

Issued on November 21, 2012

**Statement by the Managing Director
On the Work Program of the Executive Board
Executive Board Meeting
November 8, 2012**

1. **Action.** The [Managing Director's Global Policy Agenda](#) (GPA) presented to the IMFC during the Annual Meetings charted a set of actions needed across the membership to secure the recovery and to lay the foundation for a more robust global financial architecture. The GPA also detailed the Fund's role in assisting the membership with these formidable tasks, building on the recent reforms to buttress the Fund's surveillance framework. This work program translates the broad policy directions laid out in the GPA into a specific agenda for the Fund for the next six months and, in order to foster more strategic planning and prioritization, our current plans regarding key policy items over the next year.

I. SECURING THE RECOVERY

2. **Restoring stability.** Global activity remains weak with the potential for renewed stresses still high. Through assessments in the various multilateral and bilateral products and active engagement with the broad membership through policy and financial support, the Fund will assist members in identifying systemic risks and designing strong policies to respond to threats to domestic and global stability.

- **Global developments.** The risks and outlook for the global economy will be discussed in a joint session of the *WEO*, *GFSR*, and *Fiscal Monitor* ahead of the Spring Meetings, with an Update in January. The Board will also have an opportunity to discuss the *Early Warning Exercise* before the Spring and Annual Meetings, and the *Vulnerability Exercise for LICs* (VE-LIC) in August 2013. The *Global Policy Agenda* will distill key messages and outline actions needed to deal with threats to economic stability, and report on progress on measures taken by the Fund and the membership—an interim stocktake on progress with the implementation of policy commitments will be included in the Updates to the *WEO*, *GFSR*, and *Fiscal Monitor*. As usual, the Board will also be briefed on important regional and country developments in informal sessions.
- **Advanced economies.** The Fund will continue its close engagement through bilateral and multilateral surveillance—including in the annual consultation on euro area policies—as well as in a program context where appropriate. In the euro area, the staff will continue to assist in forging a common understanding through analysis and advice to the European authorities on options for banking and fiscal union. The Board will be

informed of the progress in policy implementation in the advanced economies through periodic briefings by staff and Article IV consultations. In line with the feedback from outreach on the Integrated Surveillance Decision (ISD), Article IV consultations will incorporate an integrated view of both inward and—where appropriate—outward spillovers from policies. The impact of the crisis on the conduct of monetary policy and the implications of unconventional monetary easing will be assessed in *Monetary Policy—Its Role Now and in the Medium-Term* scheduled for discussion in February 2013. Work is also underway on the impact of financial flows to safe haven economies during episodes of sharp changes in risk appetite.

- ***Emerging Market Economies.*** The staff will continue to analyze the performance of EMEs during the crisis, including both the impacts and policy responses. This analysis will be brought to the Board in various contexts. Issues related to financial sector deepening in EMEs will be discussed in *Developing Financial Markets in Emerging Market Economies* in November 2013.
- ***Low-income countries.*** The Fund will continue to assist low-income members to weather adverse external shocks and rebuild buffers, supported by continuation of the pilot on financial surveillance in LICs. Building on the discussion in September 2012 of the *Review of LIC Facilities*, a follow-up paper in March 2013 will present to the Board specific proposals for refining the facilities to better fit the needs of LICs and review access limits under these facilities. Also in March 2013, the *Review of Eligibility to Use the Fund's Facilities for Concessional Financing* will be an opportunity to discuss the framework for determining eligibility and, in that light, revisit the list of eligible countries.
- ***Small states.*** Building on the high-level conferences in the Caribbean and the Pacific earlier this year, the Fund will further enhance its engagement while deepening the analysis of macroeconomic challenges facing small states. A paper on *Macroeconomic Issues in Small States and Implications for Fund Engagement* will be discussed in March 2013 and will provide input into our policy discussions with small states, including on growth strategies. Also in March, the paper on *Exchange Rate Assessments in Special Cases* (¶7) will be especially relevant for small states.
- ***MENA countries.*** Engagement in Arab countries will continue through policy advice, capacity building and financial assistance, as appropriate. Analysis planned on subsidy reform (¶5) and inclusive growth (¶6) are likely to help strengthen our policy advice to the region.
- ***Capacity building.*** *The Fund's Capacity Development Strategy—Better Policies Through Stronger Institutions*, planned for May 2013, refines the Fund's capacity building development strategy to strengthen policy formulation and implementation in member countries.

