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**Joint Statement by Mr. Binzarah, Mr. Mohieldin, Mr. Zhang, Mr. Alhosani, Mr. Alrashed, Mr. Saeed, Mr. Bai, Ms. Fayez, and Ms. Qi on Safeguards Assessments - 2022
Review of Experience
(Preliminary)
Executive Board Meeting
December 7, 2022**

We thank staff for a comprehensive review of the Safeguards Assessment (SA) policy. We also thank the external panel of experts for their useful recommendations. We take note of the good progress made since the 2015 review. We find it reassuring that the safeguards policy continues to be effective in preventing the misuse of Fund resources and misreporting of program monetary data, and the addition of fiscal safeguards reviews enhances the Fund's ability to safeguard resources. **We broadly support staff's proposal in line with the panel recommendations.**

On the components of the framework, we support the proposal to establish a standalone governance pillar in the safeguards framework, expanding the ELRIC framework to GELRIC, although caution is needed to ensure that governance work remains within the limits of the safeguards assessment work. On risk management, we support expanding the coverage to include broader financial risks. Accordingly, we concur that safeguards assessments should continue to examine the appropriateness and effectiveness of existing risk management arrangements. Finally, we concur with staff that the framework is sufficiently flexible to respond to emerging risks such as those from CBDCs. Given the varying objectives, capacities and progress stages of CBDCs, the assessment should be through the prism of mitigating the risks of misuse Fund's resources instead of standard setting. We also encourage staff to strengthen interdepartmental coordination on this front.

We support the proposal to require a mandatory safeguards assessment in cases where member countries have a concurrent PCI or PSI with access to RST financing, and

fiscal safeguards review for any High Combined Credit Exposure case with at least 25 percent of resources directed to budget financing. Considering the complexity and different archetypes of fiscal institutions among member countries, a risk-based but tailored approach would be more appropriate. Also, we support enhancing the monitoring framework for implementation of recommendations from fiscal safeguards assessment, in line with staff's proposal.

We support the proposals on both outreach to strengthen capacity in central banks as well as the development of comprehensive operational guidelines. Operational guidelines will help in streamlining the assessments process and timeline and reduce pressure on staff. We also support the introduction of an exceptional circumstance clause that would relax the deadlines for the completion of safeguards assessments during periods of global crises with significant demands on Fund resources from the membership. In case of an exceptional event, staff is encouraged to prioritize the large pipeline of safeguards assessments based on the level of Fund's risk exposure. We welcome the proposal to add 2-3 FTEs to support the implementation of the recommendations in the report in a timely and efficient manner.

Last but not least, we commend staff's diligent efforts on the safeguards assessments to maintain the Fund's reputation as a prudent lender. We encourage member countries to continue enhancing governance capacities, internal controls and risk management.