

**Statement by the Managing Director
on the Work Program of the Executive Board
Executive Board Meeting
November 16, 2016**

This Work Program (WP) translates the policy priorities and strategic directions laid out in the Fall 2016 Global Policy Agenda (GPA) and the International Monetary and Financial Committee (IMFC) Communiqué into an Executive Board agenda for the next six-twelve months. The Managing Director's GPA called on members to use a balanced mix of all policy tools to revive demand and raise productivity, and ensure that gains from technology and globalization are shared more broadly. The GPA also warned against retreating from multilateralism at a time when cooperation and coordination are critical. It outlined how the Fund would support the membership by helping policymakers identify policy space and enhance resilience; assisting in understanding and tackling the underlying causes of low productivity growth; supporting members to expand economic opportunities—including by ensuring adequate and effective safety nets; and advocating for multilateralism that works for all. Where the work extends beyond traditional areas, the WP will focus on issues with a macro-economic impact that are systemically important or relevant for many and amenable to change through economic policies.

Accordingly, the Work Program (WP) comprises four key elements:

- i. **Guide the global policy dialogue** including through discussions on the *Global Policy Agenda* and IMF flagship publications, with special focus on the evolution of the labor income share and how it is affected by technological change and globalization (*WEO*, Spring 2017), on how structural fiscal policies can contribute to improving productivity (*FM*, Spring 2017), and on how the low interest rate environment affects financial intermediation (*GFSR*, Spring 2017).
- ii. **Help identify policy space and enhance resilience** to guide bilateral surveillance on policy space. The fiscal space framework will be finalized in *Assessing Fiscal Space* and the Board will discuss how to enhance *Surveillance of Macro-Structural Issues*. The paper on *Negative Interest Rate Policies* will examine the initial experience with such monetary policy instruments. Building resilience will be discussed in *Capital Flows—Review of Experience with the Institutional View* and the *Review of the Low-Income Countries Debt Sustainability Framework. Macroeconomic Developments and Prospects in Low-Income Developing Countries: 2016* will discuss policy priorities for low-income developing countries.
- iii. **Assist in promoting shared prosperity** by understanding and addressing the *Global Productivity Slowdown: Causes and Remedies*, supporting low-income countries including through a Board *Update on the IMF's Deliverables for the 2030 Developmental Agenda*, managing change by *Making Globalization Work for All*, and improving governance, including through a *Review of the Role of the Fund in Governance Issues*.
- iv. **Make multilateralism work for all.** The focus will be on strengthening the global safety net by discussing the *Adequacy of the Global Financial Safety Net—Considerations for Fund Toolkit*

and pending the Board's guidance, on possible follow-up work on *Reform Proposal for a New Liquidity Instrument* and *Proposal for a New Monitoring Instrument*. This work also covers deliberating on the *IMF's Cooperation with Regional Financing Arrangements*, on *Conditionality in Currency Unions*, and on *the Fifteenth General Review of Quota*.

