April 2, 2013
Approval: 4/9/13

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 12/51-1

10:00 a.m., May 29, 2012

## 1. Statement by the Managing Director on the Work Program of the Executive Board

Staff: Teja and Riad, SPR; Hviding, SEC

Length: 1 hour, 19 minutes

## Executive Board Attendance

C. Lagarde, Chairman

| Executive Directors | Alternate Executive Directors |
| --- | --- |
| | U. Uwatt (AE), Temporary |
| | D. Sembene (AF), Temporary |
| A. Mac Laughlin (AG) | |
| C. Legg (AU) | |
| | J. Prader (BE) |
| P. Nogueira Batista, Jr. (BR) | |
| T. Zhang (CC) | |
| C. Pérez-Verdía (CE) | |
| T. Hockin (CO) | |
| A. Fayolle (FF) | |
| | S. Meyer (GR) |
| A. Virmani (IN) | |
| A. Sadun (IT) | |
| | M. Nomura (JA), Temporary |
| | M. Daïri (MD) |
| A. S. Shaalan (MI) | |
| M. Snel (NE) | |
| B. Andersen (NO) | |
| | A. Lushin (RU) |
| | F. Alshathri (SA) |
| | P. Yeo (ST), Temporary |
| R. Weber (SZ) | |
| M. Lundsager (UA) | |
| A. Gibbs (UK) | |

J. Lin, Secretary
K. Hviding, Summing Up Officer
F. Jamaludin, Board Operations Officer
M. Yslas, Verbatim Reporting Officer

**Also Present**
External Relations Department: G. Bhatt. Strategy, Policy, and Review Department: N. Riad, R. Teja. Alternate Executive Director: M. Arbelaez (BR), T. Catsambas (IT), R. Elder (UK), P. Garcia-Silva (AG), S. Geadah (MI), A. Gronn (NO), M. O'Dea (CO), A. Terracol (FF). Senior Advisors to Executive Directors: W. Abdelati (MI), S. Bah (AF), E. Barendregt (NE), M. Choueiri (MI), L. Cosenza (CE), K. Eapen (IN), B. Lischinsky (AG), S. Meyer (GR), E. Meyer (UA), M. Peter (SZ), T. Reeve (UA), J. Rolle (CO), M. Sajkunovic (CO), P. Fachada (BR), A. Sutt (NO). Advisors to Executive Directors: E. Aparici (CE), S. Bultitude (AU), I. Chowdhury (SZ), M. Goldby (UK), I. Hafid (ST), A. Hubic (BE), A. Jbili (MD), S. Keshava (SA), G. Nadali (MD), J. Duperrut (SZ), P. Garcia-Martinez (FF), J. Szeto (CC), K. Florestal (BR).

## 1. STATEMENT BY THE MANAGING DIRECTOR ON THE WORK PROGRAM OF THE EXECUTIVE BOARD

The Managing Director submitted the following statement:[1]

Agenda.

Last April was an important milestone for the institution. The commitment to increase Fund resources by over US$ 430 billion on a temporary basis attests to the membership's willingness to act collectively and decisively to get ahead of the crisis. For our part, we must continue to support these efforts with clear and pointed advice on macro financial policies, and strong and well-designed programs. This is true not only for Europe, where the risks to stability have been acute, but across the span of the membership. We need to continue to offer pragmatic remedies to the main risks confronting the global economy, help members address spillovers, and support their economic transitions and development agendas. We need also to strengthen our internal processes, with reforms of surveillance, quotas and governance. These points, which draw on my Action Plan of last month and feedback from members during the Spring Meetings, are elaborated in the work plan below.

Immediate Priorities

Restoring stability. Recent developments point to the continued fragility of the world economy and the risks of renewed stresses with potentially systemic implications. Through assessments in the various multilateral and bilateral products, as well as engagement in Europe and Arab countries in transition, the Fund will seek to support the membership in implementing policies to restore stability.

- The global outlook and risks will be discussed in a joint session of the World Economic Outlook, Global Financial Stability Report, and Fiscal Monitor ahead of the Annual Meetings, with an update in July. Specific global vulnerabilities will be covered through the Early Warning Exercise, while those in low-income countries (LICs) will be assessed through the Vulnerability Exercise for LICs. The Consolidated Multilateral Surveillance Report will distill the key messages and, as called for in the IMFC communiqué, report on

[1] The Secretary issued updated calendar projections of Executive Board meetings in a supplementary note (FO/DIS/12/79, 5/24/12) which are included in an annex to this minute, along with the revision to the Managing Director's statement and the revised charts and tables attached (BUFF/12/51, Rev. 1, 6/6/12).

progress on measures taken by the membership to restore confidence, rekindle growth, and create jobs.

- Europe. The Board will have many opportunities to follow the progress in restoring stability and growth and in rebalancing demand in Europe, formally in the coming Article IVs for the euro area consultation and almost all major European economies, and informally through regular briefings by staff.

- Arab countries in transition. The Fund will need to step up its support of Arab economies in transition, through policy advice, technical assistance, and lending, as appropriate. Discussions are ongoing on possible financing arrangements in a number of these economies. Upcoming Article IV consultations and regular informal Board briefings by staff will provide opportunities to discuss progress.

- Financial reform. By analyzing key topics and leveraging cross-country perspectives, we will seek to strengthen our advice on the continued repair and reform of the financial sector. The Board will be briefed on recent work on the Modalities for Cross-Border Resolution—the policies and legal mechanisms to effectively resolve financial institutions operating across borders, which is an area where rapid progress is vital. Macrofinancial Stress Testing: Practices and Principles will assess the role of stress tests—key to ascertaining the resilience of financial institutions—as a monitoring tool and put forward guidance on best practices. Based on the knowledge accumulated through the Financial Sector Assessment Program (FSAP), Cross-Cutting Issues in FSAPs will identify issues germane to a broad group of countries. The implications of financial sector risks for sovereign debt sustainability will be explored in Interrelationships of Sovereign and Financial Sector Risks: Debt Implications in November.

- Supporting growth. An important challenge across the span of the membership is to enhance inclusive growth, while ensuring debt sustainability. The Fund will provide analysis and policy advice on achieving credible fiscal consolidation and government debt reduction, an issue germane to many members, while supporting growth. We will also seek to identify the scope for structural reform and macroeconomic policies to promote growth and jobs.

- Fiscal adjustment and growth. The Fiscal Monitor will ensure that the Fund's approach to fiscal adjustment in the near—to medium-term is consistent and well-anchored in an analysis of fiscal multipliers and growth. Structural reforms and macroeconomic policies to promote growth and jobs, which are crucial to the viability of the adjustment efforts, will be covered in Fiscal Policy and Employment in Advanced and Emerging Economies in June. A discussion of Fiscal Transparency, Risk, and Accountability in the Post-Crisis Environment will follow in July. Later in the year, we will also discuss Energy Subsidy Reform: Lessons and Implications.

- Jobs. Analytical work is underway on issues related to jobs and growth in Fund surveillance and programs, including social equality and inclusion; a Board paper is being considered for later in FY2013. The work will support the development of a surveillance toolkit and related outreach.

- Emerging markets and developing countries. Surveillance in several emerging markets and developing economies will need to confront the policy challenge of attenuating current downside risks in the global economy, including from elevated oil prices and volatile capital flows, and avoiding over-stimulating the economy. Analysis is also underway on the particular economic challenges facing small states, and on the Fund's engagement with them.

- Low-income countries. Our policy advice, lending, and capacity building efforts are aimed at helping LICs preserve macroeconomic stability and debt sustainability, while facilitating the achievement of their growth and development objectives. Following the comprehensive reform of LIC financing instruments three years ago, the Review of LIC Facilities in September will assess the experience to date and consider possible refinements. Another paper, to be issued before the Annual Meetings, will review LICs' exposure to global risks and related policy challenges. A joint IMF-World Bank staff paper will explore the challenges of debt management capacity in post-debt relief countries; this will be followed soon after the Annual Meetings with the Review of the Debt Limits Policy. Analytical work is also underway on managing natural resource wealth. Two inter-related papers will be discussed in August: on Fiscal Regimes for Extractive Industries: Design and Implementation and on the Macroeconomic Policy Frameworks for Resource-Rich Developing Countries.

- Lending and the global safety net. Ensuring an adequate safety net is key to crisis prevention and management.

- Effective programs. Steadfast implementation of programs is a critical part of a durable exit from the crisis. Our discussion of the Review of Conditionality will provide a timely opportunity to assess the experience with Fund programs and to draw lessons for the design of new programs. The informal briefing of the Crisis Programs Review will focus on the European programs and will also cover issues concerning lending to members of currency unions. Informal country and regional briefings will also allow for reviewing key developments both across programs and across regions.

- Fund resources. The membership has moved swiftly and committed to raise the Fund's firewall by over US$ 430 billion. A paper on Borrowing Modalities is scheduled to be taken up shortly to finalize the modalities to make these resources available to the Fund, when needed, and would include proposals to safeguard the Fund's balance sheet against concentrated and correlated risks.

- PRGT financing. Even as resources have been expeditiously garnered to combat the global crisis, the 2009 LIC financing package to enable concessional lending of US$ 17 billion during 2009-14 remains incomplete. In the current environment of fragility and heightened risks, it is crucial to secure sufficient pledges of contributions from members to support concessional financing under the PRGT through 2014-15. A bi-monthly report will track progress towards completion of the package. The issue of the longer-term sustainability of the PRGT will be taken up in the Review of LIC Facilities prior to the Annual Meetings, and in the Use of Windfall Gold Sale Profits—Further Considerations shortly after the Annual Meetings.

## Improving the Framework

### *Surveillance*

Strengthening surveillance. To add more value to our policy dialogue, and building on the action plan for the Triennial Surveillance Review, we are continuing to improve the analysis of spillovers and interconnectedness and ensure multilateral consistency in our bilateral assessments. The *External Sector Report* will present a revamped analysis of external positions and vulnerabilities that are multilaterally consistent. The timing is to be determined, as we are in the process of consulting with members formally and informally, including through the use of the External Balance Assessment and other methodologies in upcoming Article IV consultations. The spillover analysis of the policies of the systemic-5 economies—China, the euro area, Japan, the United Kingdom, and the United States—will be presented in a *Spillover Report* in July, as background to the Article IV consultations in each of these areas. Both reports are being prepared by interdepartmental task forces, as part of a larger effort to bring together the specialized skills of staff working in different departments.

Surveillance framework. We need also to institutionalize the process of integrating bilateral and multilateral perspectives in surveillance and close gaps in the framework. Building on the informal discussion in April, the Executive Board will have an opportunity to discuss a draft *Integrated Surveillance Decision*. We are engaging with a wide range of stakeholders and will schedule the Board meeting, pending their feedback, on a date to be determined. In September, a review of *Data Provision to the Fund for Surveillance Purposes* will assess the usage of data and future data needs to strengthen surveillance. Work is also progressing on strengthening financial sector surveillance; a *Strategic Plan for Financial Sector Surveillance* will be taken up in September as a follow-up to the discussions on the financial sector work agenda held last month. Later in the year, bringing together the work presented in the preceding four papers on capital flows, *Capital Flows: A Comprehensive, Balanced, and Flexible Approach* will be discussed. To smooth the work program, the next transparency policy review, initially expected by end-2012, will be moved to the following calendar year.

*Governance*

Quota and governance reform. The legitimacy and effectiveness of the Fund will be enhanced with the timely implementation of the 2010 reform. Important progress remains to be made, if we are to meet the goal of implementation by the Annual Meetings. Recently, the IMFC Chairman and I sent a letter to all Governors soliciting their best efforts to spur implementation, and since early April progress is being tracked in real time on our external website. I propose a monthly meeting through Tokyo to monitor progress, including progress in each constituency, and further outreach to the authorities through staff's engagement in the field. Voluntarily re-composing the Executive Board to increase the number of emerging market and developing country chairs will also send a firm signal of the weight placed on enhancing the voice of these members. The next discussion of the *Quota Formula Review* will be taken up in July, including the latest data update, and a follow-up discussion will be scheduled thereafter. There will be an informal meeting in the first half of June. A dedicated work stream of the IMFC Deputies will engage on this issue in August and in September. Based on all these discussions, we can report on progress at the Annual Meetings.

Management of the Institution

Human resources and diversity. In my buff on the IEO report on surveillance in the run up to the crisis, I outlined a number of actions to adapt the culture of the institution—bringing more accountability, candor, and collaboration. While we will doubtlessly have many occasions to return to these complex and intangible issues informally, it is important that we not lose sight of important human resource initiatives, notably the Diversity Report, which will be presented in July. The next topic, in a series of planned briefings on human resource issues, will be on *Corporate Workforce Planning* in November.

Internal operations. Key meetings on the management of the institution include the regular *Briefing by the External Audit Committee* in July and the *2012 Report on Risk Management* in August. A meeting on the *Broadening of the Fund's Investment Mandate—Additional Considerations* is scheduled for June, and there will be a follow-up paper on *Strategic Implementation Issues* prior to the Annual Meetings. In addition, Directors will be briefed on the results of the *ACES: Cost of Selected Fund Activities* in an informal session in August. Two IEO-related papers are expected to be discussed at the Evaluation Committee: the Implementation Plan in response to the IEO report on the evaluation of Fund research in July, and the Fifth Periodic Monitoring Report in September.

Board practices. Progress has been made to improve the functioning of Board meetings through the agreement on the new Board practices in November 2010. A list of anchor items has been identified (Box 1), although in light of the experience with these items to date their number has been reduced (Table 2 provides a comprehensive list of the projected policy and administrative items). An interdepartmental task force has worked to even out country items over the coming year, with a particular focus on alleviating the Board's work load in July and ahead of the IMFC meeting.

