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**Statement by Mr. Zhang and Ms. Yang on Eleventh Periodic Monitoring Report on the Status of Management Implementation Plans in Response to Board-Endorsed IEO Recommendations
(Preliminary)
Executive Board Meeting
September 22, 2021**

We thank staff for the Eleventh Periodic Monitoring Report (PMR) and the IEO's insightful comments. We welcome the opportunity to discuss the status of management implementation plans (MIPs) in response to IEO recommendations, and would like to provide the following comments.

It is encouraging that positive progress has been made with the implementation of management actions. Since the last PMR, 29 of 72 actions have been closed, showing a faster implementation pace than the previous trend. We also appreciated the accelerated pace of implementation on actions contained in more recent MIPs. Despite the fact that there are 35 open action items and 16 of which have been delayed for more than a year as each has its own specific reason for the delay, we should acknowledge the implementation efforts made by management in the context of the pandemic, as Fund activities have been reprioritized to respond to the crisis, resulting in the postponement of several important reviews.

As advocated in the last PRM Board discussion, this report includes a section on the impact of slippage in the implementation of open actions. However, as the IEO rightly pointed out, it is more of a description of the slippages rather than an assessment of their impact. We note that the OIA plans to engage with other departments to refine this assessment in future PMRs, and we look forward to the practical approach for measuring the impact of slippages before the end of this fiscal year.

We regret that the PRM provided limited information on the latest status of the eight actions to be reformulated, *and we welcome staff's comments on these areas*. We stress the reformulation should address the root causes of the implementation issues, and be specific

and measurable to meet the thrust of the underlying IEO recommendations. Meanwhile, putting in place the right incentives could help overcome these long-standing impediments.

We take note the efforts made by management in diversity and inclusion, but are disappointed by the uneven progress in achieving the diversity and inclusion targets, particularly the limited progress made towards raising the share of senior staff from underrepresented regions (URRs), most notably in East Asia. While the net inflow of URR nationals at the A9-B5 level more than doubled in 2020 and gross hiring of URR nationals at A9-B5 level increased significantly by over half, the percentage of East Asia new hires among the Fund's total externally recruited staff has decreased from 15 percent to 13.6 percent, and separation of East Asia nationals has continued to be the highest amongst URRs. Meanwhile, the recruitment of B-level staff is concentrated in a few countries, and East Asia still has a 21-headcount gap to close in management level positions to meet the 2025 benchmark. Therefore, significant additional institutional efforts are required to achieve and maintain the diversity benchmarks for the URR nationals, especially for East Asia.

A better coordination of some of the actions is needed. The requirement of work experience in LIC/FCS in promotions from A14 to A15 starting in 2023 could incentivize staff to work on FCS, but it could also lead to a higher rate of FCS country team turnover and possibly inadequate handover procedures. The criteria reflect the uneven odds of promotion between assignments for big and small countries. Therefore, a well-designed, evenhanded, and balanced promotion mechanism is essential to enhance staff commitment to country assignment, regardless of country size.

We take note of the plans to publish indices of capital account openness on the IMF external website, however, as this Chair has long argued, the appropriateness of capital account openness should be assessed in the context of a country's circumstances, including its economic development stage, economic openness, and macroeconomic management capacity. Without sufficient risk management and shock absorbing capacity, pre-mature opening of capital account will be associated with higher volatility in capital flow and greater policy challenges. We highlight that the indices should not be judgmental, and a higher reading of the capital account openness index does not necessarily indicate a lower risk of capital flows. The capital account openness indices should be published with comprehensive explanations on this background, otherwise, it will provide a misleading signal in policy making.

We recognize the importance of data provision and its contribution to Fund surveillance and lending activities. The slow progress in many actions under Behind the Scenes with Data at the IMF partly reflected capacity constraints in member countries. We should also be cautious about mandatory reporting of certain data, taking into account of the purpose of data provision, country's statistical capacity, data availability, as well as the domestic legal procedure of data disclosure.

Finally, we look forward to the roll out and implementation of the IMF FCS strategy, to complete the implementation of overdue actions in response to the evaluation of the IMF and fragile states.