

**Statement by the Managing Director
on the Work Program of the Executive Board
Executive Board Meeting
June 18, 2018**

This Work Program (WP) translates the strategic directions and policy priorities laid out in the Spring 2018 Global Policy Agenda (GPA) Update and the International Monetary and Financial Committee (IMFC) Communiqué into an Executive Board agenda for the next twelve months.

The main policy priorities and related WP deliverables are as follows:

- **Enhance resilience, rebuild policy space, and implement reforms to sustain the upswing:** The Flagship reports will have an overarching theme of lessons learned ten years after the Global Financial Crisis. They will be complemented by analytical chapters and Board presentations on key policy and structural issues, including international taxation, labor markets, and social protection. The 2018 External Sector Report will present a multilaterally consistent assessment of external positions using the updated External Balance Assessment (EBA) methodology.
- **Collaborate within a multilateral system and address shared challenges:** The Fund will continue to emphasize the benefits of an open and rules-based multilateral trade system. Work on the experience with capital flow management measures will help advance understanding of the implementation of the Fund's institutional view on capital flows. On Fintech, the Board will be engaged in discussions on a framework to outline opportunities and risks from financial digitalization. The Board will also be kept abreast on the Fund's work on digitalization.
- **Upgrade tools to develop tailored policy solutions:** The Fund and the World Bank will collaborate on a multi-pronged approach to help address debt distress problems in some low-income countries (LIC) and improve debt management capacity and transparency. Reviews of Program Conditionality, LIC Lending Policies, and the Capacity Development Strategy will upgrade policy tools.
- **Improve governance of the Fund:** Work will continue with a view to completing the 15th General Review of Quota by the 2019 Spring Meetings, and no later than the 2019 Annual Meetings.

Reflecting further prioritization and streamlining, the Board workload on non-recurrent items and the associated requirements on staff is expected to decline close to the pre-2017 average. This WP also presents for the first time an assessment on how it addresses risks flagged in previous Board discussions.

I. Key Priorities of the Spring 2018 Work Program

Policy Advice and Economic Analysis

Enhance financial sector resilience, rebuild policy space, and undertake necessary structural reforms

Multilateral Surveillance

The Flagship reports will be jointly discussed ahead of the Annual and Spring Meetings. An overarching theme for the Fall will be analysis of lessons learned ten years after the Global Financial Crisis. Analytical chapters will cover post-crisis macroeconomic performance (*World Economic Outlook, WEO*), risks to public sector balance sheets (*Fiscal Monitor*), and financial sector vulnerabilities (*Global Financial Stability Report*). The *Regional Economic Briefings* will provide further in-depth analyses and policy recommendations. The *2018 External Sector Report* will present a multilaterally-consistent assessment of the largest economies' external positions, based on an updated EBA methodology. The *Review of EBA-lite Methodology* (June 2018) discussed the upgraded and new analytical tools for external assessments in non-EBA countries. The Board will discuss the report *Macroeconomic Developments in Low-Income and Developing Countries (LIDC)* at a date to be announced in the next Work Program. Briefings on *Current Policy Issues* will replace the presentations on Emerging Markets; the first such presentation will be on housing market developments and related policy challenges (February 2019).

Macroeconomic and Macrofinancial Policy

Against the expected gradual withdrawal of monetary policy stimulus in advanced economies, analytical work will examine the resilience of emerging markets to tighter financial conditions focusing on the role of inflation anchoring and monetary policy space in the *Fall 2018 WEO*, followed by a staff briefing on *Natural Real Interest Rates: Drivers and Policy Implications* in May 2019. The Board meeting on *Corporate Taxation in the Global Economy* (February 2019) will build on earlier engagement on international taxation in a digitalized world. In May 2018, the Board discussed *Assessing Fiscal Space: An Update and Stocktaking* of 39 pilot cases and *The Future of Saving: The Role of Pension System Design in an Aging World*, a briefing on how demographic shifts and the design of pension systems can influence national savings.

