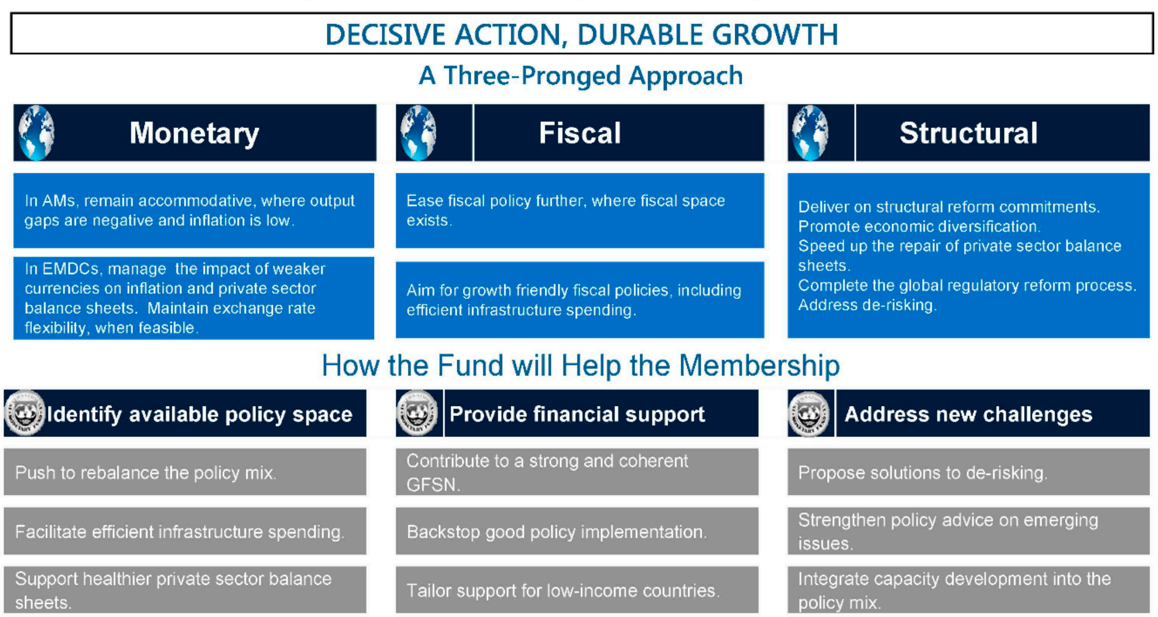
Statement by the Managing Director
on the Work Program of the Executive Board
Executive Board Meeting
June 8, 2016

1. **Policy priorities.** The Managing Director's Global Policy Agenda (GPA) presented to the International Monetary and Financial Committee (IMFC) in April called on member countries to reinforce their commitment to strong, sustainable, inclusive, job-rich, and more balanced global growth and to employ a three-pronged approach with monetary, fiscal, and structural actions (Figure 1). The global economy has been impaired by growth that has been too slow for too long, but it can get back on a stronger and safer track with a more forceful and balanced policy mix. Building on the approach of being agile, integrated, and member-focused, the GPA outlined how the Fund would support members in crafting a better policy mix toward durable global growth. The Fund would assist by clarifying the contours of available policy space, providing more tailored financial support and capacity development, and continuing to address new challenges.

Figure 1. Summary of Policy Priorities Going Forward



Source: Based on the Spring 2016 Global Policy Agenda.

2. **Spring 2016 Work Program.** This document translates the policy priorities and strategic directions laid out in the Spring 2016 GPA and the IMFC communiqué into an Executive Board agenda for the next 12 months. The agenda highlights Fund activities to support the three-pronged approach of monetary, fiscal, and structural actions to boost growth, aiming for more granular analyses to arrive at a well-balanced policy mix for member countries. In particular, several work streams will focus on the assessment of

fiscal space and unconventional monetary policies to guide relevant Article IV consultations. The Board will also be presented with works on macrofinancial linkages, trade policy, and an update to the institutional view on capital flows. The agenda lays out work to help members address emerging issues, including natural disasters and climate change in small states, inequality in developing countries, and governance. Last, the agenda will continue efforts to strengthen the international monetary system (IMS) with papers on the SDR allocation and the role of the SDR, developing the global financial safety net (GFSN), and several works on sovereign debt.

3. **Projected workload.** The overall workload in the next 12 months is expected to increase, even as the workload on policy and administrative items is projected to be broadly comparable to that of the Fall 2015 Work Program. Several projects will be presented to the Board in relevant Article IV consultation reports and potential Staff Discussion Notes (SDNs)[1], both of which are not reflected in the Work Program. Moreover, new work pressures are expected to arise from increased program engagement.[2]

I. Conjuncture and Risks

4. **A weaker outlook and larger downside risks.** Growth in advanced economies has remained moderate while emerging and developing economies are slowing further. An important cause is that demand remains weak worldwide with commodity exporters, whose terms of trade have collapsed, being particularly hard hit. The negative impact of lower commodity prices on commodity exporters appears to be more than offsetting the positive impact on importers. Despite a partial recovery in recent months, financial conditions have tightened in many economies, reflecting economic, financial and political risks, including those arising from asynchronous monetary policies. These risks have also manifested in large fluctuations of major currencies by historical standards and periodic episodes of capital flow volatility. Low productivity growth, which has predated the crisis and may fail to recover to average historical levels, will continue to weigh on the outlook. China continues to transition to a more sustainable growth rate, with bumps in the process potentially leading to spillover effects through much of the world economy. Geopolitical conflicts, terrorism, refugee flows, a potential U.K. exit from the European Union, and global epidemics can have economic ramifications.

- **Global Policy Agenda.** The GPA, discussed ahead of the Annual and Spring Meeting, will continue to facilitate engagement with the IMFC, benefiting from early

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[1] Prior to publication, Executive Directors will be briefed on each SDN. These presentations are chaired by staff and are not part of the Board's formal work program.

