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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 18/55-2

9:55 a.m., June 18, 2018

2. The Managing Director's Statement on the Work Program of the Executive Board

Documents: BUFF/18/11 and BUFF/18/11 Rev. 1

Staff: Mühleisen, SPR, Kostial, SPR, Bauche, SEC

Length: 1 hour, 57 minutes

Executive Board Attendance

C. Lagarde, Chairman

Executive Directors	**Alternate Executive Directors**
	D. Mahlinza (AE)
D. Sembene (AF)	
A. Armas (AG)	
	G. Johnston (AP)
A. Tombini (BR)	
Z. Jin (CC)	
C. Hurtado (CE)	
N. Horsman (CO)	
M. Erbenova (EC)	
	A. Castets (FF)
S. Meyer (GR)	
S. Gokarn (IN)	
	M. Psalidopoulos (IT)
M. Kaizuka (JA)	
J. Mojarrad (MD)	
H. Beblawi (MI)	
	R. Doornbosch (NE)
T. Ostros (NO)	
	L. Palei (RU)
H. Alogeel (SA)	
	E. Villa (ST)
	P. Inderbinen (SZ)
S. Riach (UK)	
M. Claver-Carone (US)	

J. Lin, Secretary
K. Hviding, Summing Up Officer
D. Daly, Board Operations Officer
M. McKenzie, Verbatim Reporting Officer

Also Present
African Department: D. Robinson, A. Selassie. Asia and Pacific Department: O. Brekk, S. Peiris. Communications Department: W. Murray. Corporate Services and Facilities: O. Fleurence. European Central Bank: A. Meyler, I. Moder. European Department: S. Eble, P. Thomsen. Fiscal Affairs Department: G. Schwartz. Finance Department: T. Krueger. Human Resources Department: H. Gimba, D. Mendis. Independent Evaluation Office: C. Collyns.

Information Technology Department: E. Anderson, P. Hinderdael. Legal Department: C. Blair, K. Christopherson Puh. Middle East and Central Asia Department: A. Mazarei, A. Sadikov. Monetary and Capital Markets Department: P. Ananthakrishnan. Office of Budget and Planning: R. Brofft, B. Christensen, P. Kongsamut. Office of Internal Audit and Inspection: N. Onyango. Office of Risk Management: V. Arora, I. Ivaschenko. Secretary's Department: G. Bauche. Strategy, Policy, and Review Department: T. Augsten, E. Boswell, A. Corbacho, M. Goodman, Y. Jung, L. Kaltani, K. Kostial, M. Mühleisen, D. Ostojic. Statistics Department: J. Rosales, H. Wagner. Executive Director: J. Mojarrad (MD), A. Mozhin (RU), M. Raghani (AF). Alternate Executive Director: A. McKiernan (CO), B. Saraiva (BR), M. Siriwardana (IN), P. Sun (CC). Senior Advisors to Executive Directors: W. Abdelati (MI), F. Fuentes (BR), Y.Liu (CC), G. Gasasira-Manzi (AE), W. Nakunyada (AE), R. N'Sonde (AF), O. Odonye (AE), P. Pollard (US), S. Potapov (RU), T. Sitima-wina (AE). Advisors to Executive Directors: A. Arevalo Arroyo (CE), X. Cai (CC), K. Carvalho da Silveira (AF), D. Crane (US), J. Garang (AE), G. Kim (AP), T. Manchev (NE), C. Moreno (AG), G. Nadali (MD), L. Nankunda (AF), A. Olhaye (AF), D. Vogel (AG), K. Hennings (BR), K. Lok (CC), J. Montero (CE).

2. THE MANAGING DIRECTOR'S STATEMENT ON THE WORK PROGRAM OF THE EXECUTIVE BOARD

Mr. Tombini submitted the following statement:

We thank the Managing Director and staff for presenting a comprehensive and thorough work program (WP) for the Executive Board for this fiscal year. We broadly agree with the WP, which reflects the priorities outlined in the Global Policy Agenda and IMFC Communique, while pursuing greater alignment with the budget and risk management processes.

We welcome the proposed focus of the upcoming IMF flagship publications. Careful consideration of the lessons from global financial crisis (GFC) is critical to the success of the IMF's efforts to prevent and limit the spread of future crises. A decade removed from the start of the GFC, a comprehensive systematization of what we have learned about the crisis origins, channels of contagion, effectiveness and risks associated to the responses, and the slow recovery with its embedded risks is warranted and constructive for our membership. Similarly, attention should be given to the tightening of financial conditions internationally and its impacts, especially on emerging market economies (EMEs).

We would prefer to see the scaling up of efforts to complete 15th General Quota Reform on the timeline approved by the Board of Governors. As signs of increased demand for IMF financial assistance surface, a well-resourced Fund continues to be a pre-condition for a strong global financial safety net (GFSN). Accepting the hazard of falling short of adequate resources at a point where downside risks are increasing seems injudicious. We are committed to sustain a constructive engagement with the Board on this issue and look forward to concrete progress ahead of the 2019 deadline. Accordingly, if we are to make sufficient progress within the established chronogram, we should stand ready to go beyond the three obligatory meetings scheduled for before the Spring Meetings 2019.

Ongoing work on digitalization will enhance the Fund's policy advice and enrich engagement with the membership. We commend staff for the insightful continuing analytical work in this area, and particularly for having engaged with the Board on the impact of digitalization in international taxation. We also look forward to staff's briefing on their progress on different work streams related with the digital economy. Nonetheless, management and staff should be aware that such work may spark expectations from our membership of greater guidance from the Fund on these issues, including FinTech, Big Data, and Cyber Risks. Thus, we welcome the proposed work outlined in Box 1, and agree with the approach of providing regular updates on these topics, considering its complexity and the speed of technical advances.

Efforts to strengthen rules-based multilateral collaboration are commendable. We see merit in the efforts to increase cooperation across international financial institutions (IFI's) to tackle shared challenges. We look forward to the review of AML/CFT strategy, particularly its considerations on recent trends in correspondent banking relationships and the implementation of solutions identified by staff. Similarly, the proposal to enhance collaboration with the World Bank to more effectively support countries hit by large natural disasters is an issue of utmost importance for small states and low-income countries (LICs) highly exposed to natural disasters and climate change. The review of facilities for LICs provides a timely opportunity for the Fund to ensure its work remains relevant to its more vulnerable members.

We welcome the Fund's continued strengthening of its capacity development (CD) strategy and implementation. Capacity development continues to experience strong growth due to steady donor support. As demand for CD is expected to remain high in the medium term, a flat budget may put further pressure over the Fund's cost-recovery practices. Moreover, as highlighted by many Directors in the risk update, excessive external funding relative to own resources may become a source of bias, undermining evenhandedness and eventually comprising ownership and prioritization. In this context, we look forward to the briefing on external financing of the IMF's capacity development. In addition, we agree that CD remains a critical aspect of the Fund's support for LICs, fragile states and small economies. We value the upcoming discussions on the 2018 Quinquennial Review of the CD Strategy and highly appreciate the very engaging process that has taken place so far.

Mr. Mozhin, Mr. Palei and Mr. Potapov submitted the following statement:

We welcome the opportunity to discuss the work program of the Executive Board. It reflects the policy priorities laid out in the Managing Director's Global Policy Agenda and the Spring 2018 IMFC Communique. The emphasis in the work program on sustaining recovery, rebuilding policy space, and preserving open and rules-based multilateral cooperation is fully warranted. We would like to offer the following comments.

We welcome the improvements in the work program's format, including the classification of the main items into six thematic categories, as presented in Annex 1 and Table 1. The synchronization with the budget cycle was also a step in the right direction. We agree that these changes could help improve planning, monitoring, coordination, and management of our work. We also welcome the enhanced focus on how the work program responds to the findings presented in the ORM reports (Box 3).

Close coordination between Management, Board, and Staff would be critical for the successful implementation of the work program. In this context, we are somewhat concerned about how Management has been handling the so-called initiative on streamlining and modernization. The introduction of serious changes by Management without consulting the Board is regrettable. In our view, many of the AG’s recommendations are of strategic nature with an impact on the Fund’s key activities and the Board should have considered them.

We welcome the themes of the flagship reports and their analytical chapters. The comprehensive analysis of lessons learned over the past ten years after the global financial crisis is timely, as the global economy may face a new test of resilience rather soon. In all economies, the assessment of public sector balance sheets, including nonfinancial public enterprise sectors, implicit pension liabilities, other contingent liabilities, as well as expenditures associated with population aging would benefit staff’s policy advice on fiscal policy and debt sustainability. We would appreciate a stronger focus on the evolution of public debt and associated risks both in advanced economies (AEs) and emerging markets (EMs). The Fund should continue to closely monitor these developments in bilateral and multilateral surveillance. As a related matter, we are concerned that the issue of the Debtor-Creditor Engagement in Sovereign Debt Restructurings: A Review of Existing Modalities and Possible Reforms has been dropped from the work program. Could staff elaborate on the reasons for dropping this item and the new timeline of this work?

Against the background of monetary policy normalization in the U.S. and increased capital flows volatility, we welcome the focus in the Fall 2018 WEO on the resilience of EMs to tighter financial conditions. We also look forward to the report on the IMF Institutional View on Capital Flows in Practice. The role of macroprudential policies to guard against financial risks should be further analyzed and we would appreciate staff’s comments on the decision to drop this issue from the agenda. It is also paramount to examine the role of push factors driving capital flows volatility.

Overall, we support the decision to replace presentations on EMs by briefings on Current Policy Issues. At the same time, the recent report on low-income developing countries (LIDCs) contained an important policy message about the growing debt pressures in this group of countries. We wonder how such an analysis of the LICs will be conducted in the future. What would be the proper vehicle to cover this group of countries?

We look forward to a number of important reviews of the Fund's policies in the key areas, such as the review of conditionality, review of DSA for MACs, review of facilities for LICs, review of the Fund's policy on multiple currency practices, and review of the Fund's capacity development strategy. In our opinion, staff's work on social spending framework could benefit the review of conditionality, as well as the upcoming discussions on the comprehensive surveillance review.

The Fund should continue to work with its members on strengthening governance and institutions. In doing so, the Fund should adhere to high analytical standards and evenhandedness. With respect to the relevant sources useful in identifying governance vulnerabilities and corruption, the Fund should rely primarily on the information obtained through its own activities, analyses, and assessments. Third-party indicators (TPIs) should be used cautiously as a supplementary source of information and their use should be justified by staff. We note that the guidance note on TPIs is expected to be provided to the Board for information at the end of June. We note that a formal meeting could be required if Directors see the need to further improve this important document.

The effectiveness of the Fund's policy advice aimed at rebuilding trust in governance and globalization crucially depends on successful improvements in its own governance. We call for steadfast implementation of the 15^{th} General Review of Quotas. Any delays in completing the 15^{th} review along with the widening gap between calculated and actual quota shares may severely undermine the legitimacy of the Fund. We also highlight the importance of further strengthening of the IMF toolkit and cooperation between the IMF and RFAs.

We feel that the briefings on the SDNs could be discontinued. Directors do not have the texts of the papers and the briefings sometimes turn into lengthy discussions instead of being Q&A sessions. It would be more productive to read the SDN paper or even its summary.

We would also reiterate our longstanding view that the Fund's Knowledge Exchange should become more accessible to the Board and member countries. Could staff elaborate on any developments in this area?

Mr. Gokarn and Mrs. Dhillon submitted the following statement:

We commend the Managing Director and the Staff for this Work Program, which reflects the priorities set out in the Global Policy Agenda and the IMFC Communique. It nicely balances ambition and realism. Overall, we support the work Program and offer the following points for nuance and emphasis.

Policy Advice and Economic Analysis

We look forward to the analysis of lessons learned ten years after the Financial Crisis in the WEO Economic Outlook, risks to public sector balance sheets in the Fiscal Monitor and financial sector vulnerabilities in the Global Financial Stability Report. These reports will disseminate to a wide global audience a synthesis of learnings from the crisis and the responses of global and domestic policy frameworks to it. Given the salience of the theme, in our view, these reports merit early engagement with the Board, allowing Directors to make meaningful contributions. Could staff offer details on the scope of these reports and the role they envisage for the Board in the flagships?

We note that Briefings on Current Policy Issues will replace presentations on Emerging Markets and Low-Income and Developing Countries. We are concerned that this new aggregation of countries could dilute attention and focus, particularly on LIDC issues and urge that attention on the EMEs and LIDCs be maintained.

The work on Corporate Taxation in the Global Economy is timely and relevant. More broadly, we encourage the Fund to analyze on how tax cuts and tax evasion could promote a race to the bottom and undermine stability. In this context, while we welcome the broader emphasis on the Digital Economy, we suggest that its implications for tax policy and international co-ordination on it be addressed. Members are in the early stages of dealing with these issues and the Fund can contribute significantly to the quest for efficient and harmonious long-term solutions. Also on the digital economy, we feel that virtual currencies and cryptos have been under-emphasized. Could staff elaborate on the work planned on these?

The Work Program lays out an active agenda on other emerging trends and their macroeconomic implications. Looking forward, we expect continued engagement on future of work, youth labor markets, climate, and gender inclusion. On the issue of aging, however, we feel that the focus on pension systems is too narrow. The intersection between demographic transition and the future of work, for example, will be macro-critical for a large number of countries and we believe that a cross-cutting approach to these issues will be valuable to the membership. Could staff comment?

Stability, Surveillance, Lending and Capacity Development

Given the debates in several recent Article IV board discussions on Fund's Institutional View on Capital Flows, we would urge the staff to advance our understanding of their relationship and interplay with macroprudential policies. Separately, we strongly support the Funds efforts for the Review of AML/CFT Strategy and look forward to greater traction for Fund advice.

The Fund must actively press for a responsible borrower and lender framework and transparency on debt information. Building on the initial steps of the G-20 Note on Debt Transparency —Improving Data Reporting in Borrowers and IFIs, we believe that there is an urgent need for the fund to be more direct in its messaging and in prioritizing debt data coverage. Staff should therefore consider integrating this work with Data Provision to the Fund for Surveillance Purposes and Misreporting Policies – Selected issues. For debt sustainability analysis, we positively note that the Board will be engaged on the Debt Sustainability Framework for Market Access Countries and the Review of the Debt Limits Policy.

The Work Program strikes a good balance in ensuring that the Fund's work remains inclusive of its diverse membership. This is reflected in the Fund's past work on disasters, small and fragile states and correspondent banking relationships. The two reviews of lending policies—Review of Conditionality and the Design of Fund- Supported Programs and Review of Facilities for Low- Income Countries offer an opportunity to increase the effectiveness of fund programs and ensure lending facilities are well synchronized with those of other IFIs and lenders.

The recent staff engagement with the Board on capacity development issues is appreciated. We keenly await the 2018 Quinquennial Review of the Fund's Capacity Developments and External Financing of the IMF's Capacity Development. We urge staff to take this opportunity to incorporate means of dissemination of TA experiences, modernize CD with a country ownership focus and better integrate it with surveillance.

Governance and Internal Organization

We put great emphasis on concrete progress on the Fifteenth General Review of Quotas, culminating in decisions on the size of the Fund and a new quota allocation by the 2019 deadline. If this requires greater Board engagement and time commitment, we are willing.

Finally, the Fund must develop an attractive and competitive human resource strategy for its human capital and we look forward to the engagement on the Scope of the Comprehensive Compensation and Benefits Review. Relatedly, we welcome the discussions on Modernizing and Streamlining Fund Operations and incremental transformations to this end.

Ms. Horsman, Ms. McKiernan and Ms. Young submitted the following statement:

We commend the Managing Director and staff for a Work Program that broadly reflects the priorities set out in the Global Policy Agenda. It appropriately balances ambition with discipline, flexibility, and responsiveness to a diverse membership in a fast-evolving global environment.

The Fund has an important role to play in several major, complex policy areas over the coming months that will impact the broad membership. Specifically, we see four areas in this Work Program – supporting open and rules-based multilateral trade, encouraging the modernization of the international tax architecture, addressing growing debt levels, and championing gender equality across disciplines – where fundamental change is required on the nature of the discourse, its analytical underpinnings, and the partners around the table. The Fund is not the only voice on these issues, but an important one that can provide a balanced and evidenced-based perspective that can facilitate a more informed debate. A particular focus on our collective interest in these issues and on mutually beneficial outcomes, including through spillovers and spill-backs, will be important. Along these lines, we welcome management's multi-pronged response to the multi-faceted challenge of rising debt levels and related transparency issues. In addition, the Fund should continue to provide regular updates on trends and developments in this area, as these provide a critical analytical underpinning for the efforts outlined in Box 2.

The Work Program also effectively responds to the diversity of the membership. For example, we commend the continued focus on small states including work on concrete proposals for countries hit by large natural disasters, the review of the AML-CFT strategy, and more generally on work related to accessing concessional finance. With respect to the latter, we urge the consideration of a broader set of possible indicators to assess the eligibility of small states. For work on natural disasters, we call for the consideration of a broad range of potential solutions – including, but not limited to, financial support from the Fund – for example, market-based risk instruments and state contingent debt instruments linked to exogenous shocks. The Fund's work on correspondent banking relationships in the Caribbean has been particularly valuable and could serve as a model in its active engagement with all relevant partners in the field and its focus on practical solutions tailored to the region.

We welcome the integration of risk into this Work Program. This will be a work-in-progress as refinements are introduced to both its focus and presentation. At face value, only about a quarter of items in this Work Program are portrayed as addressing key risks laid out in Box 3. We suspect this is more for brevity purposes but would welcome staff comment. One area we think warrants further consideration would be related to strengthening Board governance around major funding decisions. We should be proactive in this regard, and not wait for potential IEO findings.

We are also pleased to see greater flexibility introduced in this Work Program. For example, the new "Current Policy Issues" item—which will address housing in this WP cycle—enables informed discussions on topical issues without necessarily creating an overly burdensome architecture. We encourage continued Board engagement in determining relevant topics. Pilots are also demonstrating appropriate discipline and adaptability, for example through the mainstreaming of issues that are relevant to the entire membership, with only selective application of those relevant to a sub-set of the membership. While the climate pilot is one that will be more targeted, we see growing demand—and appreciation—within our constituency. We would welcome staff elaboration on managing this demand.

Overall, we commend a more streamlined Work Program. At the same time, we must ensure appropriate emphasis is placed on quality over quantity. Active and continuous Board engagement will be critical not only to ensure that the Fund addresses key issues, but that it does so in a way that resonates with the membership and, hence, strengthens traction. Furthermore, in a flat budget environment, reducing Board items inherently implies more resources to non-Board items. We must be mindful that we are not undermining governance in the process. In turn, and as we maintain in the context of the Advisory Group's streamlining exercise, we support innovative approaches to Board engagement that are less burdensome on resources.

Ms. Erbenova, Mr. Bayar, Mr. Just and Mr. Stradal submitted the following statement:

We thank the Managing Director and staff for the updated Work Program (WP) of the Executive Board reflecting well the policy priorities and strategic directions outlined in the Spring Update of the Global Policy Agenda and the IMFC Communiqué. We take positive note of the continually improving structure and content of the document. We broadly agree with the WP, its overall direction and sequencing of items and would like to add the following comments.

The overarching focus of the Fall flagship publications on the lessons learned in the ten years since the onset of the global financial crisis is appropriate. The crisis has in many ways defined the work of the Fund and remains a defining event for the macroeconomic policy making, functioning of the financial markets and their regulation. It has also served as a powerful impetus for the significant expansion of the Global Financial Safety Net. We are looking forward to the more focused and accessible reports as foreseen by the Modernization and Streamlining Initiative but continue to wonder whether one joint discussion by the Board of the entirety of conjunctural and thematic analysis does justice to the wealth of analyses in these reports. We would encourage staff to consider this issue going forward hand-in-hand with the evolution of the documents.

We look forward to the discussion on the drivers of natural real interest rates which will hopefully shed light on the prevailing low interest rates in advanced economies and the implications for monetary policy decisions, including international spillovers.

We take note that briefings on current policy issues will replace presentations on emerging markets and low-income and developing countries (LIDCs). We do see the benefits of discussing themes cutting through the country taxonomy but also highly appreciated the last briefing on LIDCs, which highlighted the growing debt sustainability concerns. Similarly, as major central banks advance in their normalization agenda, a closer focus on the developments in the emerging market sphere could be warranted, as in practice, contours of market sentiment tend to be drawn by broad asset-class categorizations. We therefore think that at different times both types of briefings—thematic and those covering broad groups of countries—could be useful, depending on the conjunctural developments. We would like to ask staff and management whether a more flexible choice of briefing format is feasible. In this vein, we welcome the work on debt transparency and debt sustainability for market access countries but stress that we should not lose sight of debt vulnerabilities in frontier economies, and low- and middle-income countries.

We look forward to the notes on the Fund's Institutional View on Capital Flows in Practice and the IMF Taxonomy of Capital Flow Management Measures. The interplay between macroprudential measures and capital flow management measures comes up regularly in the context of bilateral surveillance and continued discussion aimed at having in place appropriately granular, consistent and evenhanded policy advice, building on the recent experience, is needed.

The WP envisages 64 policy items for the Board discussion, with additional 16 earmarked for LOT and "for information." It is a marginal decrease compared to the Fall 2017 WP, but far above the target of 50 planned papers and related Board engagements proposed in the context of the Streamlining Advisory Group initiative. While we remain to be convinced about the merit of setting such a ceiling, we also wonder how feasible this particular goal is, given the remaining wide gap.

We feel uneasy about the recent increase of LOT for both policy and country items. While the procedure saves some staff and Board resources, it may deprive the Board of having a full global view. In particular, LOT should be seen more as an exception for program reviews that result in disbursement, especially if modifications to the design of the program are occurring or there are deviations from program targets. Further, the Board workload remains uneven throughout the year, usually affording space to schedule Board meetings.

