

**Statement by the Managing Director on the  
Work Program of the Executive Board  
Executive Board Meeting  
November 22, 2010**

1. ***Persistent challenges.*** The multi-speed nature of the global economic recovery is testing the system, with strains already appearing in the form of large capital inflows to many emerging market countries and exchange rate pressures. At the same time, slow employment growth, high indebtedness, and remaining financial sector fragilities in some countries could yet derail a fragile recovery. Only cooperative approaches will succeed in relieving tensions and building a strong and sustainable recovery, based on a more balanced pattern of global growth.
2. ***Quotas and governance breakthrough.*** We have reached agreement on a historical reform of the IMF that will facilitate the kind of global cooperation needed in the period ahead. I encourage all members to begin work toward ensuring that these reforms can take effect by the IMF-World Bank Annual Meetings in October 2012.
3. ***Priorities.*** The reforms introduced over the past two years in response to the crisis have better positioned the Fund to help members meet the challenges of the 21<sup>st</sup> century. While some further steps should be considered, the focus of our efforts going forward must be on promoting a prosperous global economy, including (i) balanced and sustainable growth; (ii) a well-functioning international monetary system; (iii) a robust global financial architecture; and (iv) higher growth and stability in low-income countries.
4. ***Medium-term budget and work practices.*** The demands on the IMF are large and available resources must be commensurate to the tasks ahead. The forthcoming discussions on the Medium-term Budget will assess the appropriate budgetary envelope in this light while bearing in mind the crucial need for a focused agenda and efficient practices. In this regard, the Executive Board Working Group on Committees has paved the way for important changes in the workings of the Board. Increased use of lapse-of-time procedures and better prioritization and timing of policy items should help focus the Board on strategic country and policy issues, while maintaining the ability to adapt quickly. In preparing this Work Program, staff has sought to reduce the number of policy and country surveillance items in peak periods, thus evening out the work load throughout the year. Staff is working on identifying additional lapse-of-time items according to the new criteria to further ease the workload. Departments have also identified essential items that will, to the extent possible, not be moved.

## I. BALANCED AND SUSTAINABLE GROWTH

5. ***Global spillovers and coordination.*** With the inaugural Spillover Reports for China, Euro Area, Japan, United Kingdom, and the United States to coincide with the relevant Article IV discussions in July 2011, work has begun to analyze the impact of domestic policies of systemic economies beyond their borders. This stream of work should also contribute to our broader multilateral surveillance efforts. Meanwhile, staff will continue to support the G-20 Mutual Assessment Process (MAP) by analyzing the joint adequacy of G-20 policies to promote global rebalancing, and suggesting possible policy adjustments. Following the Seoul Summit, staff will provide further analysis and assessment of G-20 members' policy progress toward achieving collaboratively the shared objectives of the G-20 MAP framework.

6. ***Global analysis.*** The Executive Board will have several opportunities to reflect strategically on the outlook and key policy challenges:

- *Global developments* will, as usual, be examined in the Spring *World Economic Outlook (WEO)* and *Global Financial Stability Report (GFSR)*, with a joint statement highlighting linkages between real economy and financial sector developments. The *Fiscal Monitor* will examine the cross-country experience with implementing large fiscal adjustments. The WEO and GFSR will be discussed on the same day in late March 2011. The WEO analytical chapters will investigate, among others topics, commodity price developments and their implications for medium-term growth prospects. The Board will also be briefed informally on the systemic vulnerabilities identified in the FSB/IMF *Early Warning Exercise* just ahead of the Spring Meetings.
- *Promoting fiscal sustainability* will be a central focus of the informal Board discussions on *Macroeconomic Implications of Health Care Reform in Advanced and Emerging Economies* for January and in a formal discussion on *Revenue Mobilization in Developing Countries* in February. After the Spring Meetings the Board will discuss *Crisis Experience and Lessons for Managing Sovereign Debt and Debt Markets*. This paper will examine implications for the post-crisis rise in public debt on perceptions of sovereign risk and implications for debt management policies and overall financial stability. In addition, work will begin on *Improving Further the Debt Sustainability Analysis*, for discussion after the Spring Meetings.

## II. A WELL-FUNCTIONING INTERNATIONAL MONETARY SYSTEM (IMS)

7. ***Multiple tracks.*** While the IMS has proved resilient to the crisis, tensions in the system are seen in widening global imbalances, volatile capital flows and exchange rate movements, and massive reserve accumulation. Promoting a better functioning and more stable IMS is therefore a priority. This requires a combination of analyses—to understand better the factors at play—and strong multilateral policy instruments. Given the breadth and

complexity of this agenda, *Strengthening the International Monetary System: Taking Stock*, for formal discussion in April, will evaluate progress to-date across the range of work streams involved, and will identify areas for further work.