Mr. Weber and Mr. Chowdhury submitted the following statement:

The crisis mode that the Fund has been in for the past few years requires it to be selective as to its operational priorities. We believe that further focus on what is both urgent and essential would be desirable, with other work being postponed, scaled down, or discontinued. A possible order of priority could be the following: first, we have to respond to individual members' crisis-related needs; second, we need to monitor and help mitigate systemic risks and vulnerabilities; and third, we should develop strategies for both exiting from extensive public support measures and for strengthening the systemic underpinnings. We suspect that, based on this prioritization filter, not all items scheduled would need to be retained for Board consideration.

The one accent that we believe will need stronger emphasis in future Fund work is the Fund's role in helping members reduce crisis-related public support while dealing with the crisis legacies of large fiscal deficits and debt. The Fund itself has yet to determine, and to communicate clearly, how it intends to eventually scale-down its regular and precautionary lending.

While not in the work program, we welcome the pilot exercise for fiscal safeguards. Considering the direction that Fund involvement has recently taken in many member countries, namely direct budget financing, fiscal safeguards assessments are highly desirable if not a necessity.

We look forward to the Strategic Plan for Financial Sector Surveillance, which should include a prioritization of the tasks to be accomplished, a reference to the required resources, and a clear delineation of responsibilities between the Fund and other stakeholders. We note that it is not envisaged to hold a Board meeting on the paper on Cross Cutting Issues in FSAPs, even though the statement by the Managing Director considers it an immediate priority item. In our view, it would be beneficial to—at the least—add this paper as background material to the Board discussion on the Strategic Plan for Financial Sector Surveillance.

We would welcome early and substantive information on the next steps regarding the External Sector Report. This should include, in particular, a detailed presentation of the External Balance Assessment and a comparison with the outcome under the CGER approach. In this regard, we hope that the EBA will improve on the shortcomings of the CGER.

On the Quota Formula Review discussion scheduled for mid-July, we have two concerns. First, we expect that this anchor item will not be rescheduled and that the staff papers will be circulated in a timely manner. Second, we insist that this discussion remain inclusive—it affects all members—and that the process of consensus-building and decision-making, however difficult, take place within the Fund. We would want management to reflect this position in its communication vis-à-vis the G-20.

Given its apparent relevance as background to the recent worsening of fiscal and debt sustainability in a broad range of countries, we were surprised to learn that the paper on Sovereign Debt Restructuring: An Overview of Past Experiences will be distributed for information only. We consider this an important topic that should be considered by the Executive Board, even if it may not translate into immediate action by the Fund. This topic meets our third prioritization criterion (i.e., improving the international financial architecture).

We see no pressing issues related to program design, access, or uptake regarding the Fund's concessional lending facilities. While the Review of LIC Facilities has been determined to take place three years after the comprehensive overhaul of the framework in 2009, we propose that the Board hold this review according to the standard cycle, i.e., in 2014. This would allow for more experience to be gained, especially with the SCF and the RCF, which—unlike the ECF—have not been used extensively. What is justified, however, is a close look at the availability for PRGT financing that should, ultimately, make the PRGT self-sustainable. The implementation of this long-standing objective and decision has been elusive, not least because a steady state level of demand for loans from LICs has, to our knowledge, not been defined.

We see further concrete scope for streamlining as follows:

In order to alleviate the bunching of items in July and September, we ask to postpone the two informal sessions to engage on Fiscal Transparency, Risk, and Accountability in the Post-Crisis Environment and on the Crisis Program Review, the formal meeting on the IEO Review of IMF Advice on International Reserves as well as the briefing on Macrofinancial Stress Testing: Practices and Principles to a date after the Annual Meetings or another low-activity period.

Given the two formal Board meetings on the Quarterly Update on Progress on Acceptances of the 2010 Governance Reforms in June and September, respectively, we do not see the need for additional informal sessions on these items. We ask that these informal sessions be replaced by papers for information to the Board.

We wonder whether the two meetings on Broadening the Fund's Investment Mandate scheduled for June and September 2012 can be combined into one formal Board meeting.

Mr. Legg and Ms. Bultitude submitted the following statement:

We broadly endorse the proposed Work Program. The program strikes an appropriate balance between the immediate priorities of restoring stability, job creation and inclusive growth, and investing in the Fund's frameworks, governance and institutional culture to support its longer-term legitimacy and effectiveness.

We expect that, more so than normal, the current unsettled international environment will require a degree of flexibility in implementing the Work Program as we respond to emerging developments. In this context, the reduction in the number of 'anchor' items seems sensible. We encourage management and staff to be active in providing for impromptu briefings and Board discussions likely to be required by evolving circumstances over coming weeks and months. In particular, it is important that the Board and our authorities have a clear understanding of the Fund's views on new developments and the contribution it is making to the evolving response; certainly, it will be important that the Board be kept informed of key developments directly and in a timely manner.

Turning to some specific issues:

We commend management, staff and the membership on the historic agreement to boost the Fund's resources by over US$ 430 billion. Given the current environment, it will be important to implement this agreement—by bedding down the borrowing modalities and approving individual agreements—as quickly as possible. We also welcome the commitment to more intensive monitoring of progress on implementing the 2010 package of reforms, and look forward to a constructive discussion on the quota formula review with a view to completing the review by the January 2013 deadline.

More must be done to help the membership get ahead of the crisis. The Fund must continue to engage proactively with countries and regions at the epicenter, and lead the development of more decisive and effective resolution measures. In this regard, work on euro area fiscal risk-sharing, deposit insurance, and bank resolution mechanisms should be a high priority. Consideration should also be given to expediting work on the appropriate pace of fiscal adjustment, Modalities for Cross-Border Resolution and Interrelationships of Sovereign and Financial Sector Risks: Debt Implications. At a minimum, we must ensure that the early lessons from this work are discussed with the Board and authorities in the context of multilateral and bilateral surveillance over the next few months.

The focus on supporting growth is welcome. We agree that the work on the link between fiscal policy and jobs is the first priority, although whatever can be done to also accelerate the work on jobs, social equality and inclusion would also be appreciated, as this is a pressing issue for many members and integral to the crisis response.

We look forward to the Review of Conditionality and Crisis Programs Review, which we expect will pay immediate dividends in informing the crisis response.

We welcome the proposed approach to surveillance of emerging market and developing countries. Our smaller members particularly appreciate the focus on spillovers from the deteriorating global outlook, and on the economic challenges facing small states and the Fund's engagement with them.

We look forward to the Review of LIC Facilities, to ensure that the Fund's lending toolkit remains relevant and responsive to the needs and varying circumstances of our most vulnerable members.

We support the cautious approach to the timing of the External Sector Report. We are keenly interested in improving our understanding of the consultation process and next steps, which remain unclear.

Mr. Alshathri and Mr. Keshava submitted the following statement:

We welcome the well-focused statement on the work program. We broadly agree with the proposed priorities and the stress on restoring stability, and we will limit our remarks to a few areas:

The events in Europe since the IMFC meeting demonstrate that the euro area crisis remains the most immediate threat to financial stability with global spillovers. We were quite optimistic earlier in the year following a number of policy actions, but we are concerned by the recent events that could have systemic implications. In this context, apart from the upcoming Article IVs for the euro area consultation and major European economies, we look forward to regular briefings by staff on recent developments.

We agree that the Fund needs to step up its support of Arab economies in transition, through policy advice, technical assistance, and lending. Evidently, the nature of support would depend on individual country circumstances. In this connection, we note that discussions are taking place with a number of countries in the region on possible financing arrangements and we look forward to regular briefings by staff on the progress.

A joint report by the Fund, ILO, OECD, and the World Bank on "Boosting Jobs and Living Standards in G20 Countries" has been prepared in the context of discussions under the G20 Framework for Strong, Sustainable and Balanced Growth. We were wondering whether the planned Board paper on issues related to jobs and growth will draw upon the work done in other international organizations. The staff's comments are welcome.

We welcome the planned briefings on financial sector reform topics that will draw upon cross-country experiences. We also look forward to the paper on Strategic Plan for Financial Sector Surveillance as a follow-up to the discussions on the financial sector work agenda held last month.

We agree that the commitment to raise the Fund's firewall by over US$ 430 billion last April was an important milestone for the institution. This success attests to the tireless efforts of management and staff. We now look forward to the forthcoming discussion on Borrowing Modalities so that these resources are made available to the Fund.

Quotas and the quota formula are important issues for the whole IMF membership and it is therefore critical that the reform process should be inclusive to ensure the legitimacy of its outcome. In this regard, while discussions will take place in many bodies on possible ways to advance the reform agenda, we are of the firm view that the final decision should remain within the Fund's governing bodies, namely, the Board of Governors and the Executive Board. Against this background, we are pleased that a dedicated work stream of the IMFC Deputies will engage on issues related to the quota formula review in August and in September. Indeed, it will be important to build on the agreement reached by the membership and reflected in the Board of Governors Resolution on the 14th General Review of Quotas and Reform of the Executive Board (Resolution 66-2).

Finally, we consider that improving diversity at all levels, in particular regional, would help broaden staff perspectives and change the insular culture of the Fund. In this context, we have noted in the Managing Director's statement on the IEO report on surveillance in the run up to the crisis that management has put in place, inter alia, an initiative to hire senior managers from diverse backgrounds and that efforts are underway to build a strong pipeline of candidates from underrepresented regions for senior positions. In this connection, we look forward to the planned Board discussion on the Fund's diversity strategy in July.

Mr. Shaalan and Ms. Abdelati submitted the following statement:

The proposed work program is necessarily ambitious and it broadly reflects the Fund's priorities given a still evolving global crisis. Restoring global stability and addressing continued fragility remains the overarching focus of the Fund in the coming months, including in its flagship multilateral surveillance reports. It is customary for the statement on the Work Program to indicate the topics to be covered in the World Economic Outlook, the Consolidated Multilateral Surveillance Report, and the Management Action Plan. Some indications of the topics to be covered would be welcome. We prefer a formal discussion for the Consolidated Multilateral Surveillance Report and the Management Action Plan, especially since the latter forms the basis for the future work program of the Board.

We endorse the commitment to provide frequent briefings to the Board on developments in Europe. Given the wide-ranging external debate on the implications of Greece's possible euro exit, a Board briefing on staff work and views in this area seems overdue.

The Fund has repeatedly committed to stepping up its support to Arab countries in transition. Indeed, the Fund has a potentially important role in promoting adjustment efforts in the region. We should offer timely and well-targeted advice, with policy options that address macroeconomic challenges that take account of political economy constraints. We welcome initiatives to strengthen our analytical work in areas relevant to our region, including the challenge of youth unemployment and subsidy reform, as well as the adequacy of social safety nets. To be effective, such work should offer operational, specific, country-tailored advice. Up-scaling of relevant and well-targeted technical assistance could be very helpful; and we would welcome an update on such efforts. Finally, Fund-supported programs should demonstrate understanding of the political economy realities and pay due regard to domestic priorities. Public statements by the Fund, if any are needed, should aim to support the goal of restoring confidence.

The focus on "Supporting Growth" is highly relevant for current global conditions. It also makes sense since the Fund has been increasingly presenting itself in public forums as concerned with social equality and inclusive growth. To gain traction with the membership, it will be important for Fund analysis to be translated into operational and country-tailored advice.

We would like to know more about what is planned with respect to developing a “surveillance toolkit” and “related outreach?”

With respect to Low Income Countries, we endorse the plan to complete the Review of LIC Facilities and the Review of Policy on Debt Limits. It would be useful for the paper on LIC Exposure to Global Shocks to reflect on the Fund’s past role in assisting LICs in limiting the impact of vulnerabilities. As for the two papers related to managing natural resource wealth, we would be interested in hearing the rationale for including these as part of the work on LICs. In what ways will these papers go beyond recent Fund work on natural resource taxation and management?

Lending and the Global Safety Net. We would welcome a formal discussion of the Crisis Programs Review, which appropriately focuses on the European programs. Will this review also reflect the experience in gauging “broad political support” and the extent to which the form of assurances used in one country may not have been effective in another country? Given the concentration of lending and the related correlated risks, we look forward to convincing proposals on how to safeguard the Fund’s balance sheet against such risks.

The statement refers to ongoing consultations with members on the new External Balance Assessment and other “revamped” analysis of external positions and vulnerabilities. We would welcome some elaboration on the issues arising from these consultations and whether it has a bearing on the decision to publish the report in June. It is noteworthy, that the recent workshops on the subject have raised significant concerns and cautioned against the market repercussions of publishing unreliable assessments.

The statement also refers to the Fund engaging with a wide range of stakeholders regarding the Integrated Surveillance Decision. Our recollection is that a wide range of views was expressed. We would welcome elaboration as to which stakeholders are consulted and the preliminary positions expressed in such consultations.

We do not support the proposed work toward a Comprehensive Framework for Capital Flow Management. The subject received mixed reactions in previous Board discussions with skepticism expressed about the need for, and value of, a framework for capital account management. It was considered premature given the state of knowledge. The staff has argued that capital flow measures should only be used after macroeconomic policies have been exhausted, thereby restricting their use. The proposed framework could be the first step toward additional member obligations.

The next discussion of the Quota Formula Review planned for July may warrant a formal Board discussion depending on progress that can be achieved. In our view, meaningful progress in this area will require a departure from the presumption by staff that they should focus efforts on options that are likely to garner the most support. Such options will not help move us away from the current distribution of voting power in a meaningful way that improves legitimacy.

We welcome the planned series of sessions on human resources issues, beginning with Corporate Workforce Planning, which we would prefer to be a formal session.

