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March 30, 2023

**Statement by Ms. Shortino and Ms. Medearis 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 this report. IMF engagement on governance and anti-corruption issues remains critical for promoting growth and stability, both of which are core to the Fund's mandate, and is essential for safeguarding Fund resources. The review affirms that governance and corruption issues are macro-critical for many countries and that the Fund should continue to prioritize this area of work, particularly as the Fund has increased lending to fragile states amid growing demand for financing. **We support staff's proposals to strengthen implementation of the 2018 Framework and reiterate the importance of more robust analysis on the effectiveness of the Fund's engagement on governance and anti-corruption.** We welcome the proposals to conduct a fresh round of assessments on corruption and governance vulnerabilities for all members and more systematically track implementation of Article IV recommendations. We urge staff to use this information to establish a framework for more regularly assessing the outcomes and effectiveness of Fund engagement on these issues, ideally by the next review. We also stress the importance of the stocktaking of governance commitments in emergency financing, which should feed into a broader review of Emergency Financing as recommended by the IEO in its recent report on the IMF's Emergency Response to COVID-19. Finally, we welcome the proposal for an interim review in 2–3 years to gauge progress on this work.

We welcome staff's analysis of the implementation of the 2018 Framework across the four elements and note staff's conclusions that implementation was broadly effective; however, for future reviews we urge staff to incorporate more indicators on the quality of staff analysis to supplement text analysis and survey data. We also note some disappointing results with regards to the survey responses on evenhandedness and the compliance with governance-related benchmarks, which stands at just 45 percent (in line with non-governance benchmarks). We encourage staff to delve deeper into the reasons

behind these results. We agree that Governance Diagnostics and Country Engagement Strategies will be critical to understanding country contexts and identifying measures that are meaningful. For the interim review, we call on staff to delve deeper into these issues so that the Fund can improve implementation of governance-related conditionality and outcomes across its membership.

We welcome staff’s proposal to conduct a fresh round of assessments to identify corruption vulnerabilities across the membership in an evenhanded manner. It will be important to leverage these assessments to better target Fund engagement; *will the outcome of these assessments be shared with the Board and incorporated directly into Article IV staff reports, along with the macro-critical implications of these findings?* This work will serve as a good foundation to track governance-related vulnerabilities over time. We look forward to further details on the centralized assessment process and the outcome of these assessments at the interim review.

We strongly support staff’s plan to implement a database to track Article IV recommendations and implementation, which will also help to strengthen links between Governance Diagnostics (GDs), recommendations/benchmarks, and CD support. We encourage staff to design the database in such a way that facilitates an understanding of the rationale behind shortfalls in implementation of the Fund’s governance-related policy advice and report back to the Board on initial findings at the interim review. We also encourage staff to incorporate progress on recommendations from GDs into the database. We agree with staff’s proposal to expand the use of GDs and capacity development to inform program design and country engagement strategies.

We welcome the proposal for a stocktaking of governance commitments in pandemic-related emergency financing but encourage staff to go further by developing more specific guidance on the use of governance safeguards in emergency financing based on the outcome of this stocktaking, taking into account the Fund’s FCS strategy. We continue to note that the implementation of safeguards under COVID-19 emergency lending has been quite weak, raising reputational risks for the Fund. We urge staff to undertake a full review of the Fund’s Emergency Financing, as recommended by the IEO, and call for clearer guidance on how the Fund can assess and mitigate the risks associated with the potential for misuse of IMF resources in emergency programs. We encourage staff to consider the effectiveness of ex ante tools to mitigate risks of the misuse of funds versus ex post tools to improve accountability and transparency.

We urge staff to continue efforts to strengthen collaboration with other IFIs and Civil Society Organizations (CSOs). We appreciate the additional detail provided in the report regarding how staff plan to engage with partners to enhance implementation of governance-related recommendations, including increased engagement with CSOs. We note from the report that staff continue to face some challenges in collaborating effectively with other

international organizations; *do staff have proposals for how to address those challenges ahead of the next review?*

Finally, we support staff's call for members to step up to volunteer for coverage of transnational aspects of corruption in Article IV assessments. To date, only 13 countries have volunteered for such assessments, including the United States. We urge broader participation.