

**Statement by the Managing Director  
On the Work Program of the Executive Board  
Executive Board Meeting  
June 3, 2013**

1. **From stabilization to growth.** The [Global Policy Agenda](#) (GPA) presented to the IMFC during the 2013 Spring Meetings charted a range of actions needed to invigorate a sustainable recovery and to make the global economy more resilient. The GPA also outlined how the Fund can best assist members in placing the global economy on a sustained and balanced growth path. This work program translates the policy priorities laid out in the GPA into the agenda for the Fund over the next six to twelve months (Figure 1). Progress on commitments outlined at the Spring Meetings will be assessed in the Fall GPA, which will also detail policy directions for the Fund and the membership.

**Figure 1: Policy Priorities of the Spring 2013 GPA**

<b>Invigorating a Sustainable Recovery</b>		
 Progress on banking repair and union	Euro	Assist on growth and reform balance 
 Adopt fiscal and structural plans	Japan/US	Analyze consistency of policy plans 
 Strengthen financial resilience	Emerging Markets	Examine response to capital flows 
 Rebuild policy buffers	LICs	Policy advice and concessional financing 
 Re-establish macroeconomic stability	Middle East	Provide support and build capacity 
<b>Restoring Resilience</b>		
 Avoid financial fragmentation	Financial Systems	Anticipate inconsistencies and spillovers 
 Reform subsidies and entitlements	Debt	Gauge debt sustainability and options 
 Link growth, job creation, and inclusion	Growth and Jobs	Tailor advice to different constraints 
 Achieve demand rebalancing	Global Imbalances	Study global impact of easy money 
 Complete 2010 reforms; 15th Quota Rev.	Quota and Governance	Support completion of reforms 

**I. INVIGORATING A SUSTAINABLE RECOVERY**

2. **A balancing act.** The global recovery remains hesitant, with diverging prospects across the membership posing new risks. Through assessments in the various bilateral and multilateral products, and its policy and financial support, the Fund will continue to assist members in identifying emerging risks and designing calibrated policies to encourage stronger and sustainable growth.

- **Global developments.** The global conjuncture and risks will be discussed in a joint session of the *WEO*, *GFSR*, and *Fiscal Monitor* ahead of the Annual meetings in September, with an Update in July. The Board will also have the opportunity to discuss the *Early Warning Exercise (EWE)* in September. The paper *Key Trends and*

*Vulnerabilities in LICs* in late August will take a more granular approach to identifying country risks and potential financing needs, drawing on the vulnerability exercise for LICs. Directors will also be briefed on regional developments in the run-up to the Annual Meetings.

- Advanced economies.*** In its advice and analysis, the Fund will seek an appropriate balance between supporting activity and addressing underlying fiscal, financial, and private balance sheet risks. In the euro area, staff will continue to assist in forging a common understanding on options for fiscal and financial sector repair and reform, and growth-promoting structural reforms. We will also begin to examine the spillovers and risks from interconnected countries that are exposed to common shocks through clustered Article IV reports, beginning with the countries in central Europe and with the Nordic region. Staff will continue to analyze the benefits and risks of prolonged monetary easing in advanced economies and their spillovers (see also ¶8). Building on the recent discussion of *Unconventional Monetary Policies—Recent Experience and Prospects*, the Board will be further briefed on the topic in September through a paper entitled *The Global Impact of Unconventional Monetary Policy*. The paper will examine the effectiveness and impact of unconventional monetary policy on advanced and emerging market economies, its contribution to narrowing global imbalances, and the implications of exit strategies. This will be followed after the Annual Meetings by an umbrella paper on *Monetary Policy: Its Role Now and in the Future*, which will examine monetary policy trends before the crisis, the response to the crisis, and principles and architecture issues for future monetary policies.
- Emerging market economies (EMEs).*** Fund analysis and policy advice will focus on helping countries recalibrate their policy mix, manage volatile flows, and limit financial stability risks, while bolstering their growth prospects. This analysis will be brought to the Board in a variety of formats (see also ¶8). In September, the Board will be briefed on *Emerging Market Economies Growth: Developments and Prospects*. The paper will examine how EMEs are faring in the wake of the crisis, assess their medium-term growth prospects, and draw implications for Fund surveillance. The role of financial sector deepening for absorbing capital flows and laying the foundations for stronger growth will be examined first in an Annual Meetings seminar for ASEAN-5 countries, followed by a broader paper on EMEs in May 2014 (see ¶5).
- Low-income countries (LICs).*** The Fund will assist LICs in rebuilding policy buffers while meeting pressing infrastructure and social needs. With reforms to the lending framework for LICs largely completed, the focus of ongoing work will shift toward strengthening the analytical underpinnings of our policy advice on a range of topics. These include managing natural resource wealth and capital flows, financial deepening (see ¶5), scaling up investment while safeguarding debt sustainability, and structural diversification and transformation to boost long-term growth prospects. The output

formats for this stream of work will include analytical papers (see ¶7), as well as the development of operational tools and capacity building (see ¶3).