8. **Global adjustment.** The discussion on the *World Economic Outlook* will present an opportunity to discuss the requirements for global rebalancing. In the same vein, *The Changing Patterns of Global Trade*, to be discussed in an informal session in March, will analyze the potential impact of changes in relative prices on international trade flows and external rebalancing.

9. **Capital flows.** *The Fund's Role Regarding Cross-border Capital Flows* will discuss the case for a multilateral framework for analyzing and dealing with cross-border capital flows and suggest functions that the Fund could usefully perform in this context. It will also discuss the adequacy of the Fund's legal framework to address capital account issues. A paper on *Cross-cutting Themes from Recent Country Experience with Capital Flows* will provide the basis for a substantive discussion of our advice on capital flows and evaluate drivers behind the current surge of inflows, their domestic economic consequences, and the effectiveness of policy responses. Follow-up on staff's recent work on *Financial Interconnectedness* will seek to advance our understanding of how capital is intermediated globally and the implications for the conduct of surveillance.

10. **Reserve adequacy.** The Fund's work on *Reserve Adequacy Metrics* will assess different approaches to official reserve adequacy, including the benefits and costs of precautionary official reserve holdings, with the aim of providing guidance on appropriate use of adequacy metrics based on country-specific characteristics. This work will be discussed first informally in December, with Board input fed into a paper for formal discussion in February.

11. **Global financial safety net.** While the adoption of the Flexible Credit Line and Precautionary Credit Line represented significant innovations, the scope for enhancing the international community's capacity to cope with systemic shocks will be explored further. An informal Board session in January, *Understanding Emerging Market Linkages: Implications for the Design of Global Financial Safety Nets*, will look at the mechanisms for the cross-border transmission of financial shocks, providing the basis for the design of systemic crisis mitigation responses. It will be followed by a formal Board discussion in late March on the *Role of Global Financial Safety Nets in Dealing with Systemic Crises* that will take a broader look at the incidence of systemic crises, the range of international, regional and national responses, any residual gaps in the global financial safety net, and possible options for filling them. Separately, a *Concept Note* to lay out the main themes for the upcoming *Review of Conditionality*, will be discussed informally early next year.

12. **Strong surveillance.** Strengthening countries' incentives to pursue stability-oriented policies is key to the effective functioning of the IMS, and Fund surveillance is a unique and

essential tool to this end. We have recently taken steps to sharpen the focus on macro-financial stability issues and cross-border spillovers, as well as enhance the traction of surveillance. Now we need to take stock of how far these reforms go in addressing the identified gaps, and what further changes might be needed. Preparation has begun for the *Triennial Surveillance Review and Review of the 2007 Decision on Bilateral Surveillance*, planned for Fall 2011. A *Concept Note* outlining the objectives and approach to these reviews will be discussed in an informal Board session in March. A formal Board discussion of *The Obligation of Members to Consult with the Fund under Article IV* is planned for February, to clarify the legal framework governing this obligation, and review options to address excessive delays in Article IV consultations.

13. **Role of the SDR.** Following the *Review of the Method of Valuation of the SDR* in mid-November, the Board will discuss in January *Enhancing International Monetary Stability—A Greater Role for the SDR?* which will examine the case for enhancing the role of the SDR as a reserve asset and unit of account. More in depth work on SDR valuation, including on the criteria for selecting the currencies in the SDR basket, is planned for next year with a view to enhancing the SDR’s role as a reserve asset and its potential to improve the functioning of the IMS.

### III. BUILDING A STRONGER GLOBAL FINANCIAL ARCHITECTURE

14. **Regulatory reforms.** We must build on the welcome recent Basel agreement to strengthen the quality and the quantity of bank buffers. Further action is needed, particularly as regards:

