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June 8, 2020

**Statement by Mr. Rosen and Ms. Pollard on The Managing Director's Statement on the
Work Program of the Executive Board
(Preliminary)
Executive Board Meeting
June 11, 2020**

We commend and appreciate the dedication of IMF staff and Management during this difficult time. While global crises have always placed increased pressure on staff, this one has presented unique challenges as staff manage an unprecedented number of financing requests through virtual missions across time zones while juggling increased family responsibilities as a result of the lockdown. It is thus important to be cognizant of the demands on staff and to focus on issues that are critical to addressing the current crisis. We welcome the Managing Director's statement on the Work Program of the Executive Board, and think it addresses the appropriate priorities. Given the continued high degree of uncertainty around the depth and duration of the crisis, we will need to be ready to adjust the work program as warranted to focus on critical issues cognizant of our human and financial resource constraints. Thus, it would be useful to have an interim Board meeting on the work program (e.g., in September) to determine if it needs to be adjusted.

Lending

Developing an appropriate lending strategy is critical to safeguarding IMF resources, supporting members' financing needs and prioritizing key near-term macroeconomic reforms. Although the focus on emergency financing over the past few months has been appropriate, member countries with less-temporary balance of payments needs would benefit from the structure of upper credit tranche programs. **We are pleased to see discussion of the Lending Strategy included in the work program but are concerned that this is scheduled as "TBD." We would like a Board discussion before the August recess, with further engagement if needed, in the fall.**

More immediately, the Board needs to finalize its consideration of a temporary increase in access limits. **We call for holistic consideration of annual and cumulative access limits**

rather than separate decisions. It is important that this issue be finalized in a timely manner that safeguards the IMF's resources—in our view before the end of June.

Surveillance

Surveillance is a cornerstone of the Fund's mission. It plays a critical role in flagging risks to prevent the need for financing and in highlighting capacity constraints that can limit the ability of governments to implement sound policies. **Thus, it is essential to reinstate surveillance in its proper place in the toolkit as soon as feasible both through engagement with member country authorities and with the Board.** We welcome the country matters updates scheduled for several regions later this month as a good first step. We also look forward to the discussion on the strategy for surveillance during the crisis, which is also scheduled for later this month. At this Board meeting, we would like an update on the revised timeline for the Comprehensive Surveillance Review and the FSAP Review. We see both reviews as strategically important and expect both will need to incorporate lessons from the crisis. For this reason, another informal Board discussion on these items may be necessary before the final reviews are brought to the Board.

Turning to multilateral surveillance we think the topics for the fall flagship reports are well suited to policymakers as they navigate the crisis and its aftermath. The Early Warning Exercise was created in the aftermath of the Global Financial Crisis to engage policymakers in a discussion of tail risks to the global economy. *We would appreciate staff's elaboration on how the Early Warning Exercise may evolve as a result of the COVID-19 crisis.*

Capacity Development

Work programs in recent years have included a substantial focus on capacity development issues as the Board has approved the Results Based Management framework and CDMAP for capacity development and completed the review of capacity development. The reduced focus in this work program is understandable as the focus shifts to implementation. The recent Board briefing on CD developments and outlook was useful, particularly given the challenges associated with remote TA and member capacity constraints due to COVID-19, and we welcome the commitment to keep the Board updated.

Debt Issues

We support the continued attention to debt issues in the work program. The crisis is increasing sovereign debt levels across most of the membership. Opacity in debt data increase the risks of debt distress. We have pressed repeatedly for increased coverage, transparency and disclosure of debt data and the crisis is making this a more urgent concern. **Thus, we urge Management to prioritize the Review of Data Provision to the Fund for Surveillance Purposes.** *Could staff indicate when this review was last conducted?* Past crises have highlighted the importance of greater data transparency resulting in key improvements. The Multipronged Approach developed by the Fund and the World Bank represents an important step in this regard, and we look forward to an update on its progress.