- **MENA countries.** The Fund will continue to engage with countries through surveillance, capacity building and financial support, as appropriate. Policy advice will focus on securing macroeconomic stability and creating the conditions for sustainable and more inclusive growth. A briefing in September will provide an update on economic developments and key policy challenges, followed by a departmental paper on *Macroeconomic and Structural Reform in the Arab Countries in Transition (ACTs)* later in the year.
  - **Small states.** Building on the Board discussion in March of *Macroeconomic Issues in Small States and Implications for Fund Engagement*, staff will engage in outreach with country authorities before completing a guidance note by end-year.
3. **Lending and the global safety net.** Well-designed programs and adequate safety nets remain critical to effective crisis management and resolution.
- **Well-designed programs.** Work will continue to enhance the modalities for Fund-supported programs. A paper on *Modernizing Monetary Policy Conditionality in Low-Income Countries* in October will discuss possible modifications to the current conditionality framework to account for the transition of many LICs to flexible monetary policy frameworks. Building on the *Review of Conditionality* discussed by the Board in September 2012, a revised guidance note will be issued in November, along with a related paper that will examine how staff could enhance risk diagnostics in the design of Fund-supported programs. The *Review of the FCL/PLL/RFI*, scheduled for December 2013, will assess the experience so far, and assess if they continue to meet their objectives and the needs of the membership. Finally, in May 2014, a follow up *Crisis Program Review* will take stock of crisis program cases and draw lessons for Fund financial engagement with members.
  - **International monetary system.** Enhancing the analytical underpinnings of the IMS remains key to its resilience. As a successor to the 2011 *Assessing Reserve Adequacy* paper, staff will develop by November expanded guidance on reserves issues, expanding the analytical work on reserves adequacy indicators for EMEs and developing guidelines on the need for external buffers in advanced and dollarized countries. In addition, staff will brief the Board in June on different *Global Liquidity Indicators* in surveillance.
4. **Capacity building.** Changes in the demand, delivery modes and funding arrangements for capacity building warrant a review of the Fund's activities in this area. The paper *The Fund's Capacity Development Strategy—Better Policies Through Stronger Institutions*, to be discussed by the Board in June, will propose steps to enhance the effectiveness of capacity development by the Fund and improve its delivery and outreach, including by exploiting new technologies.

## II. RESTORING RESILIENCE

5. **Strengthening financial systems.** In line with the Financial Surveillance Strategy (FSS), Fund analysis and advice will continue to support effective implementation of the global reform agenda and monitor and identify risks to financial stability. Efforts will also focus on financial system deepening to support growth.
- ***Supporting the regulatory reform agenda.*** Staff will continue to help identify and remove obstacles to completing the global reform agenda, and assess the consequences of uncoordinated national initiatives, in collaboration with the Financial Stability Board (FSB). In June and December, the Board will be briefed on the state of the global regulatory reform agenda, with the latter briefing focusing in particular on the implications for emerging market and developing countries. The Board will also be briefed in November on *Cross-Border Resolution Regimes*, including burden sharing arrangements. Ongoing policy work will further examine the benefits and costs of structural limits on the size and scope of systemically important financial institutions.
  - ***Macroprudential.*** Substantial work on macroprudential analysis and policies has been undertaken since 2011. Two papers, to be discussed in a formal meeting in July, will seek to take stock and synthesize the Fund's thinking on this matter. By distilling key lessons, the paper on *Key Aspects of Macroprudential Policies* will provide a basis for practical guidance and country-specific advice on macroprudential policies through surveillance and technical assistance. A related guidance note is envisaged for end-year. A companion paper on *Implementing Macroprudential Oversight – Selected Legal Considerations* will discuss the legal issues that arise from the implementation of macroprudential policies.
  - ***Financial stability.*** Following the publication of *Crisis Management and Resolution: Early Lessons from the Financial Crisis* in 2011, a paper on *Systemic Crisis, Bank Resolution, and Restructuring: Lessons from the Crisis*, planned for early 2014, will draw on recent cases to distill lessons for managing systemic banking crises and inform future staff advice on this matter. In October, staff will also update the list of systemically-important financial jurisdictions, following up on the September 2010 decision requiring mandatory FSAPs. A paper on *Financial Soundness Indicators* informing the Board on revisions to the core and encouraged list of FSIs will be issued in November. Finally, the *Report on Developments in the AML/CFT Program, the New Assessment Methodology, and the Implications Going Forward*, scheduled for October, will update the Board on the revised standard and assessment methodology and discuss proposals for future assessments and resource implications.
  - ***Financial deepening.*** Deepening financial systems in EMEs and LICs is important to help countries better manage capital flows and bolster their growth prospects. The Board informally discussed in May staff's work on *Local Currency Bond Markets: A Diagnostic Framework*, a tool for designing market deepening strategies, which is expected to be

