

**Statement by the Managing Director
on the Work Program of the Executive Board
Executive Board Meeting
June 11, 2014**

1. Policy priorities. The Global Policy Agenda (GPA) presented to the IMFC in April identified a range of actions needed to transform the modest, uneven, and fragile recovery into more rapid, balanced, and sustainable growth. These actions included policies to manage monetary normalization and the associated policy spillovers and spillbacks; reforms to ensure robust growth while reducing vulnerabilities; and steps to facilitate external rebalancing. The GPA also outlined how the Fund would support the membership through assessments and policy advice provided in bilateral and multilateral surveillance, capacity building, and financial support (Figure 1).

Figure 1. Summary of Policy Priorities Going Forward

Members			
Euro Area	Further monetary easing	Address fragmentation and architectural gaps	
United States	Continue taper with clear communication	Medium-term fiscal plan	
Japan	Medium-term fiscal plan	Product and labor market reforms	
China	Rebalance demand	Reign in shadow banking and municipal borrowing	
Emerging and Frontier Markets	Adjust policies flexibly to market volatility	Address growth impediments	
Low Income Countries	Consolidate inflation gains	Increase revenue mobilization and optimize spending	
Arab Countries in Transition	Raise spending efficiently	Increase revenues	
IMF			
Monetary Policy	UMP spillovers and spillbacks	Future monetary policy frameworks	
Fiscal Policy	Options to reduce debt overhangs	Reform of debt limits policy	
Financial Sector Policies	Impact of regulatory fragmentation	Cross-border resolution and shadow banking	
Structural Reforms	Economic diversification	Financial deepening	
Policy Cooperation/Imbalances	Integrated surveillance	Refining external sector assessments	

Source: Spring 2014 Global Policy Agenda.

2. Implementation. The Executive Board’s work program (WP) of November 2013 has been implemented broadly as planned. Most policy meetings were concluded on schedule, but a few administrative meetings suffered substantial delays, in most cases reflecting the need for more extensive consultations than originally envisaged.

3. Spring 2014 Work program. This document translates the policy priorities laid out in the GPA and the IMFC communiqué into a work agenda for the Executive Board over the next twelve months (Figure 2). A number of new Board items have been added, in line with emerging concerns and priorities, related to the management of monetary normalization and the associated spillovers and spillbacks, fiscal consolidation and growth-friendly policies, and structural reforms. The WP also envisages analytical and operational agendas tailored to the policy priorities and challenges of different country groups, including low-income countries (LICs), Arab Countries in Transition (ACTs), and small states (see Box 1).

Box 1. Focus on LICs, Small States, and ACTs

Low-income Countries. The main challenge for LICs is to sustain and deepen growth, trade, and investment in their ongoing quest to achieve frontier and emerging market economy status. The WP includes a reformulated report on the prospects and vulnerabilities of LICs, which will include a special focus on debt issues (see ¶4). Staff also intends to operationalize its analytical work on structural transformation and diversification, and on the macroeconomic management of natural resource wealth, and will examine issues related to financial deepening, revenue mobilization, and the challenges faced by frontier economies. A strong focus on capacity building will be maintained, including on monetary policy frameworks and statistics, and financial assistance provided through the reformed LICs lending framework.

Small states. The Fund will engage small states, taking into account their particular needs. Possible steps include drawing lessons from implementing the 2014 staff guidance note in a number of pilot cases, exploring clustered Article IVs, and clustering cross-regional Board meetings. A paper on selected issues in small states will be presented to the Board in early-2015 (see ¶4). Areas of analytical focus will include growth, fiscal and debt challenges, and financial interconnections. Efforts to integrate capacity building into surveillance are underway, as well as initiatives to enhance outreach and policy dialogue.

Arab Countries in Transition. ACTs face considerable socio-political challenges against the backdrop of worsening public finances. The Fund will continue to engage with countries through surveillance, capacity building, and financial support. The analytical agenda will focus on lessons from Fund arrangements in ACTs, Islamic Finance, and the linkages between revenue mobilization, growth, and equity. Follow-up work on the key messages from the recent Amman conference will aim at developing country-specific reform priorities to increase employment and enhance medium-term growth prospects.