We appreciate the continued emphasis on the 15th General Review of Quotas and yet, given the major differences of views among the shareholders, we look forward to more substantive discussions on the possible pillars of a workable solution soon.

We welcome the mapping of the WP's alignment with risk mitigation directions outlined in the latest Risk Report and support regular use of such assessments going forward. Having said that, we acknowledge that a full assessment of the WP's impact on the Fund's risk profile will be possible only at a later stage. Bringing the discussion on the WP closer to the Board meeting on the medium-term budget would further enhance both discussions, in line with one of the risk mitigation directions highlighted in Box 3.

Mr. Doornbosch and Mr. Cools submitted the following statement:

We welcome the Work Program (WP) of the Executive Board, and look forward to a strategic discussion in the Board. The WP is both comprehensive and innovative, and identifies the right priorities. We particularly welcome the overarching theme of lessons learned ten years after the Global Financial Crisis (GFC) in the upcoming flagship reports. We would in particular appreciate a rigorous review of the balance found between short-term demand management and long-term investments in the resilience and structural improvement of economies. Such review should focus on the question whether the necessary policies and reforms have been implemented to reduce the risk of another GFC from occurring. The WP also strikes the right balance between current issues such as increasing trade conflicts and digitalization, and the update of existing IMF policies.

Debt Developments

We strongly welcome the work outlined in the box on debt transparency and sustainability, and look forward to the Board update on the WB-IMF Work Stream. We urge the Work Stream to discuss stronger Fund engagement with debtors and creditors, including emerging official and plurilateral creditors. Such engagement is needed for the Fund to have a complete picture of its members’ external debt. It would also have the benefit of providing creditors with the information needed to treat debt such as to ensure a return to sustainability.

We would also suggest retaining the briefing on Macroeconomic Developments and Prospects in Low-Income Developing Countries and the item on Debtor-Creditor Engagement on Sovereign Debt Restructuring. Finally, we welcome the focus in the next Fiscal Monitor on risks to public sector balance sheets, which are not confined to EMDCs.

Emerging Issues

We welcome the fact that emerging issues such as fintech and digitalization are well integrated in the WP, which is in line with the 2017 Risk Report that requested enhanced policy guidance on emerging macro-critical issues. That said, we miss a thorough Board debate on the selection of macro-critical emerging issues on which the IMF should do further work, advisably in cooperation with other international organizations with specific expertise. Such discussion would allow a strategic and consistent allocation of staffing. In the field of cyber, this would be an important step forward.

We take note of the proposal to mainstream certain pilot initiatives and to discontinue others. However, we would have appreciated a more structured Board engagement on retaining emerging issues to be mainstreamed and on the criteria for retention. Could staff elaborate on the criteria used for (dis)continuation? Also, could staff clarify what the practical difference will be between 'mainstreaming' a pilot initiative and merely continuing work on a pilot initiative when deemed macro-critical by a country team? How can it be ensured that the decision not to mainstream will be a disincentive for a country team to classify an emerging issue as macro-critical?

We also note that the Spring Meetings GPA mentions that the IMF will continue discussions on governance with an analysis of the growth effects of governance and corruption. The Spring Meetings IMFC Communiqué explicitly welcomes this. Could staff clarify how this is translated in the WP?

On climate, we look forward to the Board discussion on the Fiscal Policies for Mitigation and Adaptation to Climate Change paper, which regrettably has been postponed. Building upon the IMF's growing expertise in several FSAPs, we suggest conducting horizontal analyses on the effects of climate-related risks on financial stability (e.g. the effect of carbon pricing on business models of financial institutions) and to provide accompanying policy advice where the implications are macro-critical. Such analysis should not be limited to small states only. In the recently published blog "5 things you need to know about the IMF and Climate Change" an ambitious and welcome agenda is laid out. Could staff indicate how these 5 workstreams have been translated in the WP?

Addressing Risks, Output Classification and Cost Implications

We welcome that this is the first WP to explain how risks flagged in the Risk Report will be addressed, and we especially welcome that this will become a recurrent feature in future WPs. This good practice answers our call for an explicit link between the risk report findings and the WP. We also welcome the classification of Fund activities and outputs in thematic categories. Will the same categories be used in the Budget, to improve interoperability between the Budget and the WP? The WP also mentions that these categories will ensure consistency with budget allocation and execution, and announces that ‘costing methodologies will be refined’. Can staff elaborate on how further granularity in cost accounting can be obtained?

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

We thank the Managing Director for her lucid and concise statement on the Board’s work program (WP), which reflects the policy priorities and strategic directions identified in the Spring 2018 Global Policy Agenda (GPA) Update and endorsed by the IMFC. The WP is appropriately synchronized with the budget cycle, uses thematic categories to enhance consistency and monitoring, and responds to the risks flagged in the Risk Report. We broadly support the proposed WP, see merit in continued prioritization and streamlining effort to make the Board’s workload more manageable—while underscoring the limits of such an exercise under the flat real budget envelope and the importance of preserving Fund core activities—and wish to offer the following remarks:

The global economy is experiencing steady, broad-based, and low-inflationary growth. However, alarming levels of youth and long-term unemployment in several regions, persistently low female labor force participation rates, and elevated income inequality in many countries have made job creation and inclusive growth recurring and increasingly urgent themes across the world. We welcome the proposed analytical chapters on key structural policies in the flagship reports, including on lessons from the global financial crisis, as well as Board presentations on youth labor markets, gender inclusion, and income inequality, and look forward to staff’s developing a strategic framework for Fund’s engagement on social spending, consistent with the Board-endorsed IEO recommendations, as well as proposals for climate change mitigation and adaptation. We welcome recent briefings on digitalization, and look forward to completion of the comprehensive work program on the issue, including discussion of opportunities and risks from financial digitalization, as well as support to members through policy advice and capacity building. Building internal capacity through increased resources and improved training programs will be crucial.

Escalating trade protectionism and inward-looking policies present significant downside risks to the broad-based recovery of the global economy and place a premium on collaboration within an open, fair, and rules-based multilateral trade system to address shared challenges. We look forward to the Fund’s joint report with the World Bank and the World Trade Organization on reinvigorating trade and inclusive growth.

The Fund’s concessional facilities aim to provide flexible and tailored support to LICs to help them promote growth and alleviate poverty while preserving debt sustainability. We welcome Fund-Bank collaboration on a multi-pronged approach to address LIC debt distress and improve debt management, and expect further enhancing the effectiveness of Fund program engagement with LICs in the upcoming review of lending policies. The upcoming review of conditionality and design of Fund programs would be helpful. We look forward to the work stream on achieving the Sustainable Development Goals and the 2030 Development Agenda, and more effective support to countries hit by large natural disasters. Could staff indicate when they plan to address the issue of access limits and norms for LICs?

Continued improvement in the analytical toolkit is crucial for Fund credibility and traction. We welcome the recent discussion of fiscal space, and the upcoming reviews of EBA-Lite methodology and debt sustainability for market access countries. Continued work on addressing the constraints faced by countries in conflict and fragile situations, including in tailoring advice to these countries’ needs, adapting the lending toolkit and related conditionality, enhancing institutional and administrative capacity, and improving staff incentives to work on these countries will be critical. Staff comments will be welcome. We also call for redoubled efforts to help members address the correspondent banking withdrawal issue, which disproportionately affects small and fragile states.

Capacity development (CD) design and delivery should continue to be guided by both individual country demands and the Fund’s overall objectives, be flexible and mindful of the recipient country’s absorption capacity, and be coordinated with other bilateral or multilateral CD providers to avoid overlaps and focus on each provider’s comparative advantage. It would benefit from greater participation of local expertise in developing countries. While we remain concerned about heavy and growing reliance of CD on external financing, we endorse efforts to better integrate CD with surveillance and program work, as well as strengthen the unified results-based management (RBM) framework to help improve monitoring and evaluating CD effectiveness. We look forward to upcoming formal Board discussions on the 2018 quinquennial review of the CD strategy to help determine CD priorities going forward.

A strong, quota-based, and adequately-resourced Fund at the center of the global financial safety net remains critical in promoting global economic and preserving financial stability. We remain committed to constructive engagement on this issue. We hope a spirit of compromise in the three scheduled meetings will prevail and would lead to decisive progress and timely completion of the 15th GQR as mandated by the Board of Governors.

Progress in diversity and inclusion and getting the right mix of people, skills, work experience, and educational background are essential to improve traction and quality of the service this institution provides to members. The delay in recruiting the diversity advisor has compounded the slow progress toward the 2020 diversity benchmarks, including the share of A9-B5 staff from MENA+. Hiring more women from the under-represented regions would help achieve both regional and gender diversity goals. Could staff indicate a timeline for the recruitment of the diversity advisor and the Board discussion of the diversity and inclusion report?

Inclusion of fewer Board items in the WP has brought down the Board's workload close to the pre-2017 average. However, the workload still seems heavy in November and December. Table 3 could be more usefully extended to provide preliminary indication of Board items from January to April 2019 as well. Consideration could be given to rebalancing the items to lighten the end-year agenda by more scattered discussion of policy items, greater use of criteria-based LOT procedure, and improved mission planning.

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

We thank the Managing Director and staff for presenting this thorough work program (WP) which is in line with the priorities outlined in the Global Policy Agenda and Spring 2018 IMFC Communique. We appreciate the efforts made to streamline the Fund's work and find better ways to deliver the WP and more effective policy advice. We also welcome the inclusion of a Box on the response to the 2017 Risk Report.

We broadly support the over-arching theme for the Flagship reports on the lessons learned ten years after the Global Financial Crisis. A careful review of what we have learned about the origins of the crisis, channels of transmission, the slower-than-expected recovery, and effective responses is warranted, including analysis of risks to public sector balance sheets and financial sector vulnerabilities. Special attention should be given to the tightening of financial conditions and the impact on emerging market economies. Since it is planned to drop the Update on the Work on the Role of Macroprudential Policies to Guard Against Financial Risks and Increase Resilience to Capital Flow Volatility, we trust this important topic will be covered in continuing work such as the staff study of the effectiveness of macroprudential policies building on the new database on a member survey issued in April.

Box 1 on the Fund’s work on Digitalization provides a useful outline of what the Fund plans to cover in this important area, and how the Fund intends to support the membership through policy advice and capacity development in digital areas. Seminars offered over the past year have been quite useful, and we welcome the intention to provide regular updates and to keep up with continued technical advances.

We value the ongoing work on promoting inclusive labor markets with discussions planned in August and September 2018. Given the importance of the topic, we would prefer a formal discussion of the paper “Work in Progress: Youth Labor Markets in Emerging Market and Developing Economies”. In view of the persistent challenges related to refugee flows, we look forward to the Fund’s contribution to addressing these issues.

We welcome the Fund’s efforts to strengthen the rules-based multilateral system. We look forward to the planned joint report with the World Bank and World Trade Organization on Reinvigorating Trade and Inclusive Growth. We hope that the Flagship reports cover the risks associated with the recent escalation of trade disputes. We also welcome efforts to encourage the modernization of the international tax architecture. To help advance the understanding on the implementation of the Fund’s institutional view on capital flows, the two G-20 notes should pay adequate attention to feedback from member countries.

We look forward to the reviews aimed at fine-tuning the Fund’s lending policies in the Review of Conditionality, Review of Facilities for LICs, Review of the DSA, Update on the Fund’s Concessional Assistance and Debt Relief, and Eligibility to Use the Fund’s Facilities for Concessional Financing.

We attach considerable importance to the Fund’s capacity development work, especially for small countries and countries in fragile or post-conflict situations. We look forward to the upcoming discussion of the External Financing of the IMF’s Capacity Development, with a view to review the risks of the growing share of external finance, and the adequacy of backstopping and quality control, as well as evenhandedness of delivery.

Regarding selection of countries for various “pilots”, it would be important that the process involve consulting the selected countries and informing them of the implications of being part of a pilot.

We share the views of Messrs. Mozhin, Palei, and Potapov that the Fund’s Knowledge Exchange should become more accessible to Board members. We also agree that it is often difficult to comment on SDN in informal briefings without seeing the draft of the paper. We share their views that the Fund should continue to work with members on strengthening governance and institutions, and that in this respect, the Third Party Indicators should be used cautiously and judiciously as a supplementary source of information, and their use should be justified by staff.

Mr. de Villeroché and Mr. Castets submitted the following statement:

We thank the Managing Director and staff for presenting a comprehensive work program of the Executive Board for this fiscal year. We broadly agree with its content, and the following comments are aimed at ensuring a full alignment between the Board items and the priorities stated in the IMFC communiqué, as well as suggesting some limited adaptations to focus on where we expect the Fund to fully leverage both its unique position and analytical capacity. We thank Management and staff for their efforts to limit the number of Board engagements and strived to propose amendments that would not lead to an inflation of the number of meetings.

We subscribe to the four main priorities around which the work program of the executive Board is organized. Against the current background of trade tensions, we see the role of the Fund as a trustful truth-teller as paramount and we particularly support its involvement in the ongoing discussions on how to provide multilateral answers to shared challenges. In this regard, we look forward to the joint report with the World Bank and the WTO on Reinvigorating Trade and Inclusive Growth. Beyond the issuance of this report next August, an exchange of views of Board members could be fruitful and provide guidance in that field in which macroeconomic analysis by the Fund would usefully enlighten ongoing policy discussions. Staff comments are welcome. The Fund’s involvement in the assessment of AML/CFT frameworks, in cooperation with the FATF and other involved organizations, and in providing the related technical assistance has proved instrumental to its members. We therefore particularly look forward to the review of the AML/CFT strategy.

As regards policy advice and economic analysis, we see the priorities of the upcoming flagship reports as relevant. Going forward, and since the streamlining of those reports is currently under consideration, one could see value in having a discussion by Board members on the topics to be dealt with in these high-quality productions ahead of their preparation so as to enhance the ownership by members' authorities. On demographics, we would like to echo the point made by several executive directors in past Board meetings on the macrocriticality of this dimension for a large part of the membership, be it because of aging or because of rapid population growth. Therefore, while we look forward to the engagement on the Future of Saving and the role of pension systems design, we would have been interested in bringing a broader perspective to our discussion on demographic trends, beyond the ageing dimension and beyond the question of the pension systems design. We would therefore encourage management to consider adding a Board item on the broader issue of demographic trends and how to integrate them in the Fund's surveillance work.

The situation of several LICs remains challenging, in particular those highly dependent on commodity exports, and the Fund's engagement is paramount to support their adjustment while preserving future growth and protecting the most vulnerable. In this context, we look forward to the ongoing LIC facilities review and to the review of conditionality, the latter offering an opportunity to translate some the lessons of the IEO report on fragile states into our policies. In this regard, we also particularly support the elements of a comprehensive strategy aiming at enhancing LIC's debt sustainability and transparency (presented in Box 2). Nonetheless, we regret the suppression of the Board briefing on the macroconditions in LICs and would favor to maintain it. Could staff comment on the rationale for the proposed suppression?

We thank Management and staff for the ambitious agenda on digitalization and its wide-ranging impacts. Taxing digital firms and adapting regulatory competition frameworks are among the main challenges currently posed to policy-makers and the macroeconomic analysis of these phenomenon by the Fund is expected. A useful first step has been taken with the Board's briefing on taxation and digitalization which focused mainly on the identification of the challenges created by the ongoing rapid technological transformation. We look forward to additional engagements with the Board going forward and wonder whether some Board meetings should not be already foreseen on digitalization and taxation on the one hand and digitalization and competition on the other hand. This could be done without increasing the number of Board meetings by reflecting on which of the items linked to digitalization could be dealt with more valuably under other formats, such as staff discussion notes or working papers. Staff comments are welcome.

Finally,as well highlighted in several recent WEO analytical chapters, ensuring inclusive growth models is a challenge at a time of rising inequalities within several economies and of a rising questioning on the drivers of the distribution of the added value. In this regard, we encourage staff to pursue its analytical work on those macrocritical issues and we notably look forward to the upcoming discussion on the IMF's engagement on Social Spending.

Mr. Jin and Ms. Liu submitted the following statement:

We thank the Managing Director for the comprehensive and clear statement on the Work Program. We broadly support the main policy priorities and related deliverables laid out in the WP. We would like to make the following points for emphasis.

We value the flagship reports such as WEO, GFSR, FM and ESR in guiding the policy dialogues. We note that the presentations on Emerging Markets will be replaced by Current Policy Issues. Taking into account the recent financial markets turmoil in some emerging market economies, we feel that analytical work on Emerging Markets should be strengthened rather than weakened, and therefore we encourage staff to intensify its analytical work in this regard to identify the potential risks at an earlier stage and update the Board in a timely manner. External sector assessments are a complicated and difficult job, which requires careful study and appropriate assessment, and the validity of the updated EBA methodology will be subject to test in practice.

We welcome the forthcoming joint report with the World Bank and WTO on trade issues. We believe that trade protectionism will hurt the economy and undermine global growth prospects. We strongly support open and rules-based multilateral trade systems. We see threats from protectionism and rising trade tensions, and therefore we support the Fund's efforts in this regard to discuss how to reinvigorate trade and inclusive growth. We urge staff to use the WTO-consistent approach and rely on reliable data sources to analyze trade issues rather than based on flawed methodology and questionable data as well as controversial TPIs.

We support the Fund's work program on digitalization while focusing in areas of its comparative advantages. We take note that the Fund's work on digitalization is broad ranging and covers a lot of issues that could be very technical and require significant expertise. To maximize efficiency, it is important for the Fund to focus in areas of its comparative advantage, and leverage on the expertise of other parties through means such as collaborative efforts. The Fund should also ensure its internal capacity is sufficient to cope with the evolving technology landscape, and therefore it is necessary for the Fund to upgrade internal operations by adopting digital tools while addressing information security matters seriously, and encourage greater efforts in this regard.

We welcome the Fund's efforts to enhance debt transparency and sustainability, including addressing weakness in borrower countries' reporting capacity. We support the Fund to provide more TA to borrower countries in this respect. We view the upcoming review of facilities for LICs as a crucial step to support the low-income countries to reduce poverty and achieve sustainable growth. We encourage the Fund to share debt information with member countries in two-way transparency to address the asymmetric problems arising from one-way transparency in which member countries may have difficulty in acquiring debt data from the Fund.

We commend the Fund's efforts to continue enhancing Board engagement on Capacity Development issues. Given that the share of external financing in direct CD spending continues to increase in recent years, we think the Fund should rely more on internal financing rather than external financing. We view that CD contributions should be a quota-based obligation, and therefore a cost-sharing mechanism is warranted so that the costs could be shouldered by middle-income countries and above, while the poorest countries could be exempted. Considering its importance, we strongly suggest a review of the CD funding issue within the package of the 2018 Capacity Development Strategy Review.

We welcome the expected drop-off in staff time inputs on policy and administration compared with the Fall 2017 WP. We believe that the Fund's work should be based more on its relevance to the Fund's core mandates, and the resource allocation needs to reflect the work priorities and be adjusted dynamically if necessary to ensure that the core mandates of the Fund will not be crowded out.

We call on all parties to work together to complete the 15th general review of quotas within the timetable, and realign quota shares to result in increased shares for dynamic economies in line with their relative positions in the global economy. We encourage all parties to focus on the top priorities and most feasible deliverables, with more forceful efforts and innovative approaches to narrow down differences and build consensus.

Mr. Armas, Mr. Vogel and Ms. Moreno submitted the following statement:

We commend the Managing Director for a well-balanced agenda that is in line with the priorities agreed in the Global Policy Agenda and the IMFC communiqué of the 2018 Spring Meetings. We also agree with the main priorities established in the Work Program (WP), which is much aligned with the budget cycle and incorporates elements raised by the Risk Management Unit. The organization of the WP in six categories is very useful and allows for better tractability. In what follows we offer some comments.

We are going through a very delicate global environment which, to a certain extent, is a result of the Global Financial Crisis (GFC). Among other things, history tells us about trade wars and geopolitical tensions that accompany a crisis or immediately thereafter. In this regard, we are encouraged by the Managing Director's constant efforts to emphasize the benefits of an open and ruled-based multilateral trade system and we fully share the insistence of continuing this work in the coming year. The joint report with the World Bank and the World Trade Organization on Reinvigorating Trade and Inclusive Growth is a clear example of consistency and cooperation among institutions.

We welcome the emphasis on collaboration, both within the membership and between the Fund and other multilateral organizations. Concentrating resources on the core mandates while still leaving some room for building expertise in emerging issues is a strategy that allows the Fund to accomplish its goals within budget. Collaboration with other institutions builds synergies. The Climate Change Policy Assessment pilots being carried out with the World Bank are a good example. Others, which are extremely important are the coordinated work with FATF on AML-CFT, and Fintech with the FSB, to name a few.

As we know, a number of emerging markets have been experiencing complicated times and, more generally, there are critical challenges and risks looking forward. Continued analysis on the impact of the normalization of the monetary policies in advanced economies on emerging markets is essential, as well as works on debt sustainability, taking into account different facets, such as countries' debt profiles. As we know, risks associated with debt are not only related to its level but to currency composition, maturity, and structure in terms of fixed or variable interest rates. Therefore, we are looking forward to considering the forthcoming Review of the debt sustainability framework for market access countries.

Completion of the 15th General Review of Quotas by the 2019 Spring Meetings will require enhanced efforts. Vulnerabilities in some emerging countries are surfacing and a strong financial safety net is needed.