3. **Lending and the global safety net.** Well-designed programs and adequate safety nets remain key to crisis resolution and management:

- ***Well-designed programs.*** Following up on the discussion of the *2011 Review of Conditionality*, a staff briefing is scheduled in May 2013 on changes to the conditionality guidance note and a paper setting out options for enhancing risk diagnostics in Fund-supported programs will be issued for information in March 2013. The review of the Precautionary Liquidity Line (PLL) and the Rapid Financing Instrument (RFI) could be combined with an early review of the Flexible Credit Line (FCL) in November 2013.¹ A follow-up *Crisis Programs Review*, taking stock of crisis program cases and distilling further lessons, is envisaged for late 2013.
- ***PRGT.*** The recent receipt of assurances for the first distribution of the general reserves attributed to the windfall gold sale profits and the decision on a second distribution are important steps toward achieving the sustainability of the PRGT and securing the necessary capacity for the Fund's concessional financing for low-income countries over the longer term. Regular reports on progress toward securing the second distribution will be provided to the Board.
- ***Other.*** A review of *Access Policy and Surcharges* is envisaged for early 2013, ahead of the 14th Review quota increases. A paper exploring the scope of further cooperation between the Fund and Regional Financing Arrangements will be issued for information in March 2013.

II. ANCHORING THE FUTURE

4. **Strengthening financial systems.** The Fund's financial surveillance will follow the priorities outlined in the Financial Surveillance Strategy (FSS). In particular, the focus will be on: macroprudential policies; improving risk identification and macro-financial policy advice; support for the global regulatory reform agenda; stepping up engagement with key stakeholders; and strengthening integration in surveillance.

- ***Macroprudential.*** Several papers are planned for Board discussion to advance the Fund's understanding of macroprudential issues. In January 2013, the *Interaction of Monetary and Macroprudential Policies* will examine the complementarities and conflicts between these two policy tools and the need for effective coordination given underlying country-specific frameworks. In May 2013, *Key Aspects of Macroprudential Policy: Identification, Action, Governance, and Legal Aspects of Macroprudential Finance-Regulatory Policy* will provide a comprehensive perspective on the Fund's thinking on macroprudential policy issues.

¹ The review of the PLL and RFI was originally planned for November 2012, and the FCL for 2014.

- **Support for the global regulatory reform agenda.** Staff will continue to support the development and implementation of the global regulatory reform agenda, including through ongoing work on standards assessments and analysis of the potential unintended consequences of uncoordinated national initiatives to limit the size, legal structure, or activities of financial firms. The Board will be briefed in December 2012 on the Fund's work with the Financial Stability Board.
5. **High debt.** Fund surveillance and policy advice need to reflect that many members will be dealing with the legacy of high debt in an environment of low growth. Key aspects will be to identify the scope for growth-friendly fiscal adjustment and options to strengthen fiscal institutions and debt sustainability analysis.
- **Fiscal policy.** Staff continue to analyze the lessons from the crisis for the conduct and operation of fiscal policy. This analysis will be brought to the Board in a variety of formats, in addition to informing the analysis in the *WEO* and *Fiscal Monitor*. In February 2013, the Board will discuss *Energy Subsidy Reform: Lessons and Implications* which will offer lessons on the design of effective subsidy reform programs, drawing on a broad range of country experiences including in Africa and the Middle East.
 - **Fiscal institutions.** Staff will continue to work with the membership on options for strengthening fiscal institutions. Two papers covering components of this work will be issued to the Board for information: in February 2013, *The Functions and Impact of Fiscal Councils* will assess the effectiveness of independent fiscal institutions in instilling budgetary discipline; and in October 2013, *Budget Institutions in G-20 Countries: A Status Report* will provide an update on staff's earlier work assessing the quality of budget institutions and propose refinements to the evaluation methodology.
 - **Debt sustainability analysis (DSA).** Two operational guidance notes on strengthening the Fund's DSAs will be issued in March 2013. The first will cover advanced and emerging economies (following up on [Modernizing the Framework for Fiscal Policy and Public Debt Sustainability Analysis](#)) and the second will cover LICs (following up on [Revisiting the Debt Sustainability Framework for Low-Income Countries](#)). Staff is continuing to analyze the impact of financial sector vulnerabilities on public debt sustainability and this work will be brought to the Board in a format to be determined later.
 - **Debtor-creditor relations.** Prompted by a number of recent debt restructuring cases, there has been growing interest in public fora on debtor-creditor relations. Staff will brief the Board in the first quarter of 2013 on how recent initiatives to codify and clarify debtor-creditor relations relate to Fund policies and practices for sovereign debt restructuring.