We support the increased use of Lapse of Time Procedure, and the choice of items selected for such treatment. However, we see a need to review and adjust the large number of "Informal Sessions" or "For Information." We consider the existence of Grays and/or Board meeting minutes as essential to the effective functioning of the Board in dispensing its duties and ensuring staff accountability. If budgetary reasons are a factor, these should be carefully revisited and Directors' preferences should be taken into account.

Informal items that we believe would benefit from a formal Board discussion:

- G-20 Mutual Assessment Process
- Consolidated Multilateral Surveillance Report and the Management Action Plan
- Energy Subsidy Reform
- Crisis Program Review
- Spillover Report
- Corporate Workforce Planning

Items for information that we believe would benefit from a formal Board discussion:

- Sovereign Debt Restructuring: An Overview of Past Experiences

- Exchange Rate Assessment for Non-CGER Countries with Concentrated Foreign Income

While we appreciate the progress made in balancing the workload, we encourage management to further explore the potential for easing the workload around peak times. The work load for the past five weeks has been particularly light and few policy items are scheduled in the next five weeks. Accordingly, a large share of the policy items will be squeezed between July and September. In this regard we fully support the streamlining proposed by Mr. Weber and Chowdhury.

Mr. Gibbs and Mr. Goldby submitted the following statement:

We endorse the work program set out in the Managing Director's statement. Given the number of important policy papers and country items due to come to the Board between June and September, it is important that efforts are made to smooth the workload and ensure that sufficient time is provided for consideration of the papers before the Board. We note that the work program contains some important items (Review of Conditionality, Review of Crisis Programs, Strategic Plan for Financial Sector Surveillance) which are due to come to the Board later than envisaged in the Work Program of last October; it is important that further slippages in timing are kept to a minimum. In addition, we also would like the Board discussions of the External Sector Report and the Integrated Surveillance Decision, which are yet to be scheduled, to happen as soon as possible.

Immediate Priorities

We welcome the proposal to have regular informal Board briefings from staff to update on developments in Europe. We look forward to the usual sessions on the multilateral surveillance products and the session on fiscal policy and employment growth: as we noted in our statement last October: there is an important opportunity for the Fund to help develop the policy debate around how to promote growth, moving the discussion beyond the recent focus on the right balance between the short and medium-run fiscal policy stance. We are pleased to see that the Fund has a number of papers aimed at helping Low-Income Countries; the review of LIC facilities is rightly an anchor policy item.

On financial reform, the Fund has made good progress in improving financial sector surveillance, and we look forward to the interesting briefings on stress testing and cross border resolution. While we support efforts to place more non-critical items on a lapse-of-time or ‘for information’ basis, we do have reservations that the paper on Cross Country Themes from Recent FSAPs is being issued in this way. The staff's comment on the rationale for that decision would be welcome.

Improving the Framework

On surveillance, as stated above, it is important that the papers on the External Sector Report and the Integrated Surveillance Decision are brought to the Board in a timely fashion. We particularly look forward to the Spillover Report in July, which we hope will build on the good reports issued last year. The paper bringing together the Fund's extensive work on Capital Flows is another important item.

On governance, we attach great importance to the implementation of the 2010 reforms, and support the Managing Director's proposal for a monthly meeting to monitor progress.

Management of the Institution

While there are some important Board meetings within this category, such as on the Fund's diversity strategy, there did seem to be quite a large number of them prior to the annual meetings (7). Is there scope for staff to combine some of these meetings or delay the less critical ones until after the annual meetings to free up time in the Board calendar?

Mr. Zhang and Ms. Szeto submitted the following statement:

We consider the proposed work program of the Board to be broadly appropriate and balanced. We have the following comments.

Issues with implications for global economic and financial stability may necessarily take up a good portion of the attention and time of the Board. In view of renewed tensions in the euro area, we would request that the Board be briefed on the evolving situation in a timely manner. The briefings may concern not only issues relating to program implementation in individual countries, but also more broadly on the Fund's stance on various issues to resolve the regional crisis and safeguard global stability. We expect the Board to be kept up to date on the preparedness of staff for the range of exigencies and the analyses underpinning Fund advice and views.

Making the 2010 quota and governance reform effective is essential to the legitimacy and credibility of the Fund. As called for by the IMFC, we welcome the proposal for more frequent meetings to monitor progress in order to impart the necessary urgency to the process. We also look forward to proceeding in a practical manner with the discussions on the quota formula review, with a view to reaching agreement by January 2013.

We look forward to an early discussion of the integrated surveillance decision. Surveillance is a core function of the Fund and updating and broadening its legal framework is necessary to ensure legitimacy, credibility, and traction.

On the External Stability Report, we are of the view that a more measured approach—where member authorities are fully consulted on the methodology of EBA and the rest of the ESR's output—would be conducive to building the consensus needed before next steps are to be taken.

We welcome the proposed meetings on LIC issues. It is imperative that, notwithstanding heightened risks in some advanced economies, continued attention be allocated to supporting macroeconomic stability and sustainable growth in LICs.

We look forward to the discussion of the Diversity Report in July. The staff diversity, particularly in ensuring a more even representation from across the regions, would enhance Fund legitimacy and effectiveness.

Finally, while we understand that much effort has been made by the Secretary's and other departments to improve the scheduling of Board meetings, the issue of bunching seems to be recurring with the relatively quiet month of May to be followed by a heavy schedule in June and July, for example. We encourage further work to address the issue, which may be rooted in the staff's work cycle. A more even distribution of Board meetings would help ensure the effective functioning of the Board.

Mr. Andersen and Mr. Sutt submitted the following statement:

Expectations remain high on the Fund's contribution to solving the continuing crisis in a sustainable manner, and also to the building up of stronger foundations for future growth and stability. We are broadly content with the focus of the Work Program for the next six months. At the same time, we should be adaptive to adjust the Work Program as circumstances may warrant. We agree with Mr. Legg that we may face an unsettled international environment that will require a degree of flexibility in implementing the Work Program as we respond to emerging developments.

Effective surveillance remains of key importance down the road. Pockets of vulnerabilities are evident in different parts of the world and increased interconnectedness and interdependence will relay shocks across borders as we have seen times and again. With the attention centered on Europe, the Fund should not lose sight of vulnerabilities that have built up or are building up elsewhere. We look forward to substantive discussions on the Spillover Report and relevant Article IV reports. We would also welcome early indication when the discussion on the External Sector Report is expected.

We believe there is room for more frequent informal meetings on sensitive issues, including in relation to economic and financial market developments in countries of strategic importance and in a confidential and informal setting. To re-institute more frequent WEMD-like briefings, in addition to regular WEO/GFSR/FM reports, and updates is one possibility. Another possibility would be to have regular surveillance meetings addressing relevant country developments in a global context, and additionally on a case-by-case basis if circumstances so warrant, as was done in an efficient manner on Greece in the period leading up to the EFF program agreed in March. Such meetings should bring to the Board's attention key concerns coming out of staff's continuous scanning for risks and vulnerabilities, their assessments and policy recommendations. For this to work, we need to have the highest degree of thrust between us, but it could contribute to a more efficient and evenhanded sharing of relevant information, analysis, and policy considerations.

In the fragile global setting, the Fund's capacity to respond to the members financing needs is essential more than ever. We highly welcome the historic agreement to boost the Fund's resources by over US$ 430 billion. Expeditious finalization of the Fund's borrowing agreements is important to ensure the Fund in practice has adequate lending capacity.

We welcome the work on fiscal adjustment and growth and we see the two as complements not alternatives. We also appreciate sharper focus on financial sector policies and financial stability. We place great importance to the work on the Integrated Surveillance Decision and on the Strategic Plan for Financial Sector Surveillance.

We welcome the stronger focus on structural reforms in the Work Program and its attention to jobs and growth. We underscore the importance of supporting policies that will contribute to sustainable developments and stability. Fund advice on inclusive growth would benefit from a general policy paper for Board consideration to ensure evenhanded and coherent policy advice based on Board endorsed guidelines. We hope such considerations are in mind in the planned development of a surveillance toolkit on jobs.

For reasons of legitimacy, we strongly emphasize the importance of firmly anchoring quota and governance discussions within the broad-based IMF fora. We are very much looking forward to the planned work stream of the IMFC Deputies on the quota formula review.

Finally, we look forward to the formal Board discussion on the Diversity Report in July, and highly value management's strong engagement in HR related issues. We reiterate our call for more Board involvement in strategic human resource issues. Like Mr. Shaalan and Ms. Abdelati, we would prefer to have a formal Board discussion on Corporate Workforce Planning.

Mr. Assimaidou submitted the following statement:

We thank the Managing Director for her statement on the Work Program and the Secretary for efforts to minimize occurrences of bunching. The proposed agenda for the period ahead is in line with the MD's Action Plan that was welcomed by the IMFC last April. It continues to rightly put emphasis on the resolution of the crisis in Europe while also ensuring that adequate advice and instruments (surveillance, financing) are available to the whole membership—including low-income countries and Arab economies in transition—in this challenging environment.

We commend the Managing Director for her steadfast resolve in tackling immediate priorities and in improving the surveillance and governance frameworks. We broadly support the proposed work program.

Immediate Priorities

The continued fragility of the global economy and the recent resumption of macroeconomic and financial tensions with potentially systemic implications show that the Fund still has a central role to play in restoring stability. We reckon that through its multilateral surveillance vehicles (WEO, GFSR, Fiscal Monitor), the Fund can better assess these risks as they evolve and highlight, in a coherent and straightforward manner, the required policies and reforms needed for the individual countries and the global economy to resume with balanced and sustainable growth and job creation. In the same vein, we look forward to the next Early Warning Exercise and Vulnerability Exercise for Low-income Countries.

Regarding the work on financial sector reform, the approach of leveraging cross-country perspectives is welcome, as are efforts to put forward guidance on best practices for stress tests as a consistent way of gauging the resilience of financial institutions. We welcome the planned paper on Interrelations of Sovereign and Financial Sector Risks: Debt Implications given its acute relevance in the current environment and the preferred status of sovereigns as debtors. Noting that the Board meeting on this issue will come as an informal session (to brief), we would like to inquire the treatment of this subject going forward. Is a formal discussion expected subsequently? The staff's comments will be appreciated.

The objective of supporting growth is, in our view, the most important task, along with restoring stability, for policymakers at this juncture. In particular, we welcome the emphasis on promoting inclusive growth and job creation for which importance has been recognized by the Ministers as a collective goal moving forward. The analytical work underway to support the development of a surveillance toolkit and related outreach is most refreshing and consistent with Fund's Articles of Agreement, and we look forward to the related Board paper.

The IMFC has encouraged the Fund to "… enhance attention to small states, especially those that are most vulnerable to external shocks." Therefore, we appreciate the Managing Director's assurance that work is underway on the particular challenges facing these members and on the Fund's engagement with them. We note however that there is no timeframe for a Board discussion on this matter. We would appreciate staff's clarification.

Lending and Global Safety Net

We agree with the need of availing the membership with an adequate safety net for crisis prevention and resolution while ensuring that Fund programs are adequately designed and allow countries to attain the objectives set forth.

Low-Income Countries

We endorse the planned program on enhancing policy advice, lending and capacity building, notably the framework on debt limits in face of the need of meeting infrastructure needs; the work on natural resource management; and the upcoming review of LIC facilities. We have a particular interest in the latter and in the review of LICs' exposure to global risks and related policy challenges, given the financial challenges facing many LICs going forward, including volatile energy and food prices, the thin buffers facing a large number of those countries, and the uncertain environment for trade, direct investment, remittances and official development assistance. This also highlights the need to address the PRGT financing going forward, and we very much appreciate the MD's commitment in this regard, including by ways of further use of windfall gold sale profits. We would have a preference for the Board meeting on Use of Windfall Gold Sales Profits—Further Considerations to take place prior to the 2012 Annual Meetings. The staff's elaboration will be appreciated.

Improving the Framework

The program on strengthening the surveillance framework is warranted yet ambitious for the period to the end of 2012. On the quota formula review, we should stand ready to schedule another formal Board meeting in August or September if needed to ensure that considerable progress is achieved by the time of reporting to the Governors during the Annual Meetings and that the January 2013 deadline is met.

Management of the Institution

We continue to give importance to formal discussions on diversity, and commend the Managing Director for keeping this new practice.

Finally, on the proposed Board scheduling, as noted above we appreciate the efforts to reduce bunching, notably in July. We note however a concentration of country matters in December.

Mrs. Budiman, Ms. Yeo and Ms. Hafid submitted the following statement:

We thank the Managing Director for a well-articulated and focused Work Program. Our Chair broadly agrees with the priorities set out therein and in particular welcomes the instances of inter-departmental collaboration on issues that straddle different policy spheres. This coheres well with the 2011 Triennial Surveillance Review's emphasis on the importance of "connecting the dots" across a range of work areas, and with the focus on "breaking down silos" in the Managing Director's recent statement on the Management Implementation Plan for the IEO Report on The Fund's Performance in the Run-Up to the Crisis.

The Work Program contains several analytical pieces on weighty and germane issues reflecting the challenges confronting the global economy, such as Fiscal and Employment in Advanced and Emerging Economies and Interrelationships of Sovereign and financial Sector Risks: Debt Implications. These are important topics, and we welcome their being presented to the Board. The items are presently slated as "Informal Sessions (to Brief)" in the Work Program. Whilst we understand that staff's analyses may still be work-in-progress, given the currency and pertinence of these issues, we wonder if there is a longer-term, concerted plan to embed their key takeaways into the Fund's surveillance toolkit. This could conceivably be useful in helping staff formulate policy advice, or to advance further research. The staff's comments are welcome.

