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December 1, 2021

**Statement by Mr. Mohieldin, Mr. Alhosani, and Ms. Choueiri on Statement by the
Managing Director on the Work Program of Executive Board
(Preliminary)
Executive Board Meeting
December 3, 2021**

1. We welcome the opportunity to discuss the Fund's Work Program, which reflects the Fall 2021 Global Policy Agenda and IMFC communiqué. We appreciate the Fund's efforts to help the membership navigate a safe exit from the COVID-19 crisis and to promote converging recovery paths against the background of deepening divergences among countries. In this context, it is appropriate that the Fund continues to support vaccination efforts, calibrate bilateral and multilateral policies, and accelerate the transformation of the global economy. The Work Program provides general directions in this regard, which we support. We have the following comments:

Calibrate bilateral and multilateral policies

2. **Surveillance:** We welcome the preview of the topics that will be covered in the **flagship reports**. In addition to examining policy priorities to support the recovery, the spring 2022 **World Economic Outlook** will appropriately cover issues on supply chains, inflation, and energy prices. Attention to the compounded economic effects of these three issues is warranted, as well as their possible implications for the economic recovery. The issue of energy prices is closely related to that of the transition to clean energy and invites a reflection on the pace of this transition and ways to ensure that it is not inflationary. We welcome the focus in the **Global Financial Stability Report (GFSR)** on the sovereign-bank nexus, particularly in light of governments' increased indebtedness. The GFSR could usefully examine the implications of continued unconventional monetary policy. The **Fiscal Monitor** will rightly cover the latest fiscal developments and challenges countries are facing, and we see scope for continued close monitoring of debt developments.

3. We welcome the rich surveillance agenda through the end of FY 2022. *Can staff comment on the way they plan to operationalize **Country Matters Meetings** and what topics will be covered in the meeting that is scheduled in FY 2022?*

3. Debt Management: The Fund must pursue its efforts to address debt vulnerabilities in member countries which have risen as a result of the unprecedented fiscal responses to the pandemic. As indicated above, we welcome the flagship reports' attention to debt issues. We support the proposed work on the debt agenda by continuing to implement the multi-pronged approach. **We support additional work to improve the international debt architecture**, in which we believe that the Fund should have a leading role. The priorities are to (i) strengthen the international framework for sovereign debt resolution, (ii) ensure shared responsibility between debtors and creditors and fair burden-sharing between public and private creditors, (iii) improve debt transparency, including critical indicators to monitor debt vulnerabilities as part of an early warning system, and (iv) provide capacity development to both Fund staff and member countries to carry out this work. We would also like to suggest consideration of **an extension of the Common Framework to cover MICs** as many of them are facing rising debt vulnerabilities. *We would appreciate staff's comments on this proposal.*

4. Lending: We are pleased that the Work Program identifies establishing a new **Resilience and Sustainability Trust (RST)** as a critical work stream in the near-term with the aim to augment the impact of the recent general allocation of Special Drawing Rights. We look forward to the forthcoming Board engagements on the RST, and encourage the Fund, in this context, to consider supporting a large number of middle-income countries (MICs) and to accelerate the operationalization of the RST.

5. Middle-Income Countries. The Fund's focus should remain on supporting the most vulnerable members. In this connection, rising vulnerabilities in MICs cannot be ignored, with this group of countries being among the hardest hit by the pandemic and forecast to have lower per capita GDP levels in 2025 compared to the pre-crisis period. Moreover, MICs host eight out of ten people suffering from extreme poverty. As indicated above, we very much welcome the priority accorded to establishing the RST, which could benefit MICs. MICs face immediate and long-standing challenges that also need to be addressed through adequate and timely Fund lending, capacity development, and tailored policy advice. Careful attention is needed to curb potential adverse spillovers from monetary normalization in advanced countries and we see merit in better monitoring inflationary pressures and capital flow movements in MICs.

6. Capacity development (CD). We look forward to the CD Strategy Review that is scheduled in FY 2023, *and would welcome elaboration by staff on the concept note that will be submitted to the Board for discussion.* We encourage continued careful assessment of budgetary resources that are available for CD to ensure adequate and evenhanded access to CD by member countries that require it in both the traditional and new areas, such as digitalization.