- *Macro-prudential surveillance.* The *Spring 2011 GFSR* will focus on post-crisis regulatory and macro-prudential reform policy, with particular attention on the implications of quantitative easing on financial stability, the implications of new prudential requirements for mitigating systemic liquidity risk, and policy priorities for reforming housing finance in light of the crisis. A formal Board meeting is planned for April on *Macro-prudential Policy—Towards a Framework* to review international progress in developing such frameworks.
- *Crisis management and resolution.* The organizational structure of cross-border groups and the implications for financial stability will be discussed in an informal session in December. The challenges with “too-important-to-fail” institutions will be discussed twice, first in January (focusing on contingent capital) and then in March. An informal Board session planned for early-February will review the role of intervention measures and tools for the management and resolution of financial institutions during the recent crisis and compare their efficacy.
- *Standard assessment.* The *Review of the Standards and Codes Initiative*, for formal Board discussion in March, will discuss experiences with existing standards and will,

in close cooperation with a parallel review of the Financial Stability Board, assess the need for modification of these standards. The experience with the program on Anti-money Laundering and Combating the Financing of Terrorism will be reviewed in March.<sup>1</sup>

15. **Data gaps.** The IMF-FSB progress report on data gaps has been essential in guiding the work of the Fund and others to assess the need for additional data. A paper for formal Board discussion in February will include staff's proposal for possible future refinements to the Special Data Dissemination Standard (SDDS). Shortly after the Spring Meetings, a formal Board meeting will focus on the design and implementation of *The Systemically Important Global Financial Institutions Data Template* and an update of the other work by the IMF and the Financial Stability Board secretariat on the data gaps initiative requested by the G-20.

#### IV. SUPPORTING LOW INCOME COUNTRIES (LICs).

16. **Analysis.** An informal Board session is planned in February to discuss *New Growth Drivers for Low-Income Countries: the Role of BRICs* to highlight the opportunities and challenges arising from the growing role of the BRICs in LICs' economic development. A *Framework for a Vulnerability Exercise for Low Income Countries* will be presented to the Board in an informal session in early March.<sup>1</sup> Work on *Managing Volatility in Low-Income Countries: the Role of Contingent Financial Instruments* will begin with an informal Board session planned after the Spring Meetings.

17. **Policies.** Staff will seek Board guidance on *The Future of the HIPC Initiative*, which is now substantially completed, in an informal Board session in February. Also in February, we will review the *Fund's Engagement with Countries in Fragile Situations*, to consider how Fund engagement should be tailored to meet the unique challenges of these countries, including through technical assistance and the revamped LIC facilities.

#### V. CONTINUING WORK OF THE FUND

18. **Highlights.** The proposed quota increase under the quota reform will substantially strengthen the Fund's capacity to assist members in crisis prevention and resolution. In addition to the recurrent discussions pertaining to human resources, Fund finances, and risk management, the Executive Board will discuss in December a first paper on expanding the Fund's investment mandate (as part of the new income model), and a series of papers on Fund capital projects. The Board will also need to consider the disposition of profits from gold sales once they are completed, and to review the NAB in light of the quota increase. The Independent Evaluation Office (IEO) expects to submit its evaluations of *IMF Performance*

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<sup>1</sup> Later postponed until after the Spring Meetings.

*in the Run-up to the Current Financial and Economic Crisis and Research at the IMF* in December, with follow up Board discussions in January and February, respectively. IEO reviews for next year relate to reserve adequacy and the role of the Fund as confidential advisor.

19. ***Medium-term budget.*** As is clear from what precedes, our agenda will remain quite full for the foreseeable future. A priority in the period ahead will be to design a medium-term budget that matches the level of spending with the Fund's level of activity. We must ensure that our existing resources are well utilized, and also assess if the scope of our work requires an increase in resources in the steady state. Executive Directors will have several opportunities to discuss these critical issues between January and the end of the budget year.

TABLE 2A FALL WORK PROGRAM LISTING — POLICY ITEMS TO BE TAKEN UP BY THE EXECUTIVE BOARD BEFORE THE 2011 SPRING MEETINGS (BY SECTION HEADINGS)

