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**Statement by Mr. Guerra, Mr. Betancur Mora, Mr. De Ramon-Laca Clausen, Ms. Lankester Campos, and Mr. Lopez on Review of the Implementation of the 2018 Framework for Enhanced Fund Engagement on Governance  
(Preliminary)  
Executive Board Meeting  
April 4, 2023**

We thank staff for their reports on the Review of Implementation of the 2018 Framework for Enhanced Fund Engagement on Governance (“the Framework”). Regrettably, this important Review was delayed for long, so we welcome that the Board can finally discuss its main findings and proposals. We concur with staff on the need to further improve and deepen the Framework and support staff’s proposal to conduct the next Review in a 5-year cycle while undertaking an interim update in two years. Broadly, we welcome staff’s proposals, although we would like to offer some general comments on the Review and specific comments on some of them.

**General comments**

**We reiterate our support for the Fund’s engagement on governance and corruption when macrocritical, adapted to country-specific circumstances, and in core areas of the Fund’s mandate and expertise.** The Framework should continue to target a systematic, candid, effective, and evenhanded engagement with the membership. In this regard, we welcome the good progress in implementation and the increasing treatment of governance and corruption issues—within the perimeter of the six state functions—in surveillance, financing, and capacity development. We welcome the information on the frequency with which the six state functions have appeared in the data analysis and reiterate the usefulness of the text mining exercise, but we would like to urge staff to find an approach to assessing the traction or effectiveness of the policy advice.

**In our view, the Framework would benefit from a stronger top-down perspective.** Developing feasible strategies to tackle governance weaknesses and corruption is a complex task. We must ensure that the current centralized process used by staff does not end up in a simple *box-ticking* exercise in which the focus is a long list of governance reforms that, although needed, turn our attention away from a feasible plan of action with meaningful results to improve economic performance. In fact, the impediments to implementing governance and anti-corruption measures enumerated by staff in Box 7 are considered by the literature to be the main underlying drivers of governance vulnerabilities and not just mere obstacles to improving governance. For this reason, we believe that an early and systematic collaboration with expert institutions, especially the World Bank, would be essential to distinguish, at the very first step of the process, the most damaging types of corruption and governance vulnerabilities for each country. With this assessment, the goal should then be to define and prioritize feasible national-institutional reforms to ensure governance capacities are developed. In an ideal world, only after this main diagnostic is agreed upon would the Framework set a credible action plan to improve the six state functions identified as the closest to the Fund's core expertise.

**In applying the current Framework, however, we should build upon the ongoing engagement to ensure reform ownership.** In this regard, one of the main challenges is prioritizing reform. Understanding the multiple constraints facing countries to address governance vulnerabilities—such as political economy circumstances, a lack of expertise, and other technical capacity constraints—is critical to designing a feasible and successful strategy. We would like to emphasize the importance of providing both an ex-ante and an ex-post CD for the successful implementation of the Framework. Moreover, effective engagement with the membership should not crowd out discussions on the core economic policy agenda. We have seen how country teams, in their efforts to advance the governance agenda, have had to relegate other important economic policy discussions. Mission teams should be given sufficient flexibility to advance the governance agenda according to specific country circumstances.

**On the Review's findings, we agree with staff that the Framework has helped the Fund's engagement to be more candid, systematic, effective, and evenhanded.** However, we find that the tone of the Review is somewhat indulgent. The reading of the results should be nuanced due to the limitations of the surveys conducted with key stakeholders, given the small sample size and the low response rate. We would also like to highlight some concerning results in program compliance with governance-related benchmarks and in the authorities' perception of evenhandedness.

**We miss in the report a special assessment by country authorities participating in Governance Diagnostics exercises.** In our view, this assessment would have been critical to reinforce the Framework’s four pillars since these countries have been actively involved in a comprehensive exercise in governance. *Staff’s comments are welcome.*

### **Specific comments**

**We consider the proposed systematic track record of staff’s policy advice quite relevant.** The proposed data base, which should be comprehensive to include any relevant structural issue, should feed the process of centralized country-specific assessments. More importantly, it should feed into the design of a well-focused technical assistance strategy, ensuring the Fund’s engagement is focused on its core mandate and expertise. **However, we do not see merit in a continuous policy tracking system in Article IV consultations.** Governance structural reforms are a lengthy and bumpy process, the implementation of which is difficult to assess; moreover, this systematic tracking could become a binding exercise with potential negative signaling effects for investors.

**The number of countries undertaking voluntary assessments of transnational aspects of corruption is very low, and the results point to remaining gaps in many countries.** We understand the difficulty involved in presenting stronger proposals to encourage countries’ participation, although we think this topic requires further refinements in the next Interim Review. *Are participating countries considered systemic in these types of activities? Does staff think that they provide good coverage of ongoing developments on this matter?*

**We must analyze how to incentivize Governance Diagnostics, although participation and publication should remain voluntary.** These exercises could be very useful to identify prominent institutional vulnerabilities and define feasible and effective national strategies.

**Looking forward, staff should leverage the ongoing analytical work on macro-structural issues, governance, and anti-corruption.** We agree with staff that there are significant synergies between different Fund workstreams on structural issues, such as the FCS strategy or GovTech/digitalization. Other areas that should be included, given their direct relation to the “key obstacles to implementing the Framework”, are the capacity of governments to provide basic services and infrastructure, revenue mobilization to develop social safety nets and ensure political stability, or regulations to protect and incentivize investments in productive sectors.