We see potential for complementarity between the Crisis Programs Review and Review of Conditionality. For instance, would takeaways from the former conceivably shed light on which aspects of program conditionality, design and implementation need to be refined under the latter review? If so, we would encourage a concerted effort to integrate the content of the two reviews, where appropriate. Nonetheless, as the Crisis Programs Review may entail several "live" cases where the programs are ongoing, the related messages would need to be carefully crafted and take into account the political and social context of the respective cases.

Given the Fund's increasing focus on financial stability risks, it is timely to draw together and discern common themes in past FSAPs. Like Mr. Weber and Mr. Chowdhury, we note that this item is "For Information," even though it is mentioned under the "Immediate Priorities" section. We consider it useful to have this item discussed at the Board, especially as the conclusions could provide important insights for the Strategic Plan for Financial Sector Surveillance. The staff's comments are welcome.

Our Chair appreciates SEC's continuous efforts to smoothen the Board workload. This is undoubtedly a challenging task amidst a heavy pipeline of agenda items and an uncertain external environment which demands flexibility in managing the Board calendar. That said, we have the following questions regarding Table 1:

In retrospect, is there scope for better utilizing the month of May, which had a relatively lightweight Board agenda? The other months with a less busy agenda are August and October, on account of the Board recess and Annual Meetings respectively. Whilst May could be a quiet month as it is just after the Spring Meetings, we note the agenda in November is rather substantial, despite it being after the Annual Meetings.

There is a large number of policy items slated for July. As the calendar in July is already quite heavy with country items and spillover discussions, could staff explore reducing the number of policy items in that month?

The number of LOT items appears low compared to past Work Programs. Whilst the LOT procedure should be used judiciously, we wonder if there is scope for, where appropriate, placing more items on LOT. The staff's comments are welcome.

Mr. Prader and Ms. Hubic submitted the following statement:

We appreciate the overview of the program and broadly agree with the focus and the priorities. However, we would like to make the following remarks:

Earlier communication of the agenda for the coming weeks and the exact dates when items will be discussed would be appreciated. This is important to allow for a proper division of labor and timely consultation with authorities in large multi-country constituencies.

Several important policy items per Board day have been scheduled in July. A more even distribution would allow for better preparation especially as several of these items are very important at the current juncture of the financial crisis.

Given the significance of the implications of financial sector risks for sovereign debt sustainability, we would have preferred to have the Board discussion on 'Interrelationships of Sovereign and Financial Sector Risks: Debt Implications' earlier than in November.

In light of the worsening of public finances and debt sustainability in many member countries, the paper on 'Sovereign Debt Restructuring: an Overview of Past Experiences" should be discussed in the Board, rather just being distributed for information.

Further work on the link between public finances and global financial stability remains crucial and deserves more emphasis.

Mr. Daïri and Mr. Nadali submitted the following statement:

We thank the Managing Director for her clear and concise statement on the Work Program, which appropriately focuses on the key challenges facing the global economy and the membership as well as on ways to strengthen Fund's internal processes. Against the backdrop of slowly improving yet very fragile outlook for the global economy, we endorse the priorities set for the period ahead and offer the following remarks:

In light of global vulnerabilities, including the risk of renewed escalation of the euro area crisis and its potential systemic implications, the emphasis on helping the membership in implementing policies to restore stability is well placed. We welcome plans to boost Fund's support of Arab economies in transition, which have to face the growing demands of their population in a difficult external environment, and see merit in regular informal Board briefings by staff to monitor progress. We call on the Fund to exercise utmost flexibility in responding to the needs of these countries, which should not be penalized for the policy uncertainty that unavoidably characterizes the early phases of major political reforms. In the absence of such flexibility, the Fund risks missing the opportunity of accompanying this historic transition.

Recent political developments in Europe have intensified policy debate on striking the right balance between fiscal consolidation and debt reduction on the one hand and growth enhancement and employment generation on the other. We look forward to our discussion in June of macroeconomic and structural policies to promote growth and jobs in the context of the forthcoming paper on Fiscal Policy and Employment in Advanced and Emerging Economies, as well as to the analytical work that addresses social equality and inclusion issues. We also welcome staff update on downside risks to the global economy emanating from volatile oil prices, given the still heightened geopolitical uncertainties.

Lower fiscal buffers and uncertain prospects for donor assistance make many LICs highly vulnerable to external shocks, and we look forward to the Vulnerability Exercise for LICs. We underscore the need to redouble efforts to help LICs safeguard macro stability and debt sustainability while supporting growth and development objectives. Review of LIC Facilities, an anchor policy item in September, promises to further refine the toolkit and ensure longer-term sustainability of the PRGT while the Review of the Debt Limits Policy in November should allow some flexibility for non-concessional financing of critical growth-enhancing infrastructure projects. We look forward to stronger momentum in mobilizing resources for LICs to complete PRGT financing through 2014-15 and reiterate our call for the use of remaining gold windfall profits to replenish the PRGT subsidy resources.

Fund policies on access, strong program design and conditionality, and adequate junior co-financing from other official lenders constitute the first line of defense to limit potential risks to the Fund from using large-scale borrowed resources while, as the Managing Director puts it, steadfast implementation of programs is critical for a durable exit from the crisis. We look forward to discussion of the Review of Conditionality and Crisis Programs Review to draw lessons for the design of new programs as well as the forthcoming paper on Borrowing Modalities to augment Fund resources by over US$ 430 billion on a temporary basis.

Improving the analysis of spillovers and interconnectedness will go a long way in strengthening Fund surveillance in view of the cross-border transmission of shocks revealed by the global crisis. We welcome cross-departmental collaboration in preparation of documents and look forward to the report analyzing the policy spillovers of the systemic-5 economies in July. We expect the paper on capital flow management, slated for discussion later in the year, to reflect the diversity of members' views, experiences, and circumstances, with due consideration to members' right under the Articles of Agreement to use controls as needed, along with other policies, to maintain a stable macroeconomic environment.

Quota and governance reforms are critical to enhance the legitimacy and effectiveness of the Fund. We support initiatives undertaken or suggested by the Managing Director to closely monitor implementation of the 2010 reform. Completing a comprehensive review of the quota formula by January 2013 and the next quota review by January 2014 remains a formidable challenge that requires flexibility and resolve of the membership to reach a consensus, including in protecting the voting shares of small and low-income countries.

Progress in staff diversity requires redoubling efforts to hire strong candidates from under-represented regions, including at senior positions. We welcome greater attention devoted to human resource initiatives, and look forward to upcoming discussion on the Fund's diversity strategy.

Smoother work agenda and greater predictability of the Board calendar would help enhance the effectiveness of the Board. Every effort should be made to avoid excessive bunching and frequent changes with short notices in the calendar. We welcome efforts by the interdepartmental task force to even out country items over the coming year, and endorse greater use of criteria-based LOT considerations with a view to alleviating the workload and allowing more time for the Board to focus on strategic issues. At the same time, it is important to ensure that Art IV reports are brought to the Board in a timely fashion to preserve accuracy and relevance of Fund advice, and the scheduling of missions should be closely correlated to the timing of Board discussion.

Ms. Lundsager and Mr. E. Meyer (UA) submitted the following statement:

The proposed work program is ambitious in the coming months, reflecting in large part the challenging economic environment which we all face. We appreciate the efforts of management and the Secretary to minimize bunching. Nevertheless, the Board schedule is quite full between now and the Annual Meetings.

As Mr. Legg notes, the current unsettled international environment will clearly require flexibility. We agree with him that frequent updates and briefings on current developments in Europe and the Fund's thinking on key challenges will be needed.

In this light, we strongly concur with Mr. Weber that prioritization will be needed to balance addressing near-term surveillance and crisis response with due consideration of longer-term issues. We believe Mr. Weber also makes some useful suggestions for shifting of less critical issues to a time when the Board schedule is quieter.

We see strong merit in keeping a clear and strong Fund message on external imbalances, the resolution of which is intricately linked to rebalancing and restoring global growth. We expect management and the staff to continue to move forward with the EBA/ESR as outlined by the Managing Director in her Action Plan.

Like other chairs, we also welcome the attention to growth, dealing with fiscal challenges and addressing unemployment. Given current circumstances in a number of regions, Fund insight and clear advice in these areas based on cross country experiences would be an important contribution as policymakers grapple with the challenging global environment.

The important role of structural reforms in growth has been highlighted in a number of recent programs. We are a bit surprised to not see additional work for discussion in this area. Could the staff comment as we had understood at least one important paper was under preparation?

Finally, while improving surveillance is critical, we should not expend extra time rehashing old debates on the framework where a consensus continues to elude us. At this time of instability and heightened risk, it is the actual practice of the Fund's surveillance as already expanded upon that is most important for informing the membership and assisting members facing difficult challenges.

Mr. Mac Laughlin, Mr. Garcia-Silva and Mr. Lischinsky submitted the following statement:

We thank the Managing Director (MD) for the efforts to put forward this Work Program (WP). It synthesizes the main issues of concern to the membership, including the need to get ahead of the crisis, persevere in the bolstering of surveillance and in governance reforms, and internal management. The WP is comprehensive, and thus prioritization will be key. In this spirit, we offer the following comments.

The flagship products of the Fund, plus the Early Warning Exercise, the Vulnerability Exercise for LICs, are a well-structured set of documents to detect risks and flash vulnerabilities. However, we feel that continued progress needs to be made on a framework that allows coordinating all these strands together in a single, potent and brief document that will catch the attention of the membership. The Consolidated Multilateral Surveillance Report should play this role, but as stated in the WP we fear that it might backtrack into a summary document of the mentioned products, rather than as a coordinating device from management to departments.

The Fund should remain vigilant to appraise new developments in a world economy that remains fragile, in spite of a global safety net that has been heavily reinforced with the remarkable rise of the Fund's firepower. In this regard, we welcome the proposal of holding regular briefings by the staff on Europe, particularly since the approval of the program for Greece there has been no additional information on developments on the euro zone's core and periphery. This will be intimately linked with the WP's strand on Fund resources and conditionality. Indeed, although the precautionary role of an increased Fund firepower is relevant, the use of those resources should be carefully assessed, and we look forward for discussions on how to safeguard the Fund's balance against the concentration and correlation of risks. The lessons on conditionality in euro zone programs and the Fund's experience in the troika governance should also be critical ingredients in that assessment. Moreover, given the lingering sovereign and banking tensions, it is likely that the work on the Modalities for Cross-Border Banking Resolution could have immediate implications for the Fund's work and surveillance on the euro zone. We would welcome comments on how these issues will be included in the WP.

It is encouraging that a proposal for supporting and enhancing inclusive growth is presented. As considered, the growth focus appears mostly linked to fiscal policy, and thus the short term. We fully understand the importance of assessing the fiscal multipliers so that the Fund's advice on proper fiscal policies across the membership can be well tuned. However, like Ms. Lundsager, we miss a specific area on structural reforms to promote growth and jobs, in particular the empirical evidence regarding their traction and effectiveness. Clarification would be welcome with regards to the "analytical work underway on issues related to jobs and growth in Fund surveillance and programs, including social equality and inclusion" and to "a surveillance toolkit and related outreach." What are some examples of specific modalities that management has in mind in these areas?

On Emerging Markets and Developing Countries, the WP would benefit from a more precise focus. Circumstances in this group of countries are heterogeneous enough that they warrant a careful case-by-case assessment. Particularly, as the different tensions in the world economy, such as global growth, terms of trade, and financial linkages, weight differently across the membership. We welcome the MD's focus on PRGT financing, both in securing it through 2014-15 as well as including a discussion on its long-term sustainability.

We welcome the Spillover Report and the bringing together of staff working in different departments. We look forward to the External Sector Report, as well as the discussions on an Integrated Surveillance Decision.

We hope that through the various meetings on the quota formula review, scheduled to take place before the next Annual Meetings, a broad consensus at the Board can be reached in order to fulfill the January 2013 commitment by the membership.

Important progress was made in balancing the workload and bunching but we think that more could be done. The month of May, for instance, has had the same number of Board items requiring Grays than what is expected for the coming month of August, which, considering the Board recess is only a half-month.

Mr. Majoro submitted the following statement:

We welcome the Managing Director's work program. On immediate priorities, we look forward to a discussion of vulnerabilities for low-income countries and a report on measures taken by the membership to restore confidence, revive growth and create jobs. This discussion is important also in light of fragile growth in advanced economies and resultant downside risks to Sub-Saharan Africa growth arising from escalation of financial crisis in the euro area, global oil supply shocks and unfavorable climate conditions. We believe the papers will better inform macroeconomic policy responses to mitigate these challenges and risks.

We note a number of papers on inclusive growth such as fiscal policy and employment in advanced and emerging economies in June and analytical work on issues related to jobs and growth in the Fund. Growth, employment and labor markets are, as of now, not areas of core competence of the Fund. In this regard, we urge staff to closely collaborate with institutions that have expertise in these areas such as the World Bank, the International Labor Organization and others.

We would like to underscore the importance of a number of papers lined up on low-income countries including a joint IMF-World Bank paper on challenges of debt management capacity in post-debt relief countries. Several countries in my constituency have been beneficiaries of the HIPC and MRDI relief, which brought their debt to sustainable levels. Given that a number of countries are now seeking non concessional borrowing, it is imperative to ensure that such countries have sufficient debt management capacity and that they do not contract unsustainable debt moving forward. In this context, we urge management to extend this work to cover non-HIPC and small states and explore ways in which they could also be further supported. Further, strong growth being registered in SSA is in part underpinned by new mineral resource extraction. We urge staff to focus their attention in that direction and recommend policies that would ensure inclusive growth through analytical work on managing natural resource wealth that is underway. In this regard, staff should also closely collaborate with the World Bank, the International Labor Organization and others.