[2] A pilot exercise to assess the resource implications of the Board's Work Program is underway; the Board will be briefed on this work this Fall.

Board feedback. The GPA will synthesize the key messages from the flagship products, look at the implementation of policy priorities and Fund deliverables in the past six months, identify emerging policy challenges and policy solutions, and review the Fund's role in supporting the membership.

- **Global economic developments.** Recent developments, the outlook, and risks will be discussed ahead of the Annual and Spring Meetings in joint Board sessions on the *World Economic Outlook (WEO)*, *Global Financial Stability Report (GFSR)*, and *Fiscal Monitor* in September 2016 and March 2017, respectively. This will be complemented with the *World Economic and Market Developments (WEMD) Updates* in July 2016 and January 2017. The Board will also hold formal discussions on *Macroeconomic Developments and Prospects in Low-Income Developing Countries* (November 2016) to review recent economic developments, the outlook, risks, and policy challenges facing these economies.

- **Regional and other developments.** Area departments will continue to brief the Board regularly on regional developments. Ahead of the Annual Meetings, staff will update the Board on *Emerging Markets: Developments and Prospects* in September 2016.

- **Balance of risks and spillovers.** In the *Early Warning Exercise* (September 2016 and April 2017) ahead of the Spring and Annual Meetings, the Board will discuss the low-probability but high-impact risks to the global economy and policies to mitigate them. The October 2016 *WEO* spillover chapter will focus on key transitions and disruptions shaping the global outlook. The chapter will discuss the global spillovers from China's slowdown and rebalancing, with a special focus on the role of trade, commodity prices, and financial markets for their transmission. A second theme is potential spillovers from increasing migration flows, including those associated with geopolitical conflicts and refugee issues.

II. ADDRESSING POLICY CHALLENGES

5. **Clarifying the contours of available policy space.** A more balanced and potent policy mix is critical, given the diminished economic outlook and large downside risks. In advanced economies where output gaps are negative and inflation is low, the monetary policy stance should remain accommodative. Yet, there is a need to move toward a better policy mix and ease the burden on monetary policy. While all countries should aim for growth-friendly fiscal policies, those with actual fiscal space should use the room to support demand. At the same time, countries should bolster resilience by stepping up financial supervision and macroprudential surveillance. In addition, structural reforms need to contribute more to stimulate global growth. Some structural reforms do not only improve productivity and potential output but could

also contribute to near-term growth, especially when implemented with demand-supporting policies.

A. Monetary, Exchange Rate, and Macro-Financial Policies

6. **Managing monetary policy trade-offs.** Monetary policy has been supporting demand—and this should continue. Yet, the monetary policy space has been overtaxed. While unconventional monetary policies are helping to support demand, the implications of using them more intensely and for longer spells, as well as potential spillovers to emerging and developing economies, remain uncertain. In emerging and developing economies, monetary policy must adapt to circumstances, dealing with reduced net capital flows and the impact of weaker currencies on inflation and private sector balance sheets. At the same time, exchange rates should be flexible when feasible. Global imbalances have narrowed as a result of terms of trade developments, but stock positions of net creditors and debtors continue to expand.

- **Policy response**. Staff will continue to analyze the implications of easing the zero lower bound constraint on policy rates. In particular, staff will examine the impact of negative interest rates on the monetary transmission mechanism, particularly, its interaction with bank profitability and implications on bank lending, as well as how the impact of negative policy rates might differ from that of low positive nominal rates. Staff will brief the Board on these issues in due course. With unconventional monetary policies being maintained for longer periods, staff will analyze spillovers of these policies to other economies, particularly emerging markets, and reflect findings in relevant Article IV consultations (e.g., EUR cross-country selected issues papers). Staff will undertake work looking at the transmission of external shocks and the relative effectiveness of different policies (e.g. monetary policy, FX intervention, regulatory measures) within an integrated framework to manage external pressures. These different strands of analytical work will be integrated in relevant Article IV consultations.

- **External balances and exchange rates.** Given the large fluctuations in major currencies, intensified monitoring remains essential. The *External Sector Report* (ESR), scheduled for July 2016, will give an update of global imbalances and present an integrated and multilaterally consistent assessment of the external sector positions and policies of large economies. Work on enhancing the External Balance Assessment (EBA) tools is ongoing on several fronts, including strengthening the treatment of commodity terms of trade and the income balance in the EBA models. In March 2017, the Board will be engaged in the *Review of the Multiple Currency Practices (MCP) Policy—Preliminary Considerations* which will assess developments in members' exchange and payment systems since the last review of the MCP Policy in 1981. In light of these developments, the Board will discuss preliminary considerations for possible policy reforms, including with respect to the approval of MCPs.

- **Capital flow management**. Since its adoption in 2012, the IMF's institutional view on the liberalization and management of capital flows has provided a framework for consistent policy advice across its membership, taking into account country circumstances. As committed to the Board at the time of its approval, staff will review the experience with the institutional view, as it has been applied for three years now. The planned work will proceed in stages. Initially, in July 2016, the Board will be engaged on *Handling Capital Flows: Review of Country Experiences and Emerging Issues*, which will discuss members' experiences in dealing with capital flows and identify issues that have emerged. This will be followed in December 2016 by a formal Board discussion. Subsequently, future work will bring together the workstreams on capital flow management and macroprudential policies to reach a more holistic view of macroeconomic and financial stability risks. The goal of this review is to further strengthen guidance for member countries on handling capital flows.

7. **Enhancing macro-financial surveillance.** Against a backdrop of tightening financial conditions and limited progress at balance sheet repair, the financial sector could dampen growth in some countries and magnify shocks. To address this, countries should take further steps to speed up the repair of private sector balance sheets. In the context of the de-risking discussion, solutions are needed to protect members from the economic consequences of unduly reduced access to financial services.