Structural Policies and Emerging Issues

The Fund is developing a *comprehensive work program on digitalization* (Box 1), building on the briefing to the Board in March. Staff will update on progress under the different work streams in July 2018 and January 2019. The planned G-20 Note on the *Future of Work: Measurement Issues and Policy Options* (July 2018) will provide a framework to evaluate policies that embrace the benefits of technological change, while addressing the impact on jobs and inequality. Challenges in promoting inclusive labor markets will be discussed in the briefings on *Work in Progress: Youth Labor Markets in Emerging Market and Developing Economies* (August 2018), and *Gender, Technology, and the Future of Work* (September 2018). *Economic Gains from Gender Inclusion: New Mechanisms* (September 2018) will look at how female labor force participation contributes to growth and structural change. Analysis will also delve into challenges related to *Financial Services and Income Inequality* (November 2018).

Staff will develop the ***IMF's Engagement on Social Spending: A Strategic Framework*** (September 2018, February 2019), building on the recommendations by the Independent Evaluation Office (IEO) endorsed by the Board. Work on climate change will advance with proposals for ***Fiscal Policies for Mitigation and Adaptation*** (February 2019).

Box 1. Fund Work on Digitalization

The Fund's work on digitalization covers three broad areas (i) *Policy Analysis* on the macroeconomic implications of digitalization on productivity, labor and financial markets, and monetary and fiscal policy; (ii) *Membership Support* through policy advice and capacity development in digital areas, including Fintech, Big Data, Cyber risks, and GDP measurement; and (iii) *A Digital Platform*, including adoption of digital tools to upgrade internal practices in economic data management, human resources, knowledge management, and Capacity Development.

Since the last WP, the WEO chapter on technology and the G-20 Note on Future of Work were issued to the Board for consideration and information, respectively. On membership support, staff recently briefed on *Measuring the Digital Economy, Big Data and its Statistical Implications*; and engaged with the Board on *Digitalization and International Taxation*.

Given the complexity, interconnectedness, and speed of technological advances, staff will continue to provide regular updates to the Board, including on *Fintech, Future of Work*, and the *Digital Economy*. These presentations will also cover objectives and plans of the Fund's work on digitalization in three broad areas mentioned above.

Contributions to Global Stability

Collaborate within an open and rules-based multilateral system and address shared challenges

International Financial Architecture

The G-20 Notes on the ***IMF Institutional View on Capital Flows in Practice*** (June 2018) and the ***IMF Taxonomy of Capital Flow Management Measures*** (September 2018) will help advance understanding on the implementation of the Fund's institutional view on capital flows. Staff will continue to study the effectiveness of macroprudential policies, building on the new database on a member survey of macroprudential policy measures issued in April.

Financial Regulation

The Board will be briefed on ***Latest Developments in Financial Regulatory Reforms*** and will receive the ***Third IMF/FSB Progress Report of the Second Phase of the G-20 Data Gaps Initiative (DGI-2)*** in September 2018. ***The Core Principles for Islamic Regulations and Assessment Methodology*** was discussed in May. The Board will be engaged on issues for consideration regarding opportunities and risks from financial digitalization (July and September 2018). The ***Review of AML/CFT Strategy*** (September and November 2018) will take stock of the program's implementation, reflect on recent developments including financial digitalization and correspondent banking relationships, and make recommendations.

