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**Statement by Ms. Lim, Ms. Duenas, Mr. Azlan Ariff, and Ms. Xaiyavong on Review of
the Implementation of the 2018 Framework for Enhanced Fund Engagement on
Governance
(Preliminary)
Executive Board Meeting
April 4, 2023**

We welcome staff's findings on the Review of Implementation of the 2018 Framework for Enhanced Fund Engagement on Governance (2018 Framework) and support the proposals to strengthen implementation of the 2018 Framework in line with its objectives. While the next review will be conducted in five years' time, we see merit in an interim review at the two- to three-year mark for stocktaking purposes and possible improvements in the conduct of the review. We encourage to continue the practice of conducting surveys of country teams, country authorities and CSOs as part of the reviews, and for staff to find ways to further improve the response rates by country authorities.

We positively note that the 2018 Framework enhanced Fund engagement on governance in accordance with its intended goals — systematic, candid, effective, and evenhanded.

- On systematic engagement, we find value in the assessments of corruption and governance vulnerabilities, which serve as benchmark for departmental collaboration and help sharpen staff's advice in this area during Article IV consultation or program review. Following the initial round of assessments in 2018-19, we welcome the proposal to conduct a fresh round of membership-wide assessment which can provide a more systematic update on and facilitate tracking of changes in the quality of governance and corruption vulnerabilities over time.
- On candid engagement, we welcome the increased candor in discussing and reporting governance shortfalls in program and staff reports. *We note the finding that no discussion linking vulnerabilities to corruption was held about exchange*

restrictions, import licensing, trade facilitation or public engagement in rule making (paragraph 10). Could staff elaborate on the reasons behind this?

- On effective engagement, we encourage country teams to redouble their efforts in holding substantive discussions on vulnerabilities related to central bank operations, market regulation, and the rule of law, and apply, as appropriate, program conditionality on governance-related vulnerabilities in the areas of financial sector oversight and AML/CFT. We note low implementation rate of some recommendations to address governance issues and encourage staff to explore ways to increase policy traction by sharing impact assessment of governance-related measures, among others.
- On evenhanded engagement, we note that there is no evidence of systematic biases in the treatment of members. That said and given its importance in upkeeping the reputation of the Fund as trusted advisor, we strongly suggest for staff to find alternative and better measures of evenhandedness. We also welcome staff's initiative to conduct voluntary assessment on transnational corruption and consider further promoting this service for higher member take-up.

We support staff's proposal to enhance the Fund's interactions and collaboration with other IOs and CSOs, to augment growing Fund expertise in the area and take advantage of synergies. Nevertheless, expanding the Fund's network of partners should be done strategically, bearing in mind that a proliferation of partners could also increase coordination efforts and possibly delay the Fund's priorities in the delivery of capacity development to the membership. This calls for a considered approach in determining the appropriate number of CSO partners and designing selection criteria to ensure that the Fund's CD priorities are well-aligned with the potential partners.