

**Statement by the Managing Director  
on the Work Program of the Executive Board  
Executive Board Meeting  
June 19, 2017**

**This Work Program (WP) translates the policy priorities and strategic directions laid out in the Spring 2017 Global Policy Agenda (GPA) and the International Monetary and Financial Committee (IMFC) Communiqué into an Executive Board agenda for the next twelve months.** The Managing Director's GPA, welcomed by the IMFC, called on members to continue using supportive policies based on a three-pronged approach to sustain the recovery, to work together within the multilateral framework toward strong and more balanced growth, and to provide economic opportunities for all. It outlined how the Fund would support the membership by promoting efforts to sustain the recovery, lift productivity and increase resilience, and by promoting sustainable policies toward a more inclusive global economy, while facilitating multilateral solutions to global challenges. Where the work extends beyond traditional areas, the WP will focus on macro-relevant issues that are systemically important or relevant for many countries and amenable to change through economic policies.

**Accordingly, the Work Program is based on four key elements:**

- i. **Guide the global policy dialogue**, in particular through discussions on the *GPA* and IMF flagship publications that present the current conjecture and outlook, including trends in financial stability, public finance and external developments. The flagships will also focus on wage dynamics (*World Economic Outlook (WEO)*, Fall 2017), on relationships between household debt, income, and credit, and their implications for financial stability (*Global Financial Stability Report (GFSR)*, Fall 2017), and on fiscal policy options to address rising concerns about inequality (*Fiscal Monitor (FM)*, Fall 2017).
- ii. **Support efforts to sustain the recovery, lift productivity, and increase resilience** by continuing with supportive policies based on the three-pronged approach. The Board will be briefed on *Assessing Fiscal Space—An Update and Stocktaking* followed by an *Update of Fund Work on Macro-Structural Issues*. The Board will discuss the progress in strengthening surveillance during the *Interim Comprehensive Surveillance Review*.
- iii. **Promote sustainable policies toward a more inclusive global economy** by analyzing inclusiveness in flagship reports, discussing *Second-Generation Fiscal Rules* and addressing sustainability issues in the *Update on the Application of the Medium-Term Debt Management Strategy, Review of the Low-Income Countries (LIC) Debt Sustainability Framework* and *Review of the Market-Access Countries (MAC) Debt Sustainability Framework*. The Board will discuss how governance and corruption issues have been handled in surveillance and lending in *The Role of the Fund in Governance Issues—Review of the Guidance Note—Preliminary Considerations*.
- iv. **Facilitate multilateral solutions across countries to meet global challenges** by looking at *Issues in International Taxation* and considering *Increasing Resilience to Large and Volatile Capital Flows: The Role of Macroprudential Policies*. The Board will continue to focus on strengthening the global financial safety net in *Adequacy of Fund Resources—Further Considerations; Collaboration Between Regional Financial Arrangements (RFA) and the IMF; Adequacy of the Global Financial Safety Net—Review of the FCL and PLL, and Proposals for Toolkit Reform; and Proposal for a New Policy Coordination Instrument*.

## I. Key Priorities of the Spring 2017 Work Program

### Guide the Global Policy Dialogue

#### Global policy agenda

The *GPA* will continue to establish policy priorities for the Fund and membership, along with the IMFC Communiqué, and guide the Work Program of the Executive Board. The Board will continue to be engaged on the *GPA* (including the outline) ahead of the Annual and Spring Meetings.

