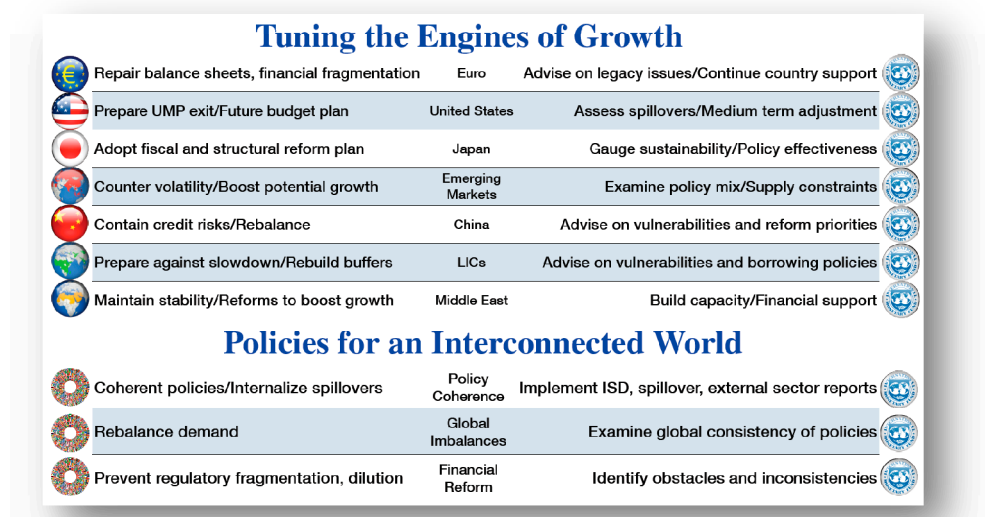


**Statement by the Managing Director
on the Work Program of the Executive Board
Executive Board Meeting
November 25, 2013**

1. **Managing multiple transitions.** The Global Policy Agenda (GPA) presented to the IMFC in October identified a range of actions needed to break the cycle of subdued growth and recurrent market jitters that has characterized the global recovery so far. These actions included strengthening policy implementation and carefully managing a series of transitions already under way, including the normalization of global financial conditions, with its associated policy spillovers; a shift in growth dynamics, with a rising contribution from advanced countries and lower underlying growth in emerging market economies (EMEs), and a rebalancing of global demand; and the completion of global financial system reform to promote greater stability. The GPA also outlined the policy priorities for the membership and the focus of the Fund's activities going forward (Figure 1).

Figure 1. Summary of Policy Priorities Going Forward



2. **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 six to twelve months.

I. TUNING THE ENGINES OF GROWTH

3. **More policy ambition.** The global recovery has been uneven and more subdued than hoped. Moving from stabilization to strong, sustainable, balanced, and inclusive growth remains a work in progress and requires more ambitious policy implementation. The Fund will assist its members in delivering on this task, including through assessments and policy advice provided in the context of bilateral and multilateral surveillance, as well as capacity building and financial support.

- **Global developments.** The global conjuncture and risks will be discussed in a joint Board session of the *WEO*, *GFSR*, and *Fiscal Monitor* ahead of the Spring Meetings in March 2014, following a *WEMD Update* in January. In the run-up to the Spring Meetings, the Board will also have the opportunity to discuss the *Early Warning Exercise (EWE)*, while the *Managing Director's Global Policy Agenda* will review policy implementation by the membership and provide directions for the period ahead. Area departments will continue to brief the Executive Board regularly on regional developments.
- **Advanced economies.** The Fund's analysis and policy advice will focus on the appropriate macroeconomic policy mix to support the recovery, including the sequencing and impact of the eventual normalization of unconventional monetary policy (UMP) while considering spillovers to the rest of the world. A sustained return to growth will also require growth-friendly fiscal consolidation anchored by medium-term plans, together with steadfast progress on fiscal, financial and structural reforms. Staff will continue to assess risks from common shocks for interconnected countries, including through clustered Article IV reports and strengthened analysis of spillovers that will be undertaken on a continuous basis throughout the year (see ¶6). Looking beyond the immediate policy priorities, in the fall of 2014 the umbrella paper *Monetary Policy: Its Role Now and in the Future* will discuss principles and architecture issues for the future conduct of monetary policy. The Fund will also continue to provide advice and technical assistance to help address legacy issues from the global crisis, including high deficits and debt, and discuss—in collaboration with other institutions—tailored structural reforms to raise competitiveness and stimulate job creation and labor force participation.
- **Emerging market economies.** Policymakers in EMEs are facing challenging trade-offs and have to respond proactively and flexibly to ensure soft landings of their economies, while creating conditions for continued high and more inclusive growth going forward. The Fund will assist members in strengthening their resilience to spillovers during the global transition to more normal financial conditions. Recent episodes of heightened market pressure and volatility have led to renewed questions