- **Macro-financial analysis.** Efforts to mainstream and deepen macro-financial analysis will intensify. To this end, the Board will discuss *Approaches to Macro-Financial Surveillance* in December 2016. The paper will look at macro-financial approaches to bilateral surveillance, highlighting linkages between the financial sector and the economy while drawing on the evidence from the Article IV consultations with early cases among the 67 countries involved. The October 2016 *GFSR* analytical chapter will study the interactions between the transmission of monetary policy and the financial structure. In particular, it will examine if the growth of nonbanks implies a dampening of monetary policy shocks.

- **Private sector balance sheets.** Corporate and household debt overhang can reduce credit supply and domestic demand, weighing on economic growth. Staff will work on preparing analytical tools to support ongoing efforts in Article IV consultations to deepen analysis of macro-financial linkages and assess risks from rising corporate and household indebtedness and unfinished bank balance sheet repair. In addition, staff will look into fiscal approaches to minimizing excessive leverage in the private sector (see ¶9, second bullet). Analytical work will also focus on identifying the key components of an effective corporate debt resolution framework based on cross-country experiences.

- **De-risking.** Staff will continue to facilitate dialogue across relevant authorities, as well as with standard setters, industry, and other international organizations (FSB, World Bank) to look for private and public sector initiatives where problems are emerging, promote the implementation of relevant international standards in FSAPs, and help strengthen members' supervisory and regulatory frameworks through capacity development. Staff will also deepen its analysis of the extent, scope, and macroeconomic impact of the reduction in financial services, including in the context of surveillance, and will brief the Board in June 2016 on the findings of the forthcoming SDN on this issue. In February 2017, the Board will discuss *Recent Trends in Correspondent Banking Relationships—Initial Considerations*. The paper will analyze the existing evidence on the drivers and consequences of the trends in correspondent banking relationships and discuss the role that the Fund can play in dealing with this phenomenon.

- **Data gaps.** Staff will continue to strengthen the availability and comparability of financial data across countries. In August 2016, the paper, *First Progress Report of the Second Phase of the G-20 Data Gaps Initiative (DGI-2)*, will be issued to the Board. The paper includes the final action plans for the implementation of the DGI-2 recommendations by the G-20 economies and relevant international organizations. In the following month, the paper will be presented to the G-20 Finance Ministers and Central Bank Governors for the endorsement of these actions plans. A paper on *IMF Collaboration with the Financial Stability Board on the Data for Global-Systematically Important Banks* will also be circulated in July 2016.

8. **Managing vulnerabilities.** Risks to global financial stability have increased. Financial market volatility has risen, tightening financial conditions, which could then spill over to the real economy. Key challenges include legacy issues in advanced markets, rising vulnerabilities in emerging markets, and systemic market liquidity risks. Policymakers need to consistently implement and complete the regulatory reform process.

- **Global and regional regulatory reforms.** The Board will be briefed in July and December 2016 on *Latest Developments in Regulatory Reforms*. Analytical work will also focus on changes in the European banking landscape following the global financial crisis and major regulatory reforms; and the extent to which financial systems in Latin America have adapted post-crisis.

- **Financial stability.** The Board will discuss the FSAP assessment for the United Kingdom in June. In the second half of 2016, the Board will discuss seven mandatory assessments (Finland, Germany, Ireland, Mexico, Russia, Sweden, and Turkey) and four non-mandatory assessments (Belarus, Lebanon, Madagascar, and Zambia). In early 2017, three FSAPs are planned for discussion, of which the Netherlands is mandatory and the remaining non-mandatory (Guyana and New Zealand). The Board will also discuss *Ensuring Financial Stability in Countries with Islamic Financial Systems* (November 2016), which will lay the foundation for guidance to staff engaged in risk assessment and surveillance of Islamic financial systems.

- **Managing systemic risks**. The Board will be briefed on *Managing Systemic Financial Sector Distress* (March 2017), which summarizes Fund policy advice on managing systemic financial sector crises.

B. Fiscal Policies

9. **Harnessing fiscal policy for growth and resilience.** Fiscal policy needs to do more in some cases, as monetary policy cannot bear the entire burden of responding to current challenges. Those countries with fiscal space should commit to ease fiscal policy further, benefiting them and bolstering global demand. Other countries continue to suffer from high debt, elevated sovereign spreads, and low public sector savings, and therefore need to implement fiscal consolidation plans. Still, for all countries a more efficient and growth-friendly fiscal framework can contribute to supporting demand and enhancing resilience. In some countries, this involves improving the efficiency of infrastructure investment. Also, designing fiscal policy that minimizes biases toward excessive leverage and strengthening social insurance systems can help build resilience. Building fiscal capacity remains a challenge for fragile states.

- **Fiscal space.** Fiscal policy may play a bigger role in supporting demand, if fiscal space exists. To this end, staff will work on a set of considerations on how to assess fiscal space, taking into account the state of the economy, debt and growth dynamics, financing costs, and spending needs. How and whether to use fiscal space would be informed, in addition, by country specific considerations, such as fiscal rules and frameworks. Staff will brief the Board on *Assessing Fiscal Space: An Initial Consistent Set of Considerations* in June 2016. With these considerations feeding into surveillance, the assessment of fiscal space will be reflected in a more consistent way across papers. There is an urgent need for more fiscal adjustment in some commodity exporters. Staff will also brief the Board on *Social Insurance in a Changing World* (May 2017), which identifies key challenges faced by social insurance systems in advanced, emerging, and developing economies, and their implications for the design, implementation and reform of social insurance policies.

- **Containing leverage.** In October 2016, the Board will be briefed on *Tax Policy, Leverage, and Macroeconomic Stability*, which explores the financial stability effects of different tax policies, including those favoring debt finance, and examine policy responses, special bank levies and taxes. The October 2016 *Fiscal Monitor* will also examine the role of fiscal policy in limiting excessive leverage in both public and private sectors during normal times and analyze how fiscal policy can facilitate the deleveraging process in the aftermath of financial crises.