Dept.	Title of Paper	Description	Proposed Meeting Format (FD)
<b>I Global Economy: A Balanced and Sustainable Recovery</b>			
FAD	Macroeconomic Implications of Health Care Reform in Advanced and Emerging Economies	Discusses policy changes required to support fiscal consolidation and draw on country experience.	Informal Board Session
MCM/RES	WEMD	Provides quarterly update on world economic and market developments.	Informal Board Session
MCM	Global Financial Stability Report (GFSR)	Analytical chapters of GFSR will focus on two to three policy-relevant issues within the broader regulatory reform agenda, with particular attention to the macro-prudential area.	Formal Board Meeting
RES	World Economic Outlook	Spring WEO	Formal Board Meeting
FAD/MCM/RES/SPR	Results of the Early Warning Exercise		Informal Board Session
<b>II International Monetary System</b>			
LEG/SPR	The Fund's Role regarding Cross-border Capital Flows.	Discusses the case for a multilateral framework for analyzing and dealing with cross-border capital flows and will suggest functions that the Fund could usefully perform in such a framework.	Formal Board Meeting
MCM/RES/SPR	Reserve Adequacy Metrics	Discusses different approaches to reserve adequacy, benefits and costs of reserve holdings from a precautionary perspective, and new analytic work by staff.	Informal Board Session
SPR	Understanding Emerging Market Linkages: Implications for the Design of Global Financial Safety Nets.	Examines financial linkages to and from emerging markets by tracing cross country balance sheet exposures and their determinants. It highlights the role of common creditor channels for the transmission of shocks.	Informal Board Session
SPR	Concept note for the 2011 Review of Conditionality	Sets out the main themes for the upcoming Review of Conditionality.	Informal Board Session
SPR	Enhancing International Monetary Stability—A Greater Role for the SDR?	Examines options to expand the supply of reserve assets and enhance the role of the SDR as an alternative reserve asset and unit of account.	Formal Board Meeting
LEG/SPR	The Obligation of Members to Consult with the Fund under Article IV.	Clarifies the legal framework governing members' obligations to consult with the Fund under Article IV, and options to address excessive delays in consultations.	Formal Board Meeting

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SPR	Reserve Adequacy Metrics.	Provides guidance on appropriate use of adequacy metrics based on country characteristics.	Formal Board Meeting
SPR	Cross-cutting Themes from Recent Country Experience with Capital Flows.	Offers detailed examination of the experience of selected emerging markets with the current surge of capital flows, focusing on the main drivers, domestic economic consequences, and the nature and effectiveness of policy responses.	Formal Board Meeting
SPR	Triennial Surveillance Review (TSR) and Review of 2007 Decision on Bilateral Surveillance – Concept Note.		Informal Board Session
SPR	The Changing Patterns of Global Trade.	Examines the evolution of global trade patterns and structures to analyze the potential impact of changes in relative prices on international trade flows, and consequently on external rebalancing.	Informal Board Session
SPR	Role of Global Financial Safety Nets in Dealing with Systemic Crises.	Broadly assesses (i) the incidence and nature of systemic crises, (ii) the range of international, regional and national responses, and (iii) any residual gaps in the global financial safety net to deal with systemic shocks.	Formal Board Meeting
SPR	Strengthening the International Monetary System: Taking Stock.	Takes stock of progress to date in the work on strengthening international monetary stability across the range of work streams involved, including capital flows, international reserves, and global imbalances, and associated implications	Formal Board Meeting
<b>III Global Financial Architecture</b>			
MCM	Organizational Structure of Cross-Border Groups: One Size Does Not Fit All	Focuses on the recent debate on the extent to which organizational structure of cross-border banking groups matters for financial stability and the pros and cons of various options.	Informal Board Session
MCM	Contingent Capital and Bail-in Instruments: Are They Part of the Solution to the “Too-Important-to-Fail” Problem	Discusses recent proposals to address the too-important-to-fail problem by requiring that institutions issue contingent capital and similar instruments.	Informal Board Session
MCM	Crisis Management and Resolution	Examines the intervention measures and tools used in the recent crisis and compares and contrasts their efficacy, including against the experience of previous crises.	Informal Board Session



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STA	SDDS Enhancements: Progress and Future Refinements	Describes progress made following recent enhancements to the SDDS approved by the Board in December 2008 (7th Review) and March 2010 on Financial Indicators. It will contain a staff proposal for possible future refinements to the SDDS	Formal Board Meeting
MCM	Policies to Address Too-Important -to-Fail Institutions	Discusses policy options on how to mitigate systemic risks of "too-important-to-fail institutions," including prudential and structural measures.	Informal Board Session
SPR	Review of the Standard and Codes Initiative	The paper will discuss possible modifications of the standards assessed under the Initiative, and review experience with existing standards.	Formal Board Meeting
LEG	Anti-Money Laundering and Combating the Financing of Terrorism - Review of the Fund's Program	Examines the effectiveness of the Fund's AML/CFT program, along with proposed policy plans, including the role of AML/CFT in strengthening Fund surveillance and capacity Building	Formal Board Meeting
MCM	Macro-prudential policy (MaPP)—Towards a Framework	Reviews international progress in developing MaPP frameworks, including issues related to oversight and institutional setup, policy formulation processes, toolkit design, micro-prudential and macro-prudential inter-linkages, and coordination	Formal Board Meeting
<b>IV Low Income Countries</b>			
SPR	New Growth Drivers for Low-Income Countries: the Role of BRICs.	Highlights how LICs can take advantage of the opportunities and deal with the challenges arising from the growing role of the BRICs in LICs' economic development—through trade, FDI, aid, spillovers, and the potential impact of global rebalancing.	Informal Board Session
FAD	Revenue Mobilization in Developing Countries	Reviews experience, key challenges, and good practice in strengthening revenue mobilization in developing countries, in terms of both policy design and effective revenue administration.	Formal Board Meeting
SPR	Future of the HIPC Initiative.	Given its near completion, discusses possible future options for the Initiative. A subsequent paper could explore these options further (most likely the 2011 HIPC implementation report).	Informal Board Session

