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**Statement by Mr. Zhang and Mr. Bai on The Managing Director's Update on the FY  
2023 Work Program of the Executive Board  
(Preliminary)  
Executive Board Meeting  
December 2, 2022**

We thank the Managing Director for the comprehensive and well-prioritized FY 2023 Executive Board Work Program (BWP). The management and staff's work pressure has been escalating amid multiple shocks and slowing global economic growth. We commend the excellent and high-quality output of staff and support the BWP to remain flexible and adaptable to prioritize members' evolving needs. We broadly support the updated BMP and would like to make the following points for emphasis.

**Policy advice and Fund policies**

**We support the Fund to closely monitor new developments of the world economy and financial markets as well as provide policy advice to the Board** to help address both conjectural and structural challenges. We strongly commend the Managing Director's recent interviews on warning the risk of economic fragmentation, and we look forward to staff's analytical work on **Geo-Economic Fragmentation and the Future of Multilateralism**. The risk of economic and financial fragmentation is still rising, but we have the chance to avoid it by enhancing multilateral cooperation and solidarity. The loud and candid voice of the Fund will be helpful for the public and politicians to adequately realize the potential risks and costs of fragmentation. To this end, we encourage the Fund to continue speaking up and decisively reverse the uptick trend of these risks.

**Taming inflation should continue to be the most urgent priority in some countries.** We reiterate that many inflation drivers are from supply-side structural issues, and supply-side policies are more effective in these areas. Therefore, monetary policy is better to be accompanied by appropriate fiscal policy and supply-side policies. We encourage staff to continue providing tailored policy advice and measures to address supply-side structural bottlenecks.

**The faster-than-expected monetary tightening in some major advanced economies has already caused visible negative spillovers, with many developing and low-income countries (LICs) at risk of volatile FX markets and disorderly capital flows.** It is worth noting that not only the emerging markets and developing countries (EMDCs) currencies, but also the currencies of advanced countries, are facing depreciation pressures. Staff’s analytical work on recent global FX markets developments and timely updates to the Board are welcome. We look forward to the update on the Integrated Policy Framework Operationalization and consider that this item should not be “contingent” in FY 2023. Given that the Institutional View (IV) on the Liberalization and Management of Capital Flows had only been reviewed less than a year ago, we consider that there is scope for the item on “Institutional View and the OECD Codes of Liberalization” to make way for other more urgent items. Rigorous, evenhanded, and multilaterally consistent assessments of external positions and exchange rates are crucial for the Fund’s reputation and traction. The Fund must ensure its surveillance and policy advice on external positions and exchange rates is evenhanded across members. We also call for all members to respect and protect the Fund’s reputation and sole authorization in assessing the exchange rates.

**On the Fund’s debt agenda,** we look forward to the Update on the Contractual Approach for Sovereign Debt Restructuring. As the global sovereign debt structure is gradually changing with an increasingly significant share of financing provided by private creditors, the contractual approach for debt restructuring will play an even more important role than before. In this light, the update on the contractual approach comes timely. Regarding the briefing “Making Public Debt Public,” we agree with the importance of debt transparency issue but also caution that pragmatism should be applied in pushing forward the debt transparency agenda. We reiterate that the main responsibility of disclosing sovereign debt falls on debtor countries, and both creditor and debtor’s rights to protect confidential commercial information should be respected. We also encourage staff to explore more pragmatic and flexible treatment of sharing the Fund’s debt sustainability analysis (DSA) result with creditor countries before the Board meeting during the contingent Review of the Transparency Policy in FY 2024.

**We welcome the Update on the Common Framework.** China will continue working closely with other official creditors to efficiently implement the Common Framework. The success of the Common Framework relies on the broad participation of all stakeholders, including Multilateral Development Banks (MDBs) and private creditors, to provide debt restructuring to countries in debt distress, following the principle of joint action and fair burden-sharing.

**On trade policy,** we welcome and support the upcoming Review of the Role of Trade in the Work of the Fund. We hope the review would cover a comprehensive range of trade topics, including but not limited to the implication of unilateral sanctions for the global trade and the

effects of politically motivated restrictive trade measures. The increase in digital trade also raises new challenges in international trade policy. This area warrants more in-depth analyses by staff in the upcoming review on the role of trade in the work of the Fund. We encourage staff to continue providing candid policy suggestions on how to make the trade benefit all and giving clear voices on safeguarding the rules-based multilateral trading system. Rolling back artificial trade restrictions and supply restrictions is in the interest of all countries. We also encourage the Fund to enhance its collaboration with the WTO on this front.