- **Infrastructure Policy Support.** The infrastructure policy support initiative, focused on helping countries increase the efficiency of public investment, and where appropriate, identify options to sustainably scale up infrastructure spending, will be piloted in a number of countries. The initiative, which in part builds on last year's briefing on *Making Public Investment More Efficient*, includes tools and models to assess public investment management capacity (the Public Investment Management Assessment, or PIMA); quantify the fiscal costs and risks embedded in public-private partnership projects (the PPP Fiscal Risk Assessment Model, or P-FRAM); determine growth, fiscal, and debt implications of alternative investment programs and financing options (the Debt-Investment-Growth modeling framework, or DIG); and identify measures to strengthen debt management (Debt Sustainability Assessments, or DSA). Several of the above tools are being developed in cooperation with the World Bank, and staff will also draw on related work and expertise in other relevant institutions. The experience of pilot countries, which will be shared with the Board in due course, will shed lessons more broadly on policy priorities for infrastructure investment to achieve strong and durable growth.

- **Domestic revenue mobilization in developing countries.** Consistent with commitments made in support of the 2030 Development Agenda, the Fund will continue its strong support for national efforts to boost domestic revenue mobilization in developing countries—including through advice on improving tax policies and legal frameworks and support for strengthening the capacity of national tax administrations and the deepening of its work on international tax issues of relevance for developing countries. The challenges of strengthening national tax systems will

Box. The Platform for Collaboration on Tax

The *Platform for Collaboration on Tax* is a joint effort of the Fund, the Organization for Economic Cooperation and Development (OECD), the United Nations (UN), and the World Bank Group. It was launched in April to formalize regular discussions between the four international organizations on the design and implementation of standards for international tax matters and to strengthen their capacity-building support, deliver jointly developed guidance, and information-sharing on operational and knowledge activities. The members will hold meetings three times a year and a major conference will take place once every two years.

Joint outputs include (1) designing tools for developing countries in the taxation of multinational enterprises, including to counter aggressive tax planning; (2) supporting developing countries to fix gaps and loopholes in tax rules to protect the tax base; (3) improving awareness to build comprehensive and effective mechanisms to exchange information on profit shifting and illicit financial flows; and (4) preparing joint policy papers, analysis, and guidance on taxation and the informal economy.

Source: Concept Note, The Platform for Collaboration on Tax.

receive greater attention in Article IV consultations over the course of 2016, with some 25 countries being identified as pilot cases for intensified coverage. Work on international taxation issues is being pursued in close collaboration with the World Bank, and via a joint platform for cooperation between the IMF, OECD, UN, and World Bank (Box); this work will also feature in selected Article IV consultations later in the year.

- **Fiscal management in fragile states**. As committed by the Fund in the Addis Ababa conference, efforts will continue to strengthen capacity development in fragile states. In that context, the Board will be briefed on *Building Fiscal Capacity in Fragile States* (March 2017), which will outline a basic framework to build fiscal management capacity in fragile states, including the contribution of fiscal policies and institutions to building government credibility and legitimacy; key institutions needed to restore basic fiscal functions; sequencing of reforms needed to establish and develop these functions; basic transparency requirements to limit mismanagement of resources; and the most effective modes of technical assistance delivery.

C. Structural Reforms

10. **Delivering on structural reforms and supporting trade.** The need for structural reforms to improve productivity and potential output is widely recognized. Commitments by member countries to implement structural reforms have been made, including in the context of the G20, but delivery needs to be pulled forward. A marked slowdown in trade highlights the need for global cooperation to reinvigorate global trade integration.

- **Macro-structural reforms.** Staff will increase its focus on structural reforms in Article IV consultations, taking into account how the macroeconomic conditions of each individual country—such as the stage of development, the cyclical position of the economy, and the policy space for reforms—impact how it should prioritize structural reforms. In parallel, a toolkit on structural reforms will be developed to provide guidance and support to country teams working on macro-structural issues. Staff will also strengthen the analytical underpinnings of the Fund's operational work on macro-structural reforms. Given the recent work on macro-structural issues in advanced economies, analytical work will focus in particular on macro-structural issues in emerging markets and developing countries. Work will also focus on constructing a comprehensive dataset that incorporates structural reform indices in the real and financial sectors for all countries. Building on the October 2015 Board paper, a follow-up paper (May 2017) will be prepared to update the Board on progress on these fronts. Other ongoing work will assess the fiscal costs and gains of labor and product market reforms, and derive possible implications, if any, for the design of fiscal rules.

- **Reinvigorating trade.** Trade plays a critical role in promoting growth and economic development. The observed slowdown in trade therefore poses challenges for many countries, including through slower diffusion of knowledge and weaker productivity gains. One of the October 2016 *WEO* analytical chapters will investigate the extent of the trade slowdown across different economies and products, the role of the weak post-crisis recovery in economic activity, and the impact of long-term factors holding back trade growth. A *Reference Note on the Trans-Pacific Partnership (TPP)—Conceptual Framework* will be circulated to the Board in July 2016. It summarizes the content of the TPP and identifies channels through which the TPP may impact different types of economies, with a view to inform bilateral surveillance. This work contributes toward the broader *Reference Note on Trade and Trade Policy Issues*, which will be circulated to the Board in November 2016 and will update the *2010 Reference Note on Trade Policy* following last year's *Review of the Role of Trade in the Work of the Fund*.

11. **Strengthening institutions.** The quality of institutions and governance structures has long been recognized as an important component of a well-functioning market. Tailored capacity development provided by the Fund helps build strong public institutions with skilled staff which are critical in fostering macroeconomic stability and development. Governance, a necessary condition for the well-functioning of economic institutions, is a broad concept covering all aspects of the way a country is governed, including its economic policies and regulatory framework, as well as adherence to the rule of law. Poor governance threatens market integrity, distorts competition, and endangers economic development. Since poor governance is clearly detrimental to economic activity and welfare, policy actions are warranted, concentrating on those aspects of governance that are most closely related to the Fund's surveillance over macroeconomic policies.