The topics on the flagship reports are pertinent and we welcome that they will be shorter and more focused. We look forward to the analysis of the lessons learned after ten years of the Global Financial Crisis. In particular, our constituency is interested in the examination of the resilience of emerging economies to tighter financial conditions, the role of macroprudential policies, corporate taxation in the global economy, and more broadly, the work program on digitalization, is a crucial topic on which we are eager to learn more about from staff.

Replacing the briefing on Emerging Markets with Current Policy Issues might be a good decision, but the juncture might not be the best one. We welcome the idea of having more flexibility on these issues. Nevertheless, in a scenario of monetary policy normalization, currency volatilities and arising vulnerabilities, such as, for instance, increasing debt levels, emerging markets might be of utmost interest. We wonder if having only one umbrella under which briefings take place will crowd out room for emerging market issues.

Technological changes may be a source of uncertainty but they should and can mutate in beneficial aspects in terms of boosting growth and improving social conditions worldwide. In order to achieve these objectives, it is critical to understand what is going on and how to take advantage of the changes. Therefore, we are encouraged by the continuation of working on opportunities and risks from financial digitalization and, in general, the Fund's work on digitalization. We are also eager to read further analysis and assessment on these issues. In this regard, the expected works on the youth labor markets, gender inclusion, and the future of work are part of this institution's critical efforts to understand the opportunities that these changes pose from economic and social points of view.

Mr. Claver-Carone and Ms. Pollard submitted the following statement:

We welcome the Managing Director's statement on the Work Program for the Executive Board and broadly agree with the priorities in the statement. We appreciate the inclusion of Box 3, The Work Program's Response to the 2017 Risk Report as this provides a justification for priority elements of the Work Program.

We support streamlining, but we agree with Ms. Horsman, Ms. McKiernan, and Ms. Young that such efforts should not undermine governance. We believe priority should be given to policy items that support the core mandate of the Fund, with other issues addressed as time and resources permit. Moving discussions of policy issues to non-peak Board times would allow the Board to more fully engage on both country and policy items.

We look forward to the fall flagship reports on lessons learned in the 10 years since the Global Financial Crisis (GFC). Another important development in recent years is the rise in debt levels and debt distress in low income countries and we strongly support emphasis on these issues in the Work Program.

The GFC has had a fundamental effect on the work of the Fund in its core areas of surveillance fiscal, monetary, financial, and external policies. It also had a profound effect on Fund lending as well as Fund resources. The GFC led to a reassessment of fiscal multipliers and the role of discretionary fiscal policy. We are proponents of the Fund's work on assessing fiscal space and look forward to the incorporation of fiscal space assessments in bilateral surveillance. Prolonged low inflation and interest rates created challenges for monetary policy. The IEO's upcoming report on IMF Advice on Unconventional Monetary Policies could provide a useful retrospective. Looking forward, we welcome the inclusion of a staff briefing on Natural Real Interest Rates: Drivers and Policy Implications to the Work Program. Financial sector surveillance and analysis have become increasingly important since the GFC. This is an appropriate time to review the FSAP and we support the decision to move the consideration of the list of systemically important financial sectors to the FSAP review. We also look forward to the Review of the AML/CFT Strategy.

In the aftermath of the GFC, global imbalances declined, led primarily by a contraction in domestic demand in current account deficit countries. As the 2017 External Sector Report (ESR) highlighted, excess current account surpluses have been large and persistent. We continue to believe the ESR deserves more prominence among the Fund's multilateral surveillance output. We look forward to seeing the results of the updated EBA methodology in this year's ESR, as well as to a discussion of the revised EBA-Lite methodology.

On other surveillance topics, we welcome the inclusion of a discussion on data provision to improve data transparency and strengthening Article VIII, Section 5. Relatedly, we note the distribution of a survey to the Board on excessive delays in Article IV surveillance. Meeting the obligations of Article IV is as important as meeting the obligations of Article VIII, Section 5. We call on the Managing Director to schedule a Board meeting to discuss the results of the survey and consider steps to make progress on this critical issue. We also are glad to see the delayed review of Multiple Currency Practices will be coming to the Board during this Work Program. Could staff comment on whether they will consider a review of exchange restrictions?

We welcome the attention to debt transparency and sustainability in the Work Program, including in Box 2, and the intention to provide an update to the Board later this year. A core element of the Work Program is the revised LIC Debt Sustainability Framework and we commend staff efforts toward its imminent roll-out. We also look forward to the review of the Debt Limits Policy which will help reinforce the goal of sustainability. One aspect of the Work Program that needs to be addressed more concretely is IMF outreach to creditors and debtors particularly in cases of high risk, debt distress or restructuring, with a focus on emerging official and plurilateral creditors. The ongoing cases of the Republic of Congo and the Gambia demonstrate that the IMF has an important role to play in establishing strong flows of information on macro projections/DSAs that can inform creditors' development of appropriate debt treatments consistent with restoring debt sustainability. Like Mr. Mozhin, Mr. Palei, and Mr. Potapov, we are concerned that the paper on Debtor-Creditor Engagement on Sovereign Debt Restructuring has been dropped from the Work Program. This paper should be brought to the Board expeditiously, rather than further postponed. We also agree with Mr. Doornbosch and Mr. Cools on retaining the Macro Developments in Low Income Country paper in some form.

Mr. Agung, Ms. Villa, Mr. Machmud and Mr. Alias submitted the following statement:

We thank the Managing Director for her concise statement on the Work Program (WP) of the Executive Board. We noted that the main policy priorities and deliverables set out in the WP are broadly consistent with the strategic directions laid out in the Spring 2018 GPA update and the IMFC Communique. We welcome that key global risk drivers - retreat from rule-based multilateral trade system, more-rapid-than-expected global financial tightening, financial digitalization, and high and rising debts level in low-income countries (LICs) are well integrated in the WP. We support the WP and would like to offer the following comments.

We welcome the improvements in the WP presentation. The explicit link drawn between the WP and the Risk Report (Box 3) is a good step to integrate risk considerations in the Fund's WP and further raise risk awareness in the Fund. We encourage staff to continue to explore ways to deepen the linkages between the WP and key risks in the Fund's operation. We also view the classification of the WP presented in Annex I as a useful tool in streamlining and prioritizing the various activities in WP.

Given that macroeconomic developments in recent months have raised concerns on potentially sharp and larger than expected tightening of global financial conditions, the proposed analytical work on the resilience of emerging markets to tighter financial conditions is timely. We encourage staff to continuously update their views on linkages between financial vulnerabilities and other risk factors such as trade and geopolitical tensions, and how these risks, collectively or separately, could influence global financial conditions. Moreover, we believe the Fund should continue to determine long-term solutions to strengthen the resilience of the IMS against future crisis. In this regard, we welcome the emphasis of the flagships on lessons learned from the Global Financial Crisis (GFC). We hope that the exercise will not only be on lessons learned but also include missteps and lessons we have yet to learn. We trust that staff can distill both into specific policy recommendations to strengthen global and domestic policy frameworks. A rigorous analysis of why and how certain economies were relatively successful in navigating the impact from the GFC, and lessons learned from policies choices both pre-and post-crisis would be relevant.

With heightened financial tightening and capital flow risks, the demand for Fund resources could potentially increase beyond what we have seen so far. In this regard, maintaining a strong, quota-based and adequately resourced IMF is crucial to preserve its role at the center of the Global Financial Safety Net. We reiterate our call for timely completion of the 15th General Quota Reform. To this end, we stand ready to work constructively with management and other chairs towards the successful completion of the quota review.

In the same vein, we encourage advancing works on the implementation of the Fund's Institutional View on Capital Flow (IV) and macroprudential policies to help policy makers, especially in EMEs to strengthen their policy tool kit. In our previous WP gray, our Chair welcomed the work on the Update on the Work on the Role of Macroprudential Policies to Guard Against Financial Risks and Increase Resilience to Capital Flow Volatility. We note that this work has been dropped from the current WP to facilitate further engagement with stakeholders and the need for further preparatory work. We invite staff comments on their plans to present to the Board the outcome of their study on the effectiveness of macroprudential policy measures from the newly set-up data-base.

We commend the continued efforts with other multilateral institutions to tackle emerging risks/issues. Particularly, collaboration with the World Bank and other regional development banks on issues such as debt sustainability, climate change and natural disaster, that could contribute significantly to help members improve overall economic framework. We welcome the work on lending facilities for LICs that will be further advanced this year. On Fintech, we encourage staff to continue to highlight risks and benefits associated with Fintech and explore ways to support authorities in developing regulatory and supervision framework for Fintech. We also look forward to clear articulations on the potential relationships between Fintech and related financial stability issues such as AML/CFT and Correspondent Banking Relationships.

We note that the 2018 External Sector Report (ESR) will, for the first time, base its assessments on the updated External Balance Assessment methodology (EBA). It is crucial that the report clearly reflect where changes in assessments from the previous year are attributable to methodological refinements, rather than from changes in fundamentals or policy settings. We look forward to seeing staff planned presentational enhancements to enhance readability of assessments, transparency around gaps and adjustments and neutrality of language.

We appreciate the departmental engagement on capacity development (CD) strategy that has taken place so far. The Fund's capacity development remains an important aspect of the Fund's mandate to the membership, particularly those in LICs and fragile state. The Board had provided feedbacks during the discussion. We trust the feedback will be reflected in the 2018 Quinquennial Review of the CD Strategy. To help sustain resources for capacity development activity, the Fund must continue to maintain close engagement with the country authorities and donors in prioritizing, implementing, and evaluating CD services.

Mr. Inderbinen and Ms. Wehrle submitted the following statement:

We welcome this succinct and well-drafted work program. We support the planned focus of the fall 2018 multilateral surveillance reports on lessons learned ten years after the Global Financial Crisis. Also, the planned work on the resilience of emerging markets to tighter financial conditions is very timely and welcome.

We fully agree that it is important that the Fund continue to promote the benefits of an open and rules-based multilateral framework for trade in goods and services. This framework has served the global community well and must be preserved and strengthened.

We take note of the high number of emerging issues included in the Work Program. While we do not contest the need to better address new challenges and embrace technological change, we would welcome more information on how the items listed under Structural Policies and Emerging Issues were derived from the key priorities -- Enhance financial sector resilience, rebuild policy space, and undertake necessary structural reforms -- that were defined in the Spring GPA. An ever-changing and widening set of new issues also entails risks to ensuring the appropriate depth and follow-up over time that is necessary to ensure that the Fund adds value. As a general principle, the Fund should focus on macro-relevant aspects and cooperate and coordinate closely with other IOs, and avoid duplication. On Fintech in particular, the Fund should primarily provide a platform for members to exchange their experiences.

On the workload, we commend staff for elaborating on how the Work Program is linked with the Fund's budget and the risk report. We support keeping the assessment of whether the Work Program adequately responds to risks flagged in the Risk Report as a regular feature. This presentation is useful, as it clarifies where costs rise or fall, including when items are delayed or dropped. We also welcome staff's efforts to revisit its approach to pilots to allow for a better focus on key Fund responsibilities.

We are looking forward to formally engage on the Review of Capacity Development. The review is important to ensure that strategic decisions and priority setting are consistent with key Fund policies. We are also of the view that more clarity is needed as to when the "IMF label" can be used, including with respect to external experts. Increased Board involvement on CD would also help to alleviate concerns associated with external funding.

We would favor keeping the paper on Macro Developments in LIDCs. The paper is important to get the big picture of overall developments and trends for this group of countries. We believe that other issues than debt are relevant to LIDCs, including the need to diversify or to manage natural resource wealth. More generally, moving to a purely topical approach might impact policy coherence. For instance, discussing fiscal space and the future of saving due to ageing separately might lead to contradictory recommendations.

We welcome the upcoming work on debt transparency. The Debt Sustainability Framework is a critical instrument to engage other IFIs and lenders, both official and commercial. We also look forward on an early engagement of the Board on the Review of the Debt Limits Policy. Finally, given the unfinished agenda on sovereign debt, we believe that dropping the discussion on Debtor-Creditor Engagement on Sovereign Debt Restructuring would not be wise.

Regarding work on the International Financial Architecture, work on capital flow management in the context of the Institutional View should continue. In this context, the wording that staff will continue to study the "experiences with", rather than the "effectiveness of", macro-prudential policies would seem more appropriate at this stage, as the assessment of effectiveness of macro-prudential measures will need to build on a thorough stock-taking.

Last but not least, we remain committed to completing the Fifteenth General Review of Quotas within the agreed timeframe and with the aim of maintaining a strong, quota-based, and adequately resourced Fund at the center of the global financial safety net. It is important to stress that the discussions should remain within the IMF bodies. Components of the discussions, i.e., the adequacy of IMF resources, potential quota increases and their distribution, as well as the quota formula should be treated as an integrated package.

Mr. Leipold, Ms. Collura, Mr. Spadafora and Ms. Lopes submitted the following statement:

We thank the Managing Director for the Work Program (WP), which translates the Fund's policy priorities into an Executive Board agenda for the next 12 months. With the observations below, we support the WP.

We strongly welcome that "collaboration within a multilateral system" figures as a top policy priority—but see a need to back that up with an intensification of the Fund's efforts. The deliverables listed under that priority are a mixed bag (work on capital flows, Fintech, digitalization) and the WP lacks items which concretely translate the stated commitment to emphasize the benefits of an open and rules-based multilateral trade system. Indeed, there is only one specifically related item in the WP: the paper on Reinvigorating Trade and Inclusive Growth, which is to be circulated to the Board for information only. No other strand of work, nor the flagships, directly address the issue further.

In this light, we would advise that the flagships have multilateralism as a common red thread, highlighting the benefits offered by international cooperation. While mindful of not duplicating other organizations' work, there is a Fund-specific role in defending and promoting the macroeconomic benefits of multilateralism, not only in trade but in all aspects of global economic coordination and cooperation. The Purposes of the Fund under Article 1 call on the institution to be a vocal champion in this regard.

This orientation can fit in well with a forward-looking treatment of the flagships' proposed theme—that of the lessons learned ten years after the Global Financial Crisis (GFC). This theme is best cast in a forward-looking perspective, with a candid analysis of the GFC's legacies leading to the policy requirements going forward. A focus on "lessons learned" per se risks being backward-looking (what we should have done) rather than what we need to do now in light of these lessons.

Efforts to prioritize and streamline the institution's work methods are generally welcome, with due and proper attention to their possible risk implications. Any comprehensive discussion on modernizing/streamlining Fund operations needs to embed an assessment of possible associated risks. In this light, we appreciate this WP's inclusion of responsiveness to the 2017 Risk Report–Box 3 is a very welcome addition. The paper on Modernizing and Streamlining Fund Operations, to be discussed prior to this WP, includes a suggestion to render the WP "more strategic and risk-based," by inter alia reducing the number of planned Board policy items to 50 per Work Program. We will be interested in exploring the operational details of this proposal, keeping well in mind that any numerical target can only be indicative in nature.

We note that briefings on Current Policy Issues are set to replace the formal meeting on Macroeconomic Developments and Prospects in

Low-Income and Developing Countries. This chair raised questions about the format of this strand of work in the past, and we agree that shifting to a cross-cutting report on evolving issues, foregoing the conjunctural section, would yield a richer exchange. However, with regard to Board engagement, our preference is for retaining the current practice of an annual formal Board meeting. In the present context, it is appropriate that the next Current Policy Issues report for LIDCs place their growing debt vulnerabilities as its focus. More generally, we very much appreciate the WP's emphasis on debt-related issues, and look forward to the implementation of the various initiatives identified in Box 2.

We support the WP's continued focus on macroeconomic and macrofinancial policy, including on corporate taxation, as well as the mainstreaming of the macrofinancial pilot. The review of the Market-Access Countries (MAC) Debt Sustainability Analysis is a valuable opportunity to advance the Fund's fiscal sustainability assessment and we welcome the extensive Board and stakeholder engagement in this exercise. From the Board discussion on Assessing Fiscal Space: An Update and Stocktaking, we understand that staff are working on guidelines on the possible use of fiscal space, and we expected some reference in the WP. We would appreciate an update on the status of this work.

A continued, selective attention to macroeconomically relevant "emerging issues" remains appropriate. Besides those listed, and in line with the conclusions of the last G7 Summit on the insufficiency of economic output alone for measuring success, we would see scope for Fund work on indicators able to measure prosperity and well-being. We stand ready to share Italy's work and experience in this regard. Also in this area, we appreciate the comprehensive agenda on digitalization, the envisaged work on climate change, and the development of a strategic framework for social spending (not limited to social protection, but also considering health and education). In addition to helping frame relevant surveillance discussions, the latter can provide valuable input to the forthcoming reviews of conditionality and lending policies.

Several items will help improve surveillance, with a specific focus on data provision and transparency frameworks. We look forward to a discussion, following on the ongoing survey, of a framework for addressing excessive delays in the completion of Article IV Consultations. In a similar vein, with regard to publication of surveillance reports, there is a clear need for more systemic follow-up in cases in which the authorities have not yet given their consent to publication at the time of the relevant Board meeting. A procedure to keep the Board informed and maintain peer pressure in favor of transparency would seem to be in order. Staff comments are welcome.

Finally, we look forward to the additional work aiming at completing the 15th General Review of Quotas within the agreed timeframe.

Mr. Alkhareif and Mr. Rouai submitted the following statement:

We welcome the Managing Director's Statement on the Work Program (WP) of the Executive Board and broadly support the key priorities and strategic directions for the period ahead. We will focus our comments on the issues for consideration leading to the Annual Meetings.

At the outset, we would like to commend the Managing Director and the Secretary for the very informative new structure of the Statement, setting the key work priorities for the period ahead, addressing the risks raised in the 2017 Risk Report, analyzing streamlining initiatives, and costing the Board WP. We also appreciate the synchronization of the WP with the budget cycle. In this regard, we take note of the indication that the Board's workload is reverting to the pre-2017 average, although the number of informal sessions continue to remain high. We take this opportunity to indicate that any consideration of a target for the number of policy papers to be considered by the Board per WP should include only those papers discussed by the Board in formal meetings and we would appreciate if SEC could elaborate on this issue.

The coverage in the Fall 2018 Flagship reports of the main lessons from the Global Financial Crisis is timely and could be helpful at this time when the global economy is confronted with growing uncertainties. Indeed, we hope that this work will be useful in identifying policy advice to deal with mounting global challenges, strengthening countries' resilience to the tightening of financial conditions, and informing the forthcoming Review of Conditionality and Comprehensive Surveillance Review.

We look forward to the briefings on Current Policy Issues to replace the presentations on Emerging Markets and Low-Income and Developing Countries. We hope that a focused coverage of cross-cutting issues will be helpful in drawing the membership's attention to mounting vulnerabilities. In this regard, the selection of the topic on housing market developments and policy challenges is timely and appropriate. A further coverage of public debt vulnerabilities could also be appropriate. On this latter point, we appreciate that the WP includes a comprehensive workstream on debt issues that could be helpful in addressing concerns about growing debt levels.

We support Fund work on digitalization, including Fintech, Big Data, and Cyber Risks. In view of the complexity of the issues involved and the rapid technological advances, caution and cooperation with outside experts remain critical and we look forward to further briefings on progress in this area.

After the adoption of the Framework for Enhanced Fund Engagement on governance issues, we look forward to the start of its implementation in the third quarter of 2018. We also look forward to the issuance of the guidance note on the use of Third-Party Indicators in Fund reports. At this early stage, we encourage staff to refrain from using indicators other than those included in the Indicators Digest.

Finally, we are deeply disappointed by the postponement of the Diversity and Inclusion Report because of the delay in recruiting the Diversity Advisor. This postponement and the recent conclusion by the Office of Risk Management that most of the 2020 diversity benchmarks are behind schedule reinforce our view that management should consider this diversity with the necessary urgency and dedicated focus and we would appreciate any elaborations on this issue.

Mr. Jang, Mr. Johnston, Ms. Preston and Mr. Kim submitted the following statement:

We commend the Managing Director and staff for the development of an ambitious work program that broadly reflects the policy priorities laid out in the Spring 2018 Global Policy Agenda. This Work Program delivers on a number of initiatives that will sharpen the focus of the Fund’s work. We welcome the thematic grouping of Board items to better align priorities and actions and enhance the monitoring of deliverables.

We greatly appreciate the streamlining and early advice of the themes for the fall flagships, which will be significant in increasing traction with the membership.

Work promoting globalization and the benefits of trade must be a higher priority given escalating trade tensions and rising protectionism. While recognizing the considerable efforts already made, the Fund must continue to emphasize the critical role of the open, rules-based multilateral system in underpinning global growth and prosperity. We appreciate the Managing

Director's strong public statements but we must now redouble our efforts, drawing further on the Fund's analytical capability and convening power to demonstrate the gains from trade. We look forward to the joint report with the WTO and World Bank on 'Reinvigorating Trade and Inclusive Growth' in August and encourage the Fund to look for further opportunities to bolster its efforts on this issue to promote a deeper understanding across the membership.

We appreciate the continued efforts of the Fund to assist small states. The Fund's advice on fostering resilience to adverse weather events is particularly valuable to its small island members. We look forward to the 'Proposals for More Effective Support to Countries Hit by Large Natural Disasters' and although we regret the delay, we welcome the discussion in February 2019 on 'Fiscal Policies for Mitigation and Adaptation' to climate change. We hope that this delay will allow for the learnings from the climate change assessment pilots and the 'IEO Report on The IMF and Fragile States' to be incorporated into Staff's analysis. We welcome the 'Review of the Fund's AML/CFT Strategy' and request that in addition the Board continues to receive regular updates on 'Recent Trends in Correspondent Banking Relationships'. This is an area of work that has potentially serious ramifications for our constituency and where serious challenges for inclusive growth and financial inclusion remain.

