

**Statement by the Managing Director
on the Work Program of the Executive Board
Executive Board Meeting
December 11, 2019**

This Work Program (WP) translates the strategic directions and policy priorities laid out in the Fall 2019 Global Policy Agenda (GPA) Update and the International Monetary and Financial Committee Communiqué into an Executive Board agenda from November 2019 to October 2020, focusing on the next six months. Its main policy priorities and deliverables are as follows:

- **Turn evidence-based analysis into actionable policy recommendations to make economies more resilient and inclusive:** In an environment of *lower-for-longer* interest rates, the Fund will enhance its advice on monetary and macrofinancial policies, including by implementing the ***Management Implementation Plan on the IEO Report on IMF Advice on Unconventional Monetary Policies***, and discuss issues related to ***Central Bank Governance after the Global Financial Crisis*** and ***Distributional Effects of Monetary Policy***. The Board will also consider Staff Discussion Notes (SDNs) on ***Financial Services and Inequality*** and ***Financial Inclusion and Fintech***. Staff will further develop the ***Integrated Policy Framework (IPF)*** to provide a more systemic assessment of an effective policy mix and present this work to the Board in March 2020. Policy options to enhance engagement in fragile and conflict-affected states will be explored in ***Building Capacity in Monetary and Financial Policies*** and ***Measures to Strengthen Fund Engagement in Fragile and Conflict-Affected States***. A briefing on the ***Rising Corporate Market Power*** (SDN) is also scheduled.
- **Contribute to improving the multilateral system and upgrading international cooperation to bring the benefits of integration to all:** The Board will be briefed on ***Developments in Global Trade Policy*** and discuss ***Digital Currencies—Prospects and Cross-Border Implications***. ***A Stock-take on the Fund’s Work on Illicit Financial Flows*** will showcase related workstreams and identify gaps to be addressed. Efforts to advance work on climate change will continue, including through analysis of the pricing of climate change risk in the ***Global Financial Stability Report (GFSR)*** and more systematically integrating climate change into surveillance.
- **Modernize the Fund’s policy toolkits to meet the challenges of a fast-changing world:** The ***Comprehensive Surveillance Review (CSR)*** and the ***Financial Sector Assessment Program (FSAP) Review*** are engaging the Board on how to adapt surveillance to the challenges of the next decades. ***Systemic Risk Assessments and Macprudential Policy Advice in Article IV Staff Reports*** will further strengthen systemic risk assessments and the integration of the Fund’s Macprudential Policy Framework in surveillance. The ***Review of Debt Sustainability Framework for Market Access Countries*** and the ***Review of the Debt Limits Policy*** will make proposals to the Board to improve debt policies.
- **Safeguard the Fund’s financial strength and undertake an ambitious internal modernization agenda:** The Board will consider the ***Fifteenth and Sixteenth General Reviews of Quotas—Draft Report of the Executive Board to the Board of Governors*** and engage on

Fund resources to maintain the current envelope. The Board discussed the ***Diversity and Inclusion Report*** and the ***Comprehensive Compensation and Benefits Review*** and was briefed on the ***Implementation of HR Strategy and 1HR***. An ***Update on the Institutional Modernization Projects and on Change Management*** is also scheduled.

I. Key Priorities of the Fall 2019 Work Program

Multilateral Surveillance

Support policy makers in resolving cross-border trade tensions, mitigating risks, and securing sustainable and inclusive growth

Global outlook

The flagship reports will be jointly discussed ahead of the Spring and the Annual Meetings. The Spring 2020 ***World Economic Outlook (WEO)*** will analyze capital flows in emerging markets and policies to counter the next downturn in advanced economies, as well as the determinants and effects of international migration. The Spring ***GFSR*** will examine how challenges from climate change are priced into financial assets (Box 1). The ***Fiscal Monitor (FM)*** will feature cross-country analysis on the role, economic importance, and fiscal impact of state-owned enterprises. The ***2020 External Sector Report (ESR)*** (July 2020) will continue to provide a multilaterally-consistent assessment of the largest economies' external positions, while ***External Sector Assessments for non-ESR countries*** (February 2020) will expand the analysis to non-ESR countries. Briefings on ***Global Financial Markets Developments*** are planned for November 2019 and May 2020.