Key Priorities of the Work Program

Guide the Global Policy Dialogue

- Global policy agenda** The *GPA* discussed ahead of the Annual and Spring Meetings will continue to facilitate engagement with the IMFC, benefiting from early Executive Board feedback.
- Global, regional, and other economic developments** Recent developments, the outlook, and risks will be discussed ahead of the Spring and Annual Meetings in joint Board sessions (March and September 2017) on the *World Economic Outlook (WEO)*, *Global Financial Stability Report (GFSR)*, and *Fiscal Monitor*. The focus of the *WEO* will be on the evolution of labor income growth around the world and how it is affected by technological change and globalization, including implications for inequality. The *GFSR* will discuss *how the low interest rate environment affects financial intermediation*. These discussions will be complemented by the *World Economic and Market Developments (WEMD) Updates* in January and July 2017. The *Fiscal Monitor* will focus on how structural fiscal policies can contribute to improving productivity. The Board will also hold formal discussions on *Macroeconomic Developments and Prospects in Low-Income Developing Countries* (December 2016) and the regular briefing on *Emerging Markets: Developments and Prospects* in March and September 2017. Area departments will continue to brief the Board regularly on regional economic development and key issues, including those related to countries at the center of the current refugee crises. And the Board will be engaged in the annual *External Sector Report* in July 2017.
- Balance of risks** In the *Early Warning Exercise* (April and September 2017, ahead of the Spring and Annual Meetings) the Board will discuss low-probability high-impact risks to the global economy and policies to mitigate them.
- ### Help Policymakers Identify Policy Space and Enhance Resilience
- Help policymakers identify policy space** Available policy space varies across the membership. As such, a more granular application of the three-pronged approach outlined in the Spring 2016 GPA is necessary. The June 2016 paper *Assessing Fiscal Space* will be finalized (November 2016); the framework will be used by IMF staff to mainstream the assessment of fiscal space in bilateral surveillance. On the structural front, the Board will be briefed on the *Surveillance of Macro-Structural Issues* in January 2017, followed by an *Update of Fund Work on Macro-Structural Issues* in October 2017. This will guide bilateral surveillance, starting with about 30 pilot cases. The *Fiscal Cost and Gains of Structural Reforms*, scheduled for December 2016, will deepen understanding of the fiscal impact of structural reforms and assess the case for incentivizing reforms, including through fiscal support. The Board will be briefed on the *Use of Third-Party indicators in Surveillance* (January 2017) ahead of the issuance of the *Guidance Note on the Use of Third-Party*

Indicators in Surveillance (March 2017). On monetary policy, the Board will be briefed on the initial experience with *Negative Interest Rate Policies* in February 2017, focusing on the transmission channels, effectiveness, and limits to such policies.

Support members to enhance resilience

Policy frameworks that guide the membership need to be updated and augmented from time to time to help countries strengthen their ability to absorb and overcome shocks (including advice to promote diversification for commodity exporters). To this end, the Board will discuss in March 2017 (following earlier engagement in September 2016 and a technical briefing in January 2017) the *Review of the Low-Income Countries Debt Sustainability Framework* prepared jointly with the World Bank. The experience with the institutional view on the liberalization and management of capital flows will be reviewed in December 2016 in *Capital Flows: Review of Experience with the Institutional View*. Building on this review and the recent stocktaking of macroprudential policy, the Board will be engaged in *Increasing Resilience to Capital Flows: The Role of Macroprudential Policies* in March 2017 followed by a formal discussion in June 2017. In March 2017 the Board will discuss *Approaches to Macro-Financial Surveillance*, drawing on the recent pilot cases to analyze linkages between the financial sector and other sectors of the economy. The Board will also discuss *Ensuring Financial Stability in Countries with Islamic Financial Systems* in January 2017. In February 2017, the Board will discuss *Recent Trends in Correspondent Banking Relationships—Further Considerations*, which examines, among other issues, the role of the Fund in dealing with potential negative externalities of the withdrawal of relationships. The *Review of the MCP Policy – Preliminary Considerations* (March 2017) will engage the Board on developments in members' exchange and payment systems since the last review of the MCP Policy in 1981, and discuss preliminary considerations for possible policy reforms, including with respect to the approval of MCPs. Boosting resilience to natural disasters will be considered by the Board in *Small States' Resilience to Natural Disasters and Climate Change: Role for the IMF* (December 2016). More generally, the Fund will take up macro-critical issues related to climate change in bilateral surveillance: 12 new pilot cases will focus on mitigation, adaptation investment, and macro implications of natural disasters.

Help members implement the financial regulatory reform agenda

The Fund has played an integral role in support of the financial regulatory reform agenda. This work will continue to help bring this comprehensive agenda to completion. A briefing on *Latest Developments in Financial Regulatory Reforms* is scheduled for February 2017. A briefing on *Finance and Technology* (May 2017) will update on the experience with financial technology and innovation and the outlook, including implications for regulation.