**On lending**, while we welcome the Fund to move swiftly to help members cope with the current food crisis with the new **Food Shock Windows (FSW)**, especially to help LICs in food insecurity, it is worth noting that the Fund should avoid linking the approval and review of the FSW to the restructuring of outstanding debt, because any form of debt restructuring requires a huge amount of work and time, while the food crisis is very urgent. We welcome the operationalization of the **Resilience and Sustainability Trust (RST)** and encourage more member countries with strong external positions to consider voluntarily contributing to the RST as soon as possible. We hope the Fund could manage to ensure a large portion of the funding to the African countries. We look forward to the comprehensive **review scheduled next year on Fund's precautionary facilities**. The facilities have been used to boost confidence and build liquidity buffers against tail risks. It would be helpful to take stock of experiences on precautionary facilities since the last review and focus on expanding the usage to more Fund members to further enhance evenhandedness.

**On Review of Data Provision**, we concur that high-quality data is the foundation for the Fund to fulfill its surveillance mandate. We in general support the review and welcome the flexibility staff have demonstrated in their coordination with the authorities since the Board meeting in March. We encourage the Fund to continue to be flexible and give due consideration to members' specific legal environment for data provision. We also encourage the Fund to continue helping members to improve their data capacity with its TA efforts.

**On capacity development (CD)**. The Fund's engagement with member states has been bolstered over the past years through the increase in capacity development, and we see greater merit in stepping up CD delivery in accordance with member's needs and absorption capacity. In this regard, we look forward to the concept note on the review of the Fund's CD strategy.

### **Transformational and Resilience Agenda**

**On climate**. We welcome staff's work on climate-related and macro-critical policies. We look forward to staff's analysis on Energy Security and Climate Mitigation Policies, including on equivalence of carbon pricing versus other measures and reducing methane emissions. We note that in the previous Board discussions, some countries stressed that alternatives of carbon pricing, such as tightening regulations, should not be ruled out, and country authorities should make decisions on the appropriate policy mix to address climate

concerns based on country circumstances. Meanwhile, mitigation solutions should be aligned with multilateral consensus and comply with WTO rules.

In addition, as climate adaptation has been underemphasized compared with mitigation, a more balanced approach towards climate change adaptation is required, and we encourage the Fund to step up efforts in launching the Climate Macroeconomic Assessment Program. In this regard, we welcome the review of the Climate Macroeconomic Assessment Program and look forward to the proposals for the way forward. We also want to reiterate that over-ambitious approaches going beyond multilateral consensus and without a feasible action plan to address transition risks should be further scrutinized in a pragmatic manner.

**Digitalization.** We welcome the increasing focus on digitalization in this BWP, although we regret that the paper on “Digital Money and the International Monetary System (IMS)” has once again been delayed. In our view, staff could have benefited from early engagement with the Board on the key issues when preparing the paper. *We would also appreciate staff’s further explanation on the difference between that paper and the one on “Cross-Border Digital Payments and the IMS.”* Given the recent turmoil in the crypto market, we welcome the upcoming formal Board paper on crypto assets. We take note that the Financial Stability Board (FSB) had last month (October 2022) proposed a framework for the international regulation of crypto-asset activities. *How would the Fund’s and the FSB’s frameworks differ and complement each other?*

### **Institutional Work**

**On resources and governance.** We look forward to further discussions on the 16th General Review of Quotas (GRQ) and believe that the timely and meaningful completion of the 16th GRQ and governance reform by no later than mid-December 2023 is key to ensuring the Fund’s long-term resource adequacy and legitimacy.

The size of the Fund quotas is not the only aspect of the review. The necessary realignment of quota shares to reflect members’ relative positions in the global economy, strengthen the voice and representation of dynamic EMDCs, and protect the representation of LICs is also very essential, and maybe even more essential to the international financial system. *As the 16th GRQ is a core item, and the agreed concluding time is approaching, the Board should accelerate our work and arrange more informal Board discussions on the 16th GRQ. Meanwhile, the one-year extension of 2020 Bilateral Borrowing Agreements (BBA) and the next round of BBA should be considered together with the 16th GRQ in a holistic way. Staff’s comments are welcome.*

**On Enterprise Risk Management (ERM),** we welcome the progress so far, support the contour of the proposed Enterprise Risk Management Framework, and look forward to the discussion of the Risk Tolerance Statements. Given the importance of the ERM policy for the

Fund to deliver on its mandate, we hope that all due efforts will be made to elevate the Fund's risk management capacity to sophisticated level as early as possible.

**On Diversity,** we highlight the importance of achieving the Fund's 2025 geographical diversity benchmarks without further delay. We welcome the update of diversity and inclusion matters as well as the recruitment and career progression of Under-represented regions (URR) nationals, notably from East Asia. We expect the Fund to make full use of the chance of budget augmentation to embed diversity issue in all work streams and all departments, which would contribute to the Fund's competitiveness.

**On Fund finance.** We welcome the review of the Fund's precautionary balances in a forward-looking and holistic way.