of the widespread adoption of digital money for monetary policy and for macro financial and regulatory policies. The implications for global financial stability and the global financial safety net will also be of particular importance. We also look forward to the

discussions on Recent Central Bank Digital Currency (CBDC) Developments and an Approach to Capacity Development, and to the implementation update for the Digital Money Strategy in FY2023. *Could staff comment on the extent of their engagement and collaboration in the ongoing conversation on the intersection of global digital governance and finance.*

The work agenda to enhance Fund's FCS engagement and the FCS Strategy also has our strong support. An enhanced operational framework is needed to ensure effective engagement with FCS countries. It will also support and advance the integration of the Fund's CD into surveillance and lending activities in FCS. On the inclusion agenda, analytical work on the Gender Strategy and Women in Finance in the Post-COVID World is especially welcome at this time when the pandemic has amplified gender inequality at national and global levels. Work on inclusion is also critical to safeguard social stability and the social cohesion needed to support democracy across the globe. We also look forward to the brief on the Implementation of the Inclusion and Gender Strategies.

Enhancing Fund Operations

Once again, we commend the Fund's management and staff for their continued efforts to respond in a timely and effective manner to the unprecedented challenges caused by the pandemic and related economic crisis. The Fund operations agenda should ensure that the Fund remains adequately resourced to respond effectively to the current and future needs of the membership. Among other things, the different workstreams should equip the Fund with the required budget resources to carry out its mandate effectively, including attending to evolving global policy priorities and preparing for risks prompted by the pandemic. Discussions on the Review of Staff Compensation, Staff Recruitment and Retention Experience, and the Diversity and Inclusion Report are also important, bearing in mind that staff have had to work under significant pressure and stress over the past year or so. The planned briefs on the Resumption and Early Experiences with the Hybrid Work Model Pilot will provide an opportunity to assess the validity and effectiveness of the hybrid approach adopted, including the productivity impacts.

In closing, we reiterate our support for the work agenda on the Sixteenth General Review of Quotas and underscore the importance of concluding the review no later than mid-December 2023. The need for the Fund to be adequately resourced and able to preserve its role at the center of the global financial safety net has become more pronounced in the wake of the pandemic and amidst escalating climate shocks.