#### Global, regional, and other economic developments

The Board will consider the flagship reports, the *WEO, GFSR, and FM* in September 2017 and April 2018, ahead of the Annual and Spring Meetings. In addition to providing an assessment of the global economy and prospects, the analytical chapters of the *WEO* will be on understanding recent wage dynamics, the effects of climate change on macroeconomic activity and possible strategies to adapt to them, and on the magnitude and determinants of spillovers from fiscal policies in advanced economies, in particular the factors affecting their transmission in both sending and receiving economies. The lead chapter of the *GFSR*—which draws out the financial stability implications of economic issues highlighted in the *WEO*—will consider the impact of the exit from unconventional monetary policies and the gradual process of central bank balance sheet normalization on a broad array of financial conditions and potential financial stability implications. The analytical chapter will investigate the relationships between household debt, income, and credit, and their implications for financial stability for advanced and emerging market economies. It will also delve into the relation between financial conditions and downside risks to future economic activity, as well as into consequences of credit allocation for financial vulnerability. The Board will stay abreast of global economic developments through briefings of the *World Economic and Market Developments Updates* in July 2017 and January 2018. In addition to analyzing the latest public finance developments, the *FM* will discuss fiscal policy options for advanced, emerging and developing economies that wish to address rising concerns about inequality, and the challenges they face in managing the trade-off between efficiency and equity objectives.

Following the briefing on the *External Assessments: Methodology and Process* (July 2017), the Board will consider the annual *External Sector Report* in July 2017, which presents a multilaterally consistent assessment of external sector positions and policies of the largest economies, and discuss relevant policies. In parallel, staff continues to work on refining methodological and analytical tools, as part of the Fund's intensive efforts to provide a rigorous and candid assessment of global excess imbalances and their causes. The Board will be engaged on this work in *Reviewing the External Assessment Methodologies* in January 2018.

In February 2018, the Board will reflect on *Macroeconomic Developments and Prospects in Low-Income Developing Countries*. The Board will be briefed on *Emerging Markets—Developments and Prospects* in September 2017 and April

2018. The regular Area Department Updates will keep the Board abreast on regional economic development and key issues in regions.

Following an engagement in September 2017, the Board will discuss the *Interim Comprehensive Surveillance Review* in December, which will assess implementation of the priorities that emerged from the Managing Directors' Action Plan following the 2014 Triennial Surveillance Review to strengthen surveillance, identify any emerging pressure points, and help shape the next review.

The Board will receive information on *How the Multilateral Trading System Can Promote Global Growth* in November 2017.

### Balance of risks

The Board will engage on the *Early Warning Exercise*, which discusses unlikely but plausible risks to the global economy as well as risk-mitigating policies, ahead of the Annual and Spring Meetings (October 2017 and April 2018).

## Support Efforts to Sustain the Recovery, Lift Productivity, and Increase Resilience

### Support efforts to sustain the recovery

Sustaining the recovery requires continuing the three-pronged approach articulated in the Spring 2017 and previous *GPA*s. The Fund is currently piloting fiscal space assessments, which encompass growth-friendly fiscal policies, and the Board will be briefed on these 39 pilot cases (March 2018) in *Assessing Fiscal Space—An Update and Stocktaking*. Public investment can be an important catalyst for economic growth, but the benefit of additional investment depends crucially on its efficiency: the April 2018 paper *Update of the Public Investment Management Assessment (PIMA)* will inform the Board on how the public investment management practices of countries have been evaluated during the piloting phase of the PIMA and propose revisions to the framework based on lessons learned. Also, the Infrastructure Policy Support Initiative, already operationalized in six pilot countries, will be applied to more countries.

### Design policies to lift productivity

Identifying structural policy gaps and prioritizing reforms is essential to boost productivity, investment, and growth. To this end, a new toolkit is being applied to 32 pilot countries and the Board will be briefed on the pilots and the way forward in the *Update of Fund Work on Macro-Structural Issues* in February 2018. The Board will be briefed on the *Measurement in a Digital Economy* in June 2017 to review measurement challenges for growth and productivity, ahead of a formal Board meeting in January.

### Help members to tackle vulnerabilities

Timely involvement of debtors and creditors in orderly debt restructuring remains crucial for better crisis prevention and the Board will engage on *Debtor-Creditor Engagement in Sovereign Debt Restructurings: A Review of Existing Modalities and Possible Reforms* (date to be determined). The Board will be briefed on *Bailing In or Out: Bank Resolution Frameworks and Systemic Spillovers* (date to be determined) to strengthen the Fund's advice on tackling debt overhangs and reducing financial sector vulnerabilities. A briefing on *Fintech and Financial*