- **Debt limits.** In March 2013, the Board will discuss the *Review of the Fund's Debt Limits Policy*, which will examine the experience with the policy on debt limits in Fund-supported programs and propose options for reform.
6. **Supporting growth and jobs.** Analytical work is underway on issues related to growth and jobs in Fund surveillance and programs, including with the guidance of an interdepartmental working group. Board papers and reports on related topics—[*Fostering Growth in Europe Now*](#), and [*Fiscal Policy and Employment in Advanced and Emerging Economies*](#)—have already been published. Additional work underway includes:
- **Growth and labor markets.** In March 2013, the Board will have the opportunity to discuss recent work by Fund staff related to employment-friendly and inclusive growth and labor market policies in a paper on *Jobs and Growth: Analytical and Operational Implications for the Fund*. A related guidance note will be issued for information shortly after the Board meeting. Work is also underway on obtaining a better understanding of the determinants of long-term growth and how this is impacted by shifts in the global economy, such as demographic changes that are impacting investment and savings decisions.
 - **Surveillance toolkit.** A new toolkit covering employment, growth, and income distribution will be made available to staff and the Board at end-2012. The toolkit draws on World Bank and ILO resources and will include relevant indicators, databases, models, and guidance notes and analytical results.
7. **Global imbalances and spillovers.** The ISD and pilot External Sector Report (ESR) should assist members in engaging more openly and candidly about policies to mitigate adverse outward and inward spillovers and in ensuring the multilateral consistency of policies.
- **Global imbalances.** The second pilot External Sector Report will be discussed in June, providing input to the Article IV Consultations that are clustered around that time. Based on feedback from outreach, this will likely have a greater focus on global financial flows. A paper in February 2013 on *Exchange Rate Assessments in Special Cases* will review assessments for countries that do not fit easily in the External Balance Assessment framework, for example due to current account flows concentrated in sectors such as tourism, remittances, commodities, foreign aid, and offshore finance. The *Staff Umbrella Report for the G20 MAP* will be discussed ahead of the next Spring and Annual Meetings.
 - **Interconnectedness and spillovers.** A spillover report will be presented to the Board in July to provide input into the relevant Article IV consultations. Staff will undertake pilots that consider approaches to cluster surveillance to bring key issues facing groups of countries with, for example close financial linkages, for the information of the Executive Board and as background to the relevant Article IV consultations. An experimental regional surveillance report covering the Nordic region will be presented

in the Summer. *Interconnectedness: Implications for Policy and Fund Surveillance* planned for late-2013 will, in addition to drawing lessons from the pilots, further develop concepts and tools for analysis of interconnected systems and derive implications for the Fund's surveillance. The role of global supply chains, and their implications for Fund surveillance will be examined in *Trade Interconnectedness: Global Supply Chains*, which will be circulated for information in January 2013.