- **Capacity development.** The Fund will continue to provide tailored technical assistance and training to complement policy analysis and advice and will strengthen the monitoring of results. At the same time, efforts continue (including through a revamped curriculum) to build synergies between training, TA, and surveillance to better build capacity both in member countries and in the Fund, and to make all three activities more effective. Similar to last year, the Board will receive supplementary information on capacity development activities in the *FY 2016 Administrative and Capital Expenses and Output Cost Estimates,* to be issued in July). A briefing on the *Evolution of Fund Capacity Development Since 2013 and Initial Reflections on the 2017-18 Capacity Development Review* will be scheduled in February 2017.

- **Governance.** Given the obstacles posed by endemic corruption to achieving inclusive growth in many countries, covered in a recently issued SDN, staff will undertake a *Review of the Role of the Fund in Governance Issues* (January 2017), which will focus on taking stock on how governance/corruption issues are handled in surveillance and program work and assess how the current guidelines, issued in 1997, are being implemented across the membership.

- **Entity transparency.** Opaque legal persons (e.g., companies) and other legal arrangements (e.g., trusts) authorized in some countries have adverse consequences on others by enabling, in certain cases, the obfuscation of illicit behavior and the hiding of assets. International initiatives have recommended increasing entity transparency by requiring information on the ultimate beneficial owners. Staff will continue addressing these transparency issues by covering them in relevant Article IV consultations and Fund supported programs; conducting AML/CFT assessments and FSAPs; providing capacity development to enhance effective implementation of international standards; and contributing to the design of further guidance on the standards on transparency.

- **International taxation.** Staff's work on domestic resource mobilization (see ¶9, 4th bullet), will address tax evasion and avoidance, including across national borders.

- **Standards and codes.** The Standards and Codes Initiative seeks to strengthen member countries' economic institutions by improving transparency and promoting good governance. It focuses on the areas of policy and data transparency; financial sector regulation and supervision; and market integrity. In September 2016, the Board will be engaged in *Standards and Codes: Update and Developments*. The presentation will update on recent developments in the use of standards and codes, including in the FSAP program, and on staff engagement with global standard-setters on macrofinancial approach to standards assessments. This will be followed by a formal board meeting on the *Review of the Standards and Codes Initiative* (May 2017), which is a joint review with the World Bank.

III. Emerging Issues

12. **Enhancing policy advice on emerging issues.** Policymakers face new challenges, including of a social, political, demographic, environmental, biological, technological or other nature. As these issues bear on the Fund's macro stability mandate, staff will continue to build expertise in emerging macro-critical issues that can be addressed by economic policy.

- **Climate change.** Work to more fully integrate climate change and energy issues in surveillance will continue. A tool to evaluate a range of fiscal and other measures for meeting climate mitigation pledges is being developed and will be reflected in relevant Article IV reports. In November 2016, the Board will discuss *Small States' Resilience to Natural Disasters and Climate Change: Role for the IMF*. The paper assesses the vulnerabilities of small states to natural disasters and climate change and provides macroeconomic policy advice on how to build resilience in such circumstances. Staff will also undertake analysis at a regional level, particularly looking at the economics of natural disasters and climate change in sub-Saharan Africa.

- **Demographic transitions and migration.** Building on previous work examining the impact of migration on receiving countries, including forced displacements induced by conflict, staff will look into the impact of economic emigration on private sector activity, competitiveness, public finances, and ultimately growth and convergence of sending countries. The Board will be briefed on a forthcoming SDN on *Emigration and its Impact on Eastern Europe* in June. Staff will also release a study, *Harnessing the Demographic Dividends in sub-Saharan Africa*, which looks at the drivers of demographic transitions in the region, policies needed to realize demographic dividends from this transition, and quantifies these dividends.

- **Gender.** Integration of gender analysis, when macrocritical, in surveillance will continue, following the launch of pilot exercises in eight countries. In the context of the Financial Access Survey, staff are assessing the potential for compiling gender-related statistics on access to financial services through a pilot project. To deepen gender analysis, analytical work will focus on the relationship between gender inequality, income inequality, and growth in a large sample of countries; and gender budgeting initiatives.

- **Inclusion.** In November 2016, the Board will be briefed on *Understanding Inequality in Developing Countries*, which will examine the experience with inequality in low-income and developing countries, the growth-equity nexus induced by different macroeconomic and structural policies, and policy options to address any tradeoffs. Work aimed at operationalizing income inequality issues in surveillance activities will be expanded beyond the nine pilot countries. This work will build on the extensive analytical work and country experiences generated by the pilots and also continue to leverage the resources of the World Bank and similar organizations. In March 2017, the Board will be briefed on *Update on the IMF's Deliverables for the 2030 Developmental Agenda*. On a regional basis, staff will look into income inequality in Central and Southeastern European countries, including the determinants and dynamics, economic consequences, and design of reforms to take account of the impact on inequality. Staff will also take stock of policy actions, analytical work, and technical assistance to advance the inclusive growth agenda in Middle East and North African economies.

- **Technology.** An interdepartmental working group has been established recently on finance and technology to monitor developments in fintech, foster coordination, and deepen the Fund's engagement with relevant stakeholders. It will conduct analytical work and outreach with industry participants to develop a staff view on issues related to the impact of new technology on finance, with the objective of producing a Board paper in late 2017. More broadly, staff will also be working on other aspects of how advances in technology will affect the global economy, including through its impact on labor markets, macro policies, and statistics.

