

**Statement by the Managing Director  
on the Work Program of the Executive Board  
Executive Board Meeting  
May 29, 2012**

1. **Agenda.** Last April was an important milestone for the institution. The commitment to increase Fund resources by over \$430 billion on a temporary basis attests to the membership's willingness to act collectively and decisively to get ahead of the crisis. For our part, we must continue to support these efforts with clear and pointed advice on macro financial policies, and strong and well-designed programs. This is true not only for Europe, where the risks to stability have been acute, but across the span of the membership. We need to continue to offer pragmatic remedies to the main risks confronting the global economy, help members address spillovers, and support their economic transitions and development agendas. We need also to strengthen our internal processes, with reforms of surveillance, quotas and governance. These points, which draw on my [Action Plan](#) of last month and feedback from members during the Spring Meetings, are elaborated in the work plan below.

**I. IMMEDIATE PRIORITIES**

2. **Restoring stability.** Recent developments point to the continued fragility of the world economy and the risks of renewed stresses with potentially systemic implications. Through assessments in the various multilateral and bilateral products, as well as engagement in Europe and Arab countries in transition, the Fund will seek to support the membership in implementing policies to restore stability.

- The global outlook and risks will be discussed in a joint session of the *World Economic Outlook*, *Global Financial Stability Report*, and *Fiscal Monitor* ahead of the Annual Meetings, with an update in July. Specific global vulnerabilities will be covered through the *Early Warning Exercise*, while those in low-income countries (LICs) will be assessed through the *Vulnerability Exercise for LICs*. The *Consolidated Multilateral Surveillance Report* will distill the key messages and, as called for in the [IMFC communiqué](#), report on progress on measures taken by the membership to restore confidence, rekindle growth, and create jobs.
- *Europe.* The Board will have many opportunities to follow the progress in restoring stability and growth and in rebalancing demand in Europe, formally in the coming Article IVs for the euro area consultation and almost all major European economies, and informally through regular briefings by staff.
- *Arab countries in transition.* The Fund will need to step up its support of Arab economies in transition, through policy advice, technical assistance, and lending, as appropriate. Discussions are ongoing on possible financing arrangements in a number

of these economies. Upcoming Article IV consultations and regular informal Board briefings by staff will provide opportunities to discuss progress.

3. **Financial reform.** By analyzing key topics and leveraging cross-country perspectives, we will seek to strengthen our advice on the continued repair and reform of the financial sector. The Board will be briefed on recent work on the *Modalities for Cross-Border Resolution*—the policies and legal mechanisms to effectively resolve financial institutions operating across borders, which is an area where rapid progress is vital. *Macrofinancial Stress Testing: Practices and Principles* will assess the role of stress tests—key to ascertaining the resilience of financial institutions—as a monitoring tool and put forward guidance on best practices. Based on the knowledge accumulated through the Financial Sector Assessment Program (FSAP), *Cross-Cutting Issues in FSAPs* will identify issues germane to a broad group of countries. The implications of financial sector risks for sovereign debt sustainability will be explored in *Interrelationships of Sovereign and Financial Sector Risks: Debt Implications* in November.

4. **Supporting growth.** An important challenge across the span of the membership is to enhance inclusive growth, while ensuring debt sustainability. The Fund will provide analysis and policy advice on achieving credible fiscal consolidation and government debt reduction, an issue germane to many members, while supporting growth. We will also seek to identify the scope for structural reform and macroeconomic policies to promote growth and jobs.

