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**Statement by Mr. Moreno, Mr. Guerra, Mr. Romero Tarazona, Ms. Arevalo Arroyo, and
Mr. Lopez on The Managing Director's Statement on the Work Program of the
Executive Board
(Preliminary)
Executive Board Meeting
June 10, 2021**

We thank the Managing Director for the comprehensive document on the Work Program (WP) and broadly support its outlined priorities. Our work must continue focusing on providing the membership with well-founded policy guidance, tailored to country-specific circumstances, to navigate the end of the crisis and to face the challenges of a highly uncertain and uneven recovery. To this end, international cooperation and policy coordination are instrumental in minimizing the scarring effects of the pandemic and to advance a resilient, sustainable and inclusive recovery. In this respect, we welcome the analytical agenda on global cooperation and standard setting with a focus on taxation, sustainable financing, debt challenges, and data gaps and transparency. Nevertheless, we miss further discussions on trade developments and policies, which are essential in this context of international cooperation to ensure a faster and more resilient recovery.

Surveillance

We support the scope of the analysis of the next flagship reports. We welcome the emphasis on policy recommendations to ensure a resilient and equitably shared recovery, as well as the analysis of debt overhangs. Nevertheless, for many economies, policy priorities continue to be fighting the pandemic while minimizing its scarring effects. Adequate calibration and coordination at all policy levels (monetary, fiscal, macroprudential and regulatory) to have a smooth transition during the first stages of the recovery are still paramount. We are also encouraged by the FM analysis on how the fiscal policy can help the recovery while ensuring credibility, and how to enhance fiscal frameworks in a context of high levels of public debt. Staff should continue providing tailored fiscal advice, taking into consideration the different policy limitations and risks in AEs and EMDCs.

The WEO analysis on prospects and risks for growth and inflation is especially important at the current juncture. We should carefully monitor their implications for monetary policy in advanced economies. The GFSR should align its policy recommendations with these developments, and carefully monitor international financial conditions and spillovers on emerging markets.

We look forward to the next External Sector Report, including the analysis for the wider membership. These reports will be an opportunity to understand the impact of the COVID-19 crisis on the external equilibrium of member countries. Additionally, it will help to enhance the work of the Fund on the role of coordinated policies and to refine the analysis of policy gaps in external sector assessments. In this line, the upcoming review of the *Institutional View on Liberalization and Management of Capital Flows* will benefit from our discussions on the integrated policy framework and other initiatives like the cross border effects of digital payments and the policy toolkit used during the crisis.

We support the briefings on Country Matters to tackle relevant common challenges for specific country groups. We are encouraged by the specific analysis on *Emerging Markets: Landscape, Prospects and Risks*, which will be paramount in monitoring developments and risks in a context of divergent recoveries. Additionally, given the importance of the recovery of the tourism sector for many members, it would be advisable to include an in-deep analysis of this issue in future briefings. Furthermore, as requested by this and other Chairs, a briefing on MIC issues would have been appreciated in order to understand their challenges and how the Fund could best support them.

We are encouraged by the planned Fund's work to address three long-term priority challenges: climate change, digitalization and inclusiveness. The recovery from the COVID-19 crisis is an opportunity to accelerate the transition to a green, digital, and inclusive global economy. In line with this structural transformation, we would appreciate a stronger emphasis on structural reforms and on the essential role of the private sector to underpin this transformation to a more resilient and sustainable economy. Additionally, given the prominent role of public spending and public investment to face those challenges, we would have expected an earlier discussion on the Fund's engagement on governance and anti-corruption, partly to help define adequate frameworks to facilitate an efficient use of public resources.

On climate change, we are encouraged by the formalization of the Fund's strategy on climate-related work. We welcome the upcoming *Strategy for IMF Engagement on Climate Change Issues* as a milestone in the Fund's work, which will help operationalize the systematic integration of climate change in bilateral and multilateral surveillance, including its implications on financial stability. As widely recognized by the membership and other institutions, the Fund can play a critical role in the macro policy dimension of the climate change challenges, including mitigation, transition and adaptation. To this end, we also

welcome the ongoing discussion on the development of the CMAP. Furthermore, we want to highlight the planned analytical chapter of the GFSR on climate transition and financial stability.

On digitalization, we welcome the ongoing workstream, especially on CBDC, risks to financial stability and financial inclusion. In order for the IMF to maintain a relevant role in the digitalization agenda, it must be at the forefront of research and analysis. Also, it will be instrumental for the IMF to have adequate human resources to address the growing demand for TA and policy support on financial digitalization from our membership. **On inclusiveness**, we recognize that the impact of the COVID-19 crisis has disproportionately hit the most vulnerable countries and population groups. It is our responsibility to promote economic recovery centered around basic principles of sustainability and inclusiveness. However, we would appreciate more precision in the WP on the future work on these issues, specifically on inequality—in its multiple dimensions—and social development.