We strongly support the Fund's work to help countries maintain sustainable debt positions and welcome the increased focus on improving debt management capacity and transparency. We support the steps outlined in Box 2 that explore how to strengthen debt reporting capacity and debt data dissemination practices towards sustainable lending practices for both debtors and creditors countries. We note the Fund's participation in international fora to advocate for solutions to debt distress problems that arise in some LIDCs. At the same time, we note the plan for the Fund to present on 'Spending Needs for Achieving the Sustainable Development Goals' which will consider the fiscal implications of health, education, and selected infrastructure consistent with achieving the SDGs. We would be interested in including in LIDC surveillance an overarching assessment of the feasibility of achieving the sustainable development goals given the current levels of debt, the availability of concessional financing and the scope for revenue mobilization. Staff comments would be welcome. We also look forward to close monitoring and regular Board updates on vulnerabilities within Emerging Market Developing Economies given the recent spates of volatility associated with a tightening of global financial conditions.

We continue to stress the importance of further strengthening the global financial safety net. This includes ensuring that the Fund is adequately resourced to fulfil its role at the center of the GFSN. We look forward to concrete progress on the Fifteenth General Review of Quotas, ahead of the 2019 deadline. We are keen to see the next steps of the collaboration between Regional Financing Arrangements and the IMF unfold. As the policy agreed by the Board has now been operational for 12 months, we would welcome an update from staff on the progress of efforts to help improve the operational preparedness of both sides, identify any impediments to co-financing operations and develop more concrete guidance. Staff comments are welcome. We note the preparation of a number of G20 notes deigned to "help advance understanding on the implementation of the Fund's institutional view on capital flows". As noted in the Managing Director's GPA we would also appreciate the opportunity for the Board to engage with the Fund's learnings from its experience in the application of the Institutional View on capital flows. Staff comments are welcome. More broadly, we note the inclusion of a number of G20 notes on the Board Work Program (at least seven, covering key issues) and seek clarification from staff on the process by which the Board will have the opportunity to comment on or approve these products.

A well-sequenced and inclusive approach to discussions on the Fund's resources is key to ensuring that, like other agile organizations, the Fund constantly strives to be more efficient. We welcome the continued reprioritization of resources to ensure an agile and member focused Fund. We see the synchronization of the work program with the budget cycle as a significant step forward in providing a clear line of sight between the Fund's priorities and resourcing constraints. The next phase of organizational maturity would be for the Work Program to be considered as an input to the Budget discussion as a tool to drive resourcing decisions. We also very much welcome the greater integration of the risk report and the work program, noting that this is an important part of embedding risk management into the everyday decision-making process of the Fund. The Fund's human resources have a direct impact on the membership and have the potential to influence country policy actions and ultimately outcomes. We look forward to the update of the HR Strategy and to early engagement with the Board on the 'Comprehensive Compensation and Benefits Review'. We regret the delay in recruiting the Diversity advisor and completion of the 'Diversity and Inclusion Report'. We also hope to see firm progress towards achieving the Fund's diversity objectives and will be closely examining impediments to achieving these objectives that may be embedded in the Fund's compensation and benefits policies.

Mr. Ostros and Mr. Gade submitted the following statement:

We thank the Managing Director and staff for preparing the work program. We endorse the Work Program as it adequately reflects priorities laid down in recent Global Policy Agendas and the IMFC Communique.

We wish to highlight some issues:

We strongly welcome that staff will continue to emphasize the importance and the benefits of an open and rules-based multilateral trade system. The IMF's core mandate is to facilitate the expansion and balanced growth of international trade to promote high employment and real incomes. We expect the Fund to live-up to its mandate and to protect and promote free international trade and open economies. We read the Work Program's intentions in this respect as both an obligation and a commitment of the Fund.

We find the themes for the flagship reports appropriate, including the planned analysis of lessons learned 10 years after the global financial crisis. We welcome the plan to examine the resilience of emerging markets to tighter financial conditions with the particular focus on monetary policy frameworks.

We welcome staff's efforts to improve the EBA framework. So far, the revisions made to the demographic set-up appear to present an improvement compared to the previous modelling. However, further efforts are needed to account for pension systems and measurement errors (including merchanting trade). We note that work to improve the full EBA framework is ongoing. Regarding the elasticity-based real effective exchange rate (REER) gap, we stress that there is an urgent need for consistency and transparency in the methods applied.

The work of G20 is mentioned several times in the Work Program. Issues and analytical work pursued for the benefit of G20 priorities give added value in general. G20 issues should be handled without straining administrative and staff resources. A G20 Note on the IMF Institutional View on Capital Flow in Practice will, according to the Work Program, be distributed/presented for information to the IMF Board in late-June. This topic warrants discussion in the IMF Executive Board. Differences of opinion on the implementation of the Institutional View have arisen between several member countries and the IMF. Only a handful of those countries are in the G20. The April 2018 GPA states that the Fund will continue to learn from experience with the Institutional View on capital flows to offer guidance on its application.

It is important that the challenges and risks identified in the organization are being addressed, and we note that different, but related, work streams interact with each other. In this context, we welcome Box 3 that shows the Work Program's response to the 2017 Risk Report. We also note that the work on Modernizing and Streamlining Fund Operations has many connections with the Work Program as it proposes ideas on how things should be done, for example the scope of Article IV reports. It would be interesting to hear staff elaborate on how these two work streams should be seen in relation to each other.

We agree that further work on policy analysis and macroeconomic implications of increased digitalization is important. International cooperation will be crucial to understand the developments, utilize the potential, and handle possible challenges. This is an evolving area where the exact role of the IMF remains to be determined. Increased cooperation with other international institutions can improve the efficiency of the Fund's work on digitalization. We welcome the intention to provide regular updates to the Board on Fintech, Future of Work, and the Digital Economy.

We strongly support the ongoing work to strengthen Debt sustainability analysis including the note on Debt Transparency, the discussions on the Debt Sustainability Framework for MACs, and the Review of the Debt Limits Policy.

We emphasize the importance of continuing the discussions, supported by staff's analytical work, on the 15th General Review of Quotas in order to complete the process in the agreed timeline.

We appreciate that the discussion on the Review of Mandatory Financial Stability Framework will be considered as part of the FSAP Review in 2019, enabling a holistic approach to this issue.

We support work on macro-critical aspects of issues such as income and gender inequality as well as climate change guided by where the Fund can add value and macroeconomic relevance is a central starting-point.

Mr. Meyer and Mr. Lieber submitted the following statement:

We thank the Managing Director for her statement on the Work Program (WP) for FY19. We broadly support this WP as it overall translates the latest GPA and IMFC Communiqué into concrete action for the Executive Board in a balanced way. We fully support the main policy priorities to "enhance resilience, rebuild policy buffers, and implement reforms to sustain the upswing" and to "collaborate within a multilateral system and address shared challenges". We underline the importance to complete the 15th General Review of Quotas within the agreed timeline.

As other Executive Directors, we support streamlining efforts but highlight the urgent need to safeguard and to some extent refocus on policy items that are at the core of the Fund's mandate. Putting it differently, we continue to call for finding the right balance between IMF core and non-traditional emerging issues.

In our view, it would be very relevant to put more emphasis on more conjunctural issues that may pose substantial risks to the world economy (e.g. financial vulnerabilities arising from high leverage in a context of tightening financial conditions). Against this background, we welcome the work in the context of "withdrawal of monetary policy stimulus" but wonder if this work should not even be expanded. As for the debate on fiscal space, this was more of an issue up until recently when output gaps were still larger. More work should be done to underpin our current policy advice to urgently rebuild policy buffers (where needed) with analytical work. Looking at Table 1, it is concerning that there are only four items on macroeconomic and macrofinancial policies, two of which are already behind us and one that counts towards the next WP.

We appreciate the emphasis put on the benefits of an open and rules-based multilateral trade system and look forward to the joint report with the World Bank and WTO, scheduled for August 2018. We also welcome the work outlined in Box 2 on debt transparency and sustainability, in collaboration with the World Bank, and encourage more outreach to creditors and debtors, particularly in cases of debt distress/restructuring. There are further important WP items such as "Youth Labor Markets in Emerging and Developing Economies" or "Gender, Technology, and the Future of Work" which deserve close cooperation with other international organizations to use their knowledge as well as competitive advantages.

We welcome the first-time inclusion of an assessment whether the WP appropriately responds to issues flagged in the Risk Report. A candid assessment should help facilitating continuous risk mitigation as well as increasing the visibility of related measures. In this regard, we appreciate the intention that such an assessment will become a regular feature in future WPs. This said, the rather short chapter offers not much new information compared to the recent Risk Update. In fact, on "enhanc[ing] policy guidance for emerging macro-critical issues" we are not quite sure how convincing the WP's response is. It is not clear to us, if "emerging macro-critical issues" refers only to "non-traditional" issues that are of a more structural and medium-term nature. Staff comments would be welcome.

With regard to Fintech Issues, the presentation planned for the informal discussion in July should lay out in detail what the perceived/potential gaps in the current system are and what role the Fund is envisaged to play in closing them—taking due account of its mandate as well as the existing division of labor among international organizations, fora, and regulatory bodies. That said, as regards the classification of Fintech Issues, we wonder whether a category named "financial stability" would be more appropriate than the category "financial regulation" as it is currently used in the WP.

We take note of the intention to discontinue three pilot initiatives (climate/energy, infrastructure, and international taxation), while considering six pilot initiatives for mainstreaming. Could staff provide additional comments on this issue? We would expect that any decision to mainstream a pilot is based on an estimation of the costs as well as a critical reflection on the benefits based on the pilot cases. More generally regarding the costing of the WP, we request more information on how the costing methodologies for both recurrent and non-recurrent items are planned to be refined. Will this lead to overall higher, more realistic cost estimates?

In addition, we have the following more technical points/questions:

Could staff elaborate on the decision to drop from the WP the "Update on the Work on the Role of Macroprudential Policies to Guard Against Financial Risks and Increase Resilience to Capital Flow Volatility?"

Concerning the "Review of the Level of the SDR Holdings by the IMF", which was scheduled for June 11, 2018 in the last WP, we are wondering when this review is envisioned to take place. The item is neither on the current Board calendar nor included in the list of planned or delayed policy items in this WP.

As we already noted in the last WP meeting, the envisaged proceeding on Multiple Currency Practices seems somewhat unconventional to us, in particular the very close timing of the two sessions in July, where the Board paper for the second (the formal) meeting would have to be distributed before the informal-to-brief session. Given that the latter is said to be based on a presentation about technical aspects, according to the WP, and the format, we do not expect staff to look for guidance by the Board; otherwise, we would ask for changing the format to informal-to-engage and provide a regular Board documentation (instead of low-detail presentation slides) in a timely manner.

Finally, we note with disappointment the bunching of Board items in June and July. In particular, we would welcome additional comments on the decision to schedule the Review of Conditionality and the Review of LIC Facilities in July on top of an already heavy Board calendar.

Mr. Sembene, Mr. Raghani and Mr. N'Sonde submitted the following statement:

We thank the Managing Director for the proposed Work Program (WP) of the Executive Board. We broadly support this agenda for the next twelve months as it generally reflects the strategic directions and policy priorities set forth in the recent Global Policy Agenda (GPA) Update and IMFC Communiqué. That said, we would like to make the following comments.

Responsiveness to Risks

The recent Board paper on Risk Management Update points to a large set of emerging and significant risks facing the institution. Against this backdrop, we very much welcome the proposed approach of systematically assessing whether work programs adequately respond to risks flagged in risk reports, starting with the proposed WP in light of the 2017 Risk Report. In this regard, we agree that this program offers opportunities to address risk mitigation in all core areas of Fund's intervention (surveillance, lending, capacity building) as well as in its medium-term budget, consistent with the directions endorsed by the Board (Box 3).

Enhancing Resilience, Rebuilding Policy Space and Implementing Structural Reforms

Staff proposes briefings on Current Policy Issues to replace the presentation on emerging markets and the low-income and developing countries (LIDCs) report. We note that the first such briefing will be a presentation on housing market developments and policy challenges, a topic of limited relevance to the developing membership. Can staff elaborate on how this topic was selected and how will themes for future briefings be selected in case this proposal is approved?

In the absence of the flagship report on LIDCs, we find it critical to provide the Board with an alternative opportunity to discuss issues of relevance to this segment of the membership. Under these circumstances, we would only see merit in the proposed briefings on Current Policy Issues if they were to cover issues of specific interest and relevance to developing members. Moreover, we would expect increased coverage of LIC issues by the other flagship reports, notably the WEO, the Fiscal Monitor and the GFSR. That said, should the Board take the decision to keep the LIDC report, we would welcome firm assurances about staff's commitment to adopt a more inclusive approach to the selection of topics, notably through systematic consultations with the authorities and/or their Board representatives.

Collaborating within a Multilateral System and Addressing Shared Challenges

We appreciate the emphasis put on the benefits of an open and rules-based multilateral trade system at this particular juncture, and welcome the proposed joint report with the World Bank and the World Trade Organization on Reinvigorating Trade and Inclusive Growth. That said, it is important to ensure that such analyses have sufficient traction with policymakers in parts of the globe where multilateralism is losing steam. Analytical work in this area should also address the adverse spillovers that could be incurred by bystanders in trade wars. Further, the Fund should play a strong advocacy role for, and support, regional trade initiatives such as the African Continental Free Trade Area (AfCFTA).

Concerning IFIs/Development issues, we look forward to the discussion on the Spending Needs for Achieving the Sustainable Development Goals (SDGs). We would welcome staff's heads-up on the five countries in which the fiscal implications of health, education, and basic infrastructure reforms will be analyzed.

Refining Policy Tools and Supporting Members' Needs

We look forward to the reviews of lending policies aimed at enhancing the effectiveness of Fund's program engagement. In this regard, we would have expected the Review on Conditionality and Design of Fund-Supported Programs—which encompass the whole membership—to be completed before the Review of Facilities for Low-Income Countries. Staff's comments will be appreciated.

We welcome the commitment that the Fund will continue strengthening capacity development (CD). As largely recognized in the preliminary discussion on the 2018 Quinquennial Review of Fund's Capacity Development Strategy held earlier this month, the role of the Board in setting Fund priorities in CD should be enhanced and the Board should be kept abreast of CD activities.

Fund Governance and Internal Organization

We agree with the IEO oversight as a key piece to enhance Fund's accountability and learning culture. We attach a high price to the Management Implementation Plan on the IEO Report on IMF and Fragile States.

Finally, we continue to value staff diversity where there remains room for improvement and for reaching the 2020 benchmarks, in particular on enhancing the presence of staff from underrepresented regions (sub-Saharan Africa, Middle-East and North Africa, and Asia), including at B-levels. We would welcome an update, if any, on the Board discussion of the 2018 Diversity and Inclusion Report.

Ms. Riach, Ms. White and Mr. Hemingway submitted the following statement:

We welcome the chance to discuss how the Fund is operationalising the priorities set out in the Global Policy Agenda and the IMFC communiqué, and to consider the sequencing with which these issues will be discussed by the Board. We consider the work programme to be an opportunity to ensure that the timetabling of Board discussions supports the Board's ability to discharge its governance function. We welcome the new approaches agreed through the APC and reflected in the Managing Director's Statement that add clarity to the document. We broadly support the outlined agenda and specific policy proposals, and believe that there are a few areas where reprioritisation could ensure the Board is more fully able to provide effective oversight and guidance.

The Fund is, rightly, engaging on the key issues of the day, but there is scope to take a more risk-based approach and to tweak the balance of Board items to ensure proper oversight and quality of discussion. We found the recent 2018 Mid-Year Risk Update discussion very helpful and look forward to the Modernisation and Streamlining discussion. Both discussions should help the Board direct Fund resources to the most in-need areas while optimising resource efficiency in other low-risk areas. More generally, we believe Board prioritisation should respond to the Risk Report and feel that more could be done to fully embed risk assessment and management into the agenda setting process. Relatedly, we fully endorse the Fund's prioritisation of work on the digital economy and trade issues in light of wider trends. However, we note that the Board will have at least five engagements on aspects related to the digital economy and fintech over the period of the current work programme, but none directly on the Fund's equally important work on trade. This feels to us slightly unbalanced. Staff views are welcome.

It is also important that the Board discusses key issues in a timely and well-sequenced manner. We are therefore pleased to note the regular Review of Staff Compensation for 2019 is scheduled in advance of the Spring Meetings—this small change in scheduling will help ensure discussions of this important issue do not need to be rushed through in the days after the Springs Meetings to meet the deadline of the end of the financial year. Similarly, we welcome the inclusion of the Comprehensive Compensation and Benefits Review, responding to our previous requests. However, we are disappointed to see no scheduled engagement on the long-awaited HR Strategy. We wonder if this reflects the relatively short period covered by the Work Programme, and conclude that a regular discussion of proposed work on a longer-horizon may be a valuable complement to existing processes. This would also allow for Board engagement before staff have started work on items. Again, staff views are welcome.

We are cautious about proposals to drop some standing items given the role they play ensuring underappreciated topics are focused on. Of greatest concern to us is the proposal to replace the briefing on Macroeconomic Developments and Prospects in Low-Income Developing Countries (LIDCs) with briefings on Current Policy Issues. Our concern is three-fold. First, the associated report fills an important gap ensuring multilateral coverage of the whole membership; LIDCs are rarely covered in detail in the flagships or in regional updates. Second, we value the thematic approach to LIDC challenges which provide a different conjunctural perspective to other products. Third, we are aware of the challenges the Fund face encouraging staff to work on LIDCs. A dedicated report highlights the value the membership places on this work. The 2018 iteration of the report was particularly impactful in highlighting growing debt vulnerabilities and was widely used in Spring Meeting discussions. It is not clear to us that ad hoc policy briefings will deliver the same functions.

We welcome plans to focus on debt transparency and sustainability in the next year. The IMFC highlighted the need to safeguard debt sustainability, an issue the G20 has also prioritised. The commitments outlined in Box 2 are welcome and we look forward to regular and frequent updates to the Board. In addition to the work streams outlined, we encourage the Fund to continue their outreach to creditors and debtors, particularly in cases of debt distress. The IMF plays an essential role facilitating data flows and communication to inform creditors' coordination of appropriate debt restructuring agreements; it should continue to work with international fora, creditors, and debtors to enable this. Non-economic shocks, such as natural disasters, have the potential to amplify these debt vulnerabilities. Fund Proposals for More Effective Support to Countries Hit by Large Natural Disasters will play an important role helping to mitigate this risk and we encourage close collaboration with the World Bank on this issue. We remain particularly concerned about ensuring the Fund supports fragile states grappling with these and other challenges, so look forward to the Management Implementation Plan on the IEO Report on The IMF and Fragile States, as well as concrete actions in LICs Facilities, Conditionality and Capacity Development Reviews.

Finally, improving data remains key to helping policy makers respond to emerging challenges, whether related to debt, technological change or other issues. The work program provides relatively limited follow up at the Board to previous engagement on data themes, such as the Overarching Strategy on Data and Statistics at the Fund in the Digital Age (March 2018). We continue to believe these issues are very important and look forward to Board engagement at the appropriate time. This is another example of an area where a discussion on work planned over a longer horizon would provide additional comfort that the Board will have the opportunity to fulfil its governance role in full.

Mr. Mkwezalamba, Mr. Mahlinza, Ms. Gasasira-Manzi and Mr. Nakunyada submitted the following statement:

We thank the Managing Director for a balanced and comprehensive Statement on the Work Program (WP) of the Executive Board, which broadly reflects the key priorities articulated in the Spring 2018 Global Policy Agenda (GPA) and the IMFC Communique. We view, as appropriate, the main policy priorities and related WP deliverables, focusing on sustaining growth and collaborating within a multilateral system, while deploying tailored policy solutions to members and improving Fund governance.

We support staff's continued efforts to streamline, and welcome the inclusion of a section on how the WP responds to the issues raised in the Risk Report, costing of the work program, and comprehensive information under the thematic categorization of the Fund's activities and outputs. That said, we continue to encourage a reduction of delays and further refinement of the risk assessments and costs, including within the context of policy discussions. Further, we welcome the update on the status of pilot initiatives. Could staff give further details on the experience of the pilots that are being discontinued?

We find the overarching theme of the Flagship reports to be appropriate. A focused discussion of key lessons from the Global Financial Crisis and macroeconomic developments is timely, especially in the wake of tightening global financial conditions and the recent volatility in emerging markets. We are, however, concerned that the presentations on Emerging Markets and Low Income and Developing Countries (LIDCs) will be replaced by a briefing on the Current Policy Issues. It is not clear how the topics for this report will be selected, whether they will be relevant for the different country groupings, and if it can adequately substitute the previous reports. The selection of the first presentation on housing market developments and policy challenges is a case in point. We are also concerned that LIDCs may be left out of multilateral surveillance discussions altogether.

We have previously argued for this report to be given prominence, considering the need for a comprehensive view of the diverse challenges faced by LIDCs, including countries in fragile situations, as well as the limited coverage of these countries in flagship reports. Indeed, the themes and analysis in these reports have been relevant and important in understanding the macroeconomic developments within this diverse group of countries, and developing a series of work streams to address identified pertinent issues. As these countries work towards achieving the 2030 Sustainable Development Goals (SDGs), this report provides a useful tool to clearly outline the macroeconomic developments, provide tailored policy advice, and highlight emerging vulnerabilities. Importantly, it could be an avenue to integrate the different work streams within the Fund on LIDCs. Although we appreciate the efforts to streamline, we caution against risks of losing useful analytical work. In this respect, we would like to express our concern on the way the recommendations of the Advisory Group on Modernizing and Streamlining have been implemented, without a Board discussion. We welcome staff comments.