Economic outlooks and reports

Regional Economic Briefings will provide further in-depth analyses and policy recommendations by region. Following the report on ***Macroeconomic Developments and Prospects in Low-Income Developing Countries (LIDCs)*** in November, the Board will discuss the ***Evolution of Public Debt Vulnerabilities in Lower Income Countries*** (January 2020), including the implications of the changing creditor landscape and the increasing complexity of debt instruments. On macro risk work, the Board will be engaged on the ***Early Warning Exercise*** in April and October 2020.

Box 1. Climate Change

Building on previous analytical work on climate change, including its impact on fiscal accounts and on financial stability, the Fund is deepening its analysis and further integrating the implications of climate change into its core operations:

- Analytical work on climate change mitigation and adaptation has advanced on multiple fronts. For instance, the Board paper on ***Fiscal policies for Paris Climate Strategies*** provided country-level guidance on the role and design of fiscal policies for mitigation strategies, while ***Building Resilience in Developing Countries Vulnerable to Large Natural Disasters*** proposed a framework for developing comprehensive, multi-pronged disaster resilience strategies.
- Flagships are embedding climate change issues into multilateral surveillance. The Fall 2019 ***FM*** focused on the design of fiscal policies including carbon taxes and emission trading systems for climate mitigation at the domestic and international levels. The Fall

2019 **GFSR** covered climate issues in a chapter on sustainable finance, calling for developing standards, fostering disclosure and transparency, and promoting integration of sustainability considerations into investments and business decisions. The Spring 2020 **GFSR** will study how climate change risks are priced into financial assets, and an analysis on the macroeconomic implications of climate mitigation policies is planned for Fall 2020 or Spring 2021 **WEO**.

- The **CSR** features climate change as one of the salient trends that will impact growth and economic and financial stability. The 2020 **FSAP Review** is also looking into improvements in the coverage of climate risks to financial stability, including through strengthening climate-related stress tests.
- Work is ongoing on a how-to note on integrating climate change systematically into IMF surveillance within the Fund's surveillance mandate. Staff will review *Climate Change Policy Assessments* (jointly conducted with the WB) to take stock and draw lessons from their application in pilot countries. Staff is also looking into the social impact of fuel subsidies and the potential productivity gains from large-scale green investments in advanced economies.

Turn evidence-based analysis into actionable recommendations for policymakers to make economies more resilient and inclusive

Major workstreams will further enhance the Fund's leading role in monetary, financial, and macrofinancial research (Box 2). The **IPF** (March and June 2020) will provide a more systematic assessment of an effective policy mix of monetary, exchange rate, macroprudential and capital flow management policies to help countries pursue growth and stability objectives. The **Management Implementation Plan on the IEO Report on IMF Advice on Unconventional Monetary Policies** (January 2020) will present the Fund's work streams to deepen its expertise on monetary policy issues and address the challenges rising from unconventional monetary policies, including low or negative interest rates. A briefing on the **Impact of Low or Negative Interest Rates** (July 2020) will assess the impacts of negative interest rates through modeling work and empirical analysis. The Board paper **Central Bank Governance After the Global Financial Crisis: In Search of Emerging Good Practices** (June 2020) will focus on the expanded mandates of the central banks and consider their implications on governance arrangements and operations. A briefing on the **Distributional Effects of Monetary Policy** (May 2020) will study the distributional implications of central banks' monetary easing for advanced economies and emerging and developing economies, and outline policy implications. SDNs on **Financial Services and Inequality** (January 2020) and **Financial Inclusion and Fintech** (February 2020) will contribute to better understanding the interplay between developments in financial services, inequality and inclusion. The SDN **Exchange Rates and External Adjustment: The Role of Dominant Currencies** (March 2020) will explore how dominant currencies in trade invoicing and finance can alter the effect of exchange rates on trade flows. Another SDN will analyze **Cyber-Security Risk and Financial Stability** (May 2020).