*Services: Initial Considerations* (June 2017) will provide an analytical framework through which the potential impact of technological change on the financial service landscape may be assessed. Staff will keep the Board abreast of further work in this area including on digital finance and cyber risks. Financial inclusion issues will continue to be included in select Article IV consultations, when macro-critical, followed by a staff guidance note. To help countries affected by the withdrawal of correspondent banking relationships, the Board will be briefed in March 2018 on the *Update on Trends in Correspondent Banking Relationships*, including on the implementation of solutions identified by staff. In January 2018, the Board will discuss a *Review of Mandatory Financial Stability Assessments under the FSAP*, followed by a discussion of the *Assessable Standard on Islamic Banking* (April 2018), i.e. on the methodology to assess compliance of Islamic Financing with the Islamic Financial Services Board (IFSB) Core Principles of Supervision. The Fund will continue to mainstream macro-financial surveillance in Article IV consultations to overall 134 economies.

## Promote Sustainable Policies Toward a More Inclusive Global Economy

### Assist policymakers to expand economic opportunities within countries

Staff will explore the macroeconomic and distributional effects of technological change, trade, and capital flows and look into policies to better anticipate and adjust to their long-term impact. The analysis will be presented to the Board in due course. The *FM* will examine key choices regarding tax and expenditure policies for addressing rising concerns about inequality, including the progressivity of income taxation (particularly for high-income individuals), the universal basic income grant, the scaling up of conditioned transfers to avoid disincentives for work and to promote employment, and the provision of access to quality education and health care. Inequality issues have been operationalized in 18 pilot countries, with another 10 underway. Gender issues have been operationalized in 20 pilot countries with another 5 in progress. The Board will be briefed on *Stocktaking of Pilots on Gender, Inequality, and Energy and Climate Change* in October 2017.

Strong institutions are key to expanding economic opportunities within countries and, to this end, the Board will discuss *The Role of the Fund in Governance Issues—Review of the Guidance Note—Preliminary Considerations* in July 2017 to assess how governance and corruption issues are being addressed in surveillance, programs and capacity development. This will be followed by a Board engagement (February 2018) ahead of the discussion of the *Role of the Fund in Governance Issues—Principles and Guidelines* (April 2018) that will propose updates to the Fund's policies on engaging on governance and corruption issues, based on the Board's feedback on the initial paper. In July 2017, the Board will discuss the joint Fund-Bank *Review of the Standards and Codes Initiative*, which seeks to strengthen economic and financial institutions by improving transparency and promoting good governance. The Board will also consider the *Use of Third-Party Indicators in Fund Work* in October 2017 ahead of the issuance of the *Guidance Note on Use of Third-Party Indicators in Fund Work*. Building on the Management Implementation Plan on the Report on *Behind the Scenes with Data at the IMF: An IEO Evaluation*, the Board will discuss *Overarching Data and*

*Statistics Strategy* (January 2018) that develops a new vision for the work of the Fund on data and statistics.

### Encourage sustainable polices over time

In March 2018, the Board will be briefed on the *Second-Generation Fiscal Rules* which summarizes the new vision on fiscal rules that emerged during the global financial crisis. Following the July 2017 formal discussion on the *Update on the Application of the Medium-Term Debt Management Strategy*, the Board will consider the *Review of the LIC Debt Sustainability Framework* (September 2017) and be briefed on the *Review of the MAC Debt Sustainability Framework* in May 2018. Climate change issues—where macro critical—will continue to be integrated in bilateral surveillance; they have been operationalized in 12 pilot countries with another 14 underway. A briefing on *Demographic Changes and Savings-Investment Balances* that will cover pension systems and national savings is scheduled for March 2018.

## Facilitate Multilateral Solutions Across Countries to Meet Global Challenges

### Advocate cooperation through an evolving multilateral framework

Increasing global challenges and emerging needs of global economy require cooperation through an evolving multilateral framework. In June 2017, the Board will consider *Increasing Resilience to Large and Volatile Capital Flows: the Role of Macprudential Policies*. Following a *Staff Briefing on Multiple Currency Practices* (MCP, November 2017) and on technical aspects (January 2018), the Board will consider the *Review of Fund Policies on MCP: Initial Considerations* (February 2018) that describes developments in members' exchange and payment systems since the last review of the MCP Policy in 1981, as well as provides preliminary considerations for policy reforms. A follow-up Board discussion on the *Review of Fund Policies on MCP: Proposed Decisions* is scheduled for May 2018. The Board will receive information in September 2017 about the *Second IMF/FSB Progress Report of the Second Phase of the G-20 Data Gaps Initiative*.