on how EMEs should manage the risks and implications of sudden large swings in capital flows. Staff will review recent country experiences and reflect further on appropriate policy responses, both with regard to the calibration of monetary, exchange rate, and other policies, as well as the broader design of policy frameworks, taking into account country characteristics and the nature and direction of capital flows. As this work advances, staff will engage the Executive Board. Related to this forthcoming work, the role and use of reserves as external buffer will be discussed by the Board in December (see ¶9). In addition, in the second half of next year, the paper *Enhancing Resilience and Supporting Growth in Emerging Markets: Role of Financial Deepening* will examine the need and scope for increased financial sector deepening in EMEs to help countries better manage volatility and bolster their growth prospects. This paper will follow ongoing work by the Asia and Pacific, and Monetary and Capital Markets departments on the future of Asia's finance. Analytical work is also planned to further examine the trajectory of potential growth and identify productivity-enhancing structural reforms in EMEs.

- ***Low-income countries (LICs).*** The main challenge for LICs is to take advantage of solid growth to strengthen buffers against shocks and advance policies to sustain more inclusive growth over the longer term. The Fund will continue to strengthen the analytical underpinnings of its policy advice; maintain a strong focus on delivering capacity building; and assist members through the reformed LIC lending framework. Staff will report to the Board on a set of cross-cutting issues, including the evolution of vulnerabilities in LICs and relevant subgroups, and divergent trends in growth rates across the LIC grouping, either via a set of papers or a unified report, well in advance of the 2014 Annual Meetings. The Board will also discuss papers on strengthening fiscal policy frameworks (see ¶4) and the importance of structural diversification and transformation to boost long-term growth prospects (see ¶5).
- ***Small states.*** The priority for small states is to improve growth performance and build greater resilience to shocks. Staff engagement with small states will continue to support these goals through capacity building and policy advice, drawing on a guidance note that takes into account feedback from the authorities and is expected to be issued in December.
- ***Fragile states.*** Fund instruments and facilities are in place for about a dozen low-income members in fragile situations. Staff will continue to draw on the 2012 guidance note to ensure early engagement and flexible use of the Fund's tools to help restore economic stability, strengthen policy implementation, and catalyze needed resources. The effectiveness of Fund engagement will be assessed for a sub-group of countries as an input into a broader review of the Fund's work with fragile states tentatively envisaged for late-2014.

- ***Arab countries in transition (ACTs).*** ACTs face an environment of heightened socio-political tensions, regional insecurity, and strained public finances. This makes it more difficult to maintain macroeconomic stability while delivering on expectations of job creation and higher growth. The Fund will remain closely engaged with the ACTs and assist them in their economic transformations with policy advice, financing, and scaled up capacity building activities. Priorities include strengthening institutions and exploring, with other external partners, avenues to mobilize additional financing in support of continued reform efforts in ACTs. In the run-up to a major conference in May 2014, staff will brief the Board on its engagement with MENA countries and the importance and challenges of enacting structural reforms in the region.

II. CROSS-CUTTING POLICY CHALLENGES

4. **Addressing fiscal fragility.** High deficits and debt, in some cases as a legacy of the global financial crisis, remain a matter of concern in many countries. The Fund will continue to assist members in strengthening their fiscal policy frameworks to reduce vulnerabilities and address sustainability risks.
- ***Debt sustainability.*** Following recent work on debt sustainability in LICs, a guidance note on the application of the joint Bank-Fund debt sustainability framework for LICs will be issued to the Board in November 2013. In addition, as a follow-up to an initial discussion earlier this year, staff will also present the Board with possible operational reforms to the Fund's debt limits policy in two meetings in January and in March 2014. An *Update of the IMF-WB Guidelines for Public Debt Management* is scheduled for issuance in March 2014.
 - ***Debt restructuring.*** Based on a review earlier this year of the recent application of the Fund's policies and practices on sovereign debt restructuring, the Board asked staff to follow up on a number of issues highlighted in the review. Accordingly, the Board will discuss in June 2014 possible policy reforms needed to strengthen the existing framework and explore the implications of possible changes to the contractual approach to address collective action problems for the Fund's policy framework. Following this Board discussion, staff will propose a plan for next steps in this area.
 - ***Fiscal policy and institutions.*** The Board will be briefed on a number of relevant policy topics to help enhance fiscal and social outcomes across the membership. In January, the Board will discuss the connection between *Fiscal Policy and Equity*, followed by a meeting in September on *Current Challenges in Revenue Mobilization in Developing Countries*. A paper on *Budget Institutions in G-20 Countries: Status Report* will be issued in January 2014. A *Revised Code of Good Practices on Fiscal Transparency* will be issued in April 2014 together with a revised *Manual on Fiscal Transparency*.