Development of analytical perspectives on other issues is also envisaged. The SDN **Women in the Labor Force: The Role of Fiscal Policies** (February 2020) will analyze the impact of fiscal policy interventions on gender inequality. The SDN on **Rising Corporate Market Power:**

Emerging Policy Issues (March 2020) will build on April 2019 WEO chapter, to explore additional evidence of increased corporate market power and discuss policy implications. On Fund policy, **Assessing Country Vulnerability at the Fund** (December 2019) briefed on the methodology of risk assessment.

Box 2. The Fund's Work on Negative Interest Rates and "Lower-for-Longer"

The environment of very low, and in some cases, negative interest rates is posing significant challenges for policymakers, including questions over the extent to which interest rates can be cut further, and the prolonged period of low interest rates and its unintended consequences, such as search for yield, buildup of leverage, spillovers and distributional consequences. These challenges are inviting questions as to whether policymakers are sufficiently equipped to deal with the potential macro-financial stability risks.

Several studies have attempted to identify the underpinnings of the unusually low level of real interest rates. Demographics, low productivity, scarring from the global financial crisis, higher savings from emerging markets, and an outward shift in demand for safe assets are the most-cited causes, although there is no consensus on the precise weight of each factor. The hypothesis of a chronic lack of demand, or secular stagnation, has also gained traction in recent years as a motivating factor for structurally low interest rates. Developing a fuller understanding of these causes will be crucial for policymakers grappling to return to an environment where interest rates are sustainably and structurally higher than at the current juncture.

The Fund has produced an extensive body of work in these areas. A [policy paper](#) in 2013 surveyed the experience and prospects for unconventional monetary policy. The April 2014 **WEO** included an analysis of real interest rates, which concluded that there is a major common, global component to movements in domestic real interest rates. A 2017 [paper](#) looked at the experience of negative interest rates and assessed their usefulness. A clarification [note](#) on the statistical treatment of negative interest rates was also issued in 2017. Most recently, the Fall 2019 **GFSR** emphasized the medium-term risks to growth and stability due to accommodative conditions and the *lower-for-longer* interest rate environment.

Going forward, the Fund intends to remain at the forefront on this topic, including by addressing the IEO's recommendations through the **Management Implementation Plan on the IEO Report on IMF Advice on Unconventional Monetary Policies**. This includes work on the macroeconomic policy mix under *lower-for-longer* interest rates; financial stability risks; spillovers; and potential distributional effects. Most pertinently, a new Monetary Policy Modeling Unit is tasked with strengthening the Fund's surveillance and policy research on the topic of low interest rates in the current conjuncture.

Against this backdrop, the WP features a number of workstreams examining the implications of *lower-for-longer* rates. On macroeconomic policies, the Spring 2020 **WEO** will feature two chapters analyzing policy challenges in an environment of limited policy space for both advanced economies and emerging markets. On financial stability, the Spring 2020 **GFSR** will further analyze the channels through which low/negative rates impact banks. Building on these discussions, a briefing on the **Impact of Low or Negative Interest Rates** will provide a broader and more extensive stock taking of the empirical evidence so far, new insights, and lessons

Box 2. The Fund’s Work on Negative Interest Rates and “Lower-for-Longer” (concluded)

learned. A stock-taking paper on negative interest rates will also be prepared by Fall 2020. Regarding spillovers, the Fall 2020 *GFSR* will analyze the financial spillovers from unconventional monetary policy. The rise in leverage in recipient countries and their policy options will be examined in the ongoing *IPF* agenda. A briefing on the *Distributional Effects of Monetary Policy* will also be presented to the Board in Spring 2020, followed by a paper.

Beyond tools to deal with low interest rates, policymakers also need support on durably exiting from the *lower-for-longer* environment. Here, the Fund’s work has focused on policies to raise productivity and potential growth (see for example, the Fall 2019 *WEO*). Such work will continue through bilateral and multilateral surveillance to support policymakers with a better understanding of the key ingredients of a comprehensive policy package that takes into account the interaction of monetary policy with fiscal and structural policies, to help restore growth potential.