Consideration should also be given to work that looks at the constraints to regional trade in Africa and how these can be addressed systematically through identifying the role of intra-Africa trade in generating and sustaining growth. We welcome the preparation of the External Sector Report and the new interdepartmental approach. We look forward to a feed back in future.

We commend management’s efforts in avoiding bunching up, which has been particularly problematic in the month of July. Nonetheless, we now note bunching up for the month of December with a total of Board items at 31 with items with Grays at 3.4. Given the compressed nature of the month of December, we encourage management to smoothen the schedule of meetings for that month in order to ensure effective Board discussions.

Mr. Meyer (GR) and Ms. Meyer submitted the following statement:

We thank the Managing Director for her statement on the work program of the Executive Board which we broadly support with some qualifications, as outlined below.

General Comments

To balance the work program between restoring stability and supporting growth it will be important that the work program gives sufficient emphasis to sound fiscal and monetary policies as a crucial means to restore and strengthen stability. The need for advanced economies “to achieve credible fiscal consolidation and government debt reduction” as stated in the IMFC communiqué has to be adequately reflected. It seems warranted that the necessity of fiscal consolidation, in Europe and other important economies such as the US and Japan, for retaining global monetary and financial stability is more prominently reflected in the work program. As a bottom line, more frequent (informal) Board discussions dealing with this topic should be considered. In this context, fiscal adjustment should be dealt with as a central policy to preserve, or where applicable, to restore debt sustainability and rebuild confidence. When analyzing growth, reference should always be made to “sustainable growth” as we have seen, not least in the recent past, that unsustainable growth paths can have very negative implications.

Regarding the important discussion on "jobs" and "social equality and inclusion," due care will need to be taken to avoid an overlap with the work of the lead institutions in this field, namely the World Bank, ILO and the OECD, and to remain focused on macroeconomic stability as the necessary pre-condition for sustainable growth and creating jobs. As regards the issue of jobs, we would be grateful for more detailed information on the suggested "surveillance toolkit" and the related outreach.

Specific Comments

We welcome the discussion of the Review of Conditionality to assess the experience with Fund programs and fully support the view that effective programs are of the utmost importance for the respective members as well as for the Fund. As regards the informal briefing of the Crisis Programs Review, it is stated that it "will also cover issues concerning lending to members of currency unions." We would be grateful if staff could explain in more detail what they have in mind in this context. Moreover, it remains unclear whether the informal session on this board item will be a session "to brief," or "to engage." We would favor the latter on the basis of a staff note. The staff comments would be welcome.

The adequate design of Fund programs together with a strong conditionality and adequate level of reserves are the main safeguards against risks for the Fund's balance sheet. This aspect should be taken up thoroughly in the related documents and Board discussions, including the paper on Borrowing Modalities.

The Board discussion on the "Use of Windfall Gold Sales Profits—Further Considerations" would need to be linked, if at all, to an adequate level of Fund reserves, since the current level of reserves is far below the agreed target of SDR 20 billion and only provides a coverage of 10 percent of credit outstanding and less than 5 percent of commitments. Against this background, we disagree with the one-sided link made in the work program between the use of additional windfall profits and the lack of PRGT financing.

Prior to the submission of a draft Integrated Surveillance Decision, which is announced but not yet scheduled in the work program, management should thoroughly assess whether sufficient progress has been made in securing a broad majority on the rationale and direction of modifying the current legal basis for surveillance.

We support the External Sector Report as an important element of Fund surveillance. In this context, it would appear very ambitious to analyze, in a concise document, all relevant elements of the external stability of all large economies, and to still derive meaningful country specific policy recommendations. Close cooperation between relevant departments in the preparation of the External Sector and Spillover Reports, as indicated in the Managing Director's statement, is important and should facilitate these objectives. More detailed staff comments would be welcome.

We look forward to the impact of the work done by the interdepartmental force with a view to avoid "bunching," which may be a challenge in June and July, and also in December where a sharp increase in country "items" for each meeting day can be observed.

Mr. Sadun and Mr. Giammarioli submitted the following statement:

We thank the Managing Director for her statement on the Board's work program and we broadly agree with the proposed Board agenda in the period ahead. The Fund should continue to play a pivotal role in the global economy by providing crisis prevention and resolution instruments, clear and effective policy advice as well as well-designed programs.

IMF core surveillance products, both multilateral and bilateral, should provide a solid background for the supportive role that the Fund should play vis-à-vis the membership in implementing stability-oriented policies. The joint presentation and discussion of the three multilateral surveillance reports (the WEO, the GFSR, and the Fiscal Monitor) has proven to be a positive innovation that needs to be kept and strengthened going forward. The objective of presenting clear and consistent messages should be vigorously pursued. In this respect, the Consolidated Multilateral Surveillance Report is the best vehicle to distill and unveil the key policy messages to the entire membership.

Building on the action plan for the Triennial Surveillance Review, it is of the utmost importance to continue improving bilateral assessments, taking more into consideration spillover analysis and interconnectedness. The Article IV consultations are still the main tool to engage with members' authorities, and they represent an IMF-specific value added in providing quality advice. In this regard, the work stream on the surveillance framework is much welcome.

Given the status of the global economy, the proposed work on supporting growth should receive top priority in the coming months. Combining credible fiscal consolidation and debt reduction with growth-enhancing policies is the major challenge faced by many members, and the Fund cannot avoid a proactive role in discussing this issue. Accordingly, we fully support the Managing Director's call for identifying the scope for structural reforms and macroeconomic policy in promoting growth and jobs.

The months ahead also represent an opportunity to scale up the agenda on Low-Income Countries (LICs). After the comprehensive reform of the LICs facility three years ago, it is time to review and eventually refine it. It is also important to complete the 2009 LIC financing package in order to guarantee a long-term sustainability of the PRGT. The numerous Board discussions on those issues represent an opportunity to move forward that cannot be missed.

Dealing more broadly with Fund resources, it is clear that after the swift political decision of the membership to provide temporary resources amounting to more than US$ 430 billion, we need to rapidly approve the borrowing modalities. This is a precondition to allowing members who have pledged such resources to complete their domestic procedures and to sign final borrowing agreements. The forthcoming Board meeting on borrowing modalities represents a clear opportunity to finalize the overall process.

Finally, in the run up to the Annual Meetings in Tokyo, it is important to make progress on the quota formula review. At the same time, the implementation of the 2010 quota and governance reform seems to be lagging behind schedule. The disconnect between the implementation of the agreed reforms and the quest for additional ones is becoming increasingly embarrassing and risks to undermine the credibility of the overall reform agenda. It is therefore important to find the right balance, also from a communication point of view, between the two objectives in order to facilitate a positive outcome in both fronts. The proposed action and agenda on these issues seems to broadly address our concerns.

Mr. Nogueira Batista, Mr. Fachada and Ms. Florestal submitted the following statement:

We thank the Managing Director for her statement on the work program.

Quota and Governance Reforms

As we have stressed on different occasions, this chair remains deeply concerned with the slow pace of the quota and governance reforms. We have roughly seven months left to complete the comprehensive review of the quota formula and we are far from any agreement—or even from having any proposals on the table. Thus, we welcome that, at the request of the Executive Directors representing the BRICS countries, an Executive Board meeting on the quota formula review has been scheduled for mid-June, ahead of the Los Cabos G20 Leaders' Summit. By that time, the G20 Working Group, co-chaired by Australia and Turkey, will have met in Istanbul with a view to finalizing a report on the quota formula review for the Los Cabos Summit. The Executive Board must take an active part in the discussions leading up to the Summit. We prefer that the proposed Board meeting be converted from an informal session to brief into an informal session to engage, indicating the expectation that Executive Directors will express their views on the matter.

The following discussion on the quota formula is proposed for July 18th, traditionally a period of heavy workload. The Updated Projection of the Board Calendar proposes in or around this period, among other items, the Article IVs of the systemic five, the spillover report, several additional Article IVs and use of fund resources and a review of conditionality. Although we understand the constraints of staff, including the data update through 2010, would it not be advisable to bring forward the discussion on the quota formula review by a few weeks to avoid the mid-July bunching of Board items?

We note the reference in the work program to a "dedicated work stream of the IMFC Deputies" on the quota formula review in August and in September. Given that we are discussing today the Executive Board's work program and not the IMFC's work program, we wonder what the reason for adding this reference is. This is an issue that is far from consensual in the IMFC and reflects the attempt by the IMFC chair to guide and/or intervene in the quota formula review. We recall that this suggestion was repeatedly deleted from the drafts of the April communiqué by several IMFC members in all rounds of the process and rejected by them during the final face-to-face meeting. However, the IMFC chair unjustifiably resisted eliminating this proposal from the text of the communiqué. In any case, there is no reference in the IMFC April communiqué to a "dedicated work stream" of IMFC deputies.

We very much welcome the Managing Director's proposal, consistent with her April Action Plan, to hold monthly meetings through October to monitor progress on the 2010 reforms, with a greater focus on progress in each constituency. Time is running very short to complete the process by the Annual Meetings of this year, as requested by the Board of Governors in 2010.

Low-Income Countries (LICs)

We welcome the inclusion of the review of facilities for LICs among the anchor items as some chairs, including ours, recommended in October 2011 at the time of the last Board discussions on the work program. We suggest that a forceful effort be made to disseminate the bimonthly report tracking progress towards securing sufficient funding for support of concessional financing under the PRGT. We also suggest that the next discussion on the windfall gold sale profits be held before the Annual Meetings. This would allow Governors to contribute in finding additional resources during the meetings, if the Board discussions should lead to insufficient outcomes.

Small States

At the time of the Spring Meetings, we welcomed the Managing Director’s commitment in her Action Plan “to enhance attention to small states, especially those that are most vulnerable to external shocks.” And we acknowledge the efforts by the Fund to understand better the peculiarities of small states and to improve the dialogue with them including through regional conferences. However, we are disappointed by the vague reference in the work program to “analysis that is underway on the particular economic challenges facing small states, and on the Fund’s engagement with them.” We think that there should be a stronger commitment to produce concrete proposals before the end of the year on how the Fund will better cater to these states. After the Pacific conference last March and the one in the Caribbean planned for September, we expect that staff and management will have sufficient information and ideas to bring concrete proposals to the Board.

Capital Flows

We take note that the Board will be spared from another round of discussions on capital flows in the next few months, but that a new paper is proposed later this year to “bring together” the work presented in the preceding four papers. We continue to think that this is not optimal use of the Fund’s scarce human resources and that staff should at this point be in the learning seat when it comes to capital flows management. In any case, at this stage the main task for staff is not so much a matter of "bringing together" the preceding papers. What is required in our view is a substantial reexamination of work that is on many counts technically weak and lacking in balance and even-handedness.

Other Issues

We look forward to the discussion on the Diversity Strategy Report and take this opportunity to request that the document be distributed with ample lead time ahead of the formal Board meeting to allow for bilateral discussions and other consultations if warranted. We also welcome the proposal to have a Board discussion on workforce planning.

We support the focus on jobs and growth in Fund surveillance and especially in Fund programs. A first step would be to provide more data on employment, unemployment and labor markets in staff reports. We would welcome efforts to bring forward the Board paper on the issue that is being proposed for later in FY2013.

We suggest that the discussion on Crisis Program Review be held in a formal Board meeting, rather than in an informal meeting to engage. There are many lessons to learn from the experience with recent European programs that would benefit from a formal setting. We would also support a formal meeting to discuss the delayed paper on Sovereign Debt Restructuring, which was originally proposed in the October 2011 work program for January 2012.

Finally, we anticipate that much of the Board attention in the next few months will be focused on the euro area and especially on Greece. In a recent interview, the Managing Director confirmed that the Fund has to be technically prepared for a Greek exit from the euro area. Indeed, the institution should be ready for every contingency, and we assume that work is already underway to prepare the institution for worst-case scenarios in Greece and in the euro area.

Mr. Lushin submitted the following statement:

We can support the work program with the following comments:

As observed by Mr. Legg and others, the work program will need to be flexible in light of the uncertainty created by the ongoing crisis and the unpredictable future developments.

In this context, better prioritization in the work program may be required to devote more time to the most pressing issues. Mr. Weber has made some useful suggestions to this end in his Gray.

Including policies on supporting growth into immediate priorities is understandable; however, we are skeptical that immediate results in this area are possible given the gravity of the existing situation. For this reason, another direction of analysis is also warranted, that is how to deleverage in an orderly manner in the environment of no or low growth. Therefore, we see much merit in the formal Board consideration of the paper on Sovereign debt restructuring: An Overview of Past Experiences, as suggested by Mr. Weber and supported by a number of other Directors.

We agree with Mr. Prader on the need for further work on the link between public finances and global financial stability. To this we would only add that not only high public indebtedness represents risks to financial stability, but high private debts do so as well, and this line of analysis is largely missing in the proposed work program.

We would like to seek further clarification from staff on the Spillover Report scheduled for discussion in July. Last year we had 5 country-linked Spillover Reports and one umbrella Spillover Report compiled on this basis. Will this approach be repeated this year or will we have just one report covering all 5 systemically important economies?

We look forward to a meaningful discussion on the Quota Formula Review in July and a productive exchange of views on the same topic in June. We agree with Mr. Nogueira Batista that, to the extent possible, the formal meeting scheduled for mid-July should better take place earlier. We remain unclear on how a work stream of the IMFC Deputies can bring the quota formula issue forward better than the IMF Board can do. We are concerned that adding the third stream (in addition to the IMF Board and G20) to work on this topic would only increase coordination difficulties and make the whole process longer than necessary.