We continue to appreciate the Fund's collaboration with other institutions to address shared challenges. In particular, we appreciate the Fund's participation in advancing the global development agenda and commitment under the 2030 Development Agenda, and look forward to the discussions in these areas. We also welcome the collaboration with the World Bank (WB) on issues related to debt, including the continued advocacy for multilateral solutions to debt distress challenges in some low-income countries (LICs). Relatedly, we look forward to the review of the evolution of debt and adequacy of debt targets in the Review of Conditionality and Review of the Debt Limits Policy, respectively, especially considering that several developing countries have accumulated debt to close infrastructure gaps and advance development objectives. Further, we support Fund-Bank collaboration to help countries mobilize donor support to strengthen preparedness and build resilience to natural disasters. We also welcome the joint work with the World Bank and the World Trade Organization on reinvigorating Trade and Inclusive Growth. We support continued emphasis on the benefits of an open and rules-based multilateral trade system.

Notwithstanding the significant opportunities presented by digitalization and technological change, associated risks and challenges remain a concern. In this regard, the comprehensive work program on digitalization remains warranted. Relatedly, the discussion on financial digitalization should help assess the implications of technological advances on the financial system, and provide key messages to support multilateral responses. Further, the Board engagement on the Review of the AML/CFT strategy and the reflections on the recent developments on correspondent banking relationships should also provide an opportunity to discuss concrete solutions to address the challenges in CBRs as well as the high remittance costs in some developing countries.

As the Fund continues to refine polices to support its mandate and members' needs, we reiterate the importance of traction of Fund's policy advice under surveillance and program engagement. In this regard, we also look forward to further engagement under the Review of Facilities for Low Income Countries and related discussions on the Poverty Reduction and Growth Trust (PRGT) to ensure that the evolving needs of members are met.

Maintaining an agile, integrated, and member-focused Fund requires critical review and strengthening of the institution's internal organization, credibility, and governance. In this regard, we remain concerned about the existing human resource challenges, including the failure to meet the 2020 diversity goals. In this connection, the delay in the recruitment of the Diversity Advisor should not prevent a Board discussion of the Diversity and Inclusion report. Staff comments are welcome. We also continue to support the work of the Independent Evaluation Office (IEO), and specifically welcome the development of a strategic framework on social spending based on the recommendations from the IEO report.

Finally, as the process to strengthen the Global Financial Safety Net (GFSN) continues, we reiterate the need for an adequately resourced Fund at its center. In this regard, like Mr. Tombini, we call for increased efforts towards the completion of the Fifteenth General Review of Quotas as scheduled. We encourage staff to take stock of points of agreement and explore ways to advance the discussions and reach timely consensus in line with the set timeline.

Mr. Hurtado and Ms. Arevalo Arroyo submitted the following statement:

We thank the Managing Director for a comprehensive Work Program (WP) that operationalizes main priorities of the Fund's Global Policy Agenda and the IMFC guidance.

Streamlining and Prioritization

We welcome the efforts to prioritize and streamline the Board workload. However, we must be mindful not to sacrifice quality or focus on issues that are closely related to the Fund's mandate -and appreciated as such by member countries- for the sake of pursuing others that may not be as macro critical.

The Fund's Mandate and Emerging Issues

In line with this chair's emphasis on focus on Fund core issues, we are pleased to see work related to fiscal, natural real interest rates, corporate taxation, capital flows, multiple currency practices, to name a few. We note and welcome the inclusion of work on strengthen capacity development but would appreciate greater attention to monetary policy and, especially, advice on exchange rate regimes and their adequacy. The proposed structure in thematic categories is a step in the right direction to achieve more consistency.

In our view, this version of the WP is more balanced with regards to new emerging issues. For example, while digitalization and the future of work are not necessarily at the core of the IMF's mandate, we consider these topics to be more macro-critical than other emerging issues, due to its clear and potentially disruptive financial and economic interlinkages.

Emerging Market Economies and Low-Income Countries

Overall, while we agree with the prioritization of policy items in the WP including topics such as the 15th General Review of Quotas, DSA review for MAC and LICs, EBA review and various reviews of lending policies, we believe greater focus on Emerging Markets and LICs could be enhanced. In this vein, we welcome the efforts to streamline and prioritize the Board workload, but we note that this should not imply replacing items that are pertinent to an important share of the membership, such as the briefings and formal meetings on macroeconomic developments and prospects of EMDEs and LICs. We believe that in the current juncture, these countries will be subject to significant volatility and could be vulnerable in different ways to the normalization of monetary policy in advanced economies. It is very relevant to keep close monitoring of these developments considering that these countries might potentially require Fund support.

Regarding developments in some LICs, as this chair has mentioned before, an adequate assessment of the debt distress situation is necessary to undergo changes to access, financing or changes to the PRGT. Hence, we welcome the collaboration between the Fund and the World Bank to provide candid and comprehensive diagnostics regarding the debt distress problems in LICs as well as improving their debt management capacity and transparency, as noted in Box 2.

The Fund’s Role in International Cooperation

Consistent with its Articles of Agreement, we welcome the continued commitment of the Fund as a guardian of international cooperation and open, rules-based multilateral trade. Due to its almost universal membership and expertise, the Fund’s role in the facilitation of expanded trade, as well as its guidance and policy advise with respect to financial reform, progress in coordination of international corporate taxation and digitalization is most important. This is of essence not only in specific reports, such as the joint report with the World Bank and the WTO, but also as an overarching message in the Fund’s flagships.

Risk

We see as a positive step the treatment given to risks in the WP. In this respect, we would like to see commitment in the WP to having a concrete roadmap to (i) close the identified gaps, (ii) bring risk levels in line with Board guidance and (iii) introduce a more frequent reporting system that can capture changes in the risk landscape, allowing for timely and coordinated responses.

Mr. Kaizuka, Mr. Saito, Mr. Ozaki and Mr. Komura submitted the following statement:

We thank the Managing Director and staff for the Work Program (WP). The WP well reflects priorities specified in the latest GPA and IMFC Communiqué, including debt transparency and sustainability in LICs and capital flow management measures. Furthermore, the WP also presents for the first time an assessment on how it addresses risks flagged in the Risk Report. We appreciate this refinement as an improvement in learning culture of the Fund.

Prioritization remains a central issue to maximize effectiveness of surveillance and capacity development (CD) under the resource constraint. The primary focus should remain Fund traditional areas, including fiscal, monetary, financial sector policies. The Fund should maintain its position as a leading policy advisor on these areas by preserving resources to review and update policy advise, following changes in the social and economic situation and advances in academic research. As emerging issues, including gender, inequality, and climate change, have attracted growing interest in the world, the established criteria, including macro-criticality and expertise, remain critical to determine how the Fund engages in these issues. In this regard, the WP indicates several works related to emerging issues, such as CD in Big Data and Cyber risks, the Fund should be selective along with its expertise to strengthen its position as a reliable policy advisor in emerging issues.

WEO/GFSR/FM

We welcome that the Flagship reports will take lessons learned ten years after the GFC. The world would benefit from this work for considering policy operations in the future. When it comes to the FM, we ask staff for close communication as the balance sheet approach in a public sector is a new initiative of the Fund so that it may not contradict with alarming messages of the debt sustainability analysis.

Demographic Change

Demographic change involves a wide range of effects on society and economy. The Fund needs to strengthen its work to better understand and tackle with those effects. Demographic change significantly affects fiscal and debt sustainability, optimal system of social security, productivity and potential growth, and intergenerational equality. While we appreciate the briefing on pension and saving which took place in the last month, the Fund should have broader work agenda on this area. In this regard, we look forward the Board discussion on IMF's engagement on social spending. We expect deeper and wider work programs under the newly developed framework on social spending. While social security, including pension and medical system, is a central topic on this area, other work agenda would include educational policy and labor market policy to promote workers to upgrade or change their skill set as recent literature indicates that they have experienced faster skill depreciation.

International Trade

The Fund should continue delivering clear messages to preserve open and rule-based international trade system. The latest GPA and IMFC Communiqué well emphasize its importance. As the MD has been taking a strong initiative, the Fund needs to keep stressing benefits from open and rule-based international trade system. The Fund should also strengthen its surveillance as it is a unique institution to conduct a deep analysis on international trade from macroeconomic perspectives. In this regard, while we welcome but see only one agenda, joint paper with the WB and the WTO in August, we would appreciate continuous work on this front. For example, reaffirming benefits of open and rule-based international trade system would be valuable because it had been taken for granted until very recently. In addition, we also consider it beneficial to analyze quantitative macroeconomic impacts of protectionist measures on the global economy through the global value chain and multinational enterprises.

Low-Income Country Policy

Helping to reduce poverty and achieve strong and sustainable growth is essential role of the Fund. Since it requires a holistic approach, such as DRM and enhancing efficiency of public investment, the Fund needs to keep working on this front. In particular, as the several papers, including the latest FM and LICs briefing, pointed out, the post HIPC countries have not significantly improved debt transparency and have deteriorated the level and composition of their debt. We welcome that the WP is mindful of this problem as shown in the Box 2. We look forward staff to steadily implementing the planned Board meetings, always keeping consistency among works in mind. In addition to those meetings, we believe that it would be worth considering the followings:

The Fund should conduct intensive review regarding effectiveness and efficiency of relevant CD, including DRM, debt statistics and management, expenditure management, to find possible refinements.

The Fund needs to establish effective framework to prevent borrowing countries, especially those of LICs, from deteriorating their debt sustainability by taking non-concessional loans without strict due-diligence processes. For example, the Fund can post a warning to countries if the level of debt reaches at a certain level. Then, depending on their improvements, the Fund may change its lending limits so that giving incentive for fiscal consolidation.

Related to the latter point, while the Fund plans the Review of the Debt Limits Policy, we encourage staff to consider how to promote non-program LICs to have prudent fiscal policy and debt management at the same time.

In particular, debt transparency is crucial for the Fund and others to grasp debt situations in LICs. In this regard, information both from debtor and creditor plays an essential role. Annex 2 mentions that the current WP dropped Debtor and Creditor Engagement in Sovereign Debt Restructurings to facilitate additional engagement with stakeholders and due to the need for further preparatory work. We encourage staff to accelerate their work to establish the framework in a timely manner.

Capacity Development

The Fund should keep enhancing its efficiency of CD. Ownership is a key for successful CD activities as it enhances countries' ability to identify their own challenges, motivates for learning, and makes CD programs consistent with their policy formulation capacity. Also, the Result Based Management (RBM) plays an important role in adjusting CD in each country and improving CD framework itself. We look forward staff to sharing lessons and considering possible refinements reflecting our one-year experience of RBM in the upcoming board meetings on CD in the WP.

The Fund's role is significant in DRM. DRM is essential for achieving SDGs. Since it holds effective tools like MTRS and TADAT, the Fund is expected to make significant contributions on this area. As the latest GPA mentions, we encourage staff to maximize effectiveness of CD in DRM by collaborating and coordinating with other donors through the PCT framework. In this regard, while staff briefed the PCT in September last year, we ask staff to continuously update progress and challenges in the PCT.

Cost Implication Analysis

Cost estimates link agenda setting in the WP more closely. While we appreciate staff initiate to show some cost estimates in page 9 and 10 following requests from the Board, we see more rooms for improvements on this front. Currently, the provided data there does not tell a lot of stories, for example, which items involve significant costs and why costs have changed from previous terms. We therefore encourage staff to show such more granular information going forward to better link cost estimates and agenda setting in the WP.

The Chairman made the following statement:

The format of this paper is a bit different from the previous Work Program. Many Directors have noted and given their support to the endorsement of the new format. This innovative design and thematic approach was intended to improve the transparency, set out the priorities, and give a clearer view of what the topics of work would be for the next few months.

I would like to comment on two or three key points that I am concerned about, and then I will ask Mr. Mühleisen to make a few points before we open the debate, which will hopefully address Directors' concerns.

The first point is on trade. I want to address that issue because it is important. We know it is a key component of growth. We know how it is being questioned at the moment, and many Directors have indicated that we should do more work on trade issues.

The staff is working intensely on trade, on their own but also together with other institutions. I do not believe there is a single high-level meeting that I or any member of management attends where we do not have a special briefing on trade, so that we can address the consequences of the current uncertainty.

The Work Program includes a joint report with the World Bank and the World Trade Organization (WTO), which is called Reinvigorating Trade and Inclusive Growth. Certainly, the staff would be happy to provide the Board with a briefing on where this paper stands.

We are also organizing, jointly with the Organization for Economic Cooperation and Development (OECD), with the World Bank, with the WTO, and with the Australian authorities a one-day, high-level event at the Annual Meetings on the theme of how global trade can promote growth for all.

I hope that this event, which will be an open conference, and given the quality of the speakers, will help us identify new areas of trade that warrant some additional work—whether that is services, the role of intangibles, or the combination of trade and taxation. In all these areas, there is room for further analytical work. But it is important that we take it out publicly, that we get the feedback from the finance ministers and from those in attendance so that we can move further and probably flag more work for the fall Work Program that will be debated later this year.

I would like to say a few words on debt. The work on debtor-creditor engagement is sensitive and controversial, and since we do not yet have a resolution within the membership, we decided to put the paper on hold for now. We hope that there can be a consensus and agreement reached within the membership. But in the meantime, the staff continues its work and its consultation with the members through Directors, as representatives.

I believe there was a bit of doubt about whether management was committed to the Fifteenth General Review of Quotas. I hope there is no doubt on that front now. We have a next step scheduled for July, a further technical discussion, and the paper will be distributed soon for discussion. We have had meetings with staff to identify the areas of key concern and begin to outline a strategy for meeting the deadlines. But this has not disappeared from my agenda or from management's or the staff's agenda.

On diversity, I want to share where we stand. A disappointing decision was made by the candidate who was our top choice, and we were convinced that it was in the bag. Two days before, as we were sending the documentation, we got a response from that lady, who said that she had received a counterproposal from her employer, and that she had decided to stay where she was. That was a big letdown, so we started again. We have identified a new candidate, who is also a woman, and a very good quality candidate, who should be joining us in August. We are in the final negotiations of the contract and the final approval. The discussion took place last year in July and the report as in November. We will be slightly delayed, because it does not make any sense to prepare that report while this new candidate is still stepping in to her position. We should give her a chance to not just make her mark but to identify where we are and what the priorities would be and what her recommendations and determination are.

The Director of the Strategy, Policy, and Review Department (Mr. Mühleisen) made the following statement:[1]

> Our team would like to thank Directors for the constructive and positive comments on this Work Program. We tried our best to answer Directors' questions, which the team received on Saturday. It takes quite a heroic effort by the team to turn these around before the Board meeting. Once we receive Directors' questions, we have to coordinate across the institution with a number of colleagues to get the right information, and this does take some time. For the ones who are working on it, that is a very intense period, with work that goes well into the early morning hours. I would like to thank our team for getting this done, and I appreciate Directors' understanding.
>
> I would like to address four remaining issues. First, at the streamlining Board meeting, some Directors expressed concern about the discontinuation of the low-income developing countries (LIDC) report. Directors rightly noted that the recent report, especially on debt, has made quite an impact; and therefore, why would we abandon this vehicle? The answer is that we felt that Directors are already receiving a significant amount of information on what is happening in low-income countries (LICs). Directors are quite familiar with the ups and the downs of the conjunctural cycle, but perhaps the real impact of the report is that it looks in depth at some interesting and important analytical issues that the Board should probably discuss more in depth. This is what we would like to focus on with the Board.
>
> We want to do a little bit less of the Chapter 1, which is really the job of the flagship reports, of the Regional Economic Outlooks (REOs), or even reports that the World Bank puts out. Instead, we would like to engage with Directors more on issues that deserve to be in Chapter 2, which is the chapter where the debt issue was discussed and where we had quite an impact.
>
> What analytical topics do we have in mind going forward? We have a few processes to identify those. We have an interdepartmental working group, and at Friday's meeting, it was decided that we would get together with a group of Directors—especially those Directors representing LICs, Mr. Sembene, Mr. Mkwezalamba, and others who may be interested—so that we can discuss some of these issues and see where there is demand for analytical issues. Possible themes include a critical look at domestic resource

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

mobilization efforts, or we could look at ways to boost sustainable growth in LICs, including through the diversification of commodity exporters.

Besides that, we also have other work on LICs already in the pipeline. There is work on fragile states. To some extent, the work on climate change and the macro implications of climate change and disasters are also quite relevant for some countries in the low-income world. We do have work on social protection, which has an important element for LICs.

We have a heavy work agenda on low-income debt that may lend itself and lead to more analytical work, which we will discuss with the Board. I would also like to say that while it is not in the Board's Work Program per se, we are conducting quite intensive outreach with countries that have debt outstanding to LICs, with non-Paris Club and plurilateral creditors, and that we are also engaging with the private sector on finding solutions to these debt issues.

The second broad theme was on the G20 work. The G20 represents Fund members that account for a significant share of the global economy, and it provides important impulses for the work of the Fund and the world community more broadly. Therefore, we all believe that it is in the interest of the Fund to contribute to the G20's work agenda, where issues in our mandate are concerned, and that we do it in the most cost-effective way possible.

However, our G20 colleagues are getting tired of hearing from us that it goes without saying that the Executive Board is the place where policy discussions on the Fund's work are held and where decisions are made. We emphasize this throughout. So, we would not share papers with the G20 that involve new policy work without prior Board consultations.

The current batch of papers mentioned in the Work Program is no exception. They are based on Fund policies that were discussed and approved by the Executive Board. Rather, the papers draw on previous policy advice and analyses, while tailoring them to some extent to the G20 context.

In some instances, this can involve some new analytical work, as in the Future of Work paper that was issued in March 2018. Other work is almost of an educational nature, for example, the briefings that we will provide to the G20 on the Fund's Institutional View. If we send something to the G20, we run it by the Board first. We would be happy to schedule briefings on any of these papers.

The third topic is multiple currency practices (MCPs). There were a few questions. While a comprehensive review of the exchange restrictions policy is not planned this fiscal year, the paper on MCPs will discuss those aspects that are directly relevant for the Fund's policy on MCPs. The main objective of the paper is to provide suggestions to make the MCP policy more relevant, understandable, monitorable, and effective. This is already a tall analytical and operational agenda. There are many things to consider, as this paper will show.

The reason we have scheduled a briefing shortly before the first discussion by the Board is to clarify the technical aspects included in the Board paper. This technical seminar is not intended to seek Directors' preliminary input; but it is offered as a service from the staff to help Directors get through the technical material in the paper so that the Board meeting can focus on the policy aspects of the review. In that meeting, we will receive Directors' guidance and views, and we will come back with a follow-up paper, hopefully containing concrete policy proposals for adoption later in the calendar year.

Finally, the Chairman already mentioned the taxonomy. Directors asked us to increase operational efficiency and improve strategic oversight, and this is a way for us to follow up on those suggestions. As several Directors noted, the new taxonomy is a key part of this effort to establish a simple and pragmatic and consistent way—consistent also over time—to classify Fund activities and outputs. As we go forward, we plan to incorporate this taxonomy in the Fund's knowledge management system; and then in a natural way, it will hopefully be adopted and spread into more work streams over time.

Mr. Rouai made the following statement:

We welcome the Managing Director's statement on the Work Program and broadly support the key priorities and strategic direction for the period ahead. We also welcome her introductory remarks.

We commend the Managing Director and the Secretary for the informative new structure of the statement, setting the key priorities for the period ahead, addressing the risks raised in the 2017 Risk Report, analyzing the streamlining initiative, and costing the Work Program. We also appreciate the synchronization of the Work Program with the budget cycle. We urge the Secretary's Department (SEC) to ensure that the Work Program is discussed by the Board shortly after the Spring Meetings.

In our gray statement, we welcomed the coverage in the fall 2018 flagship report of the main lessons from the global financial crisis and supported the Fund's work on digitalization. After the adoption of the framework for enhanced Fund engagement on governance issues, thanks to the leadership of Mr. Hagan, we look forward to the start of its implementation in the third quarter of 2018 and to the issuance of the guidance note on the use of third-party indicators (TPIs) in Fund reports. At this early stage, we encourage the staff to refrain from using indicators other than those included in the Indicators Digest.

Our final comment is on diversity. We appreciate the Chairman's clarification; however, from a risk management perspective, not issuing a periodic and important report because of staffing considerations may be a vulnerability.

Mr. Castets made the following statement:

We thank the Chairman for the useful introductory remarks. We also thank Mr. Mühleisen and his team for the good work in presenting a clear, streamlined version of the Work Program and for working during the weekend to answer our many questions.

I have just three points. First, I would like to react to the Chairman's introductory remarks on trade, and thank her for fully acknowledging the concerns expressed by many Directors regarding the detrimental impact of protectionist measures. She has already stood out clearly and publicly on this issue, and we would be supportive of having a briefing on the preparation of the joint report with the World Bank and the WTO. This would offer an opportunity for Board members to provide guidance on further work, including on the issues she mentioned.

My second point relates to LIDCs, and to say that we are also thankful for the inclusive process that the staff proposes. It has great merit. We would be happy to contribute. We keep thinking that having a specific Board briefing on macroeconomic conditions in LICs will be helpful this year, when we are also working on the review of the facilities for LICs, as well as the review of conditionality, in which we will have to integrate the good report produced by the Independent Evaluation Office (IEO) on fragile states.

My final comment concerns two specific issues we also mentioned in our gray statement—demographics and digitalization. I will not repeat our full support for the work done on climate change, gender, and inequalities.

On demographic trends, in our gray statement, we tried to elaborate on where we would see merit in broader engagement beyond the issue that is mentioned in the Work Program, which is the sustainability of pension funds. We encourage the staff to integrate where population is growing rapidly and the sustainability issue that raises, but also where ageing is more prominent, to get a broader perspective. We would appreciate if the staff could elaborate on this.