I. CONJUNCTURE AND RISKS

4. Remaining vigilant. Global activity is strengthening, but the recovery remains uneven and too weak for comfort. Creating a dynamic, job-rich global economy is work in progress, requiring more ambitious and tailored policies.

- Global conjuncture and risks will be discussed ahead of the Annual and Spring Meetings in a joint Board session of the *World Economic Outlook (WEO)*, *Global Financial Stability Report (GFSR)*, and *Fiscal Monitor* in September 2014 and March 2015, respectively, with *World Economic and Market Developments (WEMD) Updates* in July and January. A briefing on *Emerging Markets—Developments and Prospects* will be provided ahead of the Annual Meetings; area departments will brief the Executive Board regularly on regional developments.
- In the run-up to the Annual and Spring Meetings, the Board will have the opportunity to discuss the *Early Warning Exercise*, while the *Managing Director’s Global Policy Agenda* will review policy implementation by the membership and identify policy

challenges for the period ahead. Clustered Article IV consultations will examine common policy issues facing select countries (see ¶10).

- *A Low Income Developing Countries Report*, examining economic prospects and vulnerabilities for this country group, will be presented to the Board in late September 2014; it will include discussion of debt dynamics in LICs following the provision of comprehensive debt relief. This paper will replace the LIC vulnerability reports produced in recent years. A paper on *Selected Issues in Small States* will be discussed in early-2015.

II. ADDRESSING POLICY CHALLENGES

A. Monetary Policy

5. Managing monetary normalization. The impending asynchronous unwinding of monetary accommodation needs to be carefully managed. Potential adverse policy spillovers, such as excessive volatility in capital flows and major currencies, tighter financial conditions for emerging and developing countries, and subsequent spillbacks to source countries warrant attention. The Fund will continue to analyze the unwinding of extraordinary monetary support by major central banks and the necessity for internalizing externalities in an interconnected world.

- **Exchange rates.** In January 2015, the Board will be briefed on *The Role of Exchange Rate Intervention: Issues and Experiences*, which will include a review of recent country experiences, taking into account country characteristics, external conditions, and the impact of capital inflows and outflows.
- **Macroprudential policies.** Given the importance of macroprudential policies, including as a line of defense against capital flow and asset price volatility, a guidance note on this topic will be issued by end-June 2014.
- **Financial deepening.** In November, the Board will discuss the importance of financial deepening for enhancing resilience in emerging market economies (see ¶8).

6. Policy frameworks. Looking beyond near-term challenges, in October 2014 the Board will discuss *Monetary Policy: Its Role Now and in the Future*, which will outline conceptual issues and an analytical agenda for monetary policy frameworks once financial conditions normalize. The Fund will also continue to provide advice and capacity building to help strengthen monetary policy frameworks in LICs.

B. Fiscal Policy

7. Consolidation and growth-friendly policies. Advancing fiscal consolidation while safeguarding growth and employment remains a challenge across the membership. This is particularly important for emerging and frontier market economies that are confronting declining policy space and increased market volatility. The Fund will assist members in developing and calibrating fiscal packages to reduce public debt overhangs, support potential growth, and mitigate uncertainty.

- **Fiscal policy, jobs, and growth.** The forthcoming *Fiscal Monitor* will deepen earlier work on the links between fiscal policy and employment outcomes. To make fiscal policy supportive of long-term growth, the paper *Toward More Productive Public Investment* in February 2015 will discuss improvements in public investment processes to boost the productivity of public capital against the background of declining public capital stocks in some regions. In May 2015, the Board will discuss the interplay between *Fiscal Policy and Long-term Growth* across advanced, emerging, and developing economies.
- **Revenues.** The paper *Current Challenges in Revenue Mobilization* in November 2014 will discuss initiatives to help developing countries, particularly LICs, build effective and efficient revenue systems. Analytical work is also planned to examine fiscal regimes for shale gas. Staff will continue to contribute to the debate on international tax spillovers by deepening its analysis of international corporate taxation issues.
- **Public debt issues.** The Board will discuss in June 2014 the relationship between the Fund's lending framework and sovereign debt, and possible directions for reform. Another paper, to be discussed in September, will examine potential reform areas in the contractual framework to address collective action problems in debt restructuring. Follow-up papers are envisaged subsequently, with their exact scope and timing determined by the Board discussions. Following the recent discussion of proposed reforms to the Fund's policy on debt limits, staff is re-examining the scope for producing a reform proposal that can command broad support and expects to return to the Board with a modified proposal before the Annual Meetings. The paper *From Banking to Sovereign Stress: Implications for Public Debt*, to be presented to the Board in January 2015, will seek to identify good practices in measuring and monitoring risks arising from banking sector characteristics and contingent liabilities to the sovereign balance sheet. Other work will examine the benefits and risks associated with sovereign bonds issuance in frontier LICs.
- **Other issues.** An *Update on the Fiscal Transparency Initiative* will be issued to the Board for information in June. Staff will update estimates of energy subsidies and deepen its analysis of the impact of fiscal policies on income distribution. Cross-cutting fiscal work for small states includes debt challenges in the Caribbean, underinsurance for natural disasters, and assessing the fiscal costs of climate change.

