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**Statement by Mr. Chikada, Mr. Naka, and Mr. Nagase on The Managing Director's
Statement on the Work Program of the Executive Board
(Preliminary)
Executive Board Meeting
December 10, 2020**

We thank the Managing Director and staff for the update of the Work Program (WP) of the Executive Board. As mentioned in the beginning of the Buff, the Fund has played crucial roles to help member countries tackle the COVID-19 crisis by providing extraordinary financing support as well as timely analysis and policy advices during the first phase of the crisis. We'd like to express our highest respect again for staff who have made great efforts to address the crisis. To address the pandemic's severe impacts on economy and society and realize sustainable and resilient economic recovery of the member countries, the continuous support by the Fund, utilizing strategically integrated Lending, Surveillance and CD, would be indispensable. In this sense, **we support focusing the WP on activities with most critical importance to the member countries based on the priorities specified in the latest GPA and IMFC Communiqué.**

Prioritization and Sequencing of the Fund's Work

Given the limitation of the human, time, and financial resources of the Fund, prioritization and sequencing of its works and realizing synergies among them would be necessary to utilize the utmost capacity of the Fund. On this point, we welcome the staff's streamlining and prioritization efforts on the WP. We believe the Fund should continue to focus on its core areas, including macro-critical issues on the fiscal, monetary and financial policies, and should promote the effective cooperation with and demarcation of roles between other international organizations. We also see the current high uncertainty and downside risks surrounding the crisis as well as the increased burden on staff of the Fund due to the COVID-19 responses may necessitate further prioritization and sequencing of the WP if the situation changes.

Surveillance

Analyzing the impact of the COVID-19 crisis on the global economy and its future risks and providing necessary policy recommendations along with the circumstances of each member country are fundamental role of the Fund. Today, given the current huge uncertainty, the international society are closely watching the information and messages provided by the Fund. In this regard, while the COVID-19 is a common challenge to the membership countries, we need to well take into account that the situations of pandemic infection, economy and public finance are different, and diverging among countries. Based on this understanding, we believe the Fund should conduct analysis and provide policy recommendations in accordance with divergent situations among countries not only through the Bilateral Surveillance, but also the Multilateral Surveillance. Bearing this in mind, the Fund should make accurate and tailored external communications to be understood and supported by the general public and market participants. *In this context, we would like to hear whether the staff have a plan to hold a Board meeting for the Fund's communication strategy, which had been usually held in January, in 2021.*

As to the flagship reports of the Fund, we welcome the proposal to continue to focus on the analysis of the COVID-19 crisis and the policy discussions to realize the resilient and inclusive economic recovery. Concerning the ESR, we would like to re-emphasize the necessity to review and improve the EBA-model to accurately reflect the exchange rate evaluation in accordance with each country's different structures of current account. In this regard, we encourage both the functional departments and area departments to further deepen their cooperation to improve their analysis. To enhance the traction of the Fund through the Surveillance, it is important to continue constructive and thorough discussions on the CSR and FSAP review, looking ahead to the post-pandemic world.

Lending

Regarding the Fund lending, it is important to smoothly pass the baton from pandemic-related emergency financing to the Fund programs to address the medium- to long-term impacts of the crisis and macroeconomic issues. As we have pointed out previously, in order to implement lending policy of the Fund more swiftly and effectively, it is important to establish comprehensive lending strategy based on the relevant information such as whereabouts of the financing gaps of member countries and their total amount, the total demand for each funding facility of the Fund, and the sufficiency of the resource of the Fund.

In this context, we note that a Board meeting to review the "Temporary Increase in Fund Access Limits" is scheduled in January. We encourage staff to deeply consider the role that the temporary increase in the access limits of the Fund's emergency financing and annual access limits of GRA/PRGT has played in the prompt and flexible support for the member countries. In addition, to ensure the proper use of the Fund resources provided to the member

countries, we welcome to have a Board meeting to discuss the “Governance Safeguards in Crisis-Related Spending”.

Capacity Development (CD)

Improving policy implementation capacities, including the public fiscal management and debt management capabilities, is the key to achieve the resilient and inclusive recovery and sustainable growth of the member countries. To realize this goal, the Fund’s effective CD support is indispensable. Given the importance of the CD as one of the three pillars of the Fund’s organizational role, the closer engagement and regular updates on this matter to the Board is essential, and we welcome the plan to hold a Board meeting on the “Implementation of CD Priorities” in February. In this meeting, we expect to have a comprehensive discussion on how to make CD more effective and efficient. Especially, the strategic integration of the CD and Lending/Surveillance will not only enable the Fund to provide effective support to a member country, but other countries could also benefit from best integration practices.