issued to the Board for information in July. In spring 2014, a paper on *Enhancing Financial Sector Surveillance in LICs: Lessons from the Pilots and Next Steps* will review the experience of pilot programs initiated following the related Board discussion in May 2012. Later, in May 2014, a paper on *Enhancing Resilience and Supporting Growth in Emerging Markets: Role of Financial Deepening* will examine the need and scope for increased financial sector deepening in EMEs.

- **Data gaps.** The crisis has brought to the fore the importance of addressing data deficiencies to identify and mitigate risks. An update on progress in closing data and information gaps since the financial crisis under the Data Gaps Initiative will be provided to the Board in September. A progress report on implementing the SDDS Plus will be provided later in November.
6. **Addressing high deficits and debt.** Durable adjustment and institutional reforms remain a priority in many countries. The Fund will continue to assist members in identifying and dealing with risks to fiscal and debt sustainability.
- **Fiscal policy and institutions.** The crisis has prompted an active debate about the role and efficacy of fiscal policy. In June, a paper on *Reassessing Fiscal Policy* will discuss how the crisis has changed our views on issues such as the macroeconomic effects of fiscal policy and its use as a countercyclical tool, fiscal risks and the appropriate pace of fiscal consolidation, as well as the role of fiscal institutions. Three additional papers covering work on strengthening fiscal institutions and transparency will be issued to the Board for information: in June, *Functions and Impact of Fiscal Councils* will examine the role of independent fiscal councils for instilling budgetary discipline; in November there will be an update on progress in strengthening budget institutions in G-20 countries; and in September, the *Revised Code of Good Practices on Fiscal Transparency* will propose improvements to fiscal transparency.
  - **Debt sustainability.** There have been important developments in sovereign debt restructuring since the Board was last briefed on this matter in 2005. In May, the Board had the opportunity to discuss a paper on *Sovereign Debt Restructuring—Recent Developments and Implications for the Fund’s Legal and Policy Framework*, which reviewed Fund policies and practices on sovereign debt restructuring in light of recent country experiences. Building on feedback received during the Board discussion, subsequent work by staff will assess possible options to improve the Fund’s framework for sovereign debt restructuring. Later in October, the paper *From Financial to Sovereign Stress: Implications for Public Debt* will analyze the links between financial sector characteristics and public debt accumulation.
  - **Debt limits.** The *Review of the Policy of Debt Limits in Fund-Supported Programs*, which took place in March 2013, proposed the use of a more comprehensive measure of public debt and other changes to the current debt limits policy. As a follow-up to that discussion,

the Board will be presented with possible reforms to operationalize these changes in an informal briefing in November, followed by a formal meeting in early 2014. In July, *The Fund's Debt Limits Policy: Reform of the Discount Rate Methodology* will present a revised methodology for the use of the discount rate to assess concessionality in Fund-supported programs.

7. **Supporting growth and jobs.** Job creation and inclusive growth are imperatives that resonate in the entire membership. The Fund will tailor its advice and recommendations to differing countries' challenges and constraints. For this, a guidance note that draws on the Board discussion in March on the *Jobs and Growth* paper will be issued in September. A range of other outputs on the topic is envisaged ahead of the Annual Meetings. For advanced economies, work is ongoing to examine macroeconomic and structural factors that may help enhance growth in Europe. Growth prospects and challenges in EMEs will be covered in the growth paper mentioned in ¶2 above. Work is also ongoing on issues of long-term financing for investment, including infrastructure, as a contributor to economic growth and job creation across advanced economies and EMEs. In December, the Board will be briefed on the importance of structural transformation, diversification, and productivity growth for the *Long-Term Growth Prospects in LICs*. Finally, a paper entitled *Fiscal Policy and Equity*, planned for early 2014, will examine the role of tax and expenditure policies in meeting equity goals.

