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**Statement by Mr. Peter and Mr. Gindrat on Review of the Implementation of the 2018 Framework for Enhanced Fund Engagement on Governance
(Preliminary)
Executive Board Meeting
April 4, 2023**

Fund engagement on governance is critical, and we welcome the progress made so far.

The experience with crisis-related spending during the pandemic demonstrates the importance of a process for systematically assessing governance and corruption vulnerabilities. Identifying and addressing such vulnerabilities is essential for the Fund to ensure the effectiveness of its financing as well as its integrity and reputation. Against this background, we welcome the progress made in implementing the 2018 Framework and take positive note of staff's assessment that engagement on governance and corruption vulnerabilities has become more effective, systematic, and candid. We notably welcome that governance-related program conditionality increased following the adoption of the 2018 Framework.

We agree that implementation needs to be further strengthened. We are supportive of enhancing the systematic approach, specifically by updating the centralized process to maximize the use of qualitative information gathered by staff. We also support proposals to enhance effectiveness, in particular, by strengthening the link between Fund activities, especially governance diagnostics, program conditionality, and CD. In this context, we concur that macro-criticality and core expertise of the Fund should continue to be the guiding principles of Fund engagement on governance.

An effective assessment of the implementation of pandemic-related governance commitments is still needed. The extraordinary scale of, and frequent recourse to, emergency lending presented a big challenge to the Fund's governance efforts, in particular ensuring that emergency financing is used for the intended purpose. We thus look forward to the forthcoming stocktaking of the implementation of emergency financing governance commitments by mid-2023. This stocktaking will also be particularly relevant and timely given the newly introduced Food Shock Window.

Fostering ownership as well as country-led efforts to fight corruption and address governance vulnerabilities remains key. Sound engagement with country authorities helps promote ownership and traction. It is important that mission chiefs and country teams continue to support the authorities through frank, constructive, and tailored dialogue on governance vulnerabilities, prioritizing reforms, and providing specific recommendations. To this end, the ability of staff to motivate recommendations based on country-specific arguments is crucial given the potentially sensitive nature of the issues raised. There should also be consistency in following up on governance-related matters in subsequent Article IV consultations by monitoring progress and achievements in this field. In this context, we see merit in tracking progress on Article IV recommendations in a systematic way through the compilation of a centralized database. We also consider that information from this database should feed into the next interim update on, and review of, the 2018 Framework. In addition, CD in governance-related areas, such as fiscal transparency, public financial management, and AML/CFT, remains necessary. On CD, we missed a result-based assessment of CD activities to understand the effectiveness and usefulness of the CD provided in the areas related to the covered state functions. *In analogy to the proposed database tracking Art. IV recommendations, we wonder whether the existing CD monitoring tools could be leveraged to provide result-based insights on CD activities in governance-related areas.*

Cooperation with other organizations should be further strengthened. We welcome staff's proposal to strengthen cooperation with the World Bank, particularly in areas where the Fund does not have a comparative advantage. In this vein, we also take positive note that staff has been working closely with the UN, OECD, FATF and the G20, though it provides little information on the collaboration. Also, the report refers to some challenges that staff is facing. *Could staff elaborate on this collaboration and especially on the challenges?* Finally, we underscore the importance of ensuring an effective coordination of CD activities among the involved institutions in the face of sustained CD demand in governance-related areas.

The benefits of the proposals to strengthen the implementation of the 2018 Framework should be weighed against the related costs. Many of the proposals for strengthening implementation, such as closing data gaps and higher update frequency, come with resource implications, both for the Fund as well as for country authorities. Thorough cost-benefit analyses should thus substantiate the respective cases for these proposals.

We see merit in the voluntary assessments of transnational aspects of corruption in the context of Article IV consultations and encourage broader participation. Staff should primarily rely on the relevant FATF and OECD reports when conducting these assessments, not least given the resource constraints mentioned above.

We agree with staff's proposal to conduct the next review in 5 years. We also deem useful an interim update in two to three years. This update should (i) focus on the latest experience with the new round of assessments, (ii) take stock of the implementation of emergency financing governance commitments, and (iii) help prioritize and improve the measures proposed by staff.

Finally, we regret that the Board discussion of this important—but not urgent—topic has been scheduled in the extremely busy period before the Spring Meetings. This issue prevented us from devoting the amount of attention that the importance of the subject would have deserved.