C. Financial Sector Policies

8. Bolstering financial systems. Supporting the completion and effective implementation of the global financial regulatory reform agenda, addressing financial fragmentation, and guarding against risks to financial stability will remain key priorities. Staff will continue to expand its analysis of potential macro-financial risks and policy responses, and address data gaps.

- **Global regulatory reforms.** The Board will be briefed in June and December 2014 on progress with the global regulatory reform agenda. The June briefing will cover the latest developments in banking reforms and challenges in implementation and supervision. It will also update on the impact of reforms on infrastructure and SME financing; the broader availability of credit and market liquidity; and look at the consequences on emerging market and developing economies (reflecting work with the Basel Consultative Group). The June briefing will also look at spillovers from structural measures (reflecting work with the FSB and OECD). In June 2014, staff will brief the Board on cross-border bank resolution issues, including recent experiences and policy initiatives. The Board is expected to consider next year the experience with the assessments of the *Key Attributes of Effective Resolution Regimes*, with the exact timing dependent on progress made (together with the FSB and World Bank) in developing the associated methodology.
- **Macro-financial analysis.** Following last year's Board discussion on macro-prudential policies, a staff guidance note is planned for end-June 2014 (see also ¶5). In addition, the 2014 *Triennial Surveillance Review (TSR)* will consider how macro-financial risks can be mainstreamed in bilateral surveillance. A *Review of the Financial Sector Assessment Program (FSAP)* will be discussed by the Board in September 2014. The *Fall 2014 GFSR* will feature work on shadow banking systems and their impact on financial stability, as well as on risk-taking in financial institutions. Other analytical work will seek to shed light on private capital flows and macro-financial linkages in LICs, and global financial transmission into sub-Saharan Africa.
- **Financial deepening.** Deeper financial markets can help countries manage volatility and bolster their growth prospects. The Board will examine this issue in November 2014, in the paper *Enhancing Resilience and Supporting Growth in Emerging Markets: Role of Financial Deepening*. This paper complements ongoing work on the future of Asia's finance, which will be presented to the Board in late April 2015. Staff will also examine issues related to Islamic Finance and the interplay between financial inclusion, growth, inequality, and financial stability in emerging and developing countries.
- **Data gaps.** The global financial crisis brought to the fore the importance of addressing data deficiencies to identify macro-financial risks. The fifth progress report in closing data and information gaps under the G-20 Data Gaps Initiative will be provided to the Board for information in September 2014. In January 2015, the Board will discuss the *Ninth Review of the Fund's Data Standards Initiatives*, including reforms to modernize the GDDS.

D. Structural Reforms

9. More reform ambition. With space for supportive macroeconomic policies narrowing in many countries, structural reforms are increasingly needed as a policy lever. The Fund will continue to provide country-specific advice to make growth more sustainable, job-rich, and inclusive. The work program includes several items that will examine the role of structural reforms in supporting these objectives.

