

The contents of this document are preliminary and subject to change.

GRAY/23/4370

March 30, 2023

**Joint Statement by Mr. Matungulu, Ms. Vumendlini, Ms. Basutli, and Mr. Tall on  
Review of the Implementation of the 2018 Framework for Enhanced Fund Engagement  
on Governance  
(Preliminary)  
Executive Board Meeting  
April 4, 2023**

1. We thank staff for the comprehensive reports on the Review of implementation of the 2018 Framework for Enhanced Fund Engagement on Governance (the “2018 Framework”). Good governance is a critical determinant of economic performance, and the 2018 Framework has been an important milestone in the Fund’s engagement with member countries on macro-critical aspects of corruption and governance vulnerabilities. We broadly agree with staff’s assessment and would like to make the following additional points on ways to further enhance the IMF’s engagement in this key and sensitive area.
2. We concur with Staff that the 2018 Framework remains appropriate given the pertinence of the retained six state functions and focus on the macro criticality of governance practices. We also support the limitation of Fund’s governance agenda to areas within its core expertise. This underscores the need for the IMF to partner with other IFIs, civil society organizations, and bilateral development partners in deploying the institution’s governance interventions in member countries.
3. **On the effectiveness of Fund engagement**, we take positive note of the efforts to produce candid assessments of country governance profiles and include proposed governance reforms in Article IV consultation discussions as well as in UFR program conditionality.
4. **We positively note that governance-related conditionality has increased in the aftermath of the adoption of the 2018 Framework but regret the low compliance rates.** While compliance rates for governance-related structural benchmarks are not

significantly different from those for other benchmarks, they are disappointingly low. In that regard, we support the proposed measures, particularly fine-tuning staff guidance on governance safeguards in emergency financing and establishing mechanisms to improve monitoring of the implementation of governance-related Article IV consultations' recommendations. We would like to emphasize the need to factor in the political economy when designing program conditionality to secure country ownership and traction. We also see merit in having an interim update in two to three years.

5. We agree that fragmented political environments may hamper the authorities' capacity to implement meaningful and sustainable governance and anti-corruption reforms. This will have to be borne in mind when dealing with certain contexts, including those prevailing in **fragile and conflict-affected states** and in **situations of exceptionally high uncertainty**. Under such conditions, steps should be taken to ensure early engagement and a constructive dialogue with the authorities, which are essential to building strong ownership and enhancing the chances for effective and successful implementation.
  
6. **Evenhandedness and uniformity of treatment in the enforcement of the governance framework in surveillance reports should be strictly observed, for the Fund to maintain its credibility in this area and minimize related reputational risks.** We agree that couched and vague references to weaknesses do not serve the purpose, and would welcome evidence of more pointed discussions. Also, we emphasize the importance of candid discussions across income group countries, and across state functions. *Does the limited candor in the report on market regulation relative to other state functions signal worsening vulnerabilities in that regard? Staff comments are welcome.* We also note somewhat surprisingly that for smaller and vulnerable member countries, there appears to be stronger enforcement of governance-related conditionality. It should finally be emphasized that in some cases program progress is hampered by stringent Fund demands and program prior actions, sometimes much beyond the authorities' capacity to deliver.
  
7. **The pandemic context has amplified the need for enhanced focus and continued vigilance on governance issues.** We have to ensure that the Fund's governance and anti-corruption framework is able to evolve in line with the lessons and recommendations from the recent rollouts of emergency financing. As Fund lending shifts towards multi-year UCT-quality programs, governance issues will likely gain more prominence in program conditionality a welcome development.
  
8. It is imperative to sustain focus on the **transnational aspects of corruption**, including concealment. In this regard, we commend the countries that have volunteered for assessment. It is disappointing though, that the uptake of the voluntary assessment continues to be slow, especially in addressing the identified vulnerabilities. We encourage staff to engage more countries to volunteer for this important undertaking.

9. **Limited human and institutional capacities contribute to the impediments to better implementation of recommendations.** We agree that increasing technical assistance and training would be important to surmount this challenge. Given the complexity of governance reforms especially in contexts of fragility, capacity development should be given its due priority status, particularly in LICs. We also note staff's efforts to continue delivering assistance to the authorities through governance diagnostic assessments and view this as helpful in providing tailored recommendations to address governance and corruption vulnerabilities. We support exploring innovative ways to facilitate increasing the uptake by the authorities, including deeper engagement with non-governmental stakeholders, such as CSOs.
10. **We welcome the recognition of the positive role of accountability institutions, including Supreme Audit Institutions or Courts of Accounts, in the process of managing emergency spending.** However, to reinforce these institutions and leverage on their expertise well beyond emergency spending, the Fund should provide them with well targeted capacity building.
11. **Finally, given the extent of financial and human resources needed for strengthened implementation of the Fund's governance framework, careful balance should be sought among the competing demands facing the institution.** Concerted efforts to realize synchronized efficiency gains across the four key objectives of the framework will be needed. In that respect, we support further integrating and exploiting synergies with other Fund priorities, including the Fragile and Conflict States Strategy, climate change, and digitalization.