On digitalization, two issues are still missing from the Work Program. The first is digitalization and taxation. We are thankful for the first briefing that took place; but it was more of a first step. The second is digitalization and competition, where we see great merit in having further elaboration, as was alluded to in some of our meetings; but that an issue on which policymakers are reflecting and the Fund's perspective would be helpful.

Mr. Ostros made the following statement:

I thank the Chairman, Mr. Mühleisen, and his team, for the proposal on the table. I like this new format. The connection to the risk work and the Risk Report is a good step forward.

On the trade issue, I thank the Managing Director for her intervention. I believe we are very clear on our message. There are not that many global actors on the scene very clearly promoting open trade and rules-based trade. I believe we have an important role to fulfill, and I believe that management is doing that well.

To be able to be on that scene continuously, there may be a need for continuous analytical underpinnings from the Fund. In the Work Program, there is room to do more on that. For instance, Mr. Kaizuka points to the risk for the global economy connected to the global supply chains. These are complicated supply chains with effects that we do not know much about. There are not only warnings of trade disruptions; they already exist.

As we have done on the financial markets—where we have contributed to our understanding on how interconnected we are—we could do more on trade issues to understand the interconnectedness and the damage that could be created for the global economy, if these things go further.

Second, I welcome that we are focusing on emerging markets and developing countries' (EMDCs) when it comes to tighter financial conditions, which is one of the main risks that might be ahead or that we are currently experiencing, and also the LIC debt issues. I welcome Mr. Mühleisen's comments on the LIC report—that we can do that in some other way but still with the possibility of breaking through in the debate, because that is needed.

On the G20 cooperation, is understandable for a non-G20 group of countries to understand that we need to have cooperation, but it is very important that this cooperation does not go around this Board.

I especially would point to the Institutional View issues. We know that the Eminent Persons Group does discuss how to reform the Institutional View. This has not been discussed in the Board. They are maybe taking steps forward. This is an issue that we have debated numerous times in Article IV consultations and in principle. This is an issue that belongs to this Board and not to the G20 when it comes to taking decision. I will have to be very clear on that.

Finally, there is an issue that I have taken up many times together with colleagues—Mr. Meyer also mentioned this in his gray statement—namely, the bunching issue. I cannot believe that it is impossible to solve this problem that there are many meetings in July and December, and then easy months in the middle of the year. We should do something about that. I call on Mr. Mühleisen and also the Secretary to find a way to solve that.

Mr. Beblawi made the following statement:

I thank the Chairman for the comprehensive presentation and the staff for the important agenda.

I am always surprised that, when we talk about major challenges for our world, we talk about climate change, which is largely the responsibility of the advanced economies; but we overlook another challenge that is as serious for the future of humanity, which is population growth.

I believe there is a deal to be struck between industrialized countries and poor countries. Industrialized countries are exposing future growth to serious dangers because of climate change. But we in the developing countries are responsible for the increase of the population.

Homo sapiens have existed for 80,000 or 100,000 years. We reached the first billion in the second half of the nineteenth century. Since then, the population has grown from 1 billion to more than 7 billion. I believe there is room for a big deal between the rich and the poor. The rich will take care of climate change. The poor will take care of population growth. But there is a composition because, to a great extent, the question of climate change is due to energy, and final source of energy is available in abundance in the poor countries. I believe there is room for a global deal for the future, whereby the rich take a commitment to constrain climate change, and the poor will also take serious measures to control birth control.

Mr. Mahlinza made the following statement:

We thank the Managing Director for the well-balanced and comprehensive Work Program and for her remarks. We thank Mr. Mühleisen for his comments as well. We also thank the staff for their responses to technical questions. We want to raise four points.

First, we appreciate the enhancements to the Work Program aimed at improving its effectiveness; in particular, the inclusion of the section on responsiveness to related risks, the costing of the Work Program, and the comprehensive information under the thematic categories. We encourage an increased focus on further refinements to the risk considerations in the Work Program and the costing of work in the context of policy discussions. That being said, as in previous discussions of the Work Program, we reiterate the need to reduce delays on Board items.

Second, while we acknowledge efforts to streamline the Fund's operations, like other Directors, we caution against undermining governance within the Fund and reducing the Board's oversight role, as well as dropping important pieces of work that are pertinent to some parts of the membership.

In this context, we reiterate our concern about the proposed replacement of the briefing on LIDCs. We are concerned that with the limited coverage of LIDC issues in the flagship reports, this part of the membership will be left out. Our view is that the LIDC briefing is useful. It provides a comprehensive review of the diverse challenges faced by LIDCs, including countries in fragile situations.

For the record, since we were not explicit in our gray statement, we would have preferred to retain this report. However, we welcome the Managing Director's comments during the informal briefing on modernization and streamlining, where she indicated that management would engage with Executive Directors representing LIDCs to see how best to carry forward the analytical work on LIDCs. We also thank Mr. Mühleisen for his comments this morning on the same, and we look forward to this engagement.

Third, we agree with the point Mr. de Villeroché and Mr. Kaizuka made in their gray statements—which was elaborated upon by Mr. Castets—that there are different dimensions to demographics, and that the Fund should consider broader work on demographics beyond the ageing dimension. In our constituency and the sub-Saharan African region in general, the demographic transition requires proactive policies that can help countries achieve the full potential of their demographic dividend. Currently, we have youth unemployment, which we believe is quite important.

Lastly, I would like to reiterate our commitment to constructive engagement towards completion of the Fifteenth General Review of Quotas.

Mr. Johnston made the following statement:

I thank the staff for a helpful and well-constructed Work Program. We like the new format. It made many things clearer and drew some links and put some things together that we certainly appreciated.

I would like to pick out a few items on the Work Program. Countries in our constituency appreciate the work on support to countries hit by natural disasters. We are looking forward to that and the fiscal work on climate change. We believe the Fund is developing some very good frameworks and approaches in this area, as shown by the recent climate change policy assessments (CCPAs) and some excellent country work.

However, we were a little disappointed to see that the annual provision of information to the Board on correspondent banking relationships (CBRs) seems to have been cut. This remains an important issue for many small countries in our constituency. We are not asking for a Board meeting, but just to be given an update on the situation and the collective responses around the world. Something like a box in the Global Financial Stability Report (GFSR) or some way of distributing that information would be helpful.

I want to keep in my mind that this is a Work Program for the Board, not for the staff and not for the organization as a whole. I do appreciate the Chairman's statement about the work on trade. It is important that the right messages are coming through from the Fund, not that the Board is having a meeting. I appreciate that. I agree with and support some of the comments that were made in the gray statements by Mr. Leipold, Mr. Ostros, Mr. Hurtado, and Mr. Kaizuka along the same lines.

On that theme—in terms of it being the Board's Work Program, not the staff's—we can commend the work that the staff is doing, or discuss what they should be doing while still being open to how the Board engages or interacts with that. For example, there are quite a few items on the Work Program where the Board is not being asked to take decision, and our views are not being sought as an input to a longer piece of work; for example, the meetings where staff are preparing a discussion note. Echoing what this chair said in the streamlining discussion last week, these could be taken out of the Board context, and done as a traditional presentation or seminar, perhaps open to all staff, as well as Directors' offices.

In response to the idea that we do not need to have so many Board meetings, I agree with Mr. Ostros about this point about the Institutional View on Capital Flows. The staff and management should consider the views of countries on the Institutional View and on capital flow measures. A Board meeting is probably the best way to do this. There is this G20 note on the IMF Institutional View on capital flows in practice. To do that properly requires a consideration not just of how the staff thinks it is going in practice but also how countries think it is going as well.

Ms. Riach made the following statement:

I thank the staff for the helpful material that was prepared and the Managing Director and Mr. Mühleisen for their introductory remarks, which were extremely useful.

As we set out in our gray statement, we see the Work Program and the discussions around the Work Program as an important part of the governance of the Fund and of the Board's ability to fulfill its role in that governance. For those reasons, we join others in thanking the staff for the clear links in the Work Program to the risk work and also to the budget, which helped to inform the discussion. Maintaining these links should help the Board to direct Fund resources to the most needed areas, while optimizing resources efficiently in other more low-risk areas. More generally, we believe that Board prioritization should respond to the Risk Report and feel that more could be done to fully embed risk assessment and management into the agenda-setting process.

On the same theme of broader governance, as we set out in our gray statement, there might be some value in the Board having a discussion of the longer-term Board Work Program because, as Mr. Johnston noted, this is the Board's Work Program for the next six months. We also see some value in a

Board discussion of the longer-term work of the Fund and where resources will be prioritized.

On some specific issues, on the LIDC report, I set out my views on Friday, and I can associate myself with the comments of Mr. Mahlinza this morning. Our preference would be to preserve the report in its current format, but I recognize Mr. Mühleisen's comments about a willingness to engage with Directors about the way forward on this.

I want to be part of that discussion. This report is not just of value to the developing countries themselves, but also to the donor community and the broader international community. I hope that in those discussions, we can talk not just about where the priority areas for policy consideration would be, but also, more broadly, how we can ensure that the value that we saw in that report can be maintained—because we do not feel that the conjunctural analysis is fully covered elsewhere—whether it might be maintaining that report, having it perhaps on an annual, rather than a six-monthly basis, or in some other way, making sure that the various elements are captured.

On trade, I welcome the Managing Director's comments. I absolutely agree with others on the importance of this issue. I associate myself with Mr. Ostros' comments about the importance of the Fund having an ongoing analytical input into this issue, particularly in the current climate.

Ms. Horsman made the following statement:

We agree with the broad areas of focus in this Work Program, and we like the new format.

On trade, I would like to also associate myself with the comments of Mr. Ostros and also agree that the impacts of tariffs on trade are complicated due to supply chains, and analytical work on this could be useful.

We are particularly appreciative of efforts to advance many issues of relevance to my constituents, including the work on building resilience to natural disasters. I would associate myself with Mr. Johnston's comments on CBRs.

We are also pleased to see that the work on tax matters is advancing. It is clearly a work in progress, as the environment and the response by stakeholders is evolving. We wonder if there are some parallel lessons to learn from the Fund's role on trade; i.e., that the Fund should advocate for multilateral systems that work for all, while continuing to advance its evidence-based analytical work but stop short of being too prescriptive bilaterally until there is more clarity on the impact.

We support the focused work on debt sustainability, including data and transparency issues, and I will not elaborate on my other point here, given the Chairman's comments and those of Mr. Mühleisen.

While we are fully supportive of a streamlined Work Program, as we stressed in our gray statement, one of the positive outcomes will be the opportunity for deeper engagement of the staff with the Board on issues of greatest importance—thereby strengthening governance and oversight. In this regard, we believe informal discussions among smaller groups of Directors has worked well—for example, in the context of work on corruption, where Mr. Hagan's contribution was considerable, and program conditionality. Our sense is that this requires less resources and strengthens the end product.

To conclude, I would like to lend my voice to those who have called for a more even distribution of the items in the Board's schedule.

Mr. Doornbosch made the following statement:

I thank the Chairman and the Strategy, Policy, and Review Department (SPR) for the excellent preparation for this meeting, which makes it possible for me to be brief. I have four remarks.

I wanted to start with a few remarks on trade, but that has mostly been said. One additional comment is that for now, when we are trying to avoid a trade war, we have mainly emphasized the risks of engaging in such a war or in these trade measures. We have shown the benefits of multilateralism. I was thinking that when one is in the middle of a war, one might need to calm the markets a bit. Sometimes one also has to put in perspective what is out there. I was wondering whether analytical work is also taking place. Suppose that these trade measures are only relevant to bilateral trade between, for example, the United States and other countries, what will the consequences be for other parts of the world? Are we doing this type of partial analysis?

My second comment is that I would like to support Ms. Horsman by saying that we appreciate the greater flexibility in the Work Program. The current policy issues are helpful. It would also be helpful to remain flexible and accommodate once in a while an informed discussion on a topical issue.

The emerging market briefs were helpful in that respect, and serve as a good example.

On the bunching of important Board items in July, I would be open to revisit our decision to discuss all large economies and the External Sector Report (ESR) report in July. I feel that we do not harness the benefits of this bunching, and we do incur the cost of suboptimal preparation and discussion. I would be open to revisiting that decision.

Third, I support the call by Mr. Castets, and also by Mr. Mahlinza and Mr. Beblawi, to consider a paper and a Board discussion on demographic trends. This issue is important for our constituency countries, particularly when oy goes beyond the ageing and pension dimension and looks at immigration patterns.

Fourth, we appreciate the commitment to engage with the Board soon on the HR strategy deliverables, and I am sure they will be specified soon.

Mr. Gokarn made the following statement:

We join others in thanking the Chairman and the team for an excellent document. Its foundation in the risk and budgetary dimensions is important. It provides great direction for the way the program will move forward. We have issued a gray statement. We would like to emphasize a few points.

First, we agree with many Directors—in Friday's discussion and in the gray statements and in today's comments—on the need to keep a special focus on the LIDCs. The idea of a current policy issues document is important, but it should not dilute the focus from LIDCs. We appreciate the suggestion that this process would move forward with involvement and contributions from Directors.

On the issue of capital flow management measures (CFMs), the Institutional View and the macroprudential measures (MPMs), we have had a number of discussions at the Board, both in a country context and more generally, on the need to revisit the distinction between these two in terms of the motivation for CFMs and their links to financial stability. Mr. Agung has made this point in his gray statement, and we support that in terms of taking a more nuanced view of this particular categorization.

On the issue of digitization, we welcome the broad focus on this issue. Many countries are in the early stages of designing their regulatory frameworks on these issues, and the Fund has a great opportunity to make a widespread contribution to members in this domain. But we would also like to see more focus on the tax implications of digitization. Mr. de Villeroché's gray statement addresses this. We had an interesting presentation a few weeks ago on this issue. Timing is of the essence. It is at the very early stages of work in many countries, and it would be of great value to have the IMF provide inputs on this.

On the structural issues, many Directors have made the point about demographics and the need for broader attention to these issues. We believe that many of the issues that are mentioned in the Work Program—for example, the future of work—are closely connected with demographics. The attention on artificial intelligence and automation and the many useful seminars that we have seen over the last few months need to be brought into the Work Program in a more holistic way. Automation is definitely a macro-critical phenomenon for many countries. The demographic dividends that many countries are expecting to harness are under threat from it, and we would like to move the focus away from just pensions to a somewhat broader perspective on the macro dimensions of demographics.

Finally, on the Fifteenth General Review of Quotas, we appreciate the Chairman's restatement of the management's commitment to the issue, but we would like to join many Directors—Mr. Tombini, Mr. Mozhin, Mr. Jin, Mr. Mkwezalamba, Mr. Mojarrad—in asking for greater emphasis and greater focus. This is a critical year. The deadline is looming, and we would like to see some forward progress on this issue.

Mr. Kaizuka made the following statement:

I also join other Directors in expressing my appreciation to the staff for the excellent paper before us and to the Chairman for the encouraging opening statement. I have a few comments to make.

First, on trade, I am encouraged by the statement by the Chairman. I also thank Mr. Ostros for echoing what we wrote in our gray statement. Now I will re-echo the main points that Mr. Ostros raised.

The Fund is a great advocate of an open, fair, and rules-based trade system; but being a strong advocate, the Fund has a responsibility to conduct an evidence-based, quantitative analysis on the merits of open trade and the demerits of protectionist developments. On that front, I look forward to a more analytical or quantitative analysis on trade.

Second, on the demographic change, I echo Mr. Castets' intervention. Demographics encompasses a wide range of issues. Ageing is the most critical component of demographic change for my country. Our Article IV exercise this year will focus on the implications of ageing because we are the frontrunner when it comes to an ageing population. We hope that our discussion of the Japan Article IV consultation may have some material on ageing to be discussed among the Board.

Third, the special international taxation is a continuous initiative that is evolutionary in nature. We are not a standard setter, but standard setters are setting the new standards almost continuously. This is our prerogative, to conduct some analyses of the macroeconomic implication analyses of those standards. In that particular context, I take note that international taxation is a pilot and could possibly be discontinued, and I have some difficulty understanding the reasoning for that. Perhaps I misunderstand the concept of a mainstream pilot, but international taxation—either digital taxation or other areas of international taxation—is at the core of fiscal policy and has huge macroeconomic and capital flow implications. This issue should be high on the agenda.

What is the criteria for forming the pilot? What is the criteria for mainstreaming some of the pilot work? Mr. Doornbosch also made this suggestion.

With regard to diversity, I am encouraged by the Chairman's opening statement about the Diversity Advisor. If I correctly understand, at some point in August, she will be on board. I am one of the members of the Diversity Working Group, which is chaired by Mr. Sembene. We will collaborate further. We need a jump-start, since we have a certain delay in our discussion. I look forward to that discussion.

Lastly, on the cost implications, I appreciate the substantive progress made in the analysis of the cost implications. What we need is more granular cost implications; otherwise, we cannot assess the value for money for many items. In the future analyses, we need more granular analysis of cost implications, which was already made clear in the written responses to technical questions, but I have to reiterate it here.

Mr. Hurtado made the following statement:

We welcome the Work Program and thank the staff for it and its balance. I just would only like to emphasize three points.

The first one that has already been mentioned by many Directors is that we welcome the support fpr the multilateral system and rules-based multilateral trade. This is very consistent with Article I of the Articles of Agreement, so it is natural that it is present in this Work Program.

The second point has to do with something that Mr. Mühleisen mentioned regarding LICs and the current policy issues. He mentioned some of the issues that may inform this report at some point. But I would like to mention that these current policy issues reports will substitute for both the emerging markets' developments report and prospects and the developments and prospects in LICs report. I would like to emphasize that because this work is appreciated by many emerging markets. I encourage the staff to engage with member countries in order to see what their priorities are in this respect. I am especially referring to emerging markets.

The third point that I would like to make is that in our gray statement, we stated that we missed some additional work on monetary policy, especially on exchange rate policy. I have mentioned on several occasions in the Board, especially in the Article IV meetings, that sometimes there are inconsistencies or a disconnect in the Fund's message regarding the adequacy of exchange rate regimes. We see a general message in the flagship reports about the positive aspects of exchange rate flexibility as a first line of defense for many countries. But then there are several countries which in the last years have been subject to important shocks in their terms of trade, and they have rigid exchange rate regimes, either because they are in monetary unions or because they have fixed exchange rates. For these countries, the message in the Article IV reports is very different.

I would encourage work on making the advice consistent, though probably not for this Work Program. I feel that there is a lack of connection.

Ms. Villa made the following statement:

I thank the Chairman for her statement and Mr. Mühleisen for his clarifications.

We support the Work Program, especially the new presentation approach that synchronizes the program itself with the budget cycle and at the same time frames it in the context of how well it is addressing the risks flagged in the Risk Report. It helps the Board connect many of the small and big dots, and hopefully that also helps us in our job of better oversight of risk management. We only wish to make three points.

First, we agree that the lessons learned from the 2016 Global Financial Crisis is an excellent choice for the overarching theme for the flagship reports. We thank the staff for the further elaboration on how this theme will be woven into the flagship chapters. In particular, we appreciate that the staff will compare the evolution of the output and its components across the wide set of countries in the aftermath of the crisis.

The 1997 Asian Financial Crisis was a good teacher for many policymakers in our constituency, lessons that helped us weather well the Global Financial Crisis a decade later. Therefore, like Messrs. Alkhareif and Rouai, we hope that the Fund's analysis through the flagship reports will be used to identify policy advice, particularly on debt management and gains from multilateralism, to help avert another crisis of the same breadth and magnitude as the Global Financial Crisis. Indeed, it has been said that those who do not learn from the mistakes of the past are bound to repeat them.

Related to this, we continue to see elevated capital flow volatility in emerging markets. In the answers to questions and in Mr. Mühleisen's remarks this morning, he emphasized the work that the staff has mapped so far on MPMs. We support Messrs. Johnston, Ostros, and Gokarn on their views on the Institutional View; MPM/CFMs are critical elements of the toolkit of policymakers. It was so at the height of the Global Financial Crisis, and it remains so today, as global financial conditions tighten.

Third, based on our recent experience, an increased demand for Fund resources is probable. We consequently join Ms. Horsman in her call to strengthen Board governance around major funding decisions by being more proactive and not waiting for potential IEO findings. Importantly, we appreciate the Managing Director's assurance on her push for the timely completion of the Fifteenth General Review of Quotas.

Finally, we reiterate our support for work on building resilience in small and fragile states, particularly those vulnerable to natural disaster-related shocks. We also welcomed the Managing Director's comments in our meetings last Friday, which she reiterated this morning, that she would engage Directors of LICs on how the Fund could better address the needs of LICs, including on the methods of delivery of the Fund's products and the balance of conjunctural and analytical work.

Lastly, we lend our support to those who have called for a more balanced distribution of work.

Ms. Erbenova made the following statement:

We join others in thanking the Chairman and the staff for a succinct and well-organized Work Program, which provides a good basis for this discussion, including as regards links to risk mitigation and to costing of various initiatives. We also appreciate the Chairman's introductory remarks, which addressed some of our concerns.

I would like to react to some of the answers the staff provided to our questions, as well as other Directors' comments, as we issued a rather detailed gray statement.

First, we take note of the staff's explanation that mainstreaming some of the pilots is somewhat of a misnomer, as the distinction between pilots that are mainstreamed and those which are discontinued is less than what the words imply. Our chair has repeatedly raised concerns about the governance of the pilots, and we remain concerned. Mainstreaming seems to mean that experience and expertise has been built in a particular area, where it was incomplete prior to the launch of the pilot, but we wonder: How is it established that now we have relevant and sufficient expertise to apply it across the broad membership, as there are no specific goals set at the outset of the pilot? More importantly, how will this knowledge now be kept and updated, as well as shared with authorities.