Finally, like Mr. Shaalan and Mr. Zhang, we are concerned that an extraordinarily light Board agenda in May will result in the usual bunching of policy items in July and September, thus repeating the unfortunate experience of the previous years.

Mr. Virmani and Mr. Eapen submitted the following statement:

We congratulate the Managing Director on planning a work program which appears to steer a safe course between the competing requirements of effective crisis response along with the needs of a longer term strategic focus. The program is ambitious but there is at the same time a fine balance between items calling for decisions or views from the Board and those brought to notice for lapse-of-time (LOT) consideration or information. Like Mrs. Budiman, Ms. Yeo, and Ms. Hafid, this chair too appreciates SEC's continuous efforts to smoothen the Board workload. We also agree with the point made by them about more effective utilization of the month of May, which had a relatively light agenda and exploring reducing the number of policy items in the month of July.

The proposal to have regular informal Board briefings from staff to update on developments in Europe are welcome; we request that these be initiated as soon as possible due to the renewed stresses that seem to have increased with the recent developments on many fronts. In this connection, we note, in passing, that the last statement in October 2011 had a commitment to include more frequent staff briefings of Executive Directors to keep members abreast of developments with potential systemic impact in a 'more disciplined way.'

We support the continued focus on financial reform issues as an immediate priority. We agree that at this stage the Board should only be briefed in informal sessions on items such as the result of recent work on Modalities for Cross-Border Resolution, Macro-financial Stress Testing and the Interrelationships of Sovereign and Financial Sector Risks as these are areas where further work is still required. The knowledge accumulated through the Financial Sector Assessment Programs (FSAPs) should now be adequate in order to draw important lessons and like other directors we feel that this could be part of an 'informal session to engage' rather than just "for information."

We also support the focus on credible fiscal consolidation and government debt reduction as an 'immediate priority.' Under the topic of fiscal adjustment and growth, in addition to the topics outlined, we would welcome an informal session (to brief and update) recent work being done in FAD (and elsewhere) on public debt sustainability in different economies; a subject which has also been under examination in the G20 Framework Working Group. We look forward to the discussions on jobs and growth, social equality and inclusion; indeed we feel that these issues need to be mainstreamed in Fund thinking and analysis as well as in evaluating programs and conditionalities.

The papers on lending and capacity building efforts to preserve macroeconomic stability and debt sustainability in Low-Income Countries, particularly on the Review of LIC facilities should also take a detailed look in relation to why particular countries are frequent (and repeated) Fund clients and at whether only refinements in lending facilities would be sufficient to deal with their issues. Similarly, the effectiveness of lending programs in Europe, particularly in relation to the unprecedented amounts of lending compared to quota shares, issues relating to lending as part of joint arrangements, as well as lending to currency unions, requires a special section in the paper on Review of Conditionality. We suggest that the paper on Review of Conditionality would be more effective if it draws from the lessons of the paper on Crisis Programs Review, which is slotted as an informal session (to engage) and thus the Conditionality paper could be discussed by the Board after the discussion of the Crisis Programs Review.

On improving the framework on surveillance it is important that the papers on the External Sector Report and the Integrated Surveillance Decision are discussed in a timely manner. The Spillover Report in July should build on the lessons learnt from the discussions on the initial reports issued last year.

On the Quota Formula Review, like Mr. Nogueira Batista, Mr. Fachada, and Ms. Florestal we welcome that at the request of the Executive Directors representing the BRICS countries an Executive Board meeting on the quota formula review has been scheduled for mid-June ahead of the Los Cabos G20 Leaders' summit. Regarding the apparently parallel work stream at the IMFC Deputies, we suggest that there should be complete coordination in this work, with the Board in full awareness of the developments at the IMFC. We note that this is particularly crucial as, while the meetings of the IMFC deputies take place in August, the Board is in effective recess from August 6th to 24th 2012.

Finally, on Human Resources and Diversity, like we have stated on earlier occasions, we ask that the Diversity Report look at the issue in its full, complex aspects, rather than just in a mechanistic and number-totaling manner.

Mr. Fayolle made the following statement:

I am among the few Directors who did not issue a gray statement, so I will refer to statements by other Directors. We thank management and staff for this ambitious Work Program, and we support it. I will make four points for emphasis.

First, we welcome the proposed work on promoting growth and jobs. Tailored policy advice from the IMF in terms of fiscal adjustment is critical in this area.

On surveillance, many improvements are underway following different tracks. I stress the importance of not losing sight of the track related to the legal framework, which is key to enhancing the legitimacy, traction, and efficiency of surveillance. Like Mr. Gibbs and Mr. Zhang, I look forward to the discussion on an Integrated Surveillance Decision (ISD) in a timely fashion.

Like Mr. Legg, Mr. Alshathri and many other Directors, we look forward to the discussion on borrowing modalities. This is critical to making the Fund's historic commitment concrete as soon as possible. It is just as important to ensure that adequate resources are available for all the membership. Like Mr. Assimaidou and Mr. Nogueira Batista, I wonder whether it would be more efficient to schedule the Board meeting related to the longer-term sustainability of the Poverty Reduction and Growth Trust (PRGT) prior to the Annual Meetings.

Finally, I look forward to the next Board meetings and briefings on human resources issues.

Mr. Pérez-Verdía made the following statement:

We thank the Managing Director and the staff for the presentation of a well-balanced Work Program. We agree with the selection of priorities in the coming months. I have two general remarks and two comments on the priorities.

The first general remark is that while it is important to keep flexibility in the Work Program, the coherence of the previous work needs to be taken into account. Like other Directors, we believe that the Work Program could benefit from including a short review of the work done to help clarify slippages, delays, or drops.

The second general remark adds to the general comments on bunching. While we appreciate that significant effort has been put into the Work Program and recognize that it is not possible to avoid bunching in some months, we would appreciate leaving at least a few days free during the week rather than spreading out the meetings on Tuesdays and Thursdays.

On the Consolidated Multilateral Surveillance Report (CMSR), this publication will perhaps become one of the Fund's flagship reports. The upcoming CMSR will include some of what the IMFC communiqué requests regarding the progress toward restoring confidence, rekindling growth, and creating jobs. Given this new format, or at least the inclusion of these new elements, we would appreciate early discussion at the Board. Mr. Shaalan's repeated request to have a formal Board meeting should be taken into consideration.

Like other Directors, we support the focus on low-income countries (LICs) and look forward to the Review of LIC Facilities. Related to what Mr. Fayolle just mentioned, the support could have been strengthened by scheduling the Use of Windfall Gold Profits to a date before the Annual Meetings.

Mr. Snel made the following statement:

I also welcome the proposed Work Program, and I broadly agree with the identified priorities. I have a few remarks.

First, the implementation of the committed increase in the Fund's resources is an immediate priority. I hope and expect that the Board will be able to finalize the modalities for the borrowed resources as soon as possible at the planned meeting so that the staff can make arrangements with bilateral creditors.

Second, I also support Mr. Legg's and other Directors' call on management to be active in providing briefings in informal Board meetings so that the membership has a clear understanding of the Fund's views on new developments and contributions to the evolving crisis response.

There are a few elements about which I would appreciate more clarity. The informal meeting on quotas is now planned for June 13. It used to be an informal meeting to brief and now it has become a meeting to engage. I also understand that there will probably not be a paper. It is not completely clear what the envisaged output of this meeting will be and some information on that would be welcome.

Finally, the postponement of the meeting on the Use of the Windfall Gold Profits until after the Annual Meetings is somewhat surprising. In the staff's responses to technical questions, the staff said that it would prefer to have the discussion on the LIC Facility Review in September. Reaching an agreement before the Annual Meetings would be preferable, is this still possible?

Mr. Hockin made the following statement:

Our chair decided not to issue a gray because we are supportive of the proposed Work Program as detailed in the Managing Director's statement. We fully concur with Mr. Legg that it is important to remain flexible in the current volatile environment. Demonstrating flexibility also means reprioritizing some elements of the Work Program. On this issue, similar to Ms. Lundsager, I believe Mr. Weber made some useful suggestions in his gray statement. I have four points.

First, I welcome the emphasis in the Work Program on fiscal adjustment and growth, including the need to deepen the Fund's analysis of the impact of programs on social equality and inclusion, which should include the impact of programs on gender equality. That being said, I note in the Managing Director's statement that the Board paper on this issue is only considered for later in FY2013. At a minimum, the Board should informally discuss this issue at an earlier stage, given that the issues of social equality and inclusion are at the core of the political and economic debate in many program countries.

Second, I note that the Work Program does not include a Board discussion on the Fund's HR strategy. I note the Managing Director's previous remarks that the Board should not manage the HR strategy, but Directors want to have some input into the strategy.

Third, the Work Program does not make direct mention of small-state issues. Work in this area has already been foreshadowed by the Managing Director when she acknowledged the importance of this issue in her Action Plan. I also know that the staff is planning a high-level policy discussion with our constituency in September. However, could the staff indicate when and in what form this topic is planned to be taken up by the Board?

> Finally, the Managing Director notes that the informal briefing of the Crisis Programs Review will cover issues concerning lending to members of currency unions. We hope that this includes a close look at the role of the IMF in situations where it is providing a significant portion of the financial assistance, such as the current troika framework for euro area countries. In this vein, I look forward to the important upcoming discussion on the review of conditionality.

Mr. Nomura supported the Work Program. Like Mr. Hockin, he also supported Mr. Legg's point that Directors needed to retain some flexibility in the Board schedule. The global economy remained in a precarious situation, which would require a degree of flexibility. In this regard, like Ms. Lundsager and many other Directors, he believed that Mr. Weber made many good suggestions for further streamlining. He also noted that the External Sector Report (ESR) was an important topic and that a thorough discussion with the authorities before scheduling a Board meeting was warranted. There was no need to rush into a Board meeting on the subject.

Mr. Daïri supported comments by Mr. Fayolle, Mr. Pérez-Verdía, and Mr. Snel about the need to accelerate the discussion on the longer-term sustainability of the PRGT. He also supported Mr. Hockin's point about small states.

Mr. Meyer (GR) made the following statement:

> The Work Program is balanced. Different chairs have different priorities and the Managing Director has to balance them. Let me name just two examples of what is important for our chair.
>
> The first is the question of growth and fiscal consolidation. It is important not to lose sight of the fiscal consolidation side when talking about growth. Fiscal consolidation is an important prerequisite and precondition for growth. In the Work Program, to better balance it out and reflect the IMFC communiqué, we should not to lose sight of the fiscal consolidation side. Management and the staff made progress in having a balanced and consistent message on this issue, and the Board made progress in the last few weeks and months on that issue.
>
> The second example is the question of windfall profits, an area in the Work Program where the Managing Director should have a neutral stance while discussions continue. The Managing Director has linked that issue to the PRGT, and a number of chairs have highlighted the PRGT side. Our chair would like to see it linked to the question of reserves. In the Work Program,

the Managing Director should have a neutral stance for as long as it takes the Board to decide on this issue.

It is a balanced Work Program and it is normal that different chairs have different priorities. Having a monthly overview on the quota reform and the implementation may be overdoing it. I can go along with Mr. Weber in this regard. Overall, the Work Program is balanced and it is normal that Directors have different views.

Mr. Nogueira Batista made the following statement:

I was not going to speak, but having heard Mr. Meyer (GR), I would like to mention that it is absurd to say that a monthly review of the progress in the implementation of quota and governance reform is overdoing it, given the enormous lag in the implementation of the 2010 reform. I reiterate what we said in our statement. Our chair welcomes the fact that there will be a monthly stocktaking with a focus on progress in each constituency.

On the small states, I support Mr. Hockin's comments, which in fact take up a point that was made in our gray statement. I have one minor clarification. The conference planned for September will be held in a country of our constituency, Trinidad and Tobago, and it is not directed toward one constituency in particular. It is more wide-ranging.

Mr. Weber made the following statement:

I side with Mr. Meyer's (GR) call to give adequate weight to debt sustainability and sustainable growth. In the policy discussions to be tabled, I also reiterate that there are lessons from sovereign debt restructuring that should be looked at in the Board with a medium-term perspective—even if there is no immediate follow-up. A paper for information does not give enough weight to the entire background on sovereign debt.

I also support calls for timely briefings on global developments, especially on the five systemically important economies (S5). There has not been much of that in the last three to four weeks, and I am receiving exasperated calls from my capital on this issue. I also wonder about the next steps on the ISD. I look forward to tomorrow's discussion on Board practices that might help better manage Directors' Work Program.

The Chairman suggested that the Board have a one-day retreat in August. This could be a full-day retreat off site, with an agenda and collective focus.

The Deputy Director of the Strategy, Policy, and Review Department (Mr. Teja), in response to questions and comments from Executive Directors, made the following statement:[2]

> The staff will take a look at the calendar after accounting for Directors' comments to see how to reschedule items as best as possible. I will respond to a few questions that were not addressed in the staff's written responses, starting with the ESR and modalities for staff collaboration.
>
> With regard to the process, an interdepartmental team has been formed to produce the ESR, with the participation of the area departments (the bilateral side), and the functional departments for the more multilateral perspective, (RES, SPR, etc.)
>
> The area departments are now consulting with all of the countries that are in the exercise. Some of these consultations will take place in the context of Article IVs; a number have just begun and are now in the field. Once that process is complete, we will have a better idea of how the various assessments add up. Then we will have a better sense of the timing of the ESR.
>
> Some Directors asked if there was a similar process with regard to the ISD. The answer is yes. The staff is still consulting with a number of countries on their views on the ISD. These are two workstreams moving in parallel.
>
> Several Directors had questions about small states, and if there would be a paper on small states. The staff held back from promising such a paper, because we are in the process of performing the underlying analytical work. There has been a good deal of progress. The staff intends to discuss some of this work in various outreach events, including the ones that Mr. Hockin and Mr. Nogueira Batista mentioned. Once there is a better sense of that, the staff will be in a better position to say whether we are ready to come to the Board with a paper.
>
> Several Directors had comments on the format of meetings. The one that attracted the most attraction was the Sovereign Debt Restructuring paper. Given the crowded Board calendar, the staff scheduled this as an item for information rather than a formal Board meeting, principally because it is a historical analysis of experience. It does not present any policy prescriptions

[2] Prior to Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to these minutes.

that would merit a Board discussion. If there is a strong demand to have it on the Board calendar, we are open to doing so.