Help Promote Shared Prosperity

Assist policymakers in tackling the underlying causes of low productivity growth

Uncertainty surrounding the causes and persistence of the global productivity slowdown remains high, especially in the context of ongoing technological change. The Board will be briefed on the *Global Productivity Slowdown: Causes and Remedies* in January 2017. Directors will also be briefed (May 2017) on joint work with the OECD, United Nations and World Trade Organization on the *Measurement of the digital economy*—an important element of gauging productivity gains and (January

2017) on *GDP-Lost in Single Deflation*, which assesses the accuracy of real GDP growth estimates for countries that use the single deflator method. Strengthening institutions remains key to raising overall efficiency and the Board will be engaged in the *Review of the Role of the Fund in Governance Issues* in April 2017 to assess how governance and corruption issues have been handled in surveillance and program work.

Support low-income countries

Low-Income Countries (LICs) will continue to receive tailored policy advice, complemented by technical assistance. In March 2017, the Board will be briefed on *Update on the IMF's Deliverables for the 2030 Developmental Agenda*. The deliverables will be integrated in Fund work, including support to enhance domestic revenue mobilization. In that context, Directors will be briefed on *Building Fiscal Capacity in Fragile States* (May 2017), which will evaluate the Fund's past engagement and outline a basic framework to build fiscal management capacity in fragile states. In March 2017, the Board will be engaged on *Social Objectives in PRGT Supported Programs: What Works*, which assesses how Fund programs mitigate the social impact of macroeconomic adjustment. 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 and the list of PRGT-eligible members. The Infrastructure Policy Support Initiative, which aims to help designated countries increase the efficiency of public investment and explore ways to sustainably scale up such spending, will be expanded.

Collaborate with other institutions to help the membership expand economic opportunities for all

The Board will continue to discuss measures to expand economic opportunities and mitigate the impact of ongoing transformations, including from globalization and technology. To this end, the Board will be briefed on policies toward *Making Globalization Work for All* in February 2017, and on the evolution of *Social Protection in a Changing World* in August 2017. In March 2017, the Board will receive for information a joint paper with the World Trade Organization on *Making Trade an Engine of Growth for All*, highlighting the benefits of open trade, and the role of policies to deal with the adjustment costs from trade. Policies to address inequality (including the trade-offs between efficiency and equity objectives) will be discussed in bilateral surveillance in ten new pilot countries, building on the operationalization in 12 pilots to date. And the Board will be briefed on *Macro-Structural Policies and Income Inequality in Low-Income Developing Countries* in December 2016. The Board will also be kept abreast of developments related to the Platform for Collaboration on Tax initiative (joint with the OECD, UN and World Bank), notably the development of a various toolkits on international tax matters, where a progress update is expected by mid-2017. In bilateral surveillance, staff will deepen the work on international corporate taxation (about 10 pilot cases) and revenue administration and policy (about 25 pilots). Gender issues—when macro-critical—will continue to be integrated in surveillance, and have now been operationalized in 15 pilot countries, with another seven pilots underway.

Enhance capacity development

A key priority for the Fund is to further strengthen capacity development including to support Financing for Development. The Board will discuss the *Evolution of Fund Capacity Development Since 2013 and Initial Reflections on the 2017-18 Capacity Development Review* in an informal session in February 2017, followed by a formal session to discuss the review, which will be reflected in the next WP. The Standards

and Codes Initiative seeks to strengthen economic institutions by improving transparency and promoting good governance. In January 2017, staff will update the Board on recent developments in the use of standards and codes and solicit the Board's views on possible reforms in preparation for the joint Bank-Fund *Review of the Standards and Codes Initiative* scheduled for May 2017.

