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June 8, 2021

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

We welcome the Managing Director's excellent and well-prioritized Work Program. We fully agree that securing a safe exit from the crisis must remain the key priority, as evidenced by regional spikes in COVID cases and the continued risk of a divergent recovery. The Fund's high-quality, tailored advice will continue to be crucial for country authorities to successfully navigate the gradual withdrawal of policy support where possible and warranted. At the same time, the Work Program rightly recognizes the need to strike a balance with progressively resuming regular, long-term workstreams.

To put economies on a path towards a sustainable and resilient recovery, it will be equally important to address medium-term challenges, notably climate change, digitalization and inequality. The membership looks to the Fund for guidance on how to manage these structural transformations, while dealing with increased debt vulnerabilities. **We thus strongly support the proposed work program in the areas of climate change, digitalization, and debt.**

Climate change

The Work Program's increased focus on climate change-related issues across all aspects of the Fund's activities is very welcome. Climate change is macrocritical and squarely falls in the Fund's mandate. With its near-global membership, the Fund is uniquely positioned to advise country authorities on the economic and financial implications of climate change. The proposed work in this area is also very timely as the policy mix during the recovery presents a window of opportunity to lock-in a green growth path that will make economies both greener and more resilient for years to come.

We consider the forthcoming discussion of the Fund's strategy on climate change issues to be among the most important meetings in the period ahead. We must build on recent progress, notably the integration of climate change in our surveillance framework, and work towards incorporating climate change-related issues in our lending and capacity development operations. We look forward to the assessment of the financial stability implications of climate risk, the Fund's work on an international carbon price floor and possible carbon border adjustment mechanisms, and the

dedicated chapters in the Fall Flagship reports. In this context, we want to stress the importance of close collaboration with other institutions, notably the World Bank, the Network for Greening the Financial System and the Coalition of Finance Ministers for Climate Action.

Digitalization

Similarly, we welcome the Fund's work on digitalization, especially on the implications of digital money on the international monetary system. Progress in this area is urgent, with digitalization transforming the world of finance even faster than initially expected due to the pandemic. Given the Fund's central role in the international financial system, it is crucial that we stay abreast of developments. Again, close collaboration with partners, notably the BIS and FSB, remains needed. We thus very much look forward to the discussion of the Digital Money Strategy in June.

Financial sector

In addition to this emerging trend, we see merit in continued analysis of other developments that may impact financial stability, notably governance issues in the financial sector and in particular pressures on central banks, as well as developments in real estate markets.

Debt

We continue to support work on debt-related issues, in particular on debt vulnerabilities and transparency. We note that, while warranted, the unprecedented size of fiscal policy support to mitigate crisis effects has exacerbated pre-crisis debt vulnerabilities, which constitute a key financial stability risk. With debt-related issues at the core of its mandate, the Fund must continue to be well-equipped to advise the entire membership on debt and fiscal sustainability questions. We thus look forward to the planned briefing on options for restructuring of domestic sovereign debt and debt transparency, as well as the regular updates on the DSSI and Common Framework.

Proposed budget augmentation

We welcome the proposed engagement on a possible one-time budget augmentation to step up work related to new areas of priority work. Such a proposal will need to make a convincing case and contain detailed information on amounts and FTEs for each priority area. Separate discussions of each individual area will allow for appropriately detailed discussions. In the dedicated Board on a proposed budget augmentation, we would expect an integrated presentation of possible trade-offs, which is an important element for the Board to take an informed decision.

Lending toolkit

Given the continued high uncertainty, we appreciate the upcoming discussions on the Fund's lending tools. In this context, we are interested to understand in more detail the rationale and objective of the proposed discussion on vaccine/pandemic financing options. Given the importance of vaccination for a sustainable global recovery, we welcome the Fund's call to intensify multilateral cooperation and help low-income countries gain access to vaccines. At the same time, we wonder what role, if any, Fund emergency financing could play in this regard. We believe UCT-quality programs are well-tailored to support countries in the current phase of the crisis. *Could staff elaborate on the rationale for potential adjustments to the emergency toolkit?*

Enterprise Risk

While we welcome progress on the ex-ante articulation of risks related to policy proposals and the elevation of the ORM head, we would have welcomed a deeper and earlier engagement following up on the OIA's recommendations. As the maturity assessment found Fund practices to be in the development phase, we see the case for speedy progress, not least because of the

increased enterprise risk profile and continued uncertainty. *Could staff explain whether it would be possible to begin work on a Board-approved ERM policy while the MIP is being prepared?*

Fund resources

We support staff's work on the 16th General Review of Quotas and the proposed \$650 billion general SDR allocation, as well as considerations for a voluntary post-allocation channeling. In this context, we highly appreciated the updates on demand for Fund resources, which took place last year, and we would welcome the resumption of such regular updates. *Staff's comments are welcome.*

Finally, we express our gratitude to Management for their efforts on debt relief for Sudan. Against this backdrop, we think a Board discussion regarding a successor account for the SCA-1 could be added to the program, as it is an integral part of the Fund's precautionary balances and will be terminated following the debt relief for Sudan. *Could staff elaborate on this choice?*

Future of Work

As the world is considering the recovery, so the Fund must prepare for the post-pandemic workplace. We consider a fundamental rethinking of the nature of work at the Fund to be a strategic consideration, which warrants the full implication of the Board. We welcome the envisaged briefing on this topic in June, but we believe a follow-up informal Board to engage would be warranted. *Staff's comments are welcome.*