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**Statement by Ms. Levonian, Mr. O'Brolchain, and Mr. Weil on The Managing Director's
Statement on the Work Program of the Executive Board
(Preliminary)
Executive Board Meeting
December 10, 2020**

The Board Work Program (BWP) reminds us of the tireless efforts that staff and management devote in the service of the membership. Thank you.

We welcome the Managing Director's statement on the BWP which achieves the difficult task of balancing needs stemming from the ongoing crisis with the resumption of key initiatives. The membership continues to need advice and extraordinary financial support to stabilize their economies in the face the COVID-19 crisis. However, this is the right time to ramp-up research that can support a resilient recovery and to resume medium-term initiatives that will be critical to achieving the Fund's mandate going forward, including but not limited to: 16th General Review of Quotas; the Comprehensive Surveillance Review; the FSAP Review; and the review of Data Provision to the Fund. Given the continued uncertainty regarding the path of COVID-19, we should be flexible in revisiting the BWP as warranted.

Against the backdrop of a balanced and well-crafted BWP, below we have highlighted opportunities to refine the agenda and important considerations as it is implemented.

Surveillance

The Fund needs to help members learn from one another. We welcome the proposed topics for the Spring flagships, including policy priorities to limit scarring and set the stage for the recovery. Given continued uncertainty regarding the timing of an effective vaccine, the Fund should continue providing a range of scenarios for the path of the global economy.

With a gradual resumption of bilateral surveillance, it will also be important for enhancements to the Policy Tracker to enable greater sharing of best practices across the membership. Perhaps a synthesis paper could accompany the flagships and provide a high-level summary of best practices and the most efficient policy measures that are gleaned from the policy tracker, database of fiscal measures, special series on COVID-19, and early themes from Article IVs, etc.

Area departments' briefings can provide a very useful assessment of common challenges facing particular regions, associated policy prescriptions and best practices.

With the Caribbean experiencing the sharpest contraction globally, and potentially facing a longer recovery than others given the slow resumption of tourism, we encourage staff to provide a deep dive on this especially vulnerable region in their Spring outlook. This may help catalyze the extraordinary financial support needed to support their recovery.

The Fund should be implementing a risk-based resumption of bilateral surveillance. We strongly welcome the inclusion of many Article IV consultations in the tentative Board calendar. We recognize that countries' ability and readiness to engage in Article IV consultations amidst an ongoing crisis is an important factor in resuming bilateral surveillance, but we encourage staff to take a risk-based approach wherever possible. This includes focusing on systemic or regionally important economies and countries that have experienced the global crisis especially acutely.

Lending

We missed any reference to formalizing the Fund's pandemic lending strategy. The Board has held two informal discussions regarding ways in which lending can be made more flexible and responsive in the face of this unprecedented crisis, including fairly broad support for making enhancements to the toolkit. The formalization of a pandemic lending strategy could be an important signal to the membership, even without the introduction of a new or modified facility. If management still intends for a pandemic lending strategy to be deployed, it will be important to conclude this discussion before a potential spike in demand for UCT programs so that staff have clear and consistent guidance on adapting conditionality to this crisis.

We continue to advocate for a general SDR allocation and welcome the planned discussion of the Case for a General Allocation of SDRs during the Twelfth Basic Period. The June 2021 timeline seems long given still pressing financing needs. We would welcome an informal discussion in Q1 2021 that could gauge shareholders' views and support timely decision making.

It will be important to ensure that the PRGT remains adequately financed to meet the needs of the poorest members. We recognize that the informal discussion on the Review of Concessional Financing and Policies has been postponed to allow time for a more holistic picture of the financing needs of low-income countries. This decision will delay consideration of a further temporary increase in PRGT access limits to support extraordinary financing needs in the crisis, which is quite unfortunate. We very much look forward to discussing the Macroeconomic Developments and Prospects in Low-Income Developing Countries in April 2021.

The BWP does not include further discussion of ways to support vulnerable states that aren't necessarily PRGT-eligible. The Managing Director's October 2020 Global Policy Agenda committed to exploring ways to expand liquidity assistance in the event of shocks and support national efforts to strengthen resilience to natural disasters for small states. In furtherance of that commitment, staff explored the potential for the creation of a multi-donor Trust Fund that could support liquidity and resilience-building needs of small developing states. The BWP should seize on this momentum by providing an opportunity for the Board to discuss options to support small developing states' extraordinary financing needs.