Additionally, the cost of pilots was assessed to be relatively low during the budget discussion, but it remains unclear what will now be the new steady state cost after the topics are mainstreamed or discontinued in such a way that the work will still be advanced through other means, such as for climate and international taxation.

Like Mr. Meyer and other Directors, we continue to call for finding the right balance between core and emerging agendas and urge the staff to continue informing the Board about the cost of surveillance in a sufficiently granular way for us to understand how this balance is evolving. This would also be a good step toward risk mitigation discussed during the risk update.

Today's discussion is closely related to that on streamlining and modernizing the Fund. One of the themes that seemed to garner wide support is an overall stronger role of the Board, which is important in enhancing the legitimacy of the Fund. I join Directors, like Ms. Villa, Mr. Ostros, and Mr. Johnston, in calling for the engagement of the Board on the implementation of the Institutional View on capital flow measures. We also fully share the remarks made by Mr. Ostros and Mr. Doornbosch that the Board is not excessively overworked, but there may be a scheduling problem. We are open to discussing some of the drivers of that. We also reiterate our concern about the increased number of both country and policy items submitted on a lapse-of-time (LOT) basis in 2017 and the fact that this trend seems to be continuing this year.

Finally, we look forward to the upcoming Fiscal Monitor, which will apply a balance sheet approach to fiscal risks. This is timely in view of the inadequate fiscal buffers in many countries, in combination with adverse demographics.

Referring again to the Friday discussion on modernization measures, we would also like to contribute to work on finding ways for more effective Board engagement on flagships following the implementation of the streamlined approach.

Mr. Inderbinen made the following statement:

We are grateful to SPR staff for the work that has gone into this Work Program. We appreciate the increased link between the budget, as well as with the Risk Report.

Like Messrs. Ostros, Young, Johnston, Hurtado, and many other Directors, we believe it is important to give sufficient weight to maintaining a multilateral rules-based system on trade but also more broadly. We support the suggestion Mr. Leipold made in his gray statement to make multilateralism a leitmotif of the flagship reports for the coming fall.

We welcome the Chairman's remarks on the importance of trade and, more broadly, also the consistent messaging by management in conducting outreach for trade and multilateralism.

Apart from this, we welcome fall the public sector balance sheets in the fall Fiscal Monitor. Like Mr. Mozhin, Mr. Palei, Mr. Doornbosch, and Ms. Erbenova earlier, we believe it is important to closely monitor the risks that are associated with public debt levels, including in advanced economies. This is one aspect where demographics would enter into the picture.

Like others, we welcome the upcoming work on debt transparency. Like Mr. Claver-Carone, Ms. Riach, and others, we emphasize the need for Fund staff to reach out both to debtor countries and their creditors, including those that provided collateralized commercial credit to LICs.

We also would urge the staff not to shelve the work on the debtor-creditor engagement in sovereign debt restructuring, given the unfinished agenda. We welcome the Chairman's remarks that this is not the case and will be taken up, pending discussions with stakeholders.

One further pending piece of work in this area includes clarifying the parameters of official claims for debt restructuring purposes. We believe that taking up this work before international financial conditions become more tense would be well advised.

Like others, we look forward to discussing data provision for surveillance purposes, and we call on management to table the discussion on related conclusions in Article IV consultations following the recent survey of Board members.

Mr. Mojarrad made the following statement:

We thank the staff team for responding to Directors' questions and appreciate the Chairman's introductory remarks about some of our concerns.

We have already issued a gray statement and would like to associate ourselves with other chairs on the following issues.

On LIC lending policies and on conditionality, we agree with Mr. Gokarn that the upcoming reviews offer an opportunity to increase the effectiveness of Fund programs. On capacity development, which remains a critical aspect of Fund support for the membership, especially for LICs, fragile states, and small economies, we join Mr. Tombini in cautioning against excessive reliance on external funding, and underscore the need to revisit the flat real budget to facilitate a shift to capacity development financing, using the Fund's own resources.

On digitalization, given the wide range of technical issues involved, we agree with Mr. Jin that the Fund should focus on areas of its comparative advantage, leverage the expertise of other parties, and strengthen its internal capacity to cope with the evolving technology landscape while addressing information security concerns. We support the strong role of the Fund in fintech issues, including closer analytical work and engagement with members through advice and technical assistance.

On CBRs, we echo Mr. Mkwezalamba. Expectations that the Board's engagement on the review of the Anti-Money Laundering and Combating the

Financing of Terrorism (AML/CFT) strategy will provide an opportunity to discuss concrete solutions to address the challenges in CBRs, as well as the high remittance costs in some developing countries. This discussion should also discuss the role of AML/CFT issues in relation to other factors behind CBR withdrawal.

Finally, on diversity and inclusion, while recognizing the efforts made so far in some areas—and I appreciate the clarification—like Mr. Sembene, we reiterate the call we made during the 2017 Board discussion of the 2017 report for stronger efforts to reach the 2020 diversity benchmarks, including the share of underrepresented regions in B-level staff, and to address gaps in the promotion of A-14, A-15 staff from underrepresented regions, including from the Middle East and North Africa (MENA)-plus region, to reach B-level.

Mr. Jin made the following statement:

We thank the Managing Director for the comprehensive and clear statement on the Work Program. We broadly support the main policy priorities and related deliverables laid out in the Work Program.

We feel that analytical work on emerging markets should be strengthened rather than weakened. External sector assessments are complicated and a difficult job that requires careful study. An appropriate assessment under the validity of the updated External Balance Assessment (EBA) methodology will be subject to a test in practice.

We welcome the forthcoming joint report with the World Bank and the World Trade Organization (WTO) on trade issues. We support an open and rules-based multilateral trading system. We see stress from protectionism and rising trade tensions. We support the staff’s use of a WTO-consistent approach and the use of reliable methodologies and data sources to make objective analyses.

We welcome the Fund’s efforts to enhance debt transparency and sustainability, in particular, addressing weaknesses in borrower countries’ reporting capacity. We encourage the Fund to share debt information with member countries with two-way transparency to address the asymmetric problems arising from the fact that the Fund can collect information from all members while individual members, even important stakeholders, cannot get full information from the Fund sometimes.

We commend the Fund's efforts to continue enhancing Board engagement on capacity development issues. The Fund should rely more on internal financing rather than external financing. Contributions for capacity development should be a quota-based obligation. The cost could be shouldered by all members that belong to middle-income countries and above, while the poorest countries could be exempted. We suggest a review of the capacity development funding issue within the package of the 2018 capacity development strategy review.

We call on all parties to work together to complete the Fifteenth General Review of Quotas within the timetable. We encourage all parties to focus on the top priorities and the most visible deliverables, with more forceful efforts and innovative approaches to build consensus.

Mr. Sembene made the following statement:

I will start by joining colleagues in appreciating the new format of the working paper, as well as the flexibility that it provides. In particular, we support the practice of assessing the Work Program against the risks that are flagged in the Risk Report. This is a very good practice, and we welcome it.

I will focus my remarks on four main issues: trade, coverage of LIC issues, demographics, and diversity.

On trade, we welcome the Chairman's opening remarks about the ongoing work that is being conducted with the other IFIs. We certainly agree with Mr. Castets that it would be helpful to have a Board briefing on this work. I would also like to reiterate the point that we have made in the past, which we believe is still relevant when it comes to trade issues. It is for the Fund to not only provide analytical work in support of members' efforts, but also to support regional and international trade initiatives that may help. We continue to reiterate that the recent trade initiative that was agreed by African countries deserves Fund support, and we look forward to the staff engaging with the authorities to that effect.

On coverage of LIC issues, we have continued to say that it is important for the Fund to sustain the strong focus that it has placed on these issues. We welcome the approach that the Chairman proposed on Friday and that was reiterated today—that staff, management, and other Board colleagues and us would be discussing these issues. This would be a welcome departure from the current practice that is being adopted in the context of the LIDC report, where there has been a failure to secure strong ownership from LIDC authorities for the report but also to make sure that we reflect the priorities of those authorities in the report. We are flexible about how we would make sure that this will be done going forward, but the first step would be to discuss and find an appropriate way forward.

On demographics, Mr. Castets and other Directors have called for the Fund to do some work on these issues. We associate ourselves with that call.

For that work to add value, it has to be confined within the area of expertise of the Fund. It should focus on trying to help countries reap the benefits of demographic dividends. When we talk about demographic trends, there is a tendency to think that it can be all bad; but if it is properly managed, it can have the right outcomes and more desirable outcomes. The Fund may help in that regard by focusing on its mandate and trying to see what labor market reforms or social protection mechanisms are appropriate to ensure that those demographic trends may not necessarily lead to the wrong path.

The final issue that I wanted to raise has to do with diversity. We take positive note of the Chairman's remarks. We agree with Mr. Rouai that the delay of Board consideration of the annual report could be a vulnerability that we may need to address. Along with Mr. Kaizuka, Mr. Mojarrad, and others, I would encourage management to minimize those expected delays for the consideration of the report.

Mr. Claver-Carone made the following statement:

I wanted to just reemphasize—as we pointed out in the discussion of streamlining last Friday—our broad support for streamlining as long as it does not compromise quality and governance. We encourage the Fund to always focus on the core issues, where its expertise lies; meaning the analysis of fiscal and monetary policy of the external and financial sectors. Other issues should be covered only to the extent that they are macro-critical and in collaboration with those international bodies that have more expertise.

I also wanted to join Mr. Meyer with regard to his question on whether the Board discussion will take place on SDR holdings by the Fund. That is something we would like to elaborate on because it is a good point.

I join Mr. Hurtado in his point about the consistency of the views of exchange rate regimes. We care about this, and we like to look at this from the perspective of the Articles of Agreement and their focus on exchange rate stability.

I want to stress two issues. First, we feel strongly that the Board should discuss the results of the survey on the excessive delays in Article IV reviews, and we need to try to reach a consensus on ways to address these excessive delays in Article IV consultations.

Second, I wanted to stress the point also made by Mr. Inderbinen on the debt issue. We clearly need to develop a strategy to address debt restructuring in LICs and where this debt is mostly held by non-Paris Club creditors. This requires determining what is an official claim and what constitutes adequate assurances from non-Paris Club official creditors. Proceeding with the paper on debtor-creditor engagement on sovereign debt restructuring is key to this. We do commend the staff on the G20 papers that were put out last week on debt issues, and we believe that this could form a basis for Board engagement in the fall.

Mr. Meyer made the following statement:

I thank the Chairman and Mr. Mühleisen for their comments. Let me take the opportunity to thank the whole team for working so hard. From my perspective, if substantive answers come on a Saturday after hard work, that is not a problem. The staff did not have to apologize for that.

We concur with colleagues that this Work Program overall adequately translates the latest Global Policy Agenda (GPA) and International Monetary and Financial Committee (IMFC) Communiqué into concrete action for the Board. We fully support the main policy priorities to enhance resilience, rebuild policy buffers, and implement reforms to sustain the upswing and to collaborate within a multilateral system and address shared challenges.

As highlighted on many occasions, we continue to call for finding the right balance between dealing with Fund’s core and non-traditional emerging issues, and I fully subscribe to the comments made by the U.S. chair.

In this context, we would highly appreciate more analytical work to underpin our policy advice on conjunctural issues in a timely manner to reinforce the Fund’s policy recommendations. For example, work on financial vulnerabilities arriving from high leverage in the context of tightening financial conditions—are we doing work on that? Mr. Kaizuka mentioned international taxation as a second one. I would mention a third one, drivers of inflation and wage developments. A fourth one could be rebuilding fiscal buffers, where needed. This is only to mention a number of very important issues. It does not matter if the U.S. chair makes the point. We need to look at that again. He might have a different view than the German chair. But it is important to discuss those core issues.

At the same time, we will discuss three items around gender between now and the Annual Meetings. That just shows we need to get the balance on this right.

My second point is that we also look forward to continuously improving coherence between the Work Program, the Risk Report, and budget discussions, which not least necessitates more detailed costing information. Mr. Kaizuka and others made that point, and there is also an answer. We should strive to further improve in this area.

My third point is that this chair is quite concerned about those meetings that are not formal, for example, the ongoing group meetings. I understand that Ms. Horsman liked those meetings. We do not beleive that this is the appropriate format, and I will explain why.

We had the discussion on Friday. Now SPR would have a discussion with interested chairs on what LIC issues to pick up. This is an issue that should involve the whole Board. We have a recently updated compendium which outlines meeting formats—informal to brief, informal to engage, or formal meetings. We have strong feelings that we should always use those meetings and the committees to make progress.

In the Agenda and Procedures Committee (APC), we have decided that we will discuss the Work Program. Many of the issues raised can be discussed in that context. We feel strongly we should be in formal settings so that we can bring in authorities' views.

Mr. Armas made the following statement:

I thank the Chairman for the opening remarks and commend the staff on the splendid job they have done.

We issued a gray statement supporting the Work Program, particularly the welcome new format, the international trade collaboration with other multilateral organizations, continued analysis of the impact of the tightening international financial conditions on emerging markets, the completion of the Fifteenth General Review of Quotas, and so on.

In addition to our gray statement, and after reading the questions and answers of some other gray statements, we support Mr. Ostros' comments regarding the G20 note on the Institutional View on capital flows. The G20 plays a crucial leading role in the world economy and there are advantages in having a such a compact group making expeditious t decisions.

The Fund, as a universal institution, provides information about developments in non-G20 countries, which represent about one-third of the world's population. However, given the nature of this group and the constant reference in staff´s presentation about the G20, and the fact that we are a global l institution, perhaps more engagement of the Board is needed in order for the non-G20 to get more information about G-20 discussions.

Mr. Psalidopoulos made the following statement:

I thank the Chairman and the staff for the well streamlined Work Program. We appreciated these close interlinkages with the policy priorities identified in the GPA and the IMFC Communiqué, as well as the assessment of the Work Program's responsiveness to the Risk Report.

Collaboration within a multilateral system is central to the institution's tasks and to our Work Programs generally, especially at the present juncture. In this respect, we welcome the focus on financial issues, including the review of the AML/CFT strategy, and the focus on development, both areas where cooperation with other relevant institutions and among countries is key. At the same time, we also note, along with many other Directors, the relatively limited focus on trade and, more generally, on the macroeconomic benefits of multilateralism. As observed by Mr. Kaizuka, these benefits have been taken for granted until very recently. Like these Directors, we would encourage additional work on these issues. In sum, we should not get used to the new normal of trade tensions. Therefore, we fully support the Chairman's opening remarks.

Next to trade, several other issues in the Work Program do raise a collective interest and might determine mutually beneficial outcomes. We particularly welcome the focus on debt vulnerabilities and look forward to the implementation of the multi-pronged strategy set out in Box 2. As regards the report on macroeconomic developments and prospects in LIDCs, we are confident that management will propose a way forward which will help maintain Board engagement and meet the authorities' expectations.

In our gray statement, we referred to the issue of excessive Article IV delays. In its written responses, the staff notes that as a next step, the results of the Executive Directors' survey will be conveyed to the Board. But unless positions have shifted since 2015, a mere communication of the survey results to the Board will not help advance the discussion. Therefore, we look forward to suggestions and proposals on how to bridge differences among chairs along the lines of the points made by Mr. Claver-Carone.

Finally, last Friday we had a rich discussion on proposals to modernize and streamline Fund operations. We are very satisfied with the outcome of that discussion, particularly as it relates to selected issues papers, and express our thanks to management and the staff for this result. We now look forward to its implementation. Although the Comprehensive Surveillance Review is beyond the horizon of this 12-month Work Program, we invite staff, as it gears up to the related work, to include the first stocktaking of any possible shifts in the outlets used for bilateral surveillance research and their potential impacts on the exercise of surveillance and the authorities' engagement.

Mr. Tombini made the following statement:

I join others in supporting the Chairman's statement on the Work Program of the Board in substance and in form. Like others, I also support the efforts of the institution to bolster the rules-based collaboration within the multilateral system, a point that the Chairman stressed in her opening remarks. We fully support that.

I welcome this ever-important discussion scheduled for this Work Program on issues related to lending to LIDCs, the review of facilities, the review of Poverty Reduction and Growth Trust (PRGT) interest rates, update on concessional assistance and debt relief, and eligibility to concessional financing, which is the beginning of the next cycle.

The issue that I am not clear on, though, is if we will have the opportunity to discuss the financing of LIDCs in a more holistic way. We have asked for a discussion on the several parts that are combined to form this review. We appreciate that staff will have the opportunity to look into this issue more globally.

I have heard Mr. Mühleisen on the report on macro developments of the LIDCs. I still support the current format, but I am open to the dialogue to see a better way of engaging in this discussion going forward.

On the Fifteenth General Review of Quotas, I appreciate the Chairman's remarks. It is important to know her commitment and the commitment of the institution. I believe we are going through a more challenging period ahead, with the normalization. We see this process being conducted quite gradually and well communicated, but nevertheless, we have seen a bit of the turbulence that this normalization process will generate in the future. Like Ms. Villa and others, we anticipate a higher demand for Fund resources going forward, so it is important to have this discussion and the Board's involvement is critical. Perhaps we have to do more than the three formal meetings that between now and the first hard constraint of April 2019. I do not believe we should take the modified schedule as a given. We see that perhaps we need to accelerate this discussion in the period ahead.

Let me conclude by supporting the points made by Mr. Johnston and Ms. Horsman on the need for the Board to be briefed on the CBRs. This is a present problem in some countries of our constituency, so we would appreciate having that information go through the Board.

I also support others in calling for more progress in avoiding bunching at the Board.

The Director of the Strategy, Policy, and Review Department (Mr. Mühleisen), in response to further questions and comments from Executive Directors, made the following additional statement:

I thank Directors for their follow-up questions and remarks, which we will duly consider in great depth.

I have a few remarks on the issue of core versus peripheral or emerging issues. Let us not be deceived by just the amount of line items in that table. The gender papers are three ` Notes (SDNs) that are to be presented to the Board first before being released. They are not comparable in resource costs to policy papers or in-depth work on other analytical issues.

We did have a pilot group on gender. These things take a little bit of time until they gestate, and now we are going to roll them out. That is why they are coming to the Board. They take up a lot of space in the table, but the resource cost is not comparable to some of the other items there.

On digitalization and questions about taxation and competition, we will provide the Board with a briefing and an update—as we promised the first time we did a briefing on the digitalization work—later in July, where we will provide an overview of where some of these work streams are going. Both items are covered. The plan was to give the Board more detail on the taxation work because that is further advanced. Eventually, it will come to the Board from the Fiscal Affairs Department (FAD).

We are mindful of Directors' suggestions to always work together with other institutions, so Directors will be pleased to hear that we had a joint workshop or conference with the OECD on competition in a digital world. We will update the Board on that work stream.

In terms of trade and global value chains, beyond what the Managing Director has already said, let me just add that, first, we have a forthcoming SDN on global value chains. Second, the analysis of risks and spillovers from trade is something that we do constantly in the risk groups, in the risk assessments of the flagships, et cetera. We have done quantitative work about the impact of that. That is in past World Economic Outlooks (WEOs). But we will have word with the Research Department (RES) on what else we have done or can do and what we can show and run by the Board.

Third, and more importantly, we are not just looking at the risks and the costs, and presenting all with a pessimistic frown on our faces. We are also doing some policy work in the context of this paper with the WTO on a positive agenda. What can be done within the current environment. Yes, there are debates about tariffs, and some call it a trade war. But underneath that, there is also some work ongoing on how to facilitate trade, for example, in services. How can we facilitate e-commerce? There are various ways of countries getting together inside and outside the WTO to further the trade agenda. If and when we were to brief the board on the joint paper with the WTO, we could certainly discuss that. It is an interesting agenda and we will offer work streams that will also feature at the conference in Bali that the Managing Director mentioned. It should be an interesting conference on these trade aspects.

Third, on the Institutional View, we are happy to brief the Board. The work is still drawing lessons from the experiences that we are gaining in applying the Institutional View quite determinedly, rigorously, and evenhandedly. There is no intention to reopen the discussions of the Institutional View, at least not from the staff's side. But there are many lessons that can be learned from the various discussions on the Article IV and other contexts.

We heard Directors' remarks on exchange rate policies and how they relate to monetary policy and other issues. There is some work already proceeding on that. It is a difficult area. We will come back to the Board, and hopefully we will have something in the next Work Program on this.

Lastly, on diversity, the Board will receive critical information on diversity, for example, as it relates to hiring and appointments, in the annual recruitment and retention paper in early 2019. Directors will all continue to receive regular quarterly updates on nationals in their constituencies. We anticipate preparing a standalone full diversity report in the first half of 2019, with a new Diversity Advisor on board.

The Deputy Director of the Strategy, Policy, and Review Department (Ms. Kostial), in response to questions and comments from Executive Directors, made the following statement:

I wanted to talk more about demographics, as this seemed to be an important theme for several Directors. While this is not a direct item in the Work Program, it does permeate the Work Program. For instance, in terms of refinements to the EBA methodology, we have been looking into how demographics affect and are driving current account balances. I understand that RES is working with some countries such as Korea and Japan on the impact of a rapidly ageing population. On potential growth, there is also work going on in the context of social spending. There will be a Board paper in February. In that context, social spending includes the social insurances and we will look into the impact of rapid ageing and demographics on the social insurances, as well as within the lens of the future of work.

There are some SDNs that also examine this. There is an SDN on gender and the future of work. Increased labor force participation by women has helped in those countries with rapidly ageing populations to increase the labor force. There is the other side of the demographic changes, and a paper on youth unemployment in EMDCs will look into the impact on education, gender, and our policy recommendations.