IFIs / Development	<p>The Fund will continue its cooperation with other institutions and fora. The presentation on <i>Spending Needs for Achieving the Sustainable Development Goals (SDGs)</i> (September 2018) will consider the fiscal implications of health, education, and selected infrastructure—including water—reforms in five countries, consistent with achieving the SDGs. This will be followed by a comprehensive assessment of the Fund’s contributions to the SDGs in <i>Progress toward the IMF Commitment under the 2030 Development Agenda</i> (February 2019). The Fund <i>Proposals for More Effective Support to Countries Hit by Large Natural Disasters</i> (October 2018 and January 2019) will outline Fund-Bank collaboration to help countries mobilize donor resources to improve preparedness and build resilience to natural disasters. Various G-20 reports will be shared with the Board, including the <i>G-20 Report on Strong, Sustainable, Balanced, and Inclusive Growth</i> (October 2018) and the <i>Assessment of the G-20’s Growth Strategies</i> (December 2018).</p>
Trade	<p>Staff will continue to emphasize the benefits of an open and rules-based multilateral trade system. The presentation on <i>Measuring Competitiveness in a World of Global Value Chains</i> (August 2018) will discuss the impact of global value chains on real effective exchange rate calculations. The Board will be briefed on a joint report with the World Bank and the World Trade Organization on <i>Reinvigorating Trade and Inclusive Growth</i> (September 2018).</p>
Fund Policies	<p>Refine policy tools to reflect changes in the economic environment and support the Fund’s global mandate and members’ needs</p>
Surveillance	<p>The importance of data quality for accuracy and traction of Fund surveillance has been highlighted in recent discussions. A presentation on <i>Data Provision to the Fund for Surveillance Purposes</i> (November 2018) will focus on issues related to improving data transparency and strengthening Article VIII, Section 5. The <i>Fiscal Transparency Code: Updated Framework</i> will be issued in January 2019 and the <i>Review of the Monetary and Financial Transparency Code</i> will be discussed in April 2019. The Board will consider the review of the Fund’s policy on <i>Multiple Currency Practices</i> at a time to be determined. On governance, the Framework for Enhanced Fund Engagement will be rolled out from the third quarter of 2018; the next WP will update on its implementation. The <i>Guidance Note on the Use of Third-Party Indicators in Fund Reports</i> (July 2018) offers a structured approach, including on governance, to promote best practice and safeguard evenhandedness.</p>
Lending	<p>Two reviews of lending policies—<i>Review of Conditionality and the Design of Fund-Supported Programs</i> (July 2018 and February 2019) and <i>Review of Facilities for Low-Income Countries</i> (July, December 2018)—aim to enhance the effectiveness of the Fund’s program engagement. The findings from the latter will be reflected in the <i>Poverty Reduction and Growth Trust—Review of Interest Rate Structure</i> (December 2018). The Board will receive the annual <i>Update of the Fund’s Concessional Assistance and Debt Relief to LICs</i> in April 2019. In the next WP, the paper on <i>Eligibility to Use the Fund’s Facilities for Concessional Financing</i> (May 2019) will review the framework for eligibility with the scope for possible graduation, and update the list of eligible countries. The paper on <i>Misreporting</i></p>

Policies—Selected Issues (November 2018) will address cases where inadequate data submissions compromise the quality of Fund-supported programs.

Debt

The Fund will work, in collaboration with the World Bank, to help countries maintain sustainable debt positions, including by improving the quality of the public debt data that underpin debt sustainability assessments. As an initial step, the G-20 Note on **Debt Transparency—Improving Data Reporting in Borrowers and IFIs** (June 2018) has been issued and explores how to strengthen debt reporting capacity and debt data dissemination practices towards supporting sustainable lending (Box 2). To strengthen debt sustainability analysis, the Board will be engaged on the **Debt Sustainability Framework for Market Access Countries** (May and September 2018, and February 2019) building on discussions last May, while a Board engagement on the **Review of the Debt Limits Policy—Preliminary Considerations** is scheduled for January 2019. The Board will be briefed on developments in **The Fund Work Program on Sovereign Debt Issues** in October 2018.

**Capacity
Development**

The Fund will continue strengthening capacity development. The May and June 2018 briefings on **departmental capacity development strategies** will be followed by a briefing on **External Financing of the IMF's Capacity Development** (July 2018) and the **2018 Review of Capacity Development Strategy** (June, September 2018).

