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**Statement by Mr. Bevilaqua, Mr. Velloso, and Mr. Coronel on Review of the
Implementation of the 2018 Framework for Enhanced Fund Engagement on Governance
(Preliminary)
Executive Board Meeting
April 4, 2023**

We thank staff for the set of papers and welcome the 2018 Governance Framework (GF) implementation review. Based on the experience gathered from the Fund's engagement with the countries in our constituency, which vary in size, economic structure, income classification, and geographic location, we have the following comments.

We welcome staff's efforts to obtain feedback from a wide group of stakeholders on the 2018 GF implementation. This review is a great opportunity to assess whether implementation has so far been consistent with the goals of the 2018 GF and whether the framework may need to be finetuned and strengthened. In this regard, it is not only important that the policies underpinning the 2018 GF are well designed, but also that staff engagement in this highly sensitive area is carried out in a respectful and evenhanded manner to foster ownership. The occasional surveys deployed by staff on governance are helpful, but as evidenced by a still low response rate, particularly among low- and middle- income countries, we see considerable room for improvement in this area, both in terms of the number and quality of surveys as well as other forms of seeking timely feedback.

Evenhandedness in the implementation of the 2018 GF should be strengthened. We recognize that the Fund seems to be more systematic in assessing the nature and severity of governance weaknesses and corruption vulnerabilities. In addition, the Fund has been providing broadly adequate recommendations in this area, including in surveillance, financial support operations, and capacity development activities. At the same time, we see considerable room for improvement in applying the 2018 GF in a more evenhanded manner. The staff report states that a "majority of national authorities [among those who responded] agree – or are agnostic – that Fund engagement on governance issues is evenhanded." However, we must consider that uneven treatment often affects minority groups. There is a need, in our view, for improvements in this area. The Fund is still perceived to be enforcing the 2018 GF mostly in our smaller and weaker members. Further, management and staff must

do a better and more forceful job at implementing the 2018 GF in member countries that are known for being sources of bribes and safe havens for stashing away corruption proceeds.

While our country authorities generally welcome staff's inputs on governance and transparency, they have noted that the scope of central banks in these matters may be limited and, at times, inconsistent with their mandate and independence. Some country authorities have also noted that staff's advice on governance issues is sometimes directed towards independent agencies and branches of government. These independent institutions are making progress towards improving their governance and anticorruption frameworks on their own or as part of other international fora specifically purposed to discuss governance issues, provide advice, and follow up on them. We therefore see room for the Fund to be more selective and focused on clearly established macro-critical issues that are in line with our mandate and core expertise.

Finally, staff country teams' capacity on governance issues should be strengthened.

Our country authorities very much welcome the dedication and professionalism of staff. This recognition has been earned over decades of hard and high-quality work in the Fund's traditional core areas. However, staff does not seem to be quite there yet when it comes to the highly sensitive area of governance and anticorruption. In this regard, we stress the importance of providing proper training to staff and for staff to work closely with institutions that have experience in this area.