

SU/23/55

April 10, 2023

**The Chair's Summing Up
Review of Implementation of the 2018 Framework for Enhanced
Fund Engagement on Governance
Executive Board Meeting 23/26
April 4, 2023**

Executive Directors welcomed the opportunity to review the implementation of the 2018 Framework for Enhanced Fund Engagement on Governance, and broadly agreed with the staff's proposals. They considered that the 2018 Framework has made the Fund's engagement more candid, systematic, and effective, while acknowledging that there remain areas for improvement. While many Directors also considered that the 2018 framework has made the Fund engagement more evenhanded, many other Directors expressed lingering concerns about evenhandedness.

Directors welcomed the systematic assessment of the full membership of the Fund under a robust, centralized, interdepartmental process to identify corruption vulnerabilities and governance weaknesses linked to corruption in the six state functions most relevant to economic activity. Going forward, Directors called for further analysis on the effectiveness of the Fund's engagement in these areas.

Directors recognized the increase in candid discussions of many identified corruption and related governance vulnerabilities in Article IV staff reports, underpinned by specific policy advice over the three-year surveillance cycle. However, they noted the limited coverage of some areas such as market regulation.

Directors acknowledged that the proportion of governance-related conditions in Fund-supported programs has increased, with conditionality aligned with programs goals. They considered compliance rates for governance-related benchmarks to be somewhat disappointing—albeit similar to those for other structural benchmarks in areas outside of governance. Directors supported a final stocktaking of the implementation of governance safeguards during the COVID-19 emergency financing, with a few Directors noting the uneven implementation of these commitments. In this context, Directors supported updating guidance on the use of governance commitments in emergency financing.

Directors called for further efforts to ensure a fully evenhanded implementation of the 2018 Framework and address concerns by many Directors regarding evenhandedness. While Directors noted that the staff's analysis found no evidence of systematic biases, many Directors found the results insufficient to draw conclusions. Directors also noted that only 13 countries have volunteered for the Fund to assess their frameworks for combatting transnational aspects of corruption—a number still below expectations—which may contribute to perceptions that the Fund's engagement on governance issues is not sufficiently evenhanded.

Directors welcomed the Fund's expanded work on governance issues in capacity development (CD), including leveraging existing CD and establishing new forms of delivery, particularly governance diagnostics. They encouraged further speeding up of strategic integration and alignment of CD to country-specific policy advice.

Directors noted that achieving a lasting reduction in corruption is a challenge and that implementation is constrained by limited capacity and vested interests. As such, Directors considered the Fund's continued robust engagement on these issues to be crucial whenever macro-criticality can be established.

Directors supported staff proposals to strengthen implementation in line with the objectives of the 2018 Framework, guided by macro-criticality and core expertise of the Fund, while stressing the need for prioritization and phasing of the proposals, given competing demands under the tight budgetary environment.

Directors supported staff proposals to update more regularly the centralized assessment of the membership, allowing staff to refresh qualitative information and track improvements or backsliding in the implementation of policy advice, and to improve the consistency of coverage across the six state functions, including by exploiting synergies with other work streams. Directors encouraged other jurisdictions to volunteer for the assessment of transnational aspects of corruption and agreed that efforts should continue to sustain and deepen the coverage of this exercise.

Directors endorsed enhancing effectiveness of the engagement and addressing key obstacles identified by strengthening external interactions and internal processes, including efforts to enhance ownership and support for reforms, and particularly encouraged strengthening political economy analysis. Directors supported further developing targeted CD in response to increasing demand from authorities, leveraging governance diagnostics to inform engagements, implementing practical measures to enhance interactions and collaboration with other international organizations and civil society, fine-tuning staff guidance on governance safeguards in emergency financing, and establishing mechanisms to improve monitoring of the implementation of governance-related Article IV recommendations. In addition, Directors supported further integration of governance and anti-corruption with other Fund priorities such as Fragile and Conflict affected States (FCS), climate change, and digitalization/GovTech. Directors also generally supported deepening the work on rule of law and anti-corruption issues and building upon the increasing role of supreme audit institutions (SAIs) in supporting anti-corruption efforts. They concurred that achieving sustained mitigation of corruption requires a tailored and sequenced approach mindful of implementation capacity constraints and political economy realities.

Directors looked forward to an update from the staff on the implementation of the Framework in two to three years, and for a review by the Executive Board within five years.