IV. A More Resilient International Monetary System

13. **Carrying out the reform agenda.** Against the backdrop of ongoing transitions in the global economy, there is a need to strengthen global mechanisms for adjustment and liquidity provision to shore up the effectiveness of the international monetary system (IMS). The recent stocktaking of the IMS, *Strengthening the International Monetary System—a Stocktaking,* identified the key areas for reform, including mechanisms for crisis prevention and adjustment, enhanced global cooperation on issues and policies affecting global stability, and a large and coherent global financial safety net (GFSN). Further work is needed to flesh out some reform ideas in these areas.

14. **Mechanisms for crisis prevention and adjustment.** With debt ratios in advanced economies and emerging markets reaching all-time highs for the post-war era and the slowdown in China elevating debt vulnerabilities in a number of emerging markets and low-income countries, it is important to ensure that tools to assess and mitigate risks to sustainability are updated. Encouraging early, effective, and sustained debtor-creditor engagement will contribute to orderly sovereign debt restructurings.

- **Frameworks for assessing and mitigating risk.** In September 2016, the Board will be engaged on the *Review of the Low-Income Countries Debt Sustainability Framework*, which assesses the two main aspects of the debt sustainability framework (namely its ability to anticipate debt developments and risks to sustainability, and its approach to deriving risk ratings) and is expected to propose changes to strengthen them. The review will also consider a tailored approach to risk assessment intended to align the framework with the increasingly heterogeneous nature of risks facing low-income countries. A formal Board discussion is planned in December 2016. Moreover, experience shows that risks to debt sustainability can be mitigated by an effective medium-term debt management strategy (MTDS), a framework to analyze the cost and risk tradeoff of alternative debt management strategies under baseline and shock scenarios. To this end, the Board will be engaged on the *Update of the Application of the Medium-Term Debt Management Strategy* (May 2017). The update will review the experience with the application of the MTDS framework and analytical tool to several low-income countries during the last three years and distill lessons.

- **State-contingent financial instruments.** Debt crisis prevention can be achieved in a number of ways, including self-insurance (e.g., reserves, stabilization funds), risk transfer and pooling, or transfers (i.e. bilateral or multilateral lending). State-contingent financial instruments (SCFIs) can be viewed as complementing this broader set of crisis prevention tools. They make sovereign balance sheets safer by discouraging excessive leverage. In January 2017, the Board will discuss *The Role of State-Contingent Financial Instruments in Preventing and Resolving Sovereign Debt Crises*. The paper will assess the case for SCFIs, review recent experience with their issuance in normal times and in a restructuring context, and identify the key barriers to greater issuance.

- **Debt restructuring.** The December 2015 reform of the arrears policy for official creditors was aimed at strengthening incentives for collective action among official bilateral creditors. Building on this, the Board will be engaged on *Debtor-Creditor Engagement in Sovereign Debt Restructurings: A Review of Existing Modalities and Possible Reforms* (November 2016). The paper will engage the Board on the Fund's Lending-into-Arrears policy for private creditors in the broader context of debtor-creditor engagement.

15. **Enhanced global cooperation on issues and policies.** Governance reform supports the IMF in playing its central role in fostering global cooperation. The entry into force of the 14th General Review of Quotas has been a crucial step forward in strengthening the effectiveness, credibility, and legitimacy of the Fund and strengthening the IMS. Staff will build on this accomplishment and advance work to maintain a strong, quota-based, and adequately resourced Fund. As the next step towards completing the Fifteenth Review, the Board will be engaged on *Quotas—Data Update and Simulations* in the summer, which presents an update of the quota database covering information through 2014 and illustrative simulations. In September 2016 and March 2017, the Board will discuss its report to the Board of Governors on progress on the Fifteenth Review. Other work related to the Fifteenth Review will be scheduled as appropriate. The Board will also discuss the future of borrowed resources (given the upcoming expiration of the 2012 bilateral agreements and the New Arrangements to Borrow in the summer and October 2016, respectively).

16. **Contributing to a coherent GFSN**. Strong policies and effective Fund surveillance remain the cornerstone of crisis prevention. Since the global financial crisis, the Fund has overhauled its lending tool kit to tailor financial assistance to the needs of the members. The GFSN has also expanded with the rise of central bank swap lines and regional financial arrangements. Nonetheless, uneven and costly safety net coverage across countries, weak incentives to ensure sound policies, and discomfort in coming to the Fund are some of the challenges that need to be overcome. To this end, the Fund will explore reforms, including strengthening coordination with Regional Financial Arrangements and revisiting its lending toolkit. Coordination in general could be facilitated by policy signaling for emerging and advanced economies.

- **Lending toolkit**. Staff will continue to explore how best the Fund can provide tailored policy and financial support to assist those countries hit by the historic decline in commodity prices, many of which are low income countries. Similarly, in a world with prolonged volatility, as major economies normalize and China rebalances, quick, predictable, and reliable liquidity support could help ring fence members with sound policies hit by liquidity shocks and limit the potential for contagion. The Board will be briefed on *New Facilities: Filling Gaps in the Global Financial Safety Net* in June 2016.

- **Concessional lending.** Following up the Board's engagement last June in *Financing for Development: Enhancing the Financial Safety Net for Developing Countries,* the Board will be engaged on *Financial Safety Net for Developing Countries—Further Consideration* (September 2016), which assesses the scope for further tailoring of program engagement with Poverty Reduction and Growth Trust (PRGT)-eligible countries in light of their evolving needs. This will include the scope for precautionary financial support and reviewing current practices in regard to the use of the General Resources Account by PRGT-eligible members. The review of PRGT interest rate structure and the determination of PRGT interest rates for 2017-18, *Poverty Reduction and Growth Trust—Review of Interest Rate Structure*, will be considered by the Board in September 2016. The annual *Update on the Financing of the Fund's Concessional Assistance and Debt Relief to Low-Income Member Countries*, which updates the status of PRGT and debt relief trusts, will be circulated to the Board in April 2017. In May 2017, the Board will discuss the *Eligibility to Use the Fund's Facilities for Concessional Financing*, which reviews biennially the framework for eligibility to the PRGT and of the list of PRGT-eligible members.

