

STATEMENT BY THE MANAGING DIRECTOR

ON THE INDEPENDENT EVALUATION OFFICE REPORT ON THE IMF'S EMERGENCY RESPONSE TO THE COVID-19 PANDEMIC EXECUTIVE BOARD MEETING, MARCH 13, 2023

I welcome the Independent Evaluation Office (IEO) early report on the IMF's Emergency Response to the COVID-19 Pandemic, which provides an early evaluation of the Fund's response to the initial stage of the pandemic and seeks to draw lessons for possible future global crises. In undertaking this evaluation, the IEO has rendered the Fund and its membership a valuable service. I am gratified that the evaluation finds that the Fund rose to the occasion despite the extraordinary challenges and risks. I fully concur with the evaluation's overarching message that the Fund needs to be prepared for potential future global crises. I therefore support the two main recommendations, with some qualifications about the specific suggestions underlying them, not least because of their resource costs. Nonetheless, these suggestions will be very useful as staff prepare the Management Implementation Plan (MIP), taking account of how they fit with existing work streams and reforms as well as their feasibility and costs against an exceptionally tight budget.

FINDINGS

I am gratified that the evaluation finds that the Fund rose to the occasion, rapidly adapting its lending framework and internal processes to serve the membership, helping to close large financing gaps, and giving confidence to the membership and markets by making its resources available expeditiously under adequate safeguards. The Fund complemented its lending by undertaking analytical work, giving extensive policy advice, and providing technical assistance—activities that could have been better covered in this otherwise very comprehensive report. Internally, the Fund re-prioritized its work, introduced HR and budget initiatives, prioritized staff's health and safety, and swiftly embraced the virtual environment. I could not agree with the IEO more when it praises the staff for their dedication and hard work despite the myriad personal and professional challenges.

As the evaluation notes, the Fund's rapid response was not without costs and risks. The decision to provide extraordinary access, including through emergency financing, in the face of this unprecedented crisis has inevitably raised pressures on the Fund's own, and its members', balance sheets. Moreover, according to the report, some stakeholders did not feel adequately consulted in the initial weeks of the pandemic, staff experienced enormous work pressures, and in at least a few instances, national authorities did not perceive that the way policy guidance on access was applied was entirely evenhanded. I am confident we can learn from the experience and do even better in the future; and I believe the IEO's high-level recommendations will help us to do so.

RECOMMENDATIONS

I fully concur with the evaluation's overarching message that the Fund must be as prepared as possible to meet global crises which, if anything, may become more frequent in the future. I therefore support the thrust of the two main recommendations, albeit with a few qualifications about some specific underlying suggestions—not least because of their resource costs, which in some instances are underestimated. Nonetheless, the specific suggestions will certainly be useful as staff consider how to carry forward the high-level recommendations while being mindful of existing work streams and reforms as well as resource costs in an exceptionally tight budgetary environment.

Recommendation 1. Develop special policies and procedures that could be quickly activated to address particular needs and circumstances of global crises.

I support this main recommendation.

Summary of possible specific steps identified by the IEO for future consideration at the MIP stage:

- ▶ Participatory consultation with the full Board at an early stage of a global crisis on the strategy and broad set of institutional steps to help member countries deal with very challenging circumstances.
- ▶ Activation of temporary modifications to the lending framework to help countries meet the financing needs implied by the crisis while accepting higher levels of risk tolerance for the Fund.
- ▶ Activation of a framework for temporary budget flexibility.
- ▶ Steps to facilitate the HR response to the global crisis could include temporary recourse to a centralized mechanism for redeployment of staff resources rather than the normal reliance on a free internal market.
- ▶ Reinforced Crisis Management Team.

I agree that the pandemic provides useful lessons for establishing crisis-activated lending instruments and corporate procedures to help the Fund react more efficiently to future global crises and therefore support this recommendation, while noting that:

- ▶ While considering the suggested steps on temporary modifications to the lending framework, staff will need to consider the implications for the Fund's lending capacity and resources.
- ▶ Given the uncertain nature of future crises, and the challenges of establishing meaningful triggers for declaring a "global" crisis, staff will need to carefully consider the feasibility and usefulness of having pre-determined procedures. It will be important to avoid overly prescriptive or rigid processes.
- ▶ It is still early days to assess the full impact on members' and the Fund's balance sheets of the extraordinary levels of access to Fund financing provided during the pandemic. We should therefore be cautious of promising, ex ante, similar modifications of the lending framework until the full ramifications of the pandemic-related lending have been examined comprehensively. Looking ahead, the ongoing work on the lending toolkit will provide opportunities for the Board to consider this matter.
- ▶ Reinforcing the crisis management team and facilitating the HR response to a global crisis merits consideration; the key will be ensuring flexibility and adaptability to various crises and rapidly evolving circumstances, while considering potential additional staffing needs and prioritization of work in the context of high pressures under the current work program.

Recommendation 2.

Take steps to reinforce the IMF's institutional preparedness to deal with global crises and other large shocks.

I support this main recommendation.

Summary of possible specific steps identified by the IEO for future consideration at the MIP stage:

- ▶ Review of emergency financing policy and practice.
- ▶ Further development of the toolkit of precautionary instruments.
- ▶ Develop an initiative building on the upcoming review of the 2018 Framework for Enhanced Fund Engagement on Governance to support country efforts to strengthen governance measures.
- ▶ Foster a more coherent approach to strategic partnerships with the World Bank and other official institutions.
- ▶ Develop table-top exercises and a crisis playbook

I see merit in continuing to explore whether and how the lending toolkit may need to be improved to better serve the membership in a flexible manner. I therefore support this recommendation, while noting that:

- ▶ Executive Directors should have an opportunity by end June to discuss the Emergency Financing access limits. An important area going forward would be to explore modalities to better support members' transition from Emergency Financing to Upper Credit Tranche programs, especially for the most vulnerable and poorest members.
- ▶ The Fund currently offers the Flexible Credit Line, the Precautionary and Liquidity Line, the Short-Term Liquidity Line as well as the venerable and highly flexible Stand-By Arrangement, which

is available to all members, and whose very name is emblematic of its precautionary purpose.

Based on the IEO's analysis, it is worth exploring whether there are ways to enhance the Fund's precautionary facilities and fill any possible gaps. The Review of Precautionary Facilities will be an opportunity for Executive Directors to consider their views on these matters.

- ▶ The Fund already provides extensive support to help members combat corruption and improve governance through its surveillance, lending, and capacity building activities. The Review of the Implementation of the 2018 Framework for Fund Engagement on Governance will provide an occasion to strengthen and fine tune these initiatives.
- ▶ Global crises call for global institutions to work in tandem. Practical suggestions for how to collaborate with partners more efficiently and effectively are welcome and staff will explore, for instance, whether a "financing tracker" for major official creditors and donors would make sense. The Fund has recognized the importance of more systemic collaboration with other institutions and already stepped up such collaboration for example by joining the food security coordination platform for multilateral partners as well as the pandemic-related Multilateral Leaders Task Force.
- ▶ While a "crisis playbook" based on tabletop exercises may be useful, it is important to recognize that the Fund already has an established framework and dedicates extensive resources to assess risks in the global economy.

ENTERPRISE RISK ASSESSMENT

Finally, I note the IEO's voluntary inclusion of an annex on the Enterprise Risk Assessment, which acknowledges and assesses enterprise risks, as part of a pilot with the goal of "learning by doing". Staff will take the IEO's risk assessment into account when assessing enterprise risks in the context of the forthcoming MIP for this evaluation.