We have the opportunity to further strengthen staff's ability to assess debt risks helping members to address risks before they become insurmountable. The work on the Debt Limits Policy and the MAC-DSA are also important to reduce debt risks. We are concerned that the finalization of these reviews have not been scheduled in the work program through October. *Could staff indicate when these will be brought to the Board for approval?*

We look forward to the Board discussions of sovereign debt resolutions and corporate insolvencies. Developing policies to address these issues will minimize the negative effects of the COVID-19 crisis.

Resilience

Prioritizing crisis-related work is appropriate, but we recognize the need to better understand the longer-term implications of the crisis and how to help members recover and build resilience to future crises. We would encourage staff to consider structural changes that are likely to occur or accelerate as a result of the crisis. This may require a modification of some ongoing work. For example, the crisis may result in lasting changes in trade patterns, capital flows, and tourism that could have implications for current accounts. The Fund's digital work may need to shift from its focus on the financial and central bank sectors to consider implications for the way we work.

Ongoing work by the IEO may also need to be adjusted to reflect the implications of the crisis. This includes its work on Bank/Fund collaboration, capital flows, and small states. Rather than bringing these reports to the Board for a formal discussion and implementation of recommendations, we would prefer to discuss the work in informal meetings which could include a discussion by the IEO of its preliminary findings and how it may adjust its research in light of the crisis. In addition, we think input from the IEO on crisis related issues including debt, within its mandate, could be extremely helpful to the Board.

IMF Resources and Risk Management

The elevated demand and heightened uncertainty over the medium-term draw on Fund resources increases the need for the Board to stay informed on the likely use and risks to those resources — both PRGT and GRA. The recent Board meetings on resources were helpful, but we would like to be kept informed of potential requests for financing on a regular basis. This can be done in a manner that preserves the confidentiality of enquiries by focusing on the potential effects on the forward commitment capacity and the PRGT. Similarly, as the NAB has not been activated in over 4 years, a discussion on its activation should occur with sufficient time for members to refresh their domestic activation policies. We also would like to see an update in the early fall on the status of the NAB increase and bilateral borrowing agreements, including information on members' domestic ratification processes. This update can be done through a short report to the Board.

The increased demand for Fund financing and the uncertainty over the depth, persistence, and aftereffects of the crisis have increased risks to the Fund. Frequent updates on global economic and market prospects help the Board better understand the global environment into which we are lending. Safeguards and transparency requirements, even in emergency lending, reduce the risk of a misuse of Fund resources. The forthcoming review of the Fund's Precautionary Balances will help the Board determine if further action is needed to mitigate risks.

Assessments by the Office of Risk Management are vital to the Board's oversight responsibilities especially in this time of heightened risks. Steps taken in recent years to strengthen risk management at the IMF, including the creation of ORM, have improved our ability to analyze and manage risks. We look forward to the Office of Internal Audit's report on risk and encourage Management to work with the Board to respond to the report's recommendations to further enhance enterprise risk management and capabilities.

Administrative Budget

As we stated at the beginning of this Gray, we recognize the increased work pressures resulting from the crisis. It is, therefore, important to prioritize work and look for efficiencies to reduce the strain on staff and to serve the needs of the membership. We also think it is important for the Board to consider the effects of the crisis work on the FY21 budget and appreciate the scheduled discussion for late September. **Nevertheless, we reject the presumption in the work program that a supplement to the FY21 budget is needed.** The heading for point I.5 states "the Fund will continue to adapt by reprioritizing work, ***temporarily augmenting budgetary resources.***" The Board has not determined that a temporary augmentation is necessary. Thus, this statement and the scheduling in June of a Board meeting in October to consider a supplementary budget is unwarranted. If the Board decides in September that a supplement is needed, then Management can quickly schedule a meeting to approve the increase. We ask Management to adjust the statement in the work program and to remove the October meeting from the calendar.