Lending policies

The Fund should prepare for the gradual shift from emergency facilities to UCT programs once the crisis abates. We welcome the proposed workstream on lending policies, especially the culmination of the revision of concessional financing. Nevertheless, we still miss a broader discussion on the adequacy of the current toolkit in the WP, including its usefulness, flexibility to manage future crisis, and existing gaps. **We also want to underscore the discussion on *Vaccine/Pandemic Financing Options*** to deal with the potential involvement of the IMF in the vaccination needs of the membership and reiterate our support for these initiatives. We wonder if a more expedited timeline for this discussion is warranted, given its crucial relevance for many countries in the membership.

We would call on an acceleration of the discussion so-called second stage of concessional financing. We welcome the early scheduling in June of the discussion on Concessional Financing and policies. However, we still think that the discussions on alternative financing scenarios other than grants (delayed to a second stage) should be scheduled sooner rather than later, preferably already in 2021, in order not to lose the momentum of the international support to LMICS, even more so considering that a number of available options, such as gold sales, will take time to develop. The membership should be aware of the pros and cons of the different alternatives to take an informed financing decision. This is a discussion that also affects the ongoing debate on how to rechannel the SDRs in order to enhance our support to LMICS.

The debt agenda remains one of the main priorities of Fund's work, in close cooperation with the World Bank and other international fora. Many initiatives are still ongoing and need to be addressed expeditiously. The Fund should further clarify some aspects of its future involvement in the G20 common framework and on the revision of the global sovereign-debt restructuring architecture.

We reiterate our concern on MICs financing and CD challenges. Going forward, a more active commitment from the IMF to middle-income countries would be needed. The Fund should take into consideration that these countries depend to a great extent on CD to be able to comply with the conditionality requirements of potential programs and act accordingly. Additionally, CD delivery in these countries will reinforce governance safeguards by reducing the Fund's risks in the context of intense lending activity.

Capacity development

We strongly support the inclusion on the WP of further discussions on the implementation of the CD strategy. CD is a core element of Fund's mandate and we must ensure CD activities are well-resourced, based on a sustainable and resilience financing framework. At the same time, CD activities, along with surveillance and lending, must be aligned in a comprehensive manner with national policy needs and priorities.

Resources and governance

We strongly welcome the inclusion in the WP of the new SDR allocation and the follow-up discussion on voluntary channeling of SDRs. The post-allocation channeling of SDRs to vulnerable countries (LICs and MICs) should be ample and evenhanded. Our discussion on this issue should remain collaborative and ambitious. We should find creative solutions to help our membership to circumvent existing constraints in the access to long-term financing to address macrocritical structural challenges related to development goals and sustainable growth models. We welcome the presentation to the Board in July so that our efforts to find options that gather sufficient consensus have enough time to be considered for a timely post-allocation channeling of SDRs.

We also welcome the ongoing work on Fund's governance. We reiterate our support for the planned further discussions on the 16th General Review of Quotas regarding Fund resources, quota formula and quota share realignment.

Budget and modernization plans

It is of the essence to ensure the IMF is well-resourced to support the resumption of our full operations during the economic recovery. The Fund must continue to support the membership in full performance on its surveillance, lending, and capacity development mandates. To this end, we want to reiterate our support to staff for their efforts and high commitment to the work agenda during these difficult times. The Board must respond accordingly, ensuring the necessary resources and incentives to effectively meet the higher demand for Fund support in many macrocritical areas. While the Fund's work will need to continue to be guided by prioritization, streamlining and flexibility, we welcome the discussion on the Proposed Budget Augmentation. In addition, we look forward to the

planned discussions on human resources issues, including staff compensation, recruitment and diversity.

Policy Review Schedule

We welcome the medium-term schedule for the main policy reviews and are encouraged to see the progress in many reviews notwithstanding the difficult circumstances in the past year. That said, we would have liked to see a tentative schedule for reviews regarding “cooperation with and support to the international community”, in particular Bank-Fund Collaboration—and more so in the current juncture of expected increased engagement—and the Role of Trade in the Work of the Fund. Additionally, we miss in the WP a reference to a potential revision of Access Limits and Surcharge Policies that could alleviate the burden of members in need of financial assistance by the Fund, as part of our comprehensive strategy to help vulnerable countries during the recovery.

Response to risk

We welcome the continuous integration of the Risk Report and the Work Program. We agree with the MD that further discussions on the LIA policy, debt issues, concessional financing and medium-term budget will be instrumental in mitigating risks to Fund’s activities and reputation. We see merits in the effort to articulate institutional risk implications of selective policy reviews and lending operations and look forward to specific proposals on this issue. Finally, we look forward to further engagement of the Board on the development of the management action plan to address the OIA ERM recommendations in accordance with industry standards and best practices. In this regard, we request that an item to assess the adequacy of the resources of the OIA to address the strategic audit matters must be included as part of our medium-term budgetary allocation.