### Support the global financial regulatory agenda and taxation issues

With the Fund continuing to support financial regulatory reforms, the Board will be briefed on the *Latest Developments in Financial Regulatory Reforms* in November 2017. To help jurisdictions tackle illicit financial flows and the sources and channels of terrorist financing, staff will start to work toward a *Review of the Effectiveness of the AML/CFT Program*, which will be included in next year's Work Program for the second half of 2018. The Fund will also continue to work on tax policy diagnostic assessments to help members strengthen their tax systems—including through the integration of international taxation issues in bilateral surveillance in 15 pilot cases. The Board will discuss *Issues in International Taxation* in February 2018.

### Work toward an adequate and reliable GFSN with a well-resourced Fund at its center

A rapidly changing and uncertain world necessitates a well-functioning International Monetary System (IMS) and a strong, reliable, and coherent global financial safety net (GFSN) to help countries smooth adjustment through lending. The Board will discuss *Collaboration Between Regional Financial Arrangements and the IMF* in July 2017, which aims at providing a foundation for future Fund engagements with regional financial arrangements. To further enhance the Fund's

lending toolkit, the Board will discuss *Adequacy of the Global Financial Safety Net—Review of the FCL and PLL, and Proposals for Toolkit Reform* (June 2017) and *Adequacy of the Global Financial Safety Net—Proposal for a New Policy Coordination Instrument* (July 2017). And the Board will also review *(Considerations on the Role of the SDR* in March 2018 including the ways in which the Special Drawing Rights can contribute to closing the gaps in the IMS and support its smooth functioning. The Board will also discuss *Program Design in Currency Unions* in September 2017, which provides guidance to staff when designing programs with members of currency unions.

A strong, quota-based, and adequately-resourced Fund at the center of the GFSN remains critical for a well-functioning IMS. Following the recent *Staff Briefing on the Role and Evolution of the Quota Formula*, the Committee of the Whole will consider in September 2017 *Quotas—Data Update and Simulations*, which updates the quota database through 2015 data and presents illustrative simulations of possible reforms of the quota formula and realignment of quota shares. To ensure that the Fund has adequate resources to respond to members' actual and potential needs, the Board will consider the *Adequacy of Fund Resources—Further Considerations* (September 2017), following a *Staff Briefing on the Methodologies for Assessing the Adequacy of Fund Resources* (June 2017). In September 2017 and April 2018, Directors will discuss reports to the Board of Governors on the *Progress on the Fifteenth General Review of Quotas*.

## Support LIC and Bolster Capacity Development

### Continue to support the 2030 Sustainable Development Goals (SDG) and the Financing for Development agenda

LIC will continue to receive tailored policy advice as well as significant other support from the Fund. As indicated in the *Update on the IMF's Deliverables for the 2030 Developmental Agenda* (May 2017), the deliverables will continue to be integrated in Fund work, in cooperation with others. This includes support to enhance domestic revenue mobilization, which has been integrated into bilateral surveillance in 24 pilot countries, with an additional three pilots underway. Following the Board discussion on *Building Fiscal Capacity in Fragile States* (May 2017), Directors will be briefed on the *Fiscal Capacity Building* (January 2018) that explores country experiences to strengthen domestic revenue and public financial management. The Board will be briefed (July 2017) on the *IMF's Role on Compact with Africa*, a G-20 initiative to promote private investment in Africa, with a particular emphasis on infrastructure. In June 2017, *Small States Guidance Note—2017 Updates* and *2017 LIC Handbook* will be issued to the Board for information. Following the May 2017 discussion on the *Large Natural Disasters—Enhancing the Financial Safety Net*, and on *Eligibility to Use the Fund's Facilities for Concessional Financing*, the Board will take a holistic view of all LIC facilities during the *2018 LIC Facilities Review* discussion in March 2018, following a Board engagement in January 2018.