- **Monitoring and cooperation.** Staff will develop principles of engagement and cooperation with RFAs and will consider expanding its existing toolkit with the creation of a new monitoring instrument for all Fund members. The instrument could be used to catalyze financing from RFAs, providers of bilateral swaps as well as a signaling tool for markets to demonstrate a stronger commitment to the implementation of reforms. The Board will discuss *Strengthening the Framework for Post-Program Monitoring* in July 2016, examining the scope to strengthen the content of PPM and review thresholds to ensure that PPM focuses on the right risks while respecting budget constraints.

- **Program design.** Efforts to review program design continue, ensuring that Fund lending supports sound policies that protect the poor. In November 2016, the Board will be engaged on *Social Objectives in PRGT Supported Programs: What Works?* The paper assesses whether Fund programs in developing countries place adequate emphasis on mitigating the social impact of macroeconomic policies, particularly fiscal adjustment, through the adoption of social safeguards.

17. **Role of the SDR.** The allocation of SDRs contributes to the supply of global reserve assets. To this end, the Board will be engaged on *The Case for a General Allocation of SDRs During the Eleventh Basic Period* in June 2016. The paper examines whether there

is a long-term global need for reserve assets and whether it should be supplemented by an SDR allocation. In this context, many parts of the membership are interested in revisiting the role of the SDR in the global economy. The Board will be briefed on the *Experience with the Use of the SDR* in July 2016, followed by a Board engagement in January 2017 on *The Role of the SDR: Initial Considerations*, which discusses ways in which the SDR can contribute to strengthening the IMS. The Board will also be briefed on *Transition to the New SDR Basket—Update on Fund and Member Operations* (date TBD) on the operational considerations surrounding the introduction of the renminbi in the SDR basket.

V. KEEPING THE FUND STRONG

18. **Adequate financial, human, and technological resources.** Providing agile, integrated and member-focused support to the membership will require adequate financial, human and technological resources. Efforts to reallocate resources, achieve efficiencies, and strengthen leadership capacity will continue, notwithstanding the already extensive reprioritization of Fund activities.

- **Budget, compensation, and finances.** Executive Directors will be engaged early on the budget process. Starting in September 2016 there will be a Budget Committee meeting to engage on the *FY 16 Budget Outcome and FY 17 Implementation*, which will cover processes, technical issues, and emerging budget issues. Also in the fall, staff will issue an information note on the *Roadmap to Budget, Compensation, and Income,* which will cover the various interrelated work strands and upcoming decisions that need to be made. The outcome of interactions with Executive Directors will influence the timing of subsequent meetings, such as on the contours of the FY 2018-20 medium-term budget, the initial budget proposals, and the formal budget meeting, with a view of having the substantive part of the discussion take place before the Spring Meetings. In addition, the *2017 Review of Staff Compensation* complemented by a paper on *Staff Recruitment and Retention Experience in CY 2016* will be discussed in early March 2017, which is earlier than in the past to allow a better integration of the findings into the discussion on the budget. The plan also is to discuss *The Fund's Income Position for FY2017 and FY2018–19* on the same day as the Budget meeting in April 2017.

- **Audit and investment policies.** The External Audit Committee will continue to provide oversight over the Fund's financial statements through regular briefings (July 2016 and January 2017). Staff will provide a briefing on the *Fund's Financial Statements and Other Audit Related Matters* in June 2016. In the same month, the Board will be engaged on the *Review of the Investment Strategy for the Trust Accounts—Initial Considerations*.

- **Managing human resources.** The *2016 Diversity and Inclusion Annual Report*, to be discussed in November 2016, will review progress toward the 2020 diversity benchmarks and consider issues of inclusion and flexibility in the work environment. The Board will also discuss in January the main elements *of The Fund's HR Strategy*, as agreed in the recent discussion on staff compensation.

- **HQ1 Renewal.** The renovation of HQ1 continues with the first phase covering the second floor, atrium and lower levels nearing completion in 2016. The *HQ1 Renewal Project Quarterly Progress Reports* will continue to update the Board on progress made with the HQ1 Renewal Project.

19. **Managing risks.** The Work Program responds to the Board's call to include and integrate risk assessment within the Fund's strategic planning, accountability framework, and budget cycle. Stronger risk ownership and integration of risks across departments, as well as greater feedback between high-risk areas, management action, and regular Board engagement will ensure that the Fund's strategy remains broadly aligned with identified risks. The Board will discuss the *2016 Risk Report* in October 2016, followed by the *Risk Report—Spring Update* in March 2017.

20. **Learning and knowledge management.** The Fund will continue learning from past experience and outside evaluations, and deploying internal resources in line with emerging priorities.

- **Outreach and membership.** In November 2016, the Board will be briefed on the *Implementation of the IMF Communications Strategy.* In January 2017, the Board will be informed of delayed Article IV consultations through the *Annual Report on Delayed Article IV Consultations*.

- **Independent Evaluation Office (IEO).** The *IMF and the Crisis in Greece, Ireland, and Portugal: An Evaluation by the Independent Evaluation Office* is planned for Board discussion in July 2016, and will be followed in March 2017 by an evaluation of *The IMF and Social Protection*. A management implementation plan will be prepared this summer for *Behind the Scenes with Data at the IMF: An IEO Evaluation*.

- **Knowledge management.** The Fund will strengthen knowledge management with a view to enhance agility in delivering services to Fund membership. An interdepartmental group has been tasked to deliver Management recommendations in this area by end-July. Its report is expected to include actions to make available high-quality, web-based information on critical topics and to improve internal search. It will encompass steps to clarify the roles and responsibilities of different departments and staff members in managing knowledge and consider the need for a permanent knowledge management structure.