Accelerate the transformation of the global economy

7. Sustainability and Climate. We agree broadly with the priorities for long-term transformation and would emphasize that these need to be tailored to individual country

circumstances, with appropriate sequencing. They should also focus on preventing many member countries from retreating from hard-won progress towards the SDGs, by creating jobs, promoting more equal opportunities, financial inclusion, the digitalization of the economy, and a greener economy. We welcome the Fund's coverage of progress toward the SDGs in some of its surveillance and research work and encourage more systematic monitoring of progress going forward, especially given the setbacks during the pandemic.

8. We remain of the view that it is within the SDGs that the Fund's work on climate change should fit. Climate change is, after all, SDG Goal number thirteen. Achieving it should not contradict the broader and more comprehensive development framework. We emphasized in the budget augmentation discussion the need for additional budgetary resources to be used in an evenhanded manner to respond to members' needs in the areas of **adaptation, transition in hydrocarbon-producing countries**, and mitigation. We, therefore, welcome the focus of the climate work in the near term on integrating climate adaptation in fiscal policy. *Can staff elaborate on plans to assess the considerable transition costs involved in achieving climate objectives in hydrocarbon-producing countries and to support the transition in these countries?*

9. **Digitalization.** We support the proposed work on digitalization and welcome the planned discussion on *Recent Central Bank Digital Currency (CBDC) Developments and an Approach to Capacity Development*. It is important that adequate resources be available for capacity development on digitalization, particularly in emerging market and developing countries that will primarily resort to the Fund for their CD needs. We also look forward to the important discussion on the interactions between *Digital Money and the International Monetary System*.

9. **Fragile and conflict-affected states.** Following earlier engagement on FCS, we look forward to the forthcoming discussions on *Enhancing Fund Financial Engagement in FCS* and the *FCS Strategy*. In this context, we emphasize the need to adequately support FCS hosting large refugee flows, and to assess the related direct and indirect implications for their economies. Regional CD centers should continue to play a significant role in providing support to FCS. In this connection, it is essential to support the METAC's activities, which is serving fourteen countries in the MENA region, out of which nine are FCS.

Fund operations

10. **Resources and governance.** We emphasize the importance of an adequately resourced Fund and reiterate our position that the Fund should be a quota-based institution. We look forward to further discussions on the Sixteenth General Review of Quotas as envisaged in the Work Program.

11. **Modernization.** As part of the Fund's modernization initiatives, the Board will receive an update on the 1HR project. Given important delays and cost overruns associated with this project, we would appreciate frequent Board updates on its implementation.

12. Human Resources, Diversity and Inclusion. The *FY2020-21 Diversity and Inclusion Report* will be all the more timely that the last full diversity report covered FY2018 and FY2019. Commendable progress has been made in advancing gender diversity at the Fund, largely due to a strong commitment by management to this objective. Nonetheless, progress towards geographic diversity and inclusion, particularly for the Arab countries, remains very slow. We, therefore, call for strong management commitment and accelerated efforts to strengthen the recruitment and enhance the career progression and promotion of staff from under-represented regions, notably MENA, as well as for an accountability mechanism across all levels of institutional management in this regard. We suggest that the *FY2020-21 Diversity and Inclusion Report* includes a multi-year strategy on geographic diversity with set objectives and timeline, to be assessed by the Board every six months. *Staff's comments on this proposal would be appreciated. We would also appreciate staff's clarification of the objectives of the Proposed Amendments to the SRP paper that is scheduled to be discussed in April 2022.*

13. Independent Evaluation Office (IEO). The IEO has provided valuable guidance to upgrade the effectiveness of Fund analytical work and traction. We appreciate the priority the Managing Director has given to this work and look forward to the planned agenda of discussions.

Response to risk

14. We look forward to the discussion of the Action Plan to respond to the Office Internal Audit recommendations, particularly in an environment of increased enterprise risk and continued uncertainty.