Several Directors had questions on the Crisis Programs Review. A number of Directors expressed the hope that it was being properly coordinated with the Review of Conditionality. The answer is yes, it is. The two teams preparing these papers are in the same department and the issues are very closely linked. That work is moving together.

Several Directors had questions about currency unions. The staff mentioned in the Work Program that there would be some treatment of the issues raised in currency unions in the context of the informal meeting on the Crisis Programs Review. Once the staff shares its initial thoughts and hears the Board's view, it can decide how to take this issue further. The staff wanted to have an initial exchange of views with the Board before proceeding further.

Finally, on gold sales, Mr. Snel and Mr. Daïri asked if there was any chance to bring this issue to the Board before the Annual Meetings. As the staff mentioned in the written answers, the main constraint is the need to take into account the long-term financing needs identified in the PRGT paper, which is due in mid-September. Then staff needs time to take those findings and Directors' comments into account before coming up with a paper.

The staff aims to have the paper before the Annual Meetings, but to have a Board meeting would bunch the Board schedule and thus make for significant unpleasantness. If that is what the Board wants, we can look at this possibility it, but it will be difficult.

Mr. Daïri noted that on the issue of small states, there had been a discussion in the Board about 20 years prior regarding small island economies. Rather than wasting time repeating the details of these countries' vulnerabilities, it would be good to concentrate on the policy content, the approach and advice to these countries, and also the financing needs. He strongly urged the staff to take stock of that early work and complement what had been done.

The staff representative from the Secretary's Department (Mr. Hviding), in response to questions and comments from Executive Directors, made the following statement:

I will address comments on the scheduling issues. As Directors have acknowledged, progress has been made. That progress is mainly due to three points. The first is increased focus from the Secretary's Department (SEC), which has established a Work Program and Board Calendar Unit, and has made this a priority task for SEC. The second point is the establishment of the Interdepartmental Task Force on Calendar Management, which has raised the awareness of area departments significantly. Third, the increase in LOTs has shaved about 10 to 15 Board meetings a year.

This work has not been easy and it has not come without costs. Anybody from the area departments would agree. It has imposed substantial cost in terms of mission planning, particularly due to the removal of a number of Article IVs from July and December.

However, the battle has not been won yet and SEC has not let down its guards in making sure that this July will not be as difficult as last year from a country item perspective. December is another month that is difficult and will likely pose the same challenges as last year, although it might turn out manageable as a result of unexpected delays in program reviews.

Looking forward, there are two areas where further improvements can be made. The first area is to better plan administrative items and to schedule them for after the Spring Meetings and Annual Meetings. The second area is to find ways to deal with the unexpected drifts in program reviews. This was seen in May, and there were several questions about that. As it was originally planned, the May schedule was very full and SEC even called up area departments to delay some of the items.

In the event that there were a large number of items—in particular, program reviews—that were delayed. Finding a more efficient way to deal with this problem, perhaps along the lines of what in the airline and hotel business, would be important.

Mr. Legg made the following statement:

I appreciate the Managing Director's suggestion for another retreat, which would be a good idea. I was not able to attend the last retreat because I was traveling. I will likely be traveling in August as well, so I am concerned about the timing. Nonetheless, it is a good idea, so please push ahead.

In terms of the staff's comments, I appreciated the explanations of where we are in terms of the External Stability Assessment process. The consultation process has been a mystery because not all of us have Article IVs in the period ahead. There seems to be several players in this consultation over exactly how it is supposed to work out. It is becoming a little clearer over time, and the staff's answers helped on that front.

On the small states, I agree with Mr. Daïri that the focus should be on policies and I am sure that is what the staff has in mind. Small states cover a very broad range of economies. It may be necessary in this analytical work to drill down beneath the heterogeneity of that large group to look at policy issues as they relate to different subsets of that group.

In my gray statement, I mentioned the issue of flexibility, and other Directors have echoed my comments. It is as much a challenge for the Board as it is for management. The process of getting something scheduled and locked in seems to be a rigorous process, and it is hard to be flexible. The Board has a scheduled informal discussion on Europe in two to three weeks' time. Directors need to recognize that we may need to have that discussion sooner. I urge my colleagues to be prepared to be flexible.

We are always trying to second-guess what we read in the press about what the Fund may or may not have said in this or that consultation behind closed doors. We have to have the context to interpret those stories rather than constantly fishing around and trying to catch up.

The work on jobs and inclusive growth is important. It struck me—and this is not so much about the Work Program—that as the Fund moves into this area we need to think about the skills set for the institution as policy advisors. It is an area that requires not just speaking truth to power, especially if we do not necessarily have a mortgage on the truth. The Fund has to listen as well and think about how to engage authorities on these issues. The Fund needs to think about that in the longer term as it moves into trying to take a more active role in this important area.

Finally, on the issue of the quota formula review, I did not hear an answer to Mr. Snel's question about exactly what was intended from the meeting in June, given the understanding he had that there would not be a paper. I also wanted to mention the G-20 Working Group processes on this, which are co-chaired by Australia and the Turkish authorities.

There will be a meeting in Istanbul toward the end of next week to discuss a paper on this. The paper is focused at a very high level. That group would consider it a success if that process resulted in clear political commitments to finish the review, and some political understanding of the principles that should guide the review. But there is no desire to dive into the very difficult technical issues about developing or refining the formula. My understanding is that the G-20 Working Group believes that has to be done in the IMF context.

Ms. Lundsager made the following statement:

> I associate myself with Mr. Legg's comments.
>
> On the point about supporting growth, the staff's written responses to technical questions cited many sources including blog posts and Research Department (RES) papers, but it would be helpful to get a sense of how all this comes together. Some of it will come up in the Conditionality Review, some will come up in program country discussions, but it is also relevant to a number of the Article IVs that will take place in the next few months.
>
> I hope that the staff at some point would feel comfortable with pulling together the themes of its own work and the work of various institutions such as the OECD and the ILO, to provide a sense of how the Fund can be supportive of structural reforms that will promote growth while recognizing that the Fund cannot be an expert on every particular sector issue that might arise. Finding that balance will be a challenge.
>
> I also look forward to having a retreat. It went well last year and was a good idea.

Mr. Fayolle noted that he had rarely seen such a quiet month of May at the Board, which was a situation that needed to be worked on. It was not sufficient to say that program reviews had been delayed. Though one could not predict when program reviews would come to the Board, it was easier to predict Article IV discussions, and there could be more Article IV consultation in the month of May. Regarding Mr. Teja's comments about gold sale profits and LICs, Mr. Fayolle appreciated that the staff did not want to squeeze the Board's schedule. However, he noted that this should be valid for all issues, and not only for issues that pertained to LICs. The Fund needed to avoid the perception that that issue was less important than others. It would be unfortunate if no progress was made on the issue before the Annual Meetings in Tokyo.

Ms. Yeo made the following statement:

> Like many Directors, we welcome the Work Program. It was a well-focused piece and we support many of its aspects, including the work on LICs, growth, and the work on supporting Arab economies in transition. I will touch on the issue of the IMFC Deputies' workstream. There were several

Directors who expressed support for this in their gray statements and others who have voiced questions and reservations.

The idea of a workstream was first initiated by the IMFC Chair in a letter dated February 22, 2012. It was envisaged that a more engaged Deputies process on key IMF issues, such as the quota formula review, would better facilitate consensus and also help Deputies better prepare their Ministers for subsequent discussions. Thereafter, on February 29, 2012, the Chairman of the Deputies, Mr. Menon, met Directors in Washington D.C. He explained and elaborated on the rationale for setting up the workstream. He also emphasized that the workstream was not meant to duplicate the Board process. It was considered important to engage members and the Deputies early on issues such as the quota formula review before positions harden and consensus become elusive.

It was considered important to get started and the First Deputies meeting was held in Singapore in March. There was a good discussion and the Chair was very encouraged by the positive feedback.

There have been efforts by the IMFC Chair at various junctures to engage members in this workstream process. There is always room for improvement and we would take on board Directors' feedback and comments with a view to improving communication. In this regard, we fully support Mr. Virmani and Mr. Eapen's call for full coordination and transparency with the Board on this issue.

Mr. Mac Laughlin agreed with the accurate Work Program and noted that his chair was pleased with some of the flagship programs, particularly the Early Warning Exercise. Nevertheless, the Early Warning program seemed to be insufficient. There was still a lack of new inputs in the financial markets arena. There had been many advances, but there were still difficulties in assessing the risk from the markets and the world was not prepared to live with a new bubble. Directors should be updated regularly on the issue, and contingency plans needed to be prepared.

Mr. Andersen made the following statement:

I have three brief remarks. First, we welcome and support Ms. Yeo's remarks on the IMFC Deputies' workstream on the quota formula review. It is also important to keep the discussions fully within the relevant IMF fora.

Second, many Directors called for more and better-prepared informal meetings on the most pressing critical issues. There has been a reference to

Greece. It could also be Spanish banks. I appreciated the many meetings on Greece that the Board had on a weekly basis in the first months of the year. I do not know if there should be weekly meetings, but I leave it to management and the staff to devise a structure for such meetings. For example, if there was a dedicated time slot every second week, that could be a way to keep the Board informed.

There also needs to be agreement inside the Board to keep the contents of such meetings strictly confidential. This is essential. I am tempted to call it a gentleman's agreement, but I should not say so. This is of key importance for keeping the Board fully involved and having more efficient information-sharing inside this organization.

Finally, I support the Managing Director's suggestion to have a Board retreat later this year.

Mr. Sembene associated himself with Mr. Fayolle's call to have the Board meeting on the Use of Windfall Gold Sale Profits before the Annual Meetings. He believed there was scope for doing so. The Managing Director's statement on the Work Program reminded Directors that the 2009 LIC Financial Package remained incomplete. Progress needed to be made toward the implementation of that financing package. During the period from 2009-14, the intention was to mobilize about US$ 17 billion in concessional lending. That deadline was two years away and sufficient progress had not been made. There was room to have a Board meeting on the issue before the Annual Meetings so as to make concrete progress on that front.

Mr. Nogueira Batista made the following statement:

I have two observations. First, in light of the staff's comments, I reiterate what we said in our gray statement about the convenience of having the Board discuss issues in a formal setting. There are two important issues that are currently not scheduled for a formal Board meeting: the Review of Crisis Programs and the Restructuring of Sovereign Debt. It is hard to think of two items that are more relevant, so it is of great importance that the Board discusses this in an organized manner in the near future.

The issue of the IMFC Deputies was mentioned in our gray statement. Since it was brought up by the Singaporean chair, I would like to express our discomfort with this approach. First, it is strange to see a reference to a so-called dedicated workstream of the IMFC Deputies in a program of the Board, as we noted in our gray statement.

Second, this proposal was more or less forced by the IMFC Chair during the Spring Meetings and was not consensual. There was significant criticism of this initiative, among other reasons because there is a risk of duplication. We do not see any grounds for this initiative. Our understanding, after much opposition to the chair's proposal, was that this would be simply an item in the Deputies Meeting. Now we find a reference in the statement by the Managing Director to a dedicated workstream of IMFC Deputies to be developed in August and September.

There is no such reference in the IMFC communiqué. The IMFC communiqué, after substantial discussion, simply said that we call on the Fund, with the input of our Deputies, to report on progress at our next meeting. The issue of the so-called workstream is being forced.

Mr. Zhang made the following statement:

We also support the program, which is balanced and appropriate.

I wonder how long a time period this program covers. Is it a semiannual program, an annual program, or a three-year program? I assume this is an annual program for the rest of the year, but I do not know. It would be more helpful to clarify the timeframe this program would cover.

Some of the issues are multi-year issues and cannot be completed in one year. What is the relationship between the previous early work and what will be the follow-up work in the next year or the next program year? That will make the sequence more clear. As Mr. Daïri pointed out, there is the small-state issue. Some earlier work has been done, and the Fund should pick up from there.

Many Directors noticed the bunching issue. I do not want to overburden SEC. I personally believe this is not only the responsibility of SEC. Some of the bunching issues have to be rooted in the Work Program in all the departments. I urge the staff or SEC to work together with other departments to find out how to address it systematically.

Mr. Daïri made the following statement:

Our gray statement raised the issue of the need for flexibility in dealing with Arab countries in transition. Compared to all the noise that has been made about this issue, little has happened, except for the very small assistance to Yemen of US$ 90 million. This transformation is a huge event and the Fund needs to support the process. This cannot be done if we apply the usual metrics in terms of the size of assistance or the choice of facilities. We have to listen carefully to the members. There is significant uncertainty during these processes and this uncertainty requires flexibility.

I will not talk about which country is eligible for what. That is not the issue. It is also confidential. We have even seen changes in some countries being considered for a Precautionary and Liquidity Line (PLL), and papers have been brought to the agenda and then taken out of the agenda for some countries.

The Board has to be more forward-looking. We have to be more ambitious about addressing the issues of these countries and supportive of the transformation. Otherwise, the Fund will be working on the opposite side of the transformation if it does not deliver what it has promised. The Fund will be working against the transformation.