- *Fiscal adjustment and growth.* The *Fiscal Monitor* will ensure that the Fund's approach to fiscal adjustment in the near- to medium-term is consistent and well-anchored in an analysis of fiscal multipliers and growth. Structural reforms and macroeconomic policies to promote growth and jobs, which are crucial to the viability of the adjustment efforts, will be covered in *Fiscal Policy and Employment in Advanced and Emerging Economies* in July. A discussion of *Fiscal Transparency, Risk, and Accountability in the Post-Crisis Environment* will follow. Later in the year, we will also discuss *Energy Subsidy Reform: Lessons and Implications*.
- *Jobs.* Analytical work is underway on issues related to jobs and growth in Fund surveillance and programs, including social equality and inclusion; a Board paper is being considered for later in FY2013. The work will support the development of a surveillance toolkit and related outreach.
- *Emerging markets and developing countries.* Surveillance in several emerging markets and developing economies will need to confront the policy challenge of attenuating current downside risks in the global economy, including from elevated oil prices and volatile capital flows, and avoiding over-stimulating the economy. Analysis is also underway on the particular economic challenges facing small states, and on the Fund's engagement with them.

5. **Low-Income Countries.** Our policy advice, lending, and capacity building efforts are aimed at helping LICs preserve macroeconomic stability and debt sustainability, while facilitating the achievement of their growth and development objectives. Following the comprehensive reform of LIC financing instruments three years ago, the *Review of LIC Facilities* in August will assess the experience to date and consider possible refinements. Another paper, to be issued before the Annual Meetings, will review LICs' exposure to global risks and related policy challenges. A joint IMF-World Bank staff paper will explore the challenges of debt management capacity in post-debt relief countries; this will be followed soon after the Annual Meetings with the *Review of the Debt Limits Policy*. Analytical work is also underway on managing natural resource wealth. Two inter-related papers will be discussed in August: on *Fiscal Regimes for Extractive Industries: Design and Implementation* and on the *Macroeconomic Policy Frameworks for Resource-Rich Developing Countries*.

6. **Lending and the Global Safety Net.** Ensuring an adequate safety net is key to crisis prevention and management.

- *Effective programs.* Steadfast implementation of programs is a critical part of a durable exit from the crisis. Our discussion of the *Review of Conditionality* will provide a timely opportunity to assess the experience with Fund programs and to draw lessons for the design of new programs. The informal briefing of the *Crisis Programs Review* will focus on the European programs and will also cover issues concerning lending to members of currency unions. Informal country and regional briefings will also allow for reviewing key developments both across programs and across regions.
- *Fund resources.* The membership has moved swiftly and committed to raise the Fund's firewall by over \$430 billion. A paper on *Borrowing Modalities* is scheduled to be taken up shortly to finalize the modalities to make these resources available to the Fund, when needed, and would include proposals to safeguard the Fund's balance sheet against concentrated and correlated risks.
- *PRGT financing.* Even as resources have been expeditiously garnered to combat the global crisis, the 2009 LIC financing package to enable concessional lending of \$17 billion during 2009-14 remains incomplete. In the current environment of fragility and heightened risks, it is crucial to secure sufficient pledges of contributions from members to support concessional financing under the PRGT through 2014-15. A bi-monthly report will track progress towards completion of the package. The issue of the longer-term sustainability of the PRGT will be taken up in the *Review of LIC Facilities* prior to the Annual Meetings, and in the *Use of Windfall Gold Sale Profits—Further Considerations*.

## II. IMPROVING THE FRAMEWORK

### A. Surveillance

7. **Strengthening surveillance.** To add more value to our policy dialogue, and building on the action plan for the Triennial Surveillance Review, we are continuing to improve the analysis of spillovers and interconnectedness and ensure multilateral consistency in our bilateral assessments. The *External Sector Report* will present a revamped analysis of external positions and vulnerabilities that are multilaterally consistent. The timing is to be determined, as we are in the process of consulting with members formally and informally, including through the use of the External Balance Assessment and other methodologies in upcoming Article IV consultations. The spillover analysis of the policies of the systemic-5 economies—China, the Euro Area, Japan, the United Kingdom, and the United States—will be presented in a *Spillover Report* in July, as background to the Article IV consultations in each of these areas. Both reports are being prepared by interdepartmental task forces, as part of a larger effort to bring together the specialized skills of staff working in different departments.

