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**Statement by Ms. Mahasandana, Mr. Tan, Mr. Mahyuddin, and Ms. Susiandri on The
Managing Director's Statement on the Work Program of the Executive Board
(Preliminary)
Executive Board Meeting
June 11, 2020**

We thank the Managing Director for her Statement on the Work Program (WP) of the Executive Board. The WP is aligned with the Fund's priorities laid out in the Spring 2020 GPA and the IMFC Communique, which focus on supporting member countries to deal with the global pandemic crisis.

We broadly support the Work Program and offer the following comments.

Work Prioritization

This unprecedented crisis has led to a surge in Fund workload due to intensifying demand for Fund support. In this light, effective work prioritization that is supported by a well-balanced resource allocation is crucial. We agree that the immediate policy response should focus on mitigating the crisis impact and facilitating a smooth economic recovery, while other work programs could be reprioritized depending on the evolution of the crisis. In this regard, the approach outlined in the first section of the WP is appropriate.

The work priorities to ensure the Fund's swift responses during the immediate crisis phase should continue to prioritize emergency financial support, analysis of the impact of the crisis and policy responses as well as timely and targeted capacity development (CD). In addition, we underscore the importance of precautionary lending as part of the Fund's comprehensive lending toolkit. The *Lending Strategy* should continue to adequately cover the merits of precautionary financing such as the FCL, PLL and SLL, particularly in the current context of uncertainty and potential capital flow pressures.

While we agree on the need to reprioritize various research work, we urge caution in doing so based solely on the 5 categories of research work. The WP should look deeper into the specific content of the research work vis-à-vis the evolving crisis. For example, the topic on climate

change could be relevant to different phases of the crisis if we were to segregate and tailor different aspects of this research topic accordingly.

On a similar note, more immediate engagement on selected IEO work is warranted. In particular, the IEO findings on IMF advice on capital flows and on small states could provide valuable guidance on how staff should engage and advise members more effectively during and beyond the crisis. The current approach of aggregating all the IEO evaluation work under the fourth category of work priorities may lead to a negative signaling on the importance of the IEO's role in supporting Board oversight and the misperception that the IEO evaluation work could hinder crisis response by line departments.

Multilateral Surveillance

We welcome the regular updates on global economic outlook and financial market development, given the high uncertainty. The work should be accompanied by continued close engagement with the authorities to build a robust understanding of the assumptions that underpin the Fund projections. While we appreciate the upcoming regional updates, more granular assessment based on specific challenges such as the heterogeneity of economic characteristics and policy space should be considered to facilitate better tailoring of policy advice by the Fund.

We agree that the flagship reports should focus on crisis-related policies. These reports should also be drafted in a coherent manner as they play an important communication tool to the public on current developments, latest projections and scenarios, and key policy recommendations. On this note, the 2020 External Sector Report (ESR) can help complement the other flagship reports if the Fund could make the ESR more focused on the implications of the COVID-19 crisis on global imbalances and countries' external adjustments.

Economic and Financial Research

We look forward to further work by the Fund that will continuously enhance its analytical toolkits, and policy advice to respond to the rapid-changing global economic landscape. We also encourage staff to maximize the usefulness of high frequency data and utilize alternative data sources to adapt to the fast-evolving environment and provide more timely assessment.

To foster a strong recovery, we welcome the work on Corporate Insolvency and Debt Restructuring which is critical for the Fund to understand the risks of scarring and help develop mitigating measures. Likewise, we encourage the Fund to consider discussions on other research work that are relevant to the risks of scarring such as rising structural unemployment, including the specific challenges associated with returning unemployed migrants.

The WP should not focus only on the completion of research working papers, but to quickly update the Board on critical findings from the ongoing research that could benefit the Fund's work and members' policies formulation in dealing with the crisis and ensuring a smooth adjustment. Some ongoing research such as on fintech, climate change and trade could provide meaningful insights sooner rather than later. For example, selected elements of fintech work under the "Bali Fintech Agenda" could support members to restore macroeconomic stability

effectively. In this regard, we encourage staff to be more proactive and flexible in engaging the Board to discuss preliminary findings of their research work that are critical such as IPF, the impact of the pandemic on globalization, particularly on the global value chains, tourism and remittances, as well as near-term policy issues related to monetary policy such as the unwinding of low interest rates and greater digitalization.