### Enhance capacity development

Capacity development (CD) is one of the core pillars of the Fund. The Board will discuss the *2018 Quinquennial Review of the Fund's Capacity Development Strategy* in May 2018 with a focus on further integrating CD with surveillance and policy advice, strengthening the CD framework to improve CD targeting to priority

country needs by seeking innovative ways to deliver CD, sharing Fund CD knowledge with the membership, and entrenching the results-based approach.

## Maintain an Agile, Integrated, and Member-focused Fund

**Manage the budget and internal risks carefully** Adequate financial, capital, technological, and human resources are key to deliver on the Fund’s agenda. Following the Budget Committee consultations (September and December 2017, March 2018), the Board will discuss the *FY2019-FY2021 Medium-Term Budget* after the 2018 Spring Meetings in April, the same day as *The Fund’s Income Position for FY2018 and FY2019–20*. The *Review of the Rules and Regulations of the Investment Account* (January 2018) will be followed by the *Review of Adequacy of the Fund’s Precautionary Balances* in February 2018. To strengthen the risk management framework of the Fund, the Board will deliberate the *2017 Risk Report* in November 2017, followed by an engagement on the *Risk Update: Interim Report—Spring 2018* in March 2018. The Board will continue to receive quarterly progress reports on the Status of the HQ1 Renewal Project.

**and maintain a strong Fund** To help promote the right mix of skills and staff diversity, the Board will discuss the *Diversity and Inclusion Report* in July 2017. In February 2018, the Board will be briefed on the *Knowledge Management Strategy*. Staff will also continue to keep the Board abreast of progress made in the development and implementation of the HR Strategy, as well as internal control over HR activities. In November 2017, the Board will receive the *Update of the IMF Communications Strategy*. To better prepare for the future, including by taking into account technological change, staff has initiated a scenario planning exercise to stress test the Fund’s business model in the long-run. The Executive Board’s feedback will be solicited in the Fall. The Evenhandedness Annual Report will be issued to the Board for their information in July 2017.

Independent Evaluation Office (IEO) oversight is critical to enhance the learning culture within the Fund, strengthen the Fund’s external credibility, and support the Board’s institutional governance and oversight. The Board will discuss in July 2017 the *IEO Evaluation: The IMF and Social Protection*, followed by the preparation of a *Management Implementation Plan* by January 2018. In March 2018, the Board will discuss the *IEO Evaluation: The IMF and Fragile States*.

## II. Implementing the Fall 2016 Work Program

**Some delays due to additional consultations on complex issues** The Fall 2016 WP on country items has been implemented broadly as planned. Some adjustments on scheduling policy items have been made, reflecting the complexities of the issues, resource constraints, and the need for additional consultation with stakeholders. This somewhat lightened the Board workload in the run-up to the Spring Meetings, while LIC-related Board items made for a somewhat heavy work load in May 2016, ahead of the 2016 Economic and Social Council Financing for Development Forum.