VI. Implementation of the Past Work Program

21. **The Fall 2015 Work Program has been implemented broadly as planned**. In addition to regional and administrative briefings, Executive Board meetings were scheduled to brief Directors on the economic outlook for the Middle East and Central Asia; monetary and exchange rate policies in the Caucasus and Central Asian countries; and the costs and mitigating strategies for corruption. Most policy meetings were concluded on schedule although some encountered substantial delays, mainly to extend consultations with the membership on complex policy issues. Several country items—in particular program reviews—also experienced delays.

Figure 2. Priorities and Key Work Program Deliverables

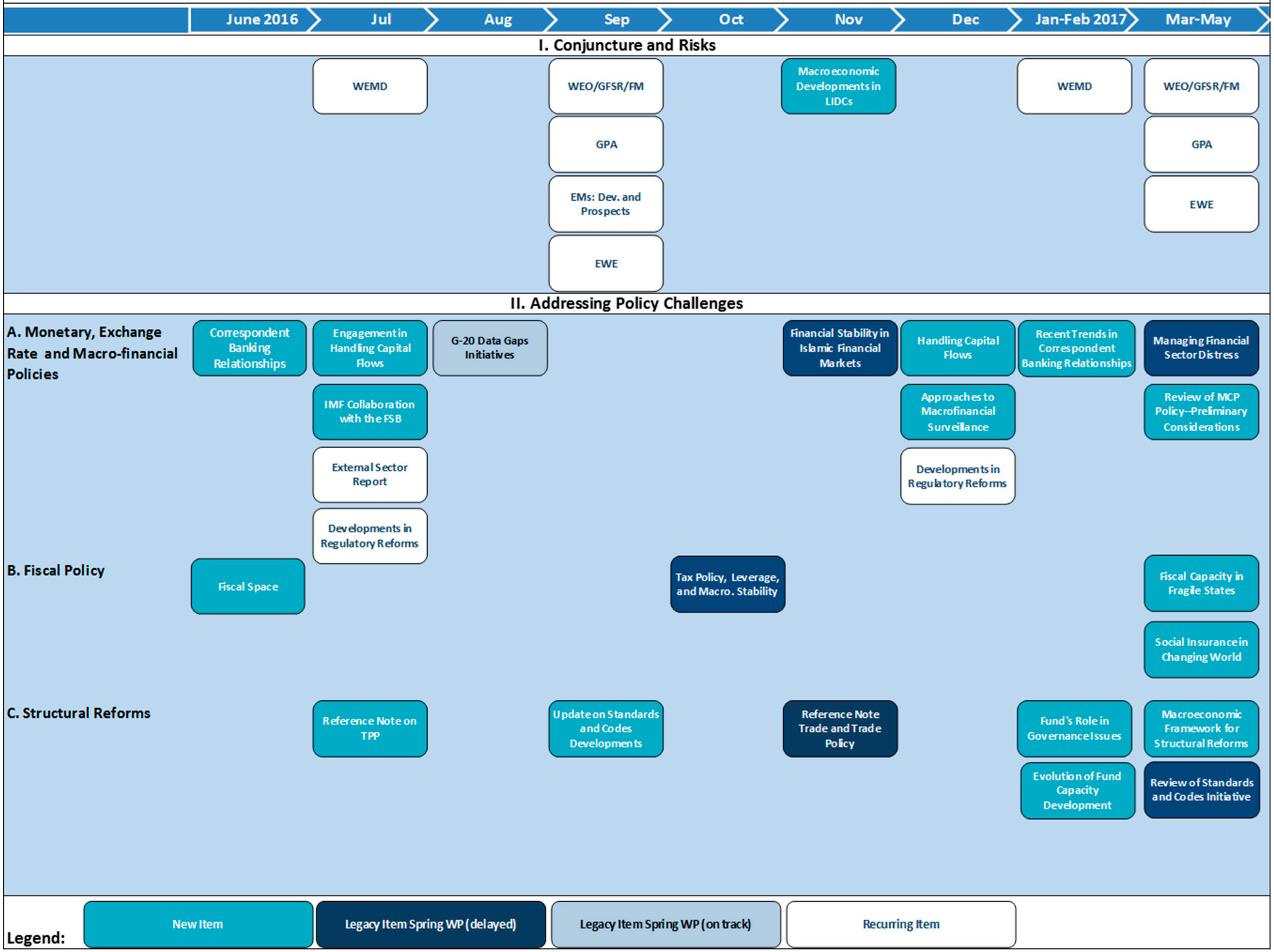

Figure 2. Priorities and Key Work Program Deliverables (concluded)

	June 2016	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Feb 2017	Mar-May
III. Emerging Issues									
	Eastern Europe Emigration					Natural Disasters and Climate Change in Small States			IMF's Deliverables for 2030 Development Agenda
						Understanding inequality in Developing Countries			
IV. A More Resilient International Monetary System									
	SDR Allocation	Strengthening Post-Program Monitoring		Developing Countries Financial Safety Net	NAB Proposed Renewal	Social Objectives in PRGT-supported Programs	Review of LIC-DSF	Role of State-Contingent Fin. Instruments	Eligibility of Concessional Financing
	Lending Facilities	Experience with the Use of SDR		Report to the Board of Governors on 15th Quota Review		Engagement in Sovereign Debt Restructurings		Role of SDR	Update Medium-term Debt Management Strategy
				PRGT Review of Interest Rate Structure					Report to the Board of Governors on 15th Quota Review
				Enagement in Review of LIC-DSF					
V. Keeping the Fund Strong									
		Briefing by the External Audit Committee			2016 Risk Report	2016 Diversity and Inclusion Annual Report	Contour Medium-term Budget	Fund's HR Strategy	2017 Risk Report--Spring Update
						Roadmap: Budget, Compensation and Income		Briefing by the External Audit Committee	FY2018-20 Medium-term Budget
									Compensation; Recruitment & Retention
									Fund's Income Position for FY17

Legend: New Item | Legacy Item Spring WP (delayed) | Legacy Item Spring WP (on track) | Recurring Item