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June 8, 2021

**Statement by Mr. Huh, Ms. Johnson, and Mr. Yoo 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 comprehensive work program for the Executive Board. As was the case last year, the work program continues to be heavily dominated by the Fund's efforts to promote a durable exit from the COVID-19 crisis, minimize long-term scarring, and build a more sustainable, resilient and inclusive global economy. The vast program also reminds us of the tireless demands and efforts undertaken of staff at the Fund as they support members throughout this period, which is highly valued by our membership.

Lending and Fund resources

The Fund must continue to reassess its toolkit to ensure it can respond to the needs of its members. We look forward to the upcoming discussions on the general SDR allocation, SDR re-channeling and the finalization of the Review of Concessional Financing. We look forward to staff presenting a case for Trust Funds for lending to targeted groups as part of the SDR re-channeling. While we remain open to supporting consideration of enhancements to the emergency financing toolkit and modified access levels for existing facilities, we remain of the view that the Fund would benefit from an overarching lending strategy to guide Fund support throughout the pandemic. *Staff comments welcome.*

The Fund needs to continue to support its most fragile and smallest members. This includes welcome work to enhance the Fund's engagement in fragile and conflict-afflicted states. We regret that the small developing states agenda seems to have been de-prioritized in this work program. We urge management to capitalize on opportunities to engage with this part of the membership and continue to consider how to better assist them with exacerbated and persistent vulnerabilities as a result of the pandemic. One specific area that would benefit from further engagement between the Fund and small developing states is Correspondent Banking Relationships (CBRs). CBRs have been under pressure globally for the past decade,

and continued withdrawal of CBRs are threatening to cut the access of Pacific Island Nations to international finance. We also look forward to the Fund moving quickly to roll out the new CMAP diagnostic tool to small developing states following the formal review, noting their potential catalytic role in unlocking climate finance.

Regular and candid communication on likely resource demands are critical. It is important that the Board is kept engaged on resourcing pressures (including the range of potential scenarios) so a case can be made to the membership for the mobilization of additional resources. *What is staff's assessment on the need for a possible activation of NAB in the near future?* Fundraising requests remain ad-hoc and management would benefit from presenting an overarching strategy to assist members to evaluate potential asks. Regarding the CCRT, *can staff please advise what resources are required for the fourth tranche of the CCRT debt service relief and contingency plans if sufficient resources cannot be secured?*

Surveillance

Fund surveillance plays a critical role for our members. We continue to support strong multilateral surveillance through the flagship reports, economic and financial market briefings, country and regional briefings. We support the Board's close monitoring of the implementation of the CSR and FSAP review recommendations. Given divergent views on the proposed data requirements, we encourage staff to engage further with the Board ahead of the formal meeting scheduled for March 2022. *Can staff elaborate on plans for how to operationalize country matter meetings and what topics will be covered for the remaining fiscal year?*

It is important that the Fund remains at the cutting edge of its core mandate. We are surprised that there is no mention of Unconventional Monetary Policy (UMP) in the work program and there is limited coverage of further research and analysis on fiscal policy. There are a number of areas that we consider relevant for further research to guide members and will inform Fund policy advice, including interactions between UMP and spillovers, how to exit from unconventional tools and how to provide effective targeted and temporary fiscal stimulus. On the latter, while we support the proposed Fiscal Monitor coverage on improving fiscal frameworks, further tailored guidance on how to implement targeted fiscal policies with limited policy space will be crucial to inform countries' policy decisions should downside risks materialize.

We remain concerned about the uneven gradual resumption of bilateral surveillance. The Fund must be at the forefront of providing advice to our members given the significant divergence and uncertainty. But the resumption of bilateral surveillance is being led by individual area departments and not guided by an overall Fund strategy. This has led to some small developing states – who benefit most from, and rely on, Fund advice – going nearly three years between Article IV consultations – while other members are already onto their second Article IV since surveillance resumed. *Staff comments welcome.*

Policy

We continue to support the comprehensive debt agenda. We are pleased that the Board will be briefed extensively on debt issues, and we particularly look forward to the update on the implementation of Multipronged Approach for Addressing Debt Vulnerabilities and follow-up on the implementation of the MAC SRDSF. We also welcome the opportunity to engage on ways to improve debt transparency.

Effective collaboration with the World Bank and other international organizations is essential. We recognize the Fund's important efforts in climate, inclusion and digital, but expansion into such areas should not be a substitute for effective collaboration. The Fund should concentrate its work on those areas within its mandate and expertise, where we can add value and continue to partner with other international institutions to ensure we can deliver for our members in a collaborative way. The MIP on collaboration with the World Bank on macrostructural issues will be crucial to agree overarching priorities and clarify responsibilities.

We welcome the planned review of the institutional view on liberalization and management of capital flows. This will be an excellent opportunity to draw insights from the integrated policy framework and the lead into the Review of the Institutional View.

The agenda on digitalization is welcome if somewhat narrow. The COVID-crisis has accelerated structural trends in economies worldwide as digital adoption by businesses and governments took quantum leaps. We would have expected the Fund's digitalization agenda to focus on associated transition risks for economies and the necessary structural policy agenda to harness the potential of digitalization.

Better integration of surveillance with capacity development (CD) is critical for small developing states, LICs and fragile states to ensure traction and delivery upon policy advice. We welcome the update on the implementation of CD priorities, and we look forward to this considering how CD demands have changed as a result of the crisis. This update should cover the priorities including emerging trends, the ability of staff to deliver CD in a virtual environment, an assessment of the identification of CD needs and any difficulties in implementation as a result of the pandemic as well as its budgetary implications. We also encourage staff to continue efforts to integrate capacity building needs into bilateral surveillance, which should focus on recovery efforts.

Organizational issues

Administrative Budget – We are open to considering a well-justified business case for structural increase to the administrative budget. We look forward to engaging on this issue in July and expect staff to provide the Board with options to ensure that the budget aligns with the priorities of the membership and does not seek to expand responsibilities as a substitute for effective collaboration.

Risk Management – We look forward to reviewing management’s action plan in response to the OIA’s ERM audit which will hopefully provide a roadmap for enhancements in the areas of risk governance, risk acceptance and tolerance, and empowerment of the risk function.

Operations – The Fund must draw lessons from over a year in a remote working environment to ensure that it continues to deliver for the membership, including in new more efficient and effective ways, through the crisis and recovery. To this end we look forward to the briefing on the roadmap to the Future of Work at the Fund, including the Fund’s footprint and field presence.

IHR – Given significant delays and cost overruns associated with the IHR project we would have expected more frequent updates to the Board on its status. Consideration should be given to dedicated bi-annual Board updates on this off-track major project.