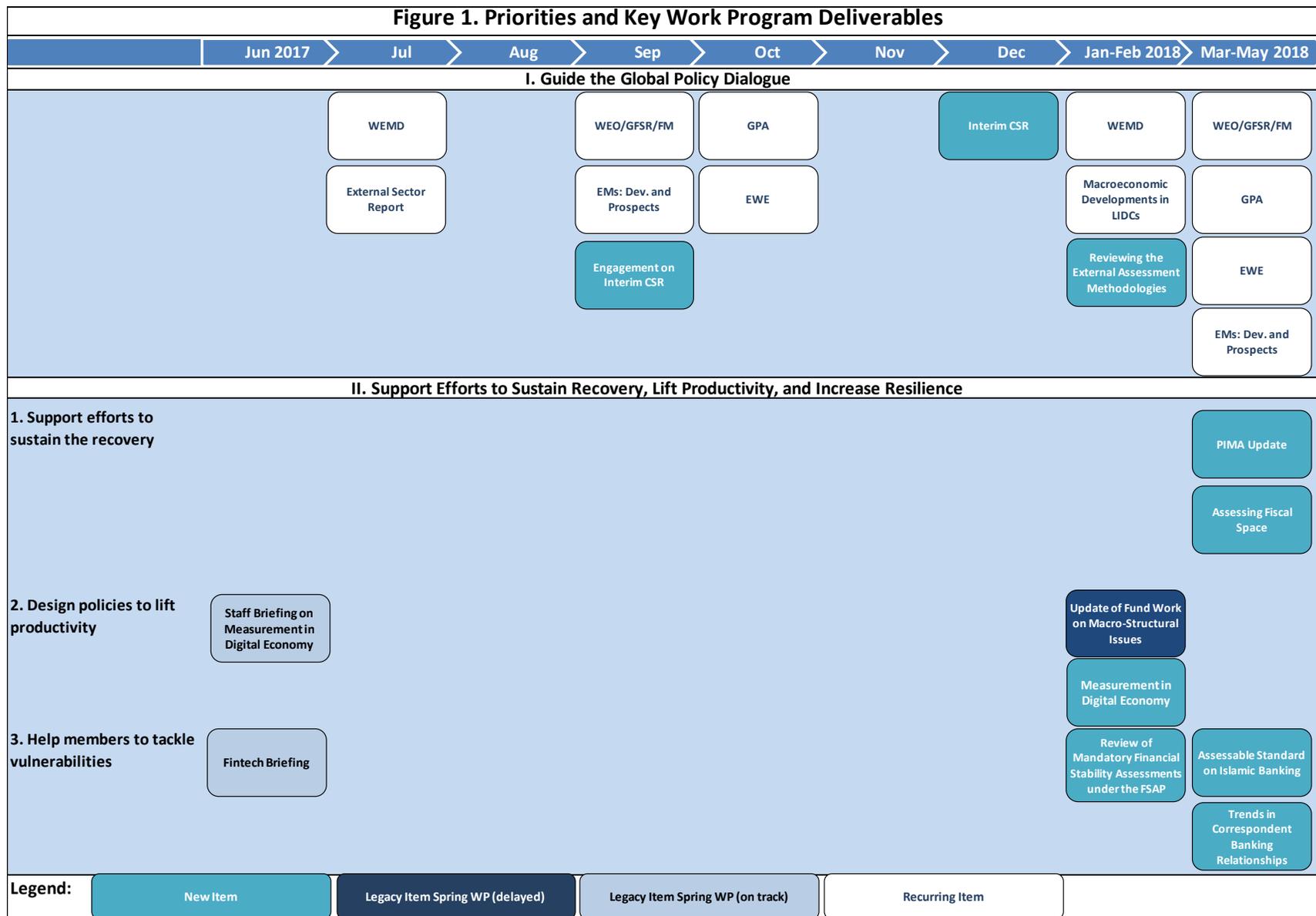
In addition to administrative briefings, some new items have been added to the schedule. A formal meeting on *Large Natural Disasters—Enhancing the Financial Safety Net* (May 2017) approved an increase in the annual access ceiling under the RCF and RFI for countries experiencing severe natural disasters. Also added to the WP were engagements on a *Cluster Report on Trade Integration in Latin America and the Caribbean* (March 2017), and a briefing on *The Work of the Platform for Collaboration on Tax* (March 2017).

To avoid duplication of work, the briefing on the *Social Protection in a Changing World* (scheduled for August 2017) has been dropped, as the issue will be discussed in the Fall *FM*. To facilitate additional engagement with stakeholders and further analysis on complex issues *Debtor-Creditor Engagement in Sovereign Debt Restructurings: A Review of Existing Modalities and Possible Reforms* has been postponed to a date to be determined. The Staff briefing on *Bailing In or Out: Bank Resolution Frameworks and Systemic Spillovers* has been postponed to a date to be determined to allow for additional consultations across departments. Some program reviews also experienced delays.