Global Solutions

Contribute to improving the multilateral system and upgrading international frameworks and cooperation to bring the benefits of integration to all

International trade and public goods

As in the November briefing on *Developments in Global Trade Policy*, staff will brief the Board on *Trade Developments* in May 2020. Building on the Bali Fintech Agenda, the Fund will continue its work on fintech (Box 3), including the Board Paper on *Digital Currencies—Prospects and Cross-Border Implications* (July 2020). *Measuring Economic Welfare in the Digital Age* (March 2020) will explore indicators of economic welfare beyond GDP and suggest measures to capture welfare growth in the digital economy. *Measuring the Informal Economy* (August 2020) will present definitions, scope and compilation practices to estimate the size of the informal economy. *A Stock-take on the Fund’s Work on Illicit Financial Flows* (September 2020) will showcase the Fund’s wide-ranging work related to illicit financial flows and identify gaps to be addressed. The Board will also be briefed on *Update on Trends in Correspondent Banking Relationships* in March 2020.

Box 3. The Fund’s Work on Fintech

Building on the Bali Fintech Agenda, the Fund is pursuing a multi-faceted strategy to meet increasing demands from the membership to engage in fintech issues through analytical work, surveillance, capacity development (CD), and global dialogue. The related WP will continue to be adapted as needed.

- *Analytical work* has advanced on digital currencies, data protection, legal and regulatory frameworks, and financial inclusion. The Board paper on *Digital Currencies—Prospects and Cross-Border Implications* will examine the implications of the rise of digital currencies for cross-border payments and the associated impact on the stability of the international monetary system. The SDN on *Financial Inclusion and Fintech* will focus on the impact on financial inclusion, while the one on *Cyber-Security and Financial Stability*

Box 3. The Fund's Work on Fintech (concluded)

will stock-take the threats arising from cyber risks and assess approaches to managing cybersecurity. A new IMF series on [Fintech Notes](#) will provide insights on the pressing topics in the digital economy based on staff research.

- *Surveillance and CD* will continue to deepen the coverage of fintech issues. Discussions on fintech have taken place in a growing number of Article IV consultations and a pilot exercise to incorporate fintech issues within the FSAP framework has been completed (Singapore FSAP Technical Note). Staff is integrating financial and macro-financial issues, including fintech, into surveillance through the **CSR** and **FSAP Review**. Fintech is also targeted as an area for increased coverage in CD.
- The Fund continues to serve as a platform for global dialogue, collaboration and knowledge sharing. It will continue to foster peer-to-peer learning and collaborate with standard-setting bodies, including by organizing high-level seminars, supporting international fora, and participating in various working groups.

Support to international fora

On debt issues, the Fund will continue its close collaboration with the World Bank (WB), and the Board will receive the joint **G-20 Note on Public Sector Definition and Debt Data Coverage** and a briefing on the joint **G-20 Note on Collateralized Sovereign Lending** in January 2020. In May 2020, the Board will be briefed on the **G-20 Note on Sovereign Debt Resolution**, which will review how the shifting debt landscape is affecting the resolution of debt crises and identify gaps in the contractual framework for sovereign debt resolution. The **G-20 Note on Macro Implications of Stablecoins for Monetary Sovereignty** (July 2020) will examine the roles of public and private digital currencies and their cross-border macro implications. The Fund will also work with the WB on a joint **G-20 Note on the Developments in Local Currency Bond Markets in Emerging Markets** (January 2020). The **G-20 Note on Access to Opportunities** (May 2020) will study the ex-ante drivers of inequality and their links to social mobility and economic growth, and identify policies to close gaps in the access to opportunities across gender, skill, age, etc. As in the past, the regular **G-20 Report on Strong, Sustainable, Balanced, and Inclusive Growth** (October 2020), **G-20 Surveillance Notes** (February and July 2020), and the **G-20 Data Gaps Initiative (DGI-2) Progress Report—Countdown to 2021** (September 2020) will be shared with the Board.