Capacity Development

CD is a core pillar of the Fund's operations. When done effectively, CD is also among the Fund's most impactful work. It is therefore regrettable that CD does not have a more prominent place in the BWP. We encourage management to consider opportunities for the Board to help set the strategic direction of Fund CD, as well as to better fulfill its oversight responsibilities.

Policies to Support a Sustainable and Resilient Recovery

The Fund needs to take a comprehensive approach to public debt issues. We welcome the very good coverage of debt issues in the BWP, including discussions of: the Review of Debt Sustainability Framework for Market Access Countries; Fund Support for Debt and Debt-Service-Reduction Operations; Issues in Restructuring of Sovereign Domestic Debt; and preliminary considerations around the Review of the IMF's Lending into Arrears Policies. It will be paramount for these discussions to coalesce into a coherent strategy. We therefore request more regular briefings on not only the Joint WB-IMF Multipronged Approach for Addressing Debt Vulnerabilities, but also broader issues around debt, particularly ahead of the Spring Meetings. The Review of Data Provision for Surveillance Purposes will be critical for improving debt transparency and should proceed as soon as possible, potentially in the first half of 2021.

There is a welcome focus on core monetary and financial sector issues, which we found to be a gap in the last edition of the BWP. New items on Unconventional Monetary Policy, Monetary Policy Framework Reviews, Building Capacity in Monetary and Financial Policies in Fragile and Conflict-Affected States, and Developing an Analytical Framework for Central Bank Digital Currencies are most welcome in that regard. It will be important for the Review of the Institutional View on Liberalization and Management of Capital Flows to draw on the lessons learned from the COVID-19 crisis in addition to the insights from the Integrated Policy Framework and the IEO's evaluation of the Fund's advice on capital flows. We missed any reference to a planned joint CSR-FSAP Board paper on Systemic Risk and Macroprudential Policy Advice in Article IVs. *Staff comments are welcome.*

Climate change must remain high on the Fund's agenda. We welcome the proposed discussion on integrating climate change into surveillance and we expect that the CSR and FSAP review will provide avenues to mainstream the issue. To help members secure the grants and concessional financing needed to support their recovery, it will be critical to mainstream Climate Change Policy Assessments that can underpin Disaster Resilience Strategies.

The BWP missed an opportunity to highlight the importance of addressing gender inequality. While past recessions have tended to affect the goods sector more heavily, the COVID-19 crisis has hit service industries harder, with disproportionate impacts on women. Policy advice to support an inclusive recovery will be key as the COVID-19 crisis exacerbates issues of inequality, and in particular gender inequality.

Organizing Ourselves to Deliver

We must continue to strengthen business processes and change the way we work to ensure that we can continue delivering for the membership through the crisis and recovery:

- *Risk Management* – We look forward to the final report of the Office of Internal Audit on the Enterprise Risk Management framework, which will provide an important basis for reform, including of risk governance, risk acceptance and tolerance, and empowerment of the risk function. We missed any reference to this agenda in the BWP, including the timing of the associated management implementation plan.
- *Accountability* – The ongoing crisis calls for a pragmatic approach to the work program but is not a reason to weaken core accountability functions. Little information was provided in support of the proposal to postpone the Periodic Monitoring Report (PMR) and the management implementation plans in response to the IEO Evaluation on Working with Partners: IMF Collaboration with the World Bank on Macro-Structural Issues and on long-

standing open actions. We need to better understand the rationale and risks associated with such a decision to be comfortable endorsing this approach, particularly in relation to the PMR which is a core accountability tool of the Board.

- *Accounting* – We noted that the Board date for the discussion on the future role of the SCA-1 has not been finalized. This discussion should not be unduly delayed as it will need to be coordinated with annual budget/income discussions and will tie-into the process of Sudan’s arrears clearance under HIPC. We also encourage a timely discussion of ways to isolate the volatility of pension revaluations on the Fund’s financial statements.
- *Operations* – We continue to expect that every effort is being made to reprioritize and reallocate resources to support the crisis-driven workload surge. In time, we expect an assessment of the impact of a prolonged period of remote work on the Fund’s operational effectiveness which can provide lessons learned for the design of core business processes.