Fiscal Policy

Given the prolonged crisis, deep analysis and policy recommendations on the desirable fiscal policy, both expenditure side and revenue side, and fiscal consolidation path looking ahead to the post-crisis are necessary for the member countries. The member countries are facing difficult challenges to work on fiscal consolidation in the mid-term, while tackling the COVID-19 crisis by utilizing fiscal policies. In addition, it is indispensable for the member countries to strategically utilize the fiscal policy to address the key issues like demographics and inequality. In this regard, we welcome to have a Board meeting to discuss the “Tax Policy in the COVID/post-COVID World”. However, careful discussion would be needed when we discuss tax policy because each member country has various existing tax system and its fiscal, economic, and social situations is different. In addition, we would like staff to conduct analysis on the ways to improve tax administration of the member countries to maximize their revenue and realize fair and equitable taxation.

Debt Issues

Tackling the debt issues is one of the key roles of the Fund. The current crisis has exposed the debt vulnerability of developing countries, which had been increasing before the COVID-19 due to the expansion of non-concessional borrowing and untransparent borrowing. To address this problem, it is critical to make further efforts to ensure the debt transparency and debt sustainability. From this point of view, we highly appreciate that the Fund is planning to continue to discuss relevant important matters, including the “Joint WB-IMF Multipronged Approach for Addressing Debt Vulnerabilities”, “MAC DSA” and “Lending into Arrears Policies”.

Collecting accurate and detailed data on debt from debtor countries is indispensable to realize debt transparency and debt sustainability. To this end, we encourage staff to provide the necessary CD for those countries to enhance their capability to pull together the data, and we urge staff to obtain as much data and information related to debt as possible from them during Fund’s program consultations (e.g. name of creditors including private creditors, borrowing conditions and amount). In this context, we welcome the decision agreed in the Board meeting for “the Policy on Public Debt Limits in IMF-Supported Programs” this October to ask the member countries to provide debt data beforehand as one of the Prior Actions (PAs) of Fund’s program, and to include a table of the main debt holders in the Fund program documents to the Board. We expect the staff guidance notes will appropriately indicate the points necessary to implement these agreements by the effective date, March 2021. In addition, we recognize it is essential to secure the cooperation by the creditor countries to address the debt issues, and we encourage staff to make further efforts on the debt data reconciliation together with the World Bank to improve the debt data transparency of the debt countries.

Resource of the Fund

To sustain continued effective and efficient support for the member countries, holistic fundraising strategy should be considered. As the COVID-19 crisis has a significant impact on low-income countries, it is important for the Fund to provide necessary supports to those member countries, and Japan is willing to continue our contribution to the Fund on this matter. However, given the additional various needs by those countries, it would be necessary for us to well consider a holistic fundraising strategy, which includes priority, sequencing, volume, timing, structure and outreach to the donors. Furthermore, in light of the increasing importance of financing contributions by the donor countries to support the Fund’s works to help the other member countries, we believe it is essential to incorporate a mechanism to incentivize voluntary financial contributions, including those to CD, which should be reflected in the Fund’s governance structure.

On the budget of the Fund, although we understand the role that the Fund is expected to play in the current crisis has been increasing, **we recognize it is important for the Fund to maintain the basic principle of the “real flat budget”.** When we consider the temporary increase of the budget to tackle the crisis, it is necessary for the Fund to make every effort to reprioritize and reallocate the budget first, and staff should clearly explain the necessity of the increase to the Board.

A transformational recovery for a more sustainable and resilient global economy

The issues surrounding Central Bank Digital Currencies (CBDCs) are directly linked to the Fund’s traditional core mandate, including the monetary policy and financial system of the member countries and international monetary system. Therefore, we

would like the Fund to focus their analysis on this area utilizing its macroeconomic expertise, and we welcome the Board meeting on the “Developing an Analytical Framework for CBDCs” to discuss a framework to weigh the costs and benefits of CBDCs, taking into account design features, countries’ levels of development, and policy objectives. This kind of framework is expected to play an important role not only for the potential issuing countries to consider a design of the system of CBDCs, but also for the potential user countries, including the developing countries, to decide the use of other countries’ CBDCs.

Considering the spreading and increasing economic and financial impacts on the member countries caused by climate change, we support the Fund to deepen their analysis on this matter. However, given the divergent situations among countries, including the existing policies related to the climate change and energies, we believe the Fund should avoid taking one-size-fits-all approach in the surveillance, but provide well-tailored policy advices to each member country to gain traction. To this end, we urge close communication and collaboration among the functional departments and area departments on this matter.

Diversity

Ensuring diversity is necessary for the Fund to enhance its traction by conducting accurate analysis and providing useful policy recommendations based on the deep understanding on each region, especially under the current crisis. In this regard, we welcome the update of the “Diversity and Inclusion” this November. We found any Board meetings related to diversity issues are not scheduled in the WP, but we would like staff to continue to update the Fund’s efforts on this matter to the Board.