- **Structural impediments.** Structural reforms and the role of Fund will be analyzed in the *2014 TSR* (see ¶14). A background paper prepared by external experts will consider instances in which the Fund should provide advice on macro-critical structural reforms and how this work could be supported by technical assistance and training, while leveraging the expertise of other institutions. The interaction between structural reforms, public finances, and growth, will be examined in the papers *Toward More Productive Public Investment* and *Fiscal Policy and Long-Term Growth*, scheduled for February and March 2015, respectively (see ¶7). The forthcoming *WEO* will examine the importance of public infrastructure for boosting growth.
- **Inequality, jobs, and growth.** Staff will expand existing work on inequality issues, update the toolkit for Jobs and Growth, assess the post-crisis growth performance in advanced economies, and contribute to the multilateral policy dialogue on growth strategies. Staff will also operationalize the Fund's recent analytical work on inequality and jobs and growth, including in the context of Article IV consultations. Analytical work to underpin policy advice will vary by region. For example, in the Euro Area, the emphasis will be on SME restructuring and funding, youth unemployment and product and labor market reforms. For LICs, analytical work will focus on making growth more inclusive, fostering structural transformation, and financial inclusion. Staff is also analyzing social protection floors (with the ILO), largely focusing on Africa, ACTs, and Latin America.

E. Policy Cooperation and Coherence

10. Working together. A subpar recovery and intermittent market jitters underscore global interconnectedness and the importance of policy cooperation for supporting growth and limiting policy risks.

- **Multilateral surveillance and clusters.** Through implementation of the *Integrated Surveillance Decision* and integrated surveillance, including clustered Article IV consultations, the Fund will continue to highlight real and financial interconnectedness and the importance of cooperation. Following the report on the Baltics in May 2014, future pilot clustered Article IV reports are envisaged to examine policy responses to housing busts in Europe, explore trade and financial linkages between the ASEAN-5 countries (both planned for late 2014) and analyze financial interconnections between Colombia, Central America, Panama and Dominican Republic (early 2015). The 2014

TSR will examine the implications of changes in the international financial architecture for the Fund's mandate and role.

- **Imbalances.** The forthcoming *WEO* will analyze recent experiences with global rebalancing. Efforts to refine the external sector assessment methodology will continue, including extending the External Balance Approach (EBA) to a broader group of countries and adapting the methodology to LICs (when appropriate), and better integrating better the annual *Spillover* and *Pilot External Sector* reports, and staff's vulnerability analyses with other surveillance outputs.
- **Spillovers and spillbacks.** The *2014 TSR* will put forward recommendations to strengthen the depth and analytical rigor of spillover analysis. The *Spillover* report in July, will examine spillovers and spillbacks from asynchronous normalization of monetary policies in advanced economies and from a broad slowdown in emerging economies. Preliminary considerations about the unintended consequences of global financial regulatory reforms will also be provided (see ¶8). Other work will examine spillovers from policies in advanced Europe and the United States on emerging Europe, China-euro area linkages, and financial sector interconnectedness in the Caribbean.
- **International monetary system.** An effective global financial safety net with prudent levels of self-insurance through reserve accumulation is essential for the stability of the international monetary system. In mid-July, staff will engage the Board on additional operational considerations for the assessment of reserve adequacy. The discussion will examine how income levels, capital controls, and commodity-intensive trade affect reserve needs. A new guidance note on international reserves will follow in early 2015. In May 2015, the Board will also discuss a paper on initial considerations for the quinquennial *Review of Valuation of the SDR*.

III. STRENGTHENING THE FUND

11. Governance and resources. Implementing quota and governance reforms, and ensuring adequate resources for crisis prevention and resolution remain absolute priorities for preserving the Fund's relevance and effectiveness.

- **2010 Reforms.** In July, staff will engage the Board on an update of the quota database through 2012 and the implications for calculated quota. In the event that the 2010 Board Reform Amendment and the 14th Quota Review have not become effective by end-year, a Board meeting on alternative options for rebalancing quotas and increasing Fund resources will be scheduled for January 2015. The scheduling of Board meetings on the 15th General Quota Review and revisions to the quota formula will be kept under review, taking into account progress made in ratifying the 2010 reforms.