Make Multilateralism Work for All

Strengthen the Global Financial Safety Net (GFSN) and revive global cooperation

To address gaps in the global financial safety net (GFSN) and help countries adjust to a more interconnected global economy the Board will discuss a number of items in November 2016, including the *Financing for Development: Enhancing Financial Safety Net for Developing Countries—Further Considerations*, which clarifies guidance in some areas pertaining to PRGT policies and the *Adequacy of the Global Financial Safety Net—Considerations for Fund Toolkit Reform*, which considers proposals for further enhancements to the Fund's lending toolkit. If requested by the Board, staff will follow up with a *Reform Proposal for a New Liquidity Instrument and Review of the FCL and PLL Instruments* (April 2017) and a *Proposal for a New Monitoring Instrument* (May 2017). The Board will also be engaged on the *IMF's Cooperation with Regional Financing Arrangements* in May 2017 which, together with the test run with the Chiang Mai Initiative Multilateralization, aims to improve coordination among various GFSN layers. Following a Board briefing in July 2016, staff will engage the Board in March 2017 on *The Role of the SDR: Initial Considerations*, which discusses ways in which the Special Drawing Rights can contribute to strengthening the international monetary system.

Improve crisis prevention and adjustment

With debt ratios reaching all-time post-war era highs, encouraging early, effective, and sustained debtor-creditor engagement will contribute to orderly sovereign debt restructurings. Following the *Debtor-Creditor Engagement in Sovereign Debt Restructurings: A Review of Existing Modalities and Possible Reforms* (February 2017), which will engage the Board on the Fund's Lending-into-Arrears policy for private creditors in the broader context of debtor-creditor engagement, the Board will discuss in early April 2017 the *Role of State-Contingent Financial Instruments in Preventing and Resolving Sovereign Debt Crises*. The Board will also be engaged on the *Conditionality in Currency Unions* and be briefed on *Bailing in or Out: Bank Insolvency Regimes and Systemic Spillovers* (May 2017), which revisits the debate on bank resolution regimes.

Ensure adequate resources and progress on the quota review

A strong, quota-based, and adequately resourced Fund at the center of the GFSN remains critical for a strong global safety net. In November 2016, the Board will consider the renewal of the *New Arrangements to Borrow*. Moreover, in the coming months, additional 2016 Bilateral Arrangements will be submitted in batches to the Board for approval once they are concluded with creditors. Following discussions on the Fund's lending role, the Board will consider in August 2017 *Quotas—Data Update and Simulations*, presenting an update of the quota database covering information through 2015 and discussing the quota formula and possible realignments of quota shares, including whether and if so, how to recognize voluntary financial contributions. This will be complemented by discussions on the *Adequacy of Fund Resources—Further Considerations* in September 2017, to ensure that the Fund has adequate resources to meet members' needs. In November 2016 and September 2017, Directors

will discuss reports to the Board of Governors on *Progress on the Fifteenth General Review of Quotas*. Seminars and/or informal briefings will be scheduled prior to Board discussions on the Fifteenth Review.

Keep the Fund strong

Adequate financial, capital, technological, and human resources are necessary to deliver on the Fund agenda. Following consultations on the Budget (December 2016 and March 2017), the Board will discuss the *FY2018-FY2020 Medium-Term Budget* after the Spring Meetings in April, the same day as the discussion of *The Fund's Income Position for FY2017 and FY2018-19*. The Board will be engaged early and throughout the budget process on the *2019-21 Medium-Term Budget* as well. Promoting a more diverse staff remains a priority. The Board will discuss the *Diversity and Inclusion Report* in June 2017 following a briefing on the *HR Strategy* (March 2017). To strengthen the risk management framework of the Fund, the Board will be engaged on the *Risk Report—Spring Update* in March 2017 followed by a discussion of the *2017 Risk Report* in October 2017. In December 2016, the Board will be briefed on the Implementation of the *IMF Communications Strategy*. Independent Evaluation Office (IEO) oversight is critical to keep the Fund accountable. The Board will discuss in March 2017 the IEO evaluation of *The IMF and Social Protection*. A *Management Implementation Plan* will be prepared by January 2017 for *The IMF and the Crisis in Greece, Ireland and Portugal*. The Fund will continue improving knowledge management, building on the creation of a new Knowledge Management Unit and the *TransformIT* program to increase IT agility and effectiveness. These changes will also help expand digital delivery of Fund work. The Board will also receive a *Briefing on the Status of the HQ1 Renewal Project* in January 2017. To better prepare for the future, staff will initiate in the coming months a scenario planning exercise to stress test the Fund's business model in the long run.