I support the proposal for the retreat. It is important to set a date quickly. In the past, the Dean had an important role in the process, and management and the Dean should discuss how to organize this retreat. It should be well organized in advance because it may take place at a time when several people may be on vacation.

The Chairman agreed that the Dean's contribution was important to the process. She also noted that the dates of Mr. Legg's travel plans would need to be checked, as the retreat could not take place without him.

Mr. Sadun made the following statement:

We issued a gray statement and are in broad support of the Work Program. I will pick up a few points that were raised by Directors.

On the issue of growth, the top priority concerns all the aspects of the crisis. It is entirely appropriate that the work of the Fund and the discussions at the Board should focus on all topics which are a critical aspect of the current crisis. Finding ways to stabilize the crisis and resume growth are part of this focus.

I also agree that any evaluation or policy advice in these areas has to strike a delicate, proper balance between fiscal consolidation and growth. In this formula, the growth element seems to have become more urgent and is attracting more attention. I welcome that.

> Part of the focus on growth is the issue of job creation, a crucial and sensitive topic. It is entirely appropriate that it is part of the Board's deliberation. At the same time, the Board has to recognize that this institution does not have a particular competence on labor. I perceive our role on that issue will be incorporating the work that has been done by other specialized institutions, such as the ILO or OECD, into our evaluation and policy recommendations.
>
> My last point is on the retreat. I was lucky enough to attend the last retreat so perhaps I need less time to bond. Directors already know enough about the personal aspects of colleagues, so we can dispense with that for the sake of concentrating the retreat into one day. That would be my recommendation.
>
> If this retreat is scheduled for the end of August, it will be close to the Annual Meetings. What is the point of getting together with colleagues, some of whom we already know probably will not be there after the Annual Meetings? I wonder if it is best to have this retreat after the Annual Meetings.

Ms. Yeo was sorry to hear that there was an impression that the IMFC Deputies workstream was a forced process. That was not the intention of the IMFC Chair. The IMFC was meant to give strategic guidance on key issues relevant to the Fund and the Deputies. The workstream was intended to support that process. There was always room for improvement in communication, and her chair would fully reflect the comments and grays back to IMFC Headquarters.

Mr. Meyer (GR) echoed Mr. Sadun's comments on the question of jobs and social equality. Considering budgetary and staffing constraints, it was important to concentrate on the issues that were at the core mandate of the Fund. Whenever jobs—or social equality-related issues were macro-critical, then it fell under the Fund's mandate. However, the International Labor Organization, the OECD, the World Bank, and other institutions were already doing work in this area. Incorporating that work into the Fund's surveillance with regard to the planned surveillance toolkit was the right way forward.

Mr. Alshathri broadly endorsed the Managing Director's statement on the Work Program. He was surprised that some Directors were reluctant to have a more inclusive discussion on the quota formula that included all the members. His chair—which was a G-20 and IMFC member—believed that a more inclusive discussion of the Quota Formula Review would lead to legitimate and acceptable results. He was reassured by Mr. Legg's comments that the Working Group should remain focused on the big picture and that the results of the

Board discussion on this issue should not be pre-empted. His chair also supported the IMFC Chair's work on this issue.

Mr. Shaalan agreed with Mr. Sadun that the retreat should take place after the Annual Meetings. Some important topics might come out of the Annual Meetings, and the retreat would provide an opportunity to take another look at these issues.

The Chairman made the following statement:

> I am sure that we will work together to set the appropriate dates. I have a few points in response to Directors' comments.
>
> On the small states, it is a good suggestion to learn from previous work and focus as much as possible on updating previous work if needed, while focusing on policies and identifying the subsets of small states without packaging them into a single lot.
>
> A lot of work has been done on those issues, together with work on LICs. We will be taking up those two initiatives, borrowing from the work that has been done, updating it if necessary, focusing on policies, and trying to find the appropriate subsets of the groups so that the Fund can be relevant.
>
> On the use of the windfall profit, it is appropriate that we focus on the replenishment of the PRGT without prejudging what the Board's view will be on what will be used to replenish the PRGT. No matter what, we have to focus on the replenishment of the PRGT in due course, because those countries will need the concessional lending that we can only provide if the PRGT is replenished accordingly.
>
> There are different views on growth. But this intimate relationship between growth and fiscal consolidation, which nobody can deny, has to be part of our thinking. Pulling the strings—not reinventing the wheel but borrowing from the work done by the OECD, the ILO, and various institutions—will help in the process of focusing on the Fund's mandate. We should have in mind the issue of sustainable growth associated with the fiscal consolidation that is core to the Fund's business, as well as job creation which is also key to the stability called for in the Fund's broad mandate.
>
> The Quota Formula Review was highly debated. Clearly it is a point that belongs to the IMF. The G-20 has deliberations and the issue is on its agenda, but this issue belongs to the IMF. At the end of the day, the IMF—that is, the Board of the IMF—will have to come up with recommendations

that will be fielded, nurtured, and improved by the thinking of the IMFC Deputies Task Force. The wording is very clear and was debated at the time.

It was said at the time of the Spring IMFC Meeting that "the IMFC calls on the Fund, with input from our Deputies, to report on progress at our next meeting." That language was debated and was the result of a compromise. It is in that spirit that we are all working together, but at the end of the day the key report will come from the Fund and, therefore, the debate will be held here. We welcome the improved communication between that group and the work that is being done here, as Ms. Yeo suggested.

On the issue of the June 13 meeting, it is an informal meeting to engage, not a formal meeting. I have asked the staff to bring together the various strings, whether it is the initial, substantive memo that was put together, the summing up that was strongly drafted and debated, or any new developments in process. I have asked that these be brought together so that the Board has something to chew on and work from, and that is available for further discussion.

As is customary, the Secretary will prepare a follow-up memorandum for Directors addressing points and queries raised during today's discussion. I take it that Directors have no objection to the publication of the Work Program statement amended as appropriate in light of today's discussion.

APPROVAL: April 9, 2013

JIANHAI LIN
Secretary

Annex I

The staff circulated the following written answers, in response to technical and factual questions from Executive Directors, prior to the Executive Board meeting:

Restoring Stability

*1. Could staff provide some indication on the topics that will be covered in the World Economic Outlook, the CMSR and the Management Action Plan?*

- The analytical chapters in the next WEO will look at lessons on the resolution of public debt overhangs, the resilience of emerging and developing economies, and implications for growth prospects. The CMSR and the MD's Action Plan are topical documents, with their contents determined closer to the Annual Meetings.

*2. Last year there were 5 country-linked Spillover Reports and one umbrella Spillover Report compiled on this basis. Will this approach be repeated this year or will we have just one report covering all 5 systemically important economies?*

- As noted by the FDMD during the Work Program Implementation meeting on February 10, this year there would be a single spillover report, with annexes covering the S-5 country material.

3. *Given the lingering sovereign and banking tensions, it is likely that the work on the Modalities for Cross-Border Banking Resolution could have immediate implications for the Fund's work and surveillance on the euro zone. We would welcome comments on how these issues will be included in the WP?*

- The Fund's ongoing work on cross-border banking resolution already feeds into the Fund's work and surveillance in the euro area (e.g. through FSAPs, Article IVs, etc.). The purpose of the informal Board session in September is to update the Board on the Fund's work on cross-border banking resolution, including the joint work with the FSB on key attributes of cross-border bank resolution frameworks.

Financial Reform

*4. What is the rationale for issuing the paper on Cross Country Themes from Recent FSAPs for information only? It would be beneficial to add this paper as background material to the Board discussion on the Strategic Plan for Financial Sector Surveillance.*

- The main reason is to alleviate the Board schedule. The staff would be prepared to discuss the paper in an informal session if there is broad interest and subject to scheduling constraints. Consideration will be given to include the paper as background material to the discussion on the Strategic Plan for Financial Sector Surveillance.

5. *The paper on Interrelations of Sovereign and Financial Sector Risks: Debt Implications is planned for an informal session (to brief). What will the treatment of this subject be going forward? Is a formal discussion expected subsequently?*

- Consideration for a subsequent discussion will depend on the outcome of the staff work and the Board discussion.

Supporting Growth

6. *Will the planned Board paper on issues related to jobs and growth draw upon the work done in other international organizations? Clarification would be welcome with regards to the "analytical work underway on issues related to jobs and growth in Fund surveillance and programs, including social equality and inclusion" and to "a surveillance toolkit and related outreach." What are some examples of specific modalities that management has in mind in these areas?*

- As a first step, staff is working to enhance understanding of the analytical underpinnings for advice on jobs and growth, including: (i) understanding employment-growth linkages; (ii) assessing the impact of policies and institutions on employment and growth; and (iii) strategies for fostering inclusive growth.

- The proposed output builds on work already underway at the Fund and leverages to the fullest extent the expertise of our partner institutions such as the World Bank, OECD and ILO. In particular, staff will draw on the Bank's World Development Report 2013 on "Jobs."

- Based on this analytical work, a surveillance toolkit is planned to provide staff guidance and tools on macro-social issues. In addition, staff will examine and provide guidance on macro-social issues in the program context, based on the analysis and proposed recommendations from the forthcoming Review of Conditionality.

- Initial outreach has included consultation with ITUC and labor unions on European labor reforms; a seminar series on "Jobs & Growth" issues (April 18); an informal presentation to civil society organizations during the Spring Meetings (April 20); an EXR factsheet on the IMF's labor market advice; and a post on jobs and growth on the IMF's blog. Further events and communication outputs are planned this year, including a seminar on jobs and growth at the Tokyo Annual Meetings and a focus on labor markets at the Annual Research Conference in November.

7. *Could staff provide updates on efforts related to up-scaling relevant and well-targeted technical assistance to Arab economies in transition?*

- There have been 36 technical assistance (TA) missions to 6 Arab countries in transition since January 2011 (Egypt-8, Jordan-11, Libya-3, Morocco-8, Tunisia-3, Yemen-3). These covered mostly public financial management issues, which are key to building strong and transparent fiscal institutions. Other TA areas included tax policy and administration for a more equitable taxation, subsidy reform, exchange rate policy, banking supervision, and statistics. Capacity building in all these areas is needed for an inclusive growth agenda.

*8. Regarding the two papers on managing natural resource wealth, what is the rationale for including these as part of the work on LICs? In what ways will these papers go beyond recent Fund work on natural resource taxation and management?*

- The paper on natural resource taxation will draw on FAD's recent book on the topic, but will include new material as well as specially-collected data. FAD presented to the Board last year a paper on non-resource related revenue mobilization. The present paper is in response to the request for a similar treatment of resource revenues. While the paper will make reference to advanced country issues and experience, the focus will be on developing countries—recognizing in particular the recent discoveries and prospects in many such countries, and the very strong demand for Fund TA in this area. The paper on resource wealth management will reassess Fund policy advice to resource-rich low income countries in light of new insights from recent research that give prominence to credit constraints and capital scarcity faced by such economies, as well as the growing importance of resource wealth.

*9. Is it possible to schedule the Board meeting on Use of Windfall Gold Sales Profits—Further Considerations prior to the 2012 Annual Meetings?*

- The LIC facilities review, scheduled for mid September, will provide an opportunity for Directors to express views on the longer term financing needs of the PRGT. The staff would prefer to consider the views expressed by Directors during that discussion before finalizing the paper for a further discussion on the use of the remaining gold windfall profits. It is envisaged to circulate a paper in advance of the Annual Meetings, for discussion shortly after the Annual Meetings.

*10. We wonder whether the two meetings on Broadening the Fund's Investment Mandate scheduled for June and September 2012 can be combined into one formal Board meeting.*

- Two papers are considered necessary. Given the very broad and detailed range of issues and need for sequencing in terms of implementation, the first paper will seek further Board engagement on conflicts of interest, investment strategy, and governance. Building on Directors' views on these issues, the second will cover specific implementation issues and possibly also new Rules and Regulations for the Investment Account.

Management of the Institution

*11. Why was May so light? Is there a risk for an increase in the number of meetings in June, July?*

- As indicated in several Grays, the month of May turned out much lighter than initially projected, reflecting mostly a sharp drop in country items. Compared to the projections made at the time of the February Work Program Implementation, the number of Article IV consultations dropped by about 30 percent and program reviews or requests (alone or combined with Article IV consultations) by more 50 percent. The number of policy meetings was in line with earlier projections.

- Although some of the projected meetings were postponed to June/July, the projected number of Board meetings in June/July should still be manageable. The projected number of country meetings in July is about 20 percent down from last year, with the number of AIV consultation down by about 40 percent, reflecting the efforts of the Interdepartmental Task Force to strictly limit the non-S5 countries. The number of policy items is, however, projected to be somewhat larger than in previous years, partly reflecting some new items (e.g., Progress on Acceptances of the 2010 Governance reform, Diversity Review, Crisis Program Review).

*12. Is there scope for scheduling more items in the periods immediately after the Spring and Annual Meetings (e.g., May and November)?*

- The relative light calendar in the post meeting periods is a perennial issue. The experience over the last two years suggests that this mainly stems from the tendency to complete policy meetings in the run-up to Spring and Annual Meetings, and country items in the pre-recess or year-end periods (as missions tend to go out after the Meetings). One way to alleviate this tendency could be to expand the planning horizon of administrative items to about one year to allow for better planning. The Interdepartmental Task Force will continue to examine possible ways to further smooth the scheduling of country items.

*13. Is the number of country items considered on an LOT basis decreasing?*

- No, the level is roughly constant from last year, and significantly higher than in the period before the introduction of the new Board practices. From January to May 2012, about 16 country items will likely be completed on LOT, at paragraph with 2011 and about twice as many as in the same period in 2010. Projections of LOT are uncertain and SEC will work with Area Departments to reevaluate the expected numbers of LOTs.