- **Borrowing agreements.** With the first batch of the 2012 bilateral borrowing agreements approaching the end of their initial two year term, the Board will consider in September 2014 whether, taking into account the Fund's overall liquidity situation and actual and prospective borrowing requirements, these should be extended for one year following consultations with lenders as allowed under the agreements.
- 12. Lending.** The lending framework will be kept under review to ensure that it meets members' needs. As a follow up to the recent meeting on access limits and surcharges under the GRA, staff will come back to the Board in the coming months with specific proposed decisions. A *Guidance Note on Conditionality* will be issued in mid-2014. For LICs, the focus will be on implementing modifications to the current conditionality framework for monetary policy and preparing the biennial review of PRGT eligibility for next spring. Analytical work in train will investigate the impact of concessionality requirements on LIC's borrowing behavior, and assess how IMF-supported programs catalyze donor assistance.
- 13. Capacity building.** Following the April 2014 discussion of the statement of *IMF Policies and Practices on Capacity Development*, staff will submit to the Board a revised statement for approval on a LOT basis. In addition, in response to requests from the Board, staff plans to provide supplementary information on capacity development activities in Fund budget documents, starting with the FY 2014 budget outturn paper scheduled to be issued in late July (*FY 2014 Administrative and Capital Expenses and Output Cost Estimates*).
- 14. Learning.** The Fund's global leadership hinges on the ability to gain insights and draw lessons from policy experiences across the membership. This requires continuous learning through policy and program reviews, ex post evaluations, and close dialogue with all stakeholders.
- **Reviews of surveillance.** The forthcoming *TSR*, will provide recommendations on deepening Fund analysis of risks and spillovers, mainstreaming financial and macro-financial analysis, and leveraging the Fund's cross-country knowledge and multilateral surveillance products in order to bring a more holistic and evenhanded approach to our policy advice. Staff will engage the Board in discussing the initial findings of the *2014 TSR* in July, followed by a formal meeting in September. The *Guidance Note for Surveillance under Article IV Consultations* will be updated in early 2015. Staff will advance the *Review of the Fund's Framework for Addressing Excessive Delays in Article IV Consultations*. To this end, staff will engage the Board informally in November 2014 to discuss the reasons underlying excessive delays and the appropriateness of the current framework for addressing them.
 - **Other reviews.** Lessons from the Fund's engagement during the global financial crisis will be distilled in a follow-up *Crisis Program Review*, scheduled for Board discussion in May 2015. The review will build on some 20 ex-post evaluations. Other reviews will cover the FSAP (in September 2014, see also ¶8), operational engagement with states in

fragile situations (in early 2015), and the work on trade policy (in January 2015). The latter review is a Board-endorsed recommendation by the Independent Evaluation Office (IEO). Analytical work on ACTs will distill lessons from Fund arrangements since the start of the Arab Spring.

- **Independent Evaluation Office.** The Board will discuss the review of *Analysis of Recurrent Findings and Lessons from IEO Evaluations* in June 2014. Carried over from the 2013 Spring WP, the review *Learning from Experience at the IMF: An IEO Assessment of Self-Evaluation Systems* is scheduled for September 2014. A formal Board meeting to discuss the IEO review on *IMF Statistics* is planned for early November 2014.

15. Strengthening internal operations. Remaining responsive to the needs of the membership requires a qualified, flexible, and diverse workforce, and prudent resource management.

- **Human resource management and diversity.** The *Review of Categories of Employment*, which will recommend amendments to the existing employment framework to align it with the Fund's forward-looking corporate workforce planning strategy (discussed in 2013), will be brought to the Board in the coming months, with the date to be determined after the conclusion of the ongoing consultation process. Progress on diversity and inclusion will be discussed in November in the *2014 Diversity and Inclusion Annual Report*. Work is underway to develop new diversity benchmarks.
- **Budget, finances, risk, and audit.** The Board will discuss in August 2014 the *Investment Strategy for the Fixed Income Subaccount of the Investment Account*, to be followed by another meeting in January. A paper on *Implementing the Investment Strategy for the Endowment* will also be discussed in November. A formal meeting on the *2014 Report on Risk Management* is scheduled for mid-July. This meeting will provide an opportunity for Directors to discuss the broader approach for the overall risk management architecture of the Fund. The briefings of the External Audit Committee will be held in July 2014 and February 2015. Finally, several meetings to discuss the FY2016 budget have been scheduled for early 2015.