5. **Growth, jobs, and structural impediments.** Generating growth and creating more and better jobs remain major concerns for most member countries. The work program includes a number of items that will examine how structural reforms can support these objectives, such as the paper *Sustaining Long-Run Growth and Macro Stability in LICs: The Role of Structural Transformation and Diversification* scheduled for March 2014 (see also ¶3). Structural reforms will also be covered in a background paper for the 2014 *Triennial Surveillance Review* (see also ¶6). Outreach activities are planned to disseminate the recently published guidance note on jobs and growth. Analytical work is also planned to further examine the linkages between sustained growth and income equality; the effects and trade-offs of redistributive policies on growth, and on issues related to informality.

III. POLICIES FOR AN INTERCONNECTED WORLD

6. **Policy coherence, spillovers and imbalances.** In today's increasingly interconnected world, the Fund offers a unique forum for multilateral policy dialogue and information sharing. As such, the Fund can help members prepare for the challenges of the ongoing global transitions, and facilitate concerted action and international cooperation on matters such as policy spillovers and global imbalances.

- **Multilateral surveillance.** Through implementation of the *Integrated Surveillance Decision*, the *Spillover Report* and the pilot *External Sector Report*, the Fund will continue to analyze the multilateral consistency of policies. Efforts are underway to better integrate the annual *Spillover* and pilot *External Sector* reports with the various strands of surveillance work, including by further strengthening and disseminating spillover and other multilateral analysis in Article IV consultations.
- **Triennial Surveillance Review (TSR).** The forthcoming *TSR* will seek to further strengthen the effectiveness and traction of Fund surveillance. It will assess the effective implementation of the integrated surveillance framework and other recent surveillance reforms, as well as the focus, consistency and evenhandedness of the Fund's policy advice. The Board will be briefed on preliminary findings in July 2014, ahead of the formal meeting on the *TSR* in September.
- **Data gaps.** The global financial crisis brought to the fore the importance of addressing data deficiencies to identify and mitigate risks. The *Ninth Review of the Fund's Data Standards Initiatives* will take place in mid-February 2014 and offer an opportunity to discuss progress in the SDDS Plus implementation. The fifth progress report in closing data and information gaps since the financial crisis under the G-20 Data Gaps Initiative will be provided to the Board in September 2014.

7. **Global financial system stability.** The Fund's analysis and advice will continue to support the effective implementation of the global financial system reform agenda and—in line with the Financial Surveillance Strategy—monitor and identify risks to financial stability.

The Fund will also continue to strengthen the analysis of macrofinancial linkages in bilateral surveillance and reinforce technical assistance and training in financial sector oversight.

- **Regulatory reform.** Staff will continue to assess the unintended consequences of the global regulatory reform agenda for financial market stability, especially on emerging economies and LICs, and assess and analyze the risk of dilution and inconsistencies across jurisdictions in collaboration with the Financial Stability Board (FSB). The staff will also conduct diagnostic work on potential implications on certain economic and financial activities (such as infrastructure financing and market making) during the transition to safer financial regulation. Depending on the findings, follow-up work on appropriate policy responses will be considered. Semi-annual Board briefings on the state of the global regulatory reform agenda, including potential implications, are planned for December 2013 and June 2014. In May 2014, the Board will also be briefed on *Cross-Border Resolution Regimes*.
 - **Financial stability.** In December, the Board will review the September 2010 decision requiring mandatory FSAPs and, in this context, the list of systemically important financial jurisdictions will be updated. Following the recent Board discussions on macroprudential policies, issuance of a guidance note on the subject is envisaged by end-June 2014. A paper informing about revisions to the core and encouraged list of financial soundness indicators will be issued in November. Finally, the *Report on Developments in the AML/CFT Program, the New Assessment Methodology, and the Implications Going Forward*, scheduled for mid-March 2014, will update the Board on these issues.
8. **International taxation.** Differences in national tax policies create opportunities for avoidance and evasion that can lead to economic dislocations and a level of taxation that is lower than countries would otherwise prefer. In May 2014, the Board will discuss *Spillovers and International Taxation*, which describes current international income tax rules and practices, assesses their macroeconomic importance, and explores possible policy responses.
9. **Lending and the global financial safety net.** Well-designed programs and adequate financial backstops remain critical for effective crisis prevention and response. Staff will continue to work on strengthening the Fund's lending framework, including from a perspective of reducing stigma and dealing with large swings in capital flows and potential crises, and reflect on broader architectural issues.
- **Well-designed programs.** Work will continue to enhance the modalities of Fund-supported programs. A review of the performance and relevance of the Flexible Credit Line, the Precautionary Liquidity Line, and the Rapid Financing Instrument (FCL/PLL/RFI) will be discussed in February 2014, covering a range of operational issues including how to support timely exit from these instruments. The Board will also discuss related papers dealing with the assessment of reserves adequacy (see

below) and the *Review of Access Policy and Surcharges*. A guidance note on conditionality will be issued in mid-2014. For LICs, a paper on *Modernizing Monetary Policy Conditionality in Low-Income Countries* in January 2014 will discuss possible modifications to the current conditionality framework to account for the transition to more flexible monetary policy frameworks.