Figure 1. Priorities and Key Work Program Deliverables

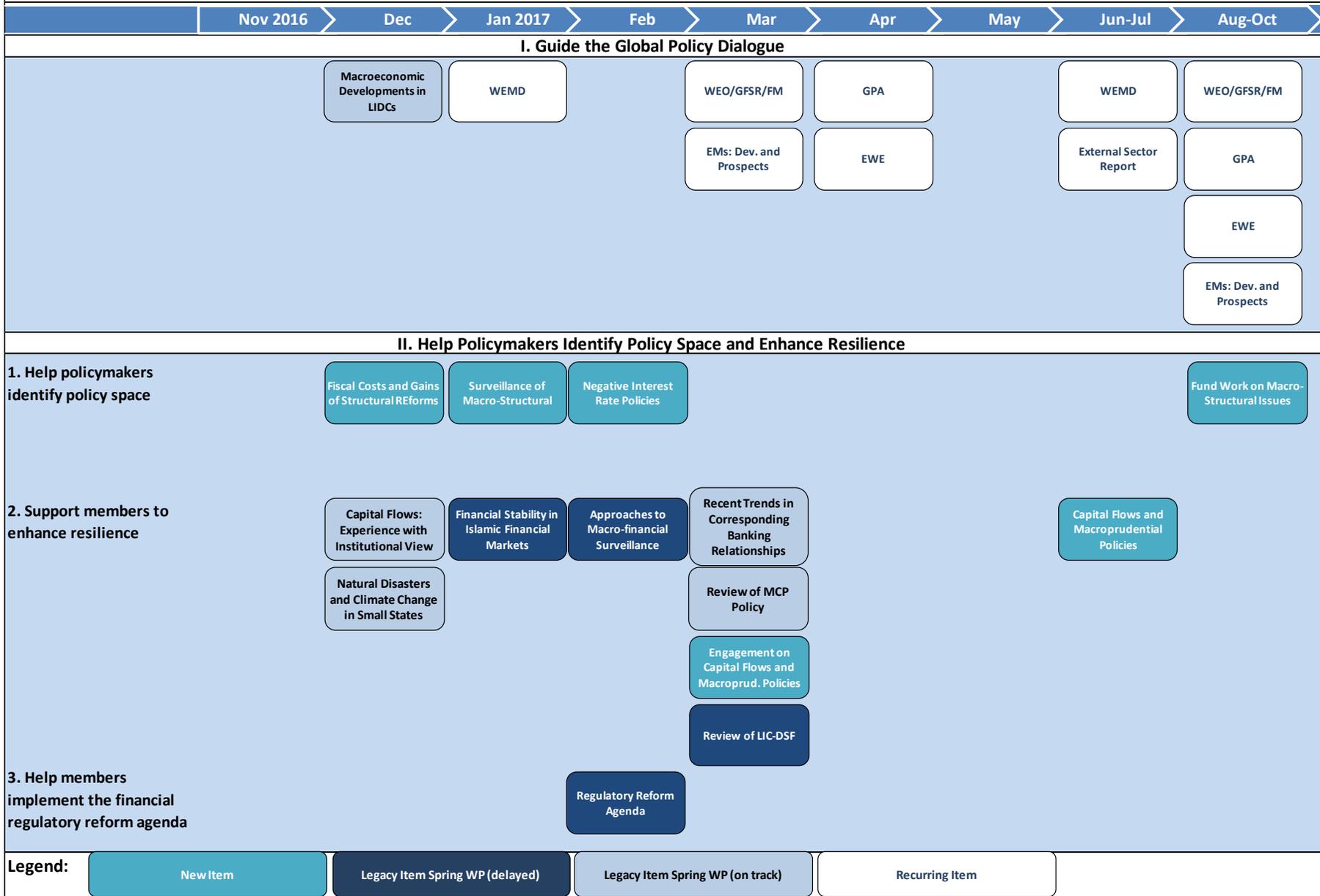


Figure 1. Priorities and Key Work Program Deliverables (concluded)