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Dept.	Title of Paper	Description	Proposed Meeting Format (FD)
SPR	Review of the Fund's Engagement with Countries in Fragile Situations.	Considers how the Fund's engagement should be tailored to meet the unique challenges of countries in fragile situations, including through technical assistance and the revamped LIC facilities.	Formal Board Meeting
FAD/RES/S PR	Towards a Framework for a Vulnerability Exercise for Low-Income Countries (LICs).	Makes the case for, and describes key elements of a forward-looking framework that identifies emerging risks and vulnerabilities for LICs from changes in the external environment.	Informal Board Session
<b>V Continued Work of the Fund</b>			
FIN	Asset Allocation under a Broadened Investment Mandate: Preliminary Considerations	Presents initial considerations on broadening the Fund's Investment Mandate under the New Income Model.	Formal Board Meeting
HRD	U.S. Healthcare Reform and the Medical Benefits Plan	Proposes three changes in MBP coverage to align the Fund with its competitors in light of recently adopted U.S. healthcare legislation.	Formal Board Meeting
HRD	Staff Retirement Plan Reform Amendments and Actuarial Assumption Changes	Presents amendments to the Plan, including the SRP reforms approved in April 2010, recommendation for new grossing-up formulas, and additional technical plan updates. Seeks approval for changes in actuarial assumptions.	Board Committee
OBP/TGS	HQ1 Renewal Project—Draft Proposals for the Planning and Programming Phase	Recommends options for renewing HQ1.	Board Committee
HRD	Medical Benefits Plan-Integration of Medicare Part B and U.S. Healthcare Reform and the Medical Benefits Plan	Discusses issues affecting the financial position of the MBP arising from retiree participation in national health care plans and a recommendation to increase participation.	Formal Board Meeting
HRD/OBP	Salary Adjustments and the Budget	Presents the report of the Working Group on Salary Adjustments & the Budget to the Committee on the Budget.	Board Committee
OIA	Control and Audit Related Matters	Reports on internal audit related activity in the Fund	Informal Board Session
OBP	Initial Contours of the FY2012-FY2014 Medium-Term Budget	Presents preliminary proposals on the outlines of the new FY 12-14 medium-term budget, including budget envelope and budgeting framework going forward	Board Committee
FIN	Report of the External Audit Committee to the Executive Board	Discusses EAC's report on its visit to the Fund to review the FY 2011 audit plan	Informal Board Session

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SPR/TGS	IT Strategic Directions	Presents updated and new business priorities for the IT Capital Program including: (i) Funding and Lending; (ii) Surveillance; (iii) Economic Data and Metadata; (iv) Capacity Building; (v) Communication and Outreach; and (vi) Planning and Budget	Board Committee
FIN/OBP	The FY 2012-2014 Consolidated Medium-Term Income and Expenditure Framework	Discusses the income framework and overall proposed budget envelope for the new medium-term budget	Board Committee
IEO	IMF Performance in the Run-up to the Current Financial and Economic Crisis.	Assesses whether the IMF could have done better in anticipating and warning about the crisis; it identifies impediments that might have hindered the IMF's effectiveness and draws lessons for the future.	Formal Board Meeting
IEO	Research at the IMF	This evaluation focuses on the relevance and utilization of IMF Research, particularly by member countries, and the quality of that research.	Formal Board Meeting
FIN/OBP/TGS	HQ1 Renewal Project -- Proposed decision on major building project	Provides a follow-up meeting on HQ1 Renewal	Board Committee
HRD	Staff Compensation	Presents the results of the indexation formula used to determine the 2011 change in salaries.	Formal Board Meeting