Financial regulation and Development issues

The Board paper **Adapting National Prudential Approaches to the International Reform Agenda: Lessons from Experience** (May 2020) will analyze key considerations in enhancing and adapting banking system prudential and supervisory frameworks and will draw lessons from technical assistance missions and FSAPs. Following a briefing on the **Update on Implementation of Measures to Strengthen Fund Engagement in Fragile and Conflict-Affected States** in November, the Board will discuss **Building Capacity in Monetary and Financial Policies in Fragile and Conflict-Affected States** (June 2020) on the design and implementation of central banking and financial system reforms. The Board will also be briefed on **Revenue Mobilization in Developing Countries** (February 2020) and the **Work of the Platform for Collaboration on**

Tax—An Update (March 2020), focusing on tax administration and policy issues in selected developing countries.

Fund Policies

Modernize Fund policy toolkits to meet the challenges of a fast-changing world

Surveillance policies

Building on the briefings on traction and survey results (November 2019), and the discussion on the **Comprehensive Surveillance Review—Mid-point Note** (December 2019), the Board will discuss concrete proposals in April on the **2020 Comprehensive Surveillance Review** and the **2020 Financial Sector Assessment Program Review** (jointly with the WB). Based on the priorities set by the CSR, the **Review of Data Provision to the Fund for Surveillance Purposes and Article VIII, Section 5 Issues** (November 2020) will determine and operationalize the data and statistical needs for surveillance. The Board will also discuss the **Review of the Framework for Excessive Delays in Completion of Article IV Consultations and Mandatory Financial Stability Assessments** (December 2020).

The Board will complete the **Review of the Fund's Policy on Multiple Currency Practices—Proposals for Reform** (February 2020) and will discuss **The Central Bank Transparency Code** (April 2020), following two informal sessions (November 2019 and February 2020). The Board will also be briefed on the **Update on the Implementation of the Framework for Enhanced Fund Engagement on Governance** (March 2020). The **Systemic Risk Assessments and Macprudential Policy Advice in Article IV Staff Reports: Operational Challenges** (April and July 2020) will review the assessment of systemic risk and macroprudential policy advice in recent Article IV reports, identify operational challenges, and discuss possible avenues to overcome them. The Board will also receive the **2019 Annual Report on Delayed Article IV Consultations and Mandatory Financial Stability Assessments, and Outstanding Article XIV Consultations** (February 2020).

Lending policies

As major reviews on the Fund's lending toolkits have been completed, staff is working on preparing guidance notes, which will be shared with the Board in due course. Meanwhile, the review of **Eligibility to Use the Fund's Facilities for Concessional Financing** (February 2020) aims at refining the methodology for assessing market access, including the appropriate use of data sources; clarifying the criterion for serious short-term vulnerabilities; and discussing a select number of other issues. The **Policy Safeguards for PRGT-eligible Countries Seeking High Levels of Access to Fund Resources** (February and May 2020) will engage the Board on safeguard policy for cases where PRGT countries are seeking high levels of access. **Misreporting Policies—Selected Issues** (August 2020) will review implementation aspects of the Fund's misreporting policies, while the **Safeguard Assessments—Review of Experience** (October 2020) will look into the experience with the safeguards policy. The Board will also receive an **Update on the Financing of the Fund's Concessional Assistance and Debt Relief to Low-Income Member Countries** (October 2020) and be engaged on the **Review of the Catastrophe Containment and Relief Trust (CCRT)** in September 2020. Staff is undertaking comprehensive analysis of monetary policy conditionality and design in IMF programs, which will be considered by the Board in due time.

Debt policies

Two major reviews on the Fund's debt policies will be completed in 2020. The Board will be engaged on the **Review of Debt Sustainability Framework for Market Access Countries** in February 2020, followed by a formal meeting in May to discuss staff recommendations. The Board will also be engaged on the **Review of the Debt Limits Policy** (January 2020), followed by a formal meeting in May to review the implementation of the debt limits policy since its June 2015 introduction. Finally, the Board will be briefed on **Update on the Joint WB-IMF Multipronged Approach for Addressing Emerging Debt Vulnerabilities** (May 2020).

Capacity development

In line with the Fund's CD strategy, staff will continue efforts to increase the effectiveness of CD by better integrating it with surveillance and lending operations. The **Implementation of Capacity Development Priorities** (February 2020) will engage Directors on the Fund's CD delivery against priorities and progress in integration with surveillance and lending. The Board will also be briefed on area departments' CD strategies in the **Capacity Building in the Middle East and Central Asia** (February 2020) and in the context of other departments' regional briefings.