16. Communications. Building on the informal discussion in February 2014, the *Review of IMF's Communication Strategy* in July 2014 will take stock of implementation of the Fund's communications strategy since 2007 and consider measures to strengthen it.

Figure 2. Spring 2014 GPA Priorities and Key Work Program Deliverables

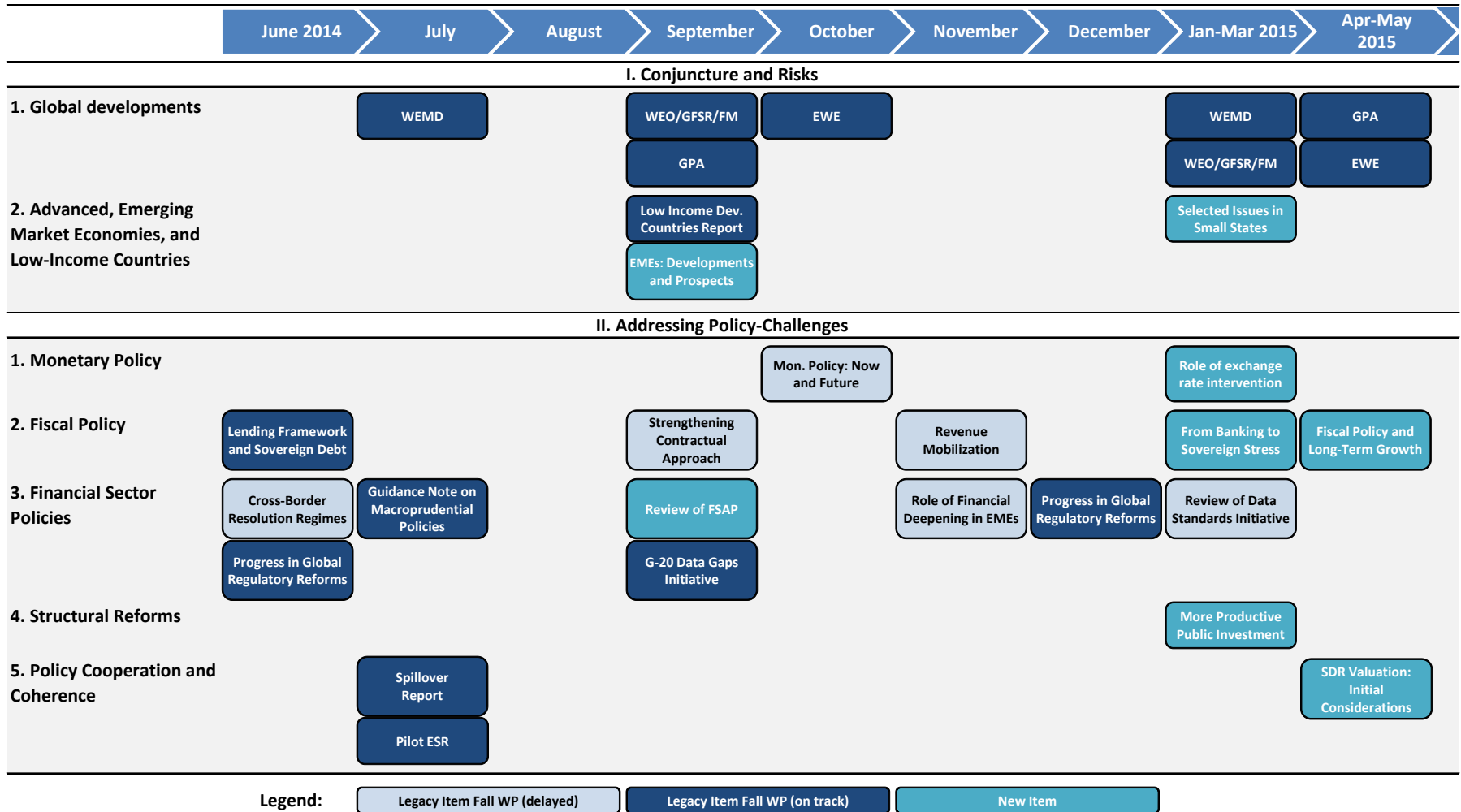


Figure 2. Spring 2014 GPA Priorities and Key Work Program Deliverables (cont.)