To this end, the timely briefing on IPF in the context of Covid-19 and the upcoming Board discussion on the initial considerations for IPF is a good example of being flexible in highlighting findings from ongoing research work. Furthermore, while the current crisis involves greater reliance on fiscal policy actions, we encourage staff to conduct further work on for the IPF policy framework to flexibly consider the interaction of fiscal policy and to guide the policy mix for central banks and policy makers.

Global Solution

We welcome the Fund's active role in catalyzing the coordinated global response to the crisis, including the initiatives driven by the G-20. While we note that the Fund's collaborative work with the G-20 form most of the global solution agenda, we underscore the need to be clear on the Fund's role to manage stakeholders' expectations. A case in point is the G-20 DSSI, where we encourage staff to continue supporting our member countries on the DSSI implementation.

In addition, there are other global coordination initiatives where the Fund can play a key role as the center of the Global Financial Safety Net and should be considered as part of the WP. In particular, stronger cooperation with the RFAs and countries bilaterally could be critical in meeting members' financing needs such as swap arrangements. In addition, stronger cooperation with IFIs and regional partners could facilitate a more coordinated approach in ensuring sufficient financial support, robust analysis on the impact of the crisis and policy responses as well as more targeted and efficient CD delivery.

Fund Policies

We underscore the importance of the Fund to resume its surveillance work and engagement with its membership, particularly on the Article IV consultations where practical during the Covid-19 crisis. We support that the gradual restart should cover non-program countries, particularly those from the emerging and developing economies that could benefit more from the Fund's technical assistance and policy advice that are tailored to their specific circumstances and CD needs. We urge the Fund to consider various alternative approaches that can strike the right balance and cover a wider spectrum of the membership.

On climate change, we support the work on integrating climate change into surveillance as a priority to build more resilient economies. In supporting a green recovery, the Fund should also support countries that are struggling with natural disasters amidst the Covid-19 crisis and other developmental challenges. The integration of climate change into surveillance should help authorities strike the right balance on implementing their immediate and longer-term policy measures.

While we support and value the work on the Central Bank Transparency Code (CBT), we urge staff to adjust the statement on CBT on page 3 of the WP. We view that the coverage and discussion on CBT are broader and it serves to guide central banks' choice of transparency framework in a voluntary manner. We should avoid the presumption that the CBT is intended to assess policy transparency related to COVID-19, including through unconventional measures. We also view that the formal board meeting date should be flexible and can be reprioritized if needed, for more urgent COVID-19 related work agenda.

The Spring 2020 GPA and IMF communique call on the IMF to explore additional tools that could serve its members' needs as the crisis evolves, drawing on relevant experiences from previous crises. Several directors have requested the Fund to explore the potential benefits of a Special Drawing Rights allocation as part of the additional tools. *Could staff provide an update on this work and their plan to engage with the Board?*

Fund Finances

We welcome the continuous assessment by staff and close engagement with the Board on the adequacy of the Fund resources. While current assessment suggests that the GRA resource is largely adequate, continuous discussion on risks and mitigation measures remains important as the situation could change quickly.

As such, the commitment to discuss the Activation of the New Arrangement to Borrow in the WP should be reflected in a more proactive tone to reflect the Fund's readiness to act. The current statement indicating that the Board will discuss as warranted could be seen as too reactive. That said, the revised statement should also avoid any misrepresentation that the Fund has exhausted its quota resources.

Given the strong commitment on delivering the goals of the 16th GRQ, we would like to see early engagement with the Board on this. There are important lessons from the current crisis that could guide future discussions related to the 16th GRQ.

Internal Support

The WP's approach to continue to adapt its internal operational policies and initiatives through the crisis and beyond by reprioritizing work, temporarily augmenting budgetary resources, and modernizing work process is appropriate. We take positive note that the Fund continue to recognize the importance of diversity in the current recruitment and budget considerations. We appreciate the commitment to address issues related to the Under Represented Regions as it remains critical to ensure greater diversity in thoughts, skills and experiences that would benefit the Fund in adapting to the diverse needs of the membership.