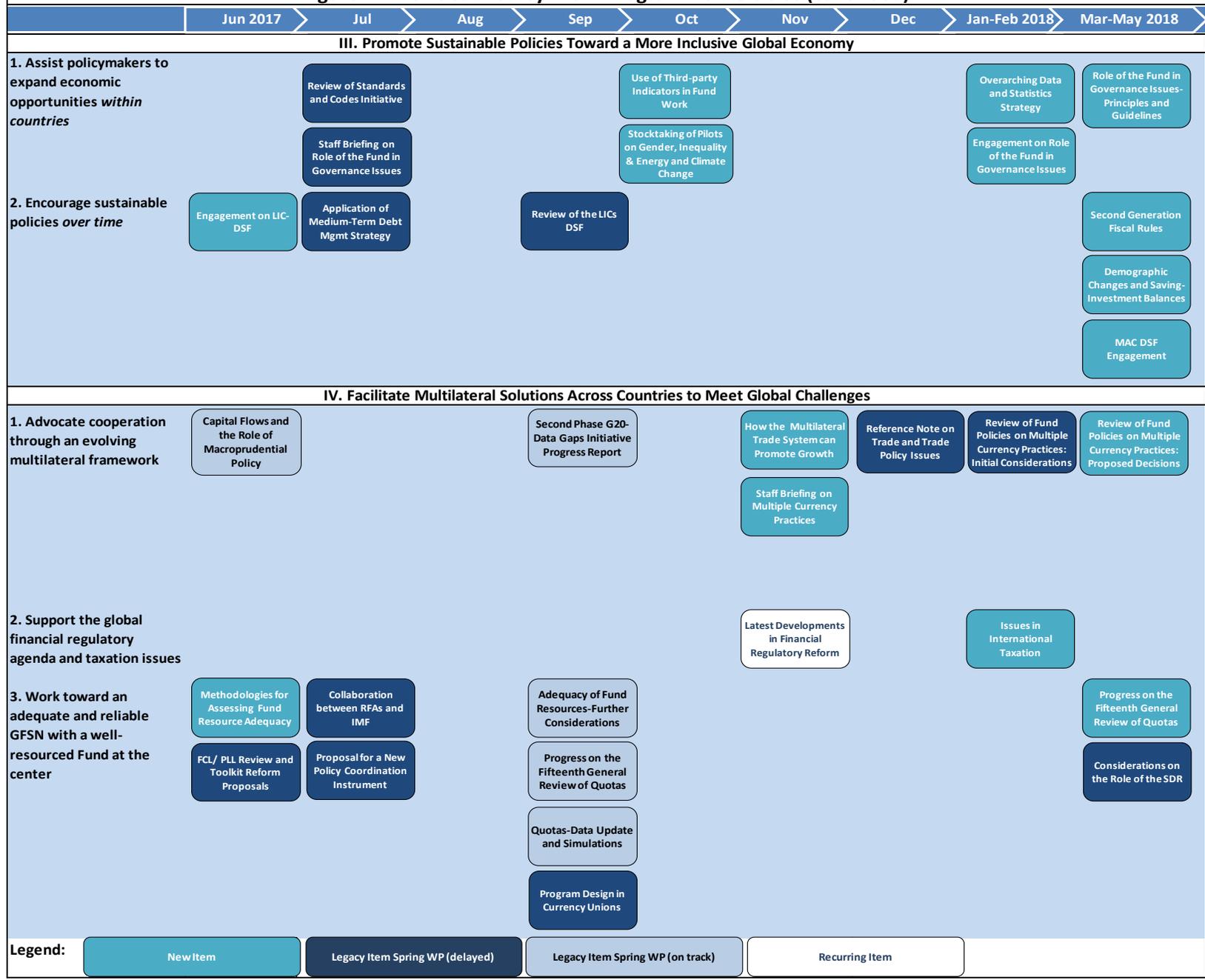
**Change of the meeting format from informal into formal**

In response to some Executive Directors' concerns about the appropriate format of Board sessions, seven informal sessions have been converted to formal meetings.

**Figure 1. Priorities and Key Work Program Deliverables**



**Figure 1. Priorities and Key Work Program Deliverables (continued)**



**Figure 1. Priorities and Key Work Program Deliverables (concluded)**