Box 2. Debt Transparency and Sustainability

The March 2018 *Macroeconomic Developments and Prospects in Low-Income and Developing Countries Report* highlighted growing debt vulnerabilities, shortcomings in debt data coverage and transparency, and challenges from a changing borrowing landscape. Staff is pursuing several workstreams to address these issues:

- The Fund has already, in collaboration with the World Bank,¹ updated its toolkit for assessing debt-related vulnerabilities, including through the *Review of the Debt Sustainability Framework for Low-Income Countries* (September 2017), and the associated *Guidance Note* (February 2018). The new framework incentivizes greater data coverage and disclosure about its quality. The forthcoming *Review of the Debt Sustainability Framework for Market Access Countries* will similarly examine issues of coverage and disclosure.
- Staff, in collaboration with the World Bank, is examining measures to address debt data gaps and transparency issues, with a note circulated to the Board and the G-20 in June. The note will discuss options to address weaknesses in borrower countries' reporting capacity, enhance debt data collection practices by the Bretton Woods Institutions, use Bank/Fund operational work to help countries broaden data coverage and information dissemination, and seek avenues to support sustainable borrowing and lending practices. The Board will be briefed on developments in debt transparency in *The Fund Work Program on Sovereign Debt Issues* in October 2018.
- Staff will review the evolution of debt under Fund programs in the *Review of Conditionality* and consider how the IMF sets and follows up debt targets in LIC programs in the context of the *Review of the Debt Limits Policy*. The Debt Limits Policy Review will (i) consider whether the design of debt limits has helped to mitigate debt vulnerabilities, while preserving space for development borrowing; and (ii) assess if debt conditionality can be better targeted to specific debt-related vulnerabilities.
- Staff and Management will continue to use their participation in international fora to advocate for solutions to debt distress problems that arise in some LICs, highlight gaps in the international financial architecture that may impede solutions more generally, and present potential ways to address these.

¹ The IMF and the World Bank have collaborated closely on debt issues in low-income countries since the initiation of the HIPC Initiative in the mid-1990s; this collaboration has continued through the joint development and implementation of the Debt Sustainability Framework for Low-Income Countries (LIC-DSF), debt sustainability training workshops, and debt management technical assistance under the Debt Management Facility (DMF), and the new initiatives to improve public debt data.

**Governance and
Internal
Organization**

Complete the 15th General Review of Quotas, leverage institutional experience, and modernize Fund operations

**Quota and
Voice**

Efforts will continue toward completing the 15th General Quota Reform within the agreed timeframe to maintain a strong, quota-based, and adequately resourced Fund at the center of the global financial safety net (GFSN). The Committee of the Whole will consider the **15th General Review of Quotas—Additional Considerations and Data Update** (July 2018) and other discussions will be scheduled in light of progress made and the need to complete the review on time. The Board will discuss two **Progress Reports to the Board of Governors** (September 2018 and April 2019).

**Working with
the IEO**

Continued IEO oversight will help enhance the Fund's accountability and learning culture, including through staff reports on the **Periodic Monitoring Report on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations** (June 2018) and the **Management Implementation Plan on the IEO Report on The IMF and Fragile States** (September 2018), and IEO evaluation reports on **IMF Financial Surveillance** (December 2018) and **IMF Advice on Unconventional Monetary Policies** (March 2019).

**Internal
Organization**

The Fund will continue to develop a human resource strategy based on modern performance management and career development. To this end, the Board will be engaged on the **Scope of the Comprehensive Compensation and Benefits Review (CCBR)** (July 2018), followed by an **Update on the CCBR** in November 2018. Regular meetings on Budget, Income Position and Compensation will follow by the end of FY 2019. An Update of the **IMF Communications Strategy** is scheduled for November 2018. Work on the Digital Platform has already commenced; interim results will be discussed in the next WP.

Steps are being taken to begin to implement some of the recommendations of the Advisory Group on Modernization and Streamlining. Others will require further study and consultation with the Board. A discussion with the Board took place on **Modernizing and Streamlining Fund Operations: Achieving Further Progress** in June 2018.