8. **Global imbalances and spillovers.** Building on the revamped surveillance framework, we will continue to enhance our analysis of multilateral policy consistency and cross-border spillovers.

- **Multilateral surveillance.** To highlight the interconnectedness of policy measures, the upcoming *Spillover Report* in July will examine, among other issues, the impact of unconventional monetary policy, emphasizing spillover risks, and provide background for the systemic 5 Article IV reports. The *External Sector Report*, also in July, will include an examination of the implications of capital flows and be based on an enhanced external balance assessment methodology, to be laid out in a companion background paper *External Balance Assessment Methodology: An Update*, to be issued for information. A paper on *Interconnectedness: Global Perspectives and Interdependencies* later in the year will deepen our understanding of how shocks are transmitted, drawing on the experience of partner central banks, and derive implications for Fund surveillance. The implications of global supply chains for Fund surveillance will be examined in *Trade Interconnectedness: Global Supply Chains*, to be circulated to the Board for information in the third quarter of 2013.
- **Triennial Surveillance Review.** In preparation for the next *Triennial Surveillance Review* (TSR), planned for October 2014, the Board will have the opportunity to discuss the underlying concept note in September 2013. Staff will also provide by January 2014 an overview of the current approaches and methodologies employed in cross-country work

on risks, including the Global Risk Assessment Matrix (G-RAM) and vulnerability exercises.

### III. ADAPTING TO THE FUTURE

9. **Governance.** Completing the 2010 quota and governance reform is essential to the Fund's legitimacy and effectiveness.

- **Quota and governance reform.** We have met two of the three conditions needed for the 2010 reform to take effect. The remaining condition is to secure the 85 percent of the total voting power needed for the Board Reform Amendment to enter into force. The Board will continue to be informed of progress on a regular basis.
- **Review of quotas/new quota formula.** A paper updating quota calculations based on recent data, *Quota Formula: Data Update and Further Considerations*, will be presented to the Board in June. The Board will also revisit the work program on the *15<sup>th</sup> General Review of Quotas*.

10. **Long-term strategy.** Staff will continue to reflect on long term trends that may shape the Fund's operations in the future, including the growing clout of EMEs and the emergence of a multi-polar world, debt overhang and rapid growth of financial sectors, and climate change.

### IV. MANAGEMENT OF THE INSTITUTION

11. **Medium-term budget and staff resources.** Since the advent of the global crisis, our institution has been under tremendous pressure, being called upon to assist directly-impacted members and to safeguard bystanders from spillovers. Even if the global recovery becomes more vigorous and sustained, the demands on the Fund and its staff are likely to keep evolving and remain large for the foreseeable future. Reflecting the demands from the membership, the proposed work program is again ambitious and continues to place a very heavy workload on IMF staff that will need to be carefully managed.

- **Human resources.** Strengthening human resources management will continue to be an important focus of our work. The 2013 Staff Survey has recently been concluded, and there will be several opportunities to consider the results. The *2013 Diversity Report* will be discussed in June 2013. Following up on the recommendations provided in the *Corporate Workforce Planning* briefing earlier this year, the *Categories of Employment* paper will review the existing employment framework in November 2013.
- **Internal operations.** The Board work program includes the following key meetings on the internal operations of the institution:

- The *2013 Report on Risk Management* will provide an update on planned directions for enhancements to the Fund's risk management framework, following the recent informal discussion.
- In line with established practice, *Briefing by the External Audit Committee* will take place in July 2013.
- Two IEO reviews—*Learning from Experience at the IMF: An IEO Assessment of Self-Evaluation Systems* and *IMF Forecasts: Process, Quality, and Country Perspectives*—will be discussed by the Board in July and October, respectively.
- In January 2014, the Board will consider the *Review of the Adequacy of the Fund's Precautionary Balances*.
- The *Review of the Investment Strategy for the Reserves Portfolio and Trust Assets*, as well as the paper on *Investment of the Actively Managed Portion of the Endowment*, will be considered in the spring of 2014.

12. **Board schedule.** Interdepartmental efforts will continue to aim at smoothing the work flow of the Board and ensuring a focused Board agenda in peak periods. In particular, the number of items in the immediate pre-recess period will be limited, and items that are essential for the Annual Meetings will be scheduled in September and early October. The periodic discussions on the implementation of the Work Program will also continue.