- **Capital flows.** In early November 2012, the Board had the opportunity to discuss *The Liberalization and Management of Capital Flows: An Institutional View*, which articulates the Fund's view on cross-border capital flows, building on analysis in the preceding four papers. Drawing on that discussion, a staff briefing is scheduled for April 2013 on the associated guidance note.
 - **Implementation of the new Surveillance Framework.** As requested by the Board and in the context of the Financial Surveillance Strategy, a progress report on implementation of the recommendations of the Triennial Surveillance Review will be discussed in November 2012, which will set out actions to be taken.
8. **Governance.** Completing the 2010 quota and governance reform is essential to the Fund's legitimacy and effectiveness.
- **Quota and governance reform.** The thresholds for the effectiveness of the quota increases and the required number of member acceptances for entry into force of the Board Reform Amendment have been met. However, the required 85 percent of the voting power for the Board Reform Amendment is not yet in place. The Fund will continue to report monthly to the Executive Board on the status of votes.
 - **Quota formula review.** The quota formula review is due to be completed by January 2013. In November, the Board will discuss *Quota Formula Review—Further Considerations*. The paper will explore alternative options for reform, building on the discussions to date. A draft report from the Executive Board to the Board of Governors will be discussed in January 2013.
 - **Review of quotas.** Work will commence shortly thereafter on the *15th General Review of Quotas*, to be completed by January 2014, which will consider both the appropriate size of total quotas and their distribution.
 - **Transparency.** Candor and openness are key elements in the legitimacy of the Fund with the outside world. The *Review of Transparency Policy* scheduled for May 2013 will review and assess the Fund's publications policy to align it with the move toward greater integration of bilateral and multilateral surveillance products.

III. MANAGEMENT OF THE INSTITUTION

9. **Human resources and diversity.** As emphasized in my buff statement on the IEO report earlier this year², to bring in more accountability and candor, it is important that we keep advancing the human resources initiatives underway, while following a comprehensive long-term approach. A *Corporate Workforce Planning* briefing is scheduled in January 2013, followed by a Board discussion on *Salary Structure Adjustment* in March 2013. *Categories of Employment*, scheduled in May 2013, will review the existing employment framework and the recommendations emanating from the workforce planning paper. The *Diversity Annual Report* will be discussed in June 2013.

10. **Internal operations.** The Board agenda includes the following key meetings on the internal operations of the institution:

- A briefing on *Risk Management Framework—Action Plan* is scheduled for March 2013. An informal discussion on *2013 Report on Risk Management* will be held in early May 2013, followed by a formal meeting in June 2013.
- Results of the *ACES—Costing the Fund’s Outputs* will be presented in an informal session in November 2012. *Briefing by the External Audit Committee* is scheduled in February 2013, followed by a Committee meeting on *Contours of the FY2014–16 Medium-Term Budget* in the same month. The *Fund’s Income Position and Medium-term Budgets* will be discussed shortly after the Spring Meetings.
- In January 2013 the Board will discuss *Broadening the Fund’s Investment Mandate: Strategic Implementation Issues* which will present new rules and regulations for the Investment Account requiring a Board decision.
- Two IEO-related papers, *IMF Advice on Reserves* and *The Fund’s Role as a Trusted Advisor*, are scheduled for December 2012 and January 2013, respectively. The *Management Implementation Plan for the IEO Review of International Reserves—IMF Concerns and Country Perspectives* will be presented in March 2013.

11. **Board schedule.** The interdepartmental Task Force on Calendar Management continues to explore options for smoothing the work flow of the Board and ensuring a focused Board agenda in peak periods. Staff-chaired sessions, for which attendance of OED staff is understood to be optional, have been used to limit the number of Board meetings but still provide opportunities for the staff to inform the Board of key issues. Executive Directors will have an opportunity to regularly discuss the progress in implementing the Work Program and issues related to Board scheduling, with the first meeting scheduled for early January 2013.

² Implementation Plan in Response to Board-Endorsed Recommendations for the IEO Evaluation of IMF Performance in the Run-Up to the Financial and Economic Crisis, May 2012.

Box 1. "Anchor" Policy and Administrative Items		
Dept	Subject	Date
HRD	Corporate Workforce Planning	16-Jan-13
SPR/RES	Jobs and Growth: Analytical and Operational Considerations for the Fund	13-Mar-13
SPR	Review of Low-Income Facilities: Proposed Reforms and Decision	18-Mar-13
RES/MCM/FAD	WEO/GFSR/Fiscal Monitor	25-Mar-13
SPR	Managing Director's Global Policy Agenda	12-Apr-13
OBP	FY14-16 Medium term Administrative and Capital Budgets	24-Apr-13
ICD	The Fund's Capacity Development Strategy—Better Policies Through Stronger Institutions	15-May-13
Coordinating Group	Pilot External Sector Report	24-Jun-13