- **International monetary system (IMS).** Enhancing the analytical underpinnings of the IMS remains key to its resilience. In December, staff will take stock of the performance of the IMF reserves adequacy metrics. An expanded guidance note on international reserves issues will be issued by April 2014, extending the analytical work on reserves adequacy indicators for EMEs and LICs, and developing guidelines on external buffers in advanced and dollarized countries, in line with Board-endorsed recommendations by the Independent Evaluation Office (IEO). In addition, before the Spring Meetings, in *Liquidity—Issues for Multilateral Surveillance*, staff will illustrate new avenues of empirical research on global liquidity to enrich IMF surveillance.

IV. STRENGTHENING THE FUND

10. **Governance.** Quota and governance reform is essential to the Fund's legitimacy and effectiveness. Ratification of the 2010 reforms remains the highest priority and management will continue to keep the Board informed about progress in securing the necessary consents. With regard to the 15th Quota Review, the membership has reiterated its commitment to complete the review by end-January 2014. The scheduling of Board meetings on the 15th Review will be kept under close review taking account of progress on the ratification of the 2010 reforms.

11. **Long-term strategy.** Staff will consolidate the work on long-term trends and strategy—including feedback from internal and external stakeholders—and consider ways to integrate long-term thinking into the Fund's policies and operations. The Executive Board will be briefed as work progresses in a format to be determined.

12. **Capacity building.** Following the recent paper on the Fund's capacity development strategy, the Board will discuss in April and consider approving in June a *Policy Statement on IMF Capacity Development* to enhance the effectiveness, delivery and outreach of capacity development. This statement will replace the 2001 *Policy Statement on IMF Technical Assistance*.

13. **Communications.** The *Review of the IMF's Communication Strategy* in February 2014 will take stock of implementation of communication objectives discussed by the Board in 2007 and engage the Board on possible measures to further strengthen the effectiveness of IMF communications.

14. **Internal operations.** The demands on staff remain high and are not likely to abate in the near future given the still challenging global economic environment. This places strong demands on Fund staff, which need to be carefully managed. A number of Board meetings that are being carried over from the Spring WP have been delayed, postponed, or dropped in light of competing work pressures.

- **Human resource management and diversity.** Strengthening our focus on people management will continue to be important to our work. Following up on consultations with Executive Directors and staff, inter alia through the 2013 *Corporate Workforce Planning* paper, the *Staff Survey*, and a series of “World Cafés”, a meeting on *Categories of Employment* will recommend changes to the Fund's existing employment framework in April 2014. In addition, the accountability framework for department heads for FY2015 will target reductions in overtime in the Fund. Achieving this will require discipline and a clear prioritization of work. The status of progress on diversity and inclusion will be discussed in a meeting in June on the *2014 Diversity and Inclusion Annual Report*.
- **Budget, finances, risk, and audit.** The Board will discuss papers on the *Review of the Adequacy of the Fund's Precautionary Balances* (January 2014) and the *Review of Access Policy and Surcharges* (March 2014). A series of papers will discuss the financial and operational status of the Fund. Following a budget committee meeting in February, the *FY2015–17 Medium-Term Budget and Fund's Income Position* will be presented for discussion in April 2014. The Review of the *Investment Strategy for the Reserves Portfolio*, as well as the paper *Implementation of the Investment Strategy for the Endowment: Further Considerations*, will be considered by the Board in April and May, respectively. In June 2014, the *Report on Risk Management* will present the annual Fund-wide risk management assessment. In line with established practice, the *Briefing by the External Audit Committee* will take place in February and July 2014. Engagement of the Board on aspects of the Fund's audit arrangements will take place in December.

15. **IEO reviews.** The two IEO reviews—*IMF Forecasts: Process, Quality, and Country Perspectives* and *Learning from Experience at the IMF: An IEO Assessment of Self-Evaluation Systems*—are carried over from the Spring WP. Discussions on these reviews are planned for February and March, 2014, respectively.

Figure 2. Fall 2013 GPA Priorities and Key Work Program Deliverables