Fund Finances and Governance

Safeguard the Fund's financial strength and provide assurances of further governance reform

Quota and Voice

To maintain a strong, quota-based, and adequately resourced Fund at the center of the global financial safety net, the Fund will work to secure the package agreed by the membership during the 2019 Annual Meetings to maintain the current level of Fund resources (see Fund finances), provide assurance on further governance reform under the 16th General Review of Quotas, and complete 15th General Review of Quotas. To this end, the Board will consider the **Fifteenth and Sixteenth General Reviews of Quotas—Draft Report of the Executive Board to the Board of Governors** in January 2020.

Fund finances

The Board will be engaged on the resource component of the agreed package to maintain the current level of Fund resources. This will entail consideration of a doubling of the New Arrangements to Borrow with the **Proposed Decision to Modify the New Arrangements to Borrow and to Extend the Deadline for a Review of the Borrowing Guidelines** (January 2020) and **Maintaining Access to Bilateral Borrowing and Review of the Borrowing Guidelines** (March 2020). The Board will also discuss the **Review of the Adequacy of the Fund's Precautionary Balances** (February 2020), as well as the **Review of the Fund's Income Position for FY2020 and FY2021-2022** (April 2020). In August 2020, the Board will be briefed on **The Annual Report of the Investment Account and Trust Accounts for FY2020**.

IEO

Staff is working with the IEO to strengthen the Fund's learning culture. The **Periodic Monitoring Report** will be discussed in January 2020, along with the **Categorization of Open Actions in Management Implementation Plans** based on the framework endorsed by the Board last March. Following the IEO evaluation report last June, the **Management Implementation Plan on the IEO Report on IMF Advice on Unconventional Monetary Policies** will be discussed in January 2020. The Board will also discuss the **IEO evaluation on Working with Partners: IMF Collaboration with the World Bank on Macro-Structural Issues** (March 2020) and the **IEO Evaluation—The IMF Advice on Capital Flows** (July 2020).

Internal Support

Undertake an ambitious internal modernization agenda to enhance its efficiency and continue delivering quality services to its members

Human Resources

Building on the October briefing, the Board discussed the ***Diversity and Inclusion Report*** (December 2019), to be followed-up by a Board engagement on the ***2025 Diversity and Inclusion Benchmarks*** (August 2020). The formal discussion on the ***Comprehensive Compensation and Benefits Review (CCBR)*** took place in December. The implementation of the HR Strategy is underway with the launch of the enhanced performance management, as well as key pillars on leadership and change, and succession management. A sequenced rollout of other strategy initiatives, including on career paths, mobility, and a talent inventory will take place throughout the year. The Board was briefed on the ***Implementation of HR Strategy and 1HR*** (November 2019), which will be followed by the ***2020 Review of Staff Compensation; Staff Recruitment and Retention Experience in CY2019*** (April 2020).

Internal operations

Board briefings on the Big 5 projects¹ will continue, and additional meetings will be added as the work on cost-benefit analyses is completed. The Board will receive the ***Periodic Report on Big 5 Modernization Projects*** in January and will be briefed in February on the ***Update on the Institutional Modernization Projects and on Change Management***. The Board will be briefed on the ***FY2021-FY2023 Medium-Term Budget*** (January 2020) and engaged on the preliminary proposals in February ahead of the formal meeting in April. The Board will also be briefed on ***Budget Trends and Initiatives*** (September 2020), as well as ***Corporate Services and Facilities: Overview of Activities and Initiatives***. (February 2020). Briefings on the ***Update on the IMF Communications Strategy*** (January 2020), ***Integrated Digital Workplace—Cost Benefit Analysis*** and ***Knowledge Management*** (both in May 2020) are also scheduled.

¹ These are: (i) transformation of the HR system and operating model (1HR); (ii) reformed Capacity Development Management and Administration Processes (CDMAP); (iii) a next generation economic data platform (iDATA); (iv) development of an Integrated Digital Workplace (IDW); and (v) enhanced Knowledge Management (KM).