8. **Surveillance framework.** We need also to institutionalize the process of integrating bilateral and multilateral perspectives in surveillance and close gaps in the framework. Building on the informal discussion in April, the Executive Board will have an opportunity to discuss a draft *Integrated Surveillance Decision*. We are engaging with a wide range of stakeholders and will schedule the Board meeting, pending their feedback, on a date to be determined. In September, a review of *Data Provision to the Fund for Surveillance Purposes* will assess the usage of data and future data needs to strengthen surveillance. Work is also progressing on strengthening financial sector surveillance; a *Strategic Plan for Financial Sector Surveillance* will be taken up in September as a follow-up to the discussions on the financial sector work agenda held last month. Later in the year, bringing together the work presented in the preceding four papers on capital flows, *Capital Flows: A Comprehensive, Balanced, and Flexible Approach* will be discussed. To smooth the work program, the next transparency policy review, initially expected by end-2012, will be moved to the following calendar year.

### B. Governance

9. **Quota and governance reform.** The legitimacy and effectiveness of the Fund will be enhanced with the timely implementation of the 2010 reform. Important progress remains to be made, if we are to meet the goal of implementation by the Annual Meetings. Recently, the IMFC Chairman and I sent a letter to all Governors soliciting their best efforts to spur implementation, and since early April progress is being tracked in real time on our external website. I propose a monthly meeting through Tokyo to monitor progress, including progress in each constituency, and further outreach to the authorities through staff's engagement in the field. Voluntarily re-composing the Executive Board to increase the number of emerging

market and developing country chairs will also send a firm signal of the weight placed on enhancing the voice of these members. The next discussion of the *Quota Formula Review* will be taken up in July, including the latest data update, and a follow-up discussion will be scheduled thereafter. There will be an informal meeting in the first half of June. A dedicated work stream of the IMFC Deputies will engage on this issue in August and in September. Based on all these discussions, we can report on progress at the Annual Meetings.

### III. MANAGEMENT OF THE INSTITUTION

10. **Human Resources and Diversity.** In my Buff on the IEO report on surveillance in the run up to the crisis, I outlined a number of actions to adapt the culture of the institution—bringing more accountability, candor, and collaboration. While we will doubtlessly have many occasions to return to these complex and intangible issues informally, it is important that we not lose sight of important human resource initiatives, notably the Diversity Report, which will be presented in July. The next topic, in a series of planned briefings on human resource issues, will be on *Corporate Workforce Planning* in November.

11. **Internal operations.** Key meetings on the management of the institution include the regular *Briefing by the External Audit Committee* in July and the *2012 Report on Risk Management* in August. A meeting on the *Broadening of the Fund's Investment Mandate—Additional Considerations* is scheduled for June, and there will be a follow-up paper on *Strategic Implementation Issues* prior to the Annual Meetings. In addition, Directors will be briefed on the results of the *ACES: Cost of Selected Fund Activities* in an informal session in August. Two IEO-related papers are expected to be discussed at the Evaluation Committee: the Implementation Plan in response to the IEO report on the evaluation of Fund research in July, and the Fifth Periodic Monitoring Report in September.

12. **Board practices.** Progress has been made to improve the functioning of Board meetings through the agreement on the new Board practices in November 2010. An interdepartmental task force has worked to even out country items over the coming year, with a particular focus on alleviating the Board's work load in July and ahead of the IMFC meeting.

<b>Box 1. "Anchor" Policy and Administrative Items: Revised</b>		
Dept	Subject	Date
SPR	Review of Conditionality	9-Jul-12
FIN	Quota Formula Review	18-Jul-12
SPR/FIN	Review of LIC Facilities	29-Aug-12
SEC/FIN/ LEG	Updates on Progress on Acceptance of the 2010 Quota and Governance Reforms	11-Jun-2012 12-Sep-2012
RES/MCM/ FAD	WEO/GFSR/Fiscal Monitor	14-Sep-12
<p>Note: There will be monthly updates on progress of acceptance of the 2010 governance reform package and bi-monthly reports on the PRGT financing packages. The anchor items planned are just two of the updates.</p>		