On CBRs, this work is ongoing. We are continuing to monitor risks. There is also a quite extensive TA and training program, in which we are also collaborating with others, where macro-critical. We are addressing that in the context of our surveillance. We are using the Fund's convening power in order to further discuss CBRs and we will have to see when we do the next engagement and when there is scope for that.

On the pilots, “mainstream” was probably not a good word to use in the Work Program because, as Ms. Erbenova said, there is less of a distinction between those pilots which have been mainstreamed and the other pilots. All of the pilots are relevant for our countries.

When do we mainstream, this is when we have done a significant amount of analytical work, where we have tools for teams, and where we also have training for teams. This is not static. The Fund is a learning institution, so we will continue to learn from those pilots that have been mainstreamed.

Specifically, on the pilot of international taxation, this is not something which the country teams can do; but there, we need FAD participation. That pilot is ongoing.

Then there was a question on the financing of capacity development, particularly the external financing. This was an item which we had added when we discussed the fall Work Program with the Board. There was a question of how the Fund deals with external financing. There is a paper coming to the Board which will discuss the composition and funding, which will also discuss the linkages between the Fund’s internal budget and the external budget in terms of capacity development. It will also look into the risks from external financing.

I will mention two more points, and those are already, to some extent, reflected in our technical responses.

On the SDR holdings, we are happy to discuss what is the right format for that, whether we do this as a standalone discussion, or whether to do that as part of the discussion of the Financial Transactions Plan (FTP) or resource mobilization plan.

On the delayed Article IV consultations, there is currently a survey. Thirteen Directors have already responded. The survey will close on the fifteenth of this month. Once we have the results of the survey, we will come back to the Board with its results, and then we will take it from there.

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

I would like to comment on the issue of bunching, which has been a regular concern for the Board, management, and the staff.

The positive news this year is that there are 71 Board items for June and July, which represents an average of 2.6 items per Board day. This is slightly better than the 78 Board items for last June and July, which was in that range of 3 items per Board day. But this remains very heavy, especially because we have some very substantive items in the Board agenda this year.

Where does this bunching come from? It is mostly because planning before summer and at the end of the year is complicated by several hard constraints.

The first constraint is the mission cycles. The timing of country missions has to reflect the budget cycles in member countries. We also have the requirement that the country teams be present at headquarters during the Spring and the Annual Meetings for the meetings with delegations. The result is that many missions must take place in May after the Spring Meetings, which leads to Board meetings in June and July. The same happens after the Annual Meetings, when many missions are being planned in late October and November, which leads to Board meetings in December.

Second, looking more closely at the current summer period, we also have the hard stop of the Board recess, which leads to a concentration of Board items that could otherwise be spread over a longer period of time. We have the Article IV consultations for the systemic five countries, which have been grouped to give a complementary view of issues and spillovers. We have the first batch of policy papers coming out of the Spring Meetings. We usually have a number of program reviews, such as those for the Central African Economic and Monetary Union countries this year.

Third, this year the heavy Board schedule for June and July also reflects the scheduling of small policy items, which partly reflects slippage in earlier work, as well as a number of technical briefings to prepare Directors for upcoming policy work, like the multiple currency policy, for instance. Also, given that we need to accommodate travel to Bali early in October, some policy work has to be spread in the earlier months, and that includes July.

These are explanations. These are not justifications. We fully share Directors' concerns about preserving a balanced work flow for this Board. We agree that this is an important enabling element for the good governance of the institution.

What can we do better? Since 2010, when the new Board practices were introduced, the Secretary's Department (SEC) has been working with all the departments to better balance the Board agenda during the busy periods by engaging with departments on mission planning, by avoiding scheduling non-time-sensitive items, policy items, and by putting caps on the number of Article IV consultations in July.

As we prepare for the next bunching period at the end of this year, SEC will continue to work with departments on these fronts. In addition, since delays in completing policy work does affect the Board calendar, we have recently reminded departments to set realistic timetables on policy work to avoid slippages.

For next year, we will work on advancing more policy items in May, rather than June and July. All this will not necessarily be easy. Sometimes it is more of an art than a science, but we will look forward to continuing to work on this with Directors and the departments in order to smooth out the Board calendar.

Mr. Sembene welcomed SEC's efforts to reduce the bunching of Board items. He suggested that another avenue to achieve this end would be to use LOT procedures more systematically.

Mr. Kaizuka made the following statement:

I thank Ms. Kostial for her response on international taxation. Still, I am struggling to understand her comment. International taxation is an evolutionary thing. It is continuously changing. The standard setters will come up with new standards. Something like the U.S. tax reform includes the Base Erosion and Anti-Abuse Tax (BEAT), the Global Intangible Low-Taxed Income (GILTI), or the Foreign Derived Intangible Income (FDII), which is the new future of international taxation, and may have huge implications for other countries.

My bottom line is that with international taxation, there is no end game, and the Fund is in a position to conduct analysis. Especially FAD can work on the global implications of the major change in that international tax system. There should be a continuous engagement by the Fund in an analytical way. The outcome will be shared with the Board, and we can have some discussions on several issues. That is my bottom line.

Can I understand that will be ensured in the future discussions?

Mr. Castets asked the staff to elaborate on its response to his request for Board engagement on demographics issues from a broader perspective. He fully supported Mr. Kaizuka's point on international taxation, which related to Ms. Horsman's comments on bilateral surveillance.

The Chairman made the following statement:

> I would like to start by thanking Mr. Kaizuka for saying on behalf of his subgroup in charge of diversity that he was prepared to embed and embrace the new diversity. I know Mr. Sembene is also a member of that group. Between the two of them, I have two champions and many others in the Board room. It is critically important because that person comes from a background that is a mix of the private sector but also international institutions. She is well exposed to that environment. But this institution is special, and if she has the encouragement and the initial support of the Board, it will be helpful.
>
> On demographics, I wanted to make a few points. I will share an anecdote first. I was attending this elegant dinner with about 20 people seated in this beautiful city of Washington. Somebody across the table suddenly asked me why the Fund did not have a major focus on demographics. I was taken aback. I responded that demographics was not exactly the core activity of the Fund, as defined by some, so why would we focus on demographics? That person, who is leading a major charity organization, looked around the room and said that in that room of 20, the average age was about 60. One out of two people in the room will have Alzheimer's or some sort of dementia later, and that will call upon massive fiscal resources to be made available in order to look after that situation, failing a major breakthrough in research and development which, unfortunately, is not looking good at the moment. Needless to say, that threw cold water on the dinner.
>
> There are clearly areas that have fiscal dimensions, even though they are not our core expertise. Although we do not have demographic experts at the Fund, and we should seek out other institutions' knowledge and depth, it is clearly an area that has fiscal dimensions, as indicated by Ms. Kostial.
>
> I would like to mention another piece of work, where we actually take demographics significantly into account, and that is the work that we are doing in relation to the fiscal space that will be needed LIDCs to reach the Sustainable Development Goals in 2030. It is currently being done with five volunteer countries. The issue of demographics is critical to that effort.

My hope is that as we take Directors' comments and views into account, and given that 6 out of 24 Directors have mentioned demographics as something that is needed—not only in the area of ageing but also in the area of migration of populations, which is of critical importance and on which we wrote a good SDN about a year ago that was presented in Germany to demonstrate the value of migration to the workforce—I hope that we can deepen the work that we do, but not by becoming the demographers of the day because it would not be the right approach.

Second, I want to complement Mr. Mühleisen's comments in relation to the Institutional View. I do not believe there has been a single G20, G7 or other similar meeting where I have not said that the Institutional View has been formed in this group, belongs to this group, and that we do not see any particular need to change that, other than through the stocktaking exercise that is being conducted. I will continue to hold that view very strongly going forward.

On international taxation, I personally completely share the view of Mr. Kaizuka and others who regard it as a fundamental and critically important matter where we need to deepen our bench. We are excellent but a bit shallow, and it would help if we had more depth in that respect.

We do a significant amount of tax work. Capacity development in taxation is extremely deep and varied. We have dozens of experts advising LIDCs in relation to their taxation system, whether it is in design, implementation, operationality, or collections. We need to continue doing that.

We are also participants in the OECD's hard work to devise as quickly as possible how the new economy should be taxed. I am not, on purpose, focusing on the tech industry or the digital industry but the entire economy and its different form. But I still believe that we need to have more depth in that respect, and I hope we can take this matter further.

I have great respect for the work that is done by Board committees, particularly the APC. But I would like to ask for indulgence as Managing Director of the staff—not as chairman of the Board—to draft one-third of the Board to do some preliminary ground work in relation to LIDCs. This would involve the two African chairs, Australia, Brazil, Canada, France, Germany, and the United Kingdom because they are clearly interested parties, either because they have in their constituencies those particular countries or because they participate in significant financing of those views.

Once that homework is done—and it is fine if chairs do not want to participate—then the proposals will come back to that group so that in the appropriate forum—namely, this Board—there can be consensus on which direction we take in order to address issues relating to the LIDCs in a more sophisticated and knowledgeable way.

This staff's idea, which I commend, is to actually go deeper and to provide a very specific focus that would be of a higher caliber and more efficient in terms of outcome in this particular area.

Mr. Claver-Carone remarked that his chair wanted to participate in that committee.

The Chairman made the following statement:

I promise that this will just be homework that will then be brought back to the Board for discussions with all Directors. It is not supposed to establish any precedent for how work should be done going forward.

I take it as a tribute from Ms. Horsman to Mr. Hagan to have innovated in moving forward the topic that was difficult from the start and to have morphed it positively.

The next step is that the Work Program come back to Directors. It will be revised to take into account Directors' suggestions, to the extent possible. Our Secretary will provide a follow-up memo in the coming days that will include the revised documents.

APPROVAL: April 22, 2020

JIANHAI LIN
Secretary

Annex

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

Policy Advice and Economic Analysis

1. [Flagships] ***Can staff offer details on the scope of the flagships and the role for the Board through early engagement?***

- The forthcoming **WEO** chapter studies the sources of variation in medium-term macroeconomic performance after the 2008 financial crisis across a broad sample of advanced and emerging market and developing economies. The chapter compares the evolution of output and its components across countries in the aftermath of the crisis, and examines what pre-crisis policies and structural attributes helped limit the damage and facilitate recovery.
- The upcoming **GFSR** chapter will review the main goals of the regulatory reform agenda triggered by the global financial crisis, discuss and take stock of the progress achieved in advancing that agenda, and identify areas where further actions are needed either to successfully complete it or to address new risks.
- The upcoming **Fiscal Monitor** will analyze the balance sheet approach to fiscal policy, using a novel dataset on balance sheets for a sample of countries across all regions and income groupings. The Monitor will apply a balance sheet framework to assess issues such as fiscal risks, the impact of policies on net worth, and asset and liability management.
- Staff plans to follow the same engagement with the Board as with previous flagships.

2. [Topic Selection] How was the housing markets topic selected?

- Based on recent country experience, housing market related policy challenges were seen as important across different country groups and, therefore, a broader analysis and discussion considered relevant.
- For future briefing themes, the approach will be similar in that we will see which issues are coming up in surveillance. The aim is to present topics that are of wider relevance across country groups.

3. [GPA linkage] ***How were the items listed under Structural Policies and Emerging Issues derived from the key priorities of the Spring GPA?***

- The Spring 2018 GPA Update highlighted that structural reforms should seek to raise medium-term growth prospects, combat slowing income convergence, support diversification and ensure that the benefits of technology and global integration are widely shared. Fund work on the Digital Economy to assess the opportunities and challenges of digitalization, including those related to measurement challenges, and impacts on labor markets—as set out in the *Structural Policies and Emerging Issues* section of the Work Program—are one strand of that work, consistent with the development of a comprehensive work program as outlined in the GPA Update. Similarly, work on other emerging issues such as social spending, gender inclusion and climate change are consistent with plans outlined in the GPA Update which were endorsed by the IMFC Communiqué to enhance resilience and raise medium-term prospects.

4. **[Fiscal Space]** ***Could staff provide an update on the status of work on guidelines on the possible use of fiscal space.***

- Staff is not planning to issue guidelines on the possible use of fiscal space, as this process is already covered in the surveillance guidance note.

5. **[Selection of mainstreaming pilots]** ***How did staff select three pilots to discontinue and six pilots to mainstream? What are the practical differences between "mainstreaming" a pilot initiative and merely continuing work on a pilot initiative when deemed macro-critical by a country team? How can it be ensured that the decision not to mainstream will be a disincentive for a country team to classify an emerging issue as macro-critical? What were the experiences with the pilots that were discontinued?***

- The word "mainstreaming" is somewhat of a misnomer, as the distinction between the first set of 6 pilots and the last 3 is less than the word may seem to imply. Fundamentally, what staff has in mind is the following. The topics in all cases are ones that have gained importance for the global economy but where the Fund has not had sufficient operational experience in the past or where new types of analysis on conventional issues was warranted. Once such experience is gained, internal expertise is built, and collaboration with other institutions is established—we conclude the pilots and incorporate the analysis into surveillance, where relevant. For the first 6 pilots, we have reached that point.
- For the other pilots, the best way to proceed is not to continue to experiment further in individual Article IV contexts by pre-selecting waves of specific countries as "pilots" round after round but to advance the work in other ways. On **climate**, for example, the issue of fuel subsidies is already well established and staff do not need a concerted centrally-driven initiative to carry the work forward; and mitigation aspect of climate change are a natural extension of that work, which, with specialist support from FAD, will continue. Another area where staff is contributing to the climate change agenda is through the development of spreadsheet tools that provide standardized analyses for 190 countries of carbon pricing and other instruments to

meet countries' mitigation pledges for the Paris Agreement. The analyses have been completed for G20 countries, and are expected to be available for the entire membership in early 2019. Beyond these initiatives, climate-related work is ongoing in many other areas, including multilateral surveillance, climate change policy assessments for particularly affected countries in cooperation with the World Bank, mitigation and energy pricing, green finance, systemic risk and climate change, modelling the macroeconomic impact of natural disasters, and strengthening Bank-Fund collaboration on preparedness and resilience building to natural disasters. On **international taxation**, the approach would be to continue to undertake the work as part of the Article IV consultation where appropriate. But because it is highly technical, FAD participation and leadership is required, in close consultation with the area department teams. In FY19, there will be about 10 more countries for which an international tax assessment is carried out by FAD in the context of an Article IV consultations.

6. [Climate change] ***While the climate pilot is to be discontinued there is growing demand and appreciation. How the Fund is going to address growing demands?***

- The pilot initiative on climate change has ended. But that is far from meaning that work on this issue will end. Still ongoing, for example, are the Climate Change Policy Assessments (CCPAs) that analyze climate mitigation, resilience, and financing strategies in countries vulnerable to climate change. CCPAs are conducted by FAD jointly with the World Bank, with about 2 CCPAs envisaged per calendar year. Thus far, demand from country authorities has been well attuned with supply: CCPAs have been completed for St. Lucia, the Seychelles, and Belize; about three more CCPAs are planned for the remainder of 2018 and 2019. Thereafter we will take stock and analyze experience with these pilots, with a view to guiding future engagement.
- CCPAs are only one among several ongoing initiatives on climate, however. Others include multilateral surveillance, developing spreadsheet tools for bilateral surveillance, mitigation and energy pricing, green finance, systemic risk and climate change, modelling the macroeconomic impact of natural disasters, and strengthening Bank-Fund collaboration on preparedness and resilience building to natural disasters.

7. [Climate Change] ***We hope the delay of "Fiscal Policies for Mitigation and Adaptation" would allow learn from the climate pilots and the IEO Report on fragile states.***

- The paper will certainly draw lessons from the CCPAs among other things. Findings in the IEO's Fragile States report will be also considered as relevant.

8. [Climate Change] ***In the recently published blog "5 things you need to know about the IMF and Climate Change" an ambitious and welcome agenda is laid out. How these workstreams have been translated in the WP?***

- The workstreams are reflected in several parts of the Work Program. *Emission mitigation* and *energy subsidy reform* are key elements of FAD's work on "fiscal policies for mitigation and adaption" (page 2, last paragraph). As for *resilience building*, Climate Change Policy Assessments, while not specifically mentioned, are part of the Fund's capacity development strategy (page 4, last paragraph); efforts to better model the impact of natural disasters also features in RES' research agenda. *Green finance* will, inter alia, be reflected in several upcoming Financial System Stability Assessments (FSSAs). Finally, an example for work on *international cooperation* is Fund-Bank cooperation on more effective support to countries hit by large natural disasters (page 3, last paragraph).

9. [Governance] *The GPA and IMFC Communiqué explicitly welcome an analysis of the growth effects of governance and corruption. How was it translated in the WP?*

- Staff is doing further research on fiscal governance/corruption and how it affects fiscal outcomes (which could then impact growth and social outcomes).
- Staff is also working on a paper that constructs a new dataset on corruption for 143 countries. To date, the data on corruption comes from either direct observation (e.g., law enforcement records, or the tracking of bribe payment activity etc.), or indirect observation (typically general-population attitudinal surveys, or experts' assessment etc.). The newly developed dataset improves existing indicators in three dimensions: frequency, measurement, and granularity. In terms of frequency, the new data will be available quarterly—with International Country Risk Guide being the only other source to do it as well. In terms of measurement, the new dataset will provide a direct measurement of corruption - measures of incidents of corruption rather than perception of corruption. These proprieties, together with the high within-country variation of the indicator, allow the use of empirical analyses that can help to get closer to a causal interpretation of the effects of corruption on economic activity. Finally, in terms of granularity, the new dataset can provide more detail about the type of corruption. For example, we can distinguish between private and public corruption and between types of corruption (e.g. bribery, clientelism, embezzlement, lobbying, nepotism, and patronage).

Contributions to Global Stability

10. [MPMs] *The role of macroprudential policies to guard against financial risks should be further analyzed and we would appreciate staff's comments on the decision to drop this issue from the agenda. What would be the staff's plan?*

- Staff have set out the role of macroprudential policy in increasing resilience to large and volatile capital flows in an informal presentation in May 2017, followed by a Policy Paper that was endorsed by the Board on June 28, 2017. This paper provided a comprehensive discussion of the macroprudential toolkit available to countries in order to increase resilience. It also provided the principles for the staff's advice for the use of macroprudential policy in the context of capital outflows, which may be particularly relevant in the current conjuncture of policy normalization. Moreover, in line with Directors' call at the June 28 meeting for a further deepening of our understanding of macroprudential policies, staff have compiled a global database of macroprudential measures, based on a survey of the membership, and provided a summary of the database to the Board for information in April 2018. Based in part on the new data, staff is engaged in further analytical work that aims to quantify the beneficial effects and costs of macroprudential policy. Since this work is mostly technical, the output of this workstream will primarily take the form of IMF Working Papers. A Board engagement may be envisaged at a later stage, once that work has reached its conclusion.

11. [Virtual Currency] ***Virtual currencies and cryptos have been underemphasized. Could staff elaborate on the work planned on these?***

- Staff is following closely developments on digital assets including virtual currencies. These were the subject of an SDN in 2016 and have continued to be discussed by staff with authorities participating in high-level policy round tables organized at the Fund in Fall 2017 and Spring 2018. Important speeches on these topics have been given by the Managing Director and Financial Counsellor. Also, developments in these markets were covered in the last GFSR. These issues will also be taken up in the work that staff are currently undertaking on the Fintech agenda that will be discussed by the Board in an informal session July 11.

12. [Fragile States] ***Continued work on addressing the constrains faced by countries in conflict and fragile situations, including in tailoring advice, lending toolkit and related conditionality, and improving staff incentives to work on these countries will be critical. Staff comments will be welcome.***

- The Executive Board will discuss the 2018 review of low-income country facilities on July 23 which includes options for better tailoring facilities to the needs of countries in fragile situations. The paper will be issued in coming days. The other fragile states engagement issues will be addressed in the Management Implementation Plan for the IEO report on the IMF and fragile states which is scheduled to be discussed by the Board Evaluation Committee on September 13.

13. [RFA] ***What would be the next step for RFA collaboration? We would welcome an update on the progress made to help improve the operational preparedness of both sides, identify any impediments to co-financing operations and develop more concrete guidance.***

- Since the Board meeting in July 2017, staff has worked on: (i) the 2017 CMIM-IMF joint test run (a third test run is planned for 2018); (ii) continued participation in a high-level seminar on the role of RFAs (October 2017); and (iii) the revision of the Fund's transmittal policy to facilitate document sharing with RFAs (December 2017). ASEAN+3 also agreed on changes to the CMIM agreement that reflect lessons from the 2016 and 2017 test runs (May 2018).

14. [Capital flows] *Why is the G-20 Note on the Institutional View (IV) on Capital Flows in Practice not discussed at the Board?*

- This work has already been presented to Board members and country authorities at workshops organized by staff during AM 2017 and SM 2018, as part of our broader outreach efforts to facilitate understanding of the IV and its application. The note will mainly summarize key elements of the IV and explain the process through which staff assesses measures and their appropriateness under different circumstances based on the IV, using several illustrative examples. There is no change in the IV or new policies being proposed. However, staff would be happy to continue briefing country authorities and Board members if requested.

15. [SDGs] *We would be interested in including LIDC surveillance an overarching assessment of the feasibility of achieving the sustainable development goals given the current levels of debt, the availability of concessional financing and the scope for revenue mobilization. We welcome staff's heads-up on the five countries in which the fiscal implications of health, education, and basic infrastructure reforms will be analyzed.*

- It is challenging to assess whether a country will reach a specific income per-capita target for 2030—even more so in regard to reaching a broad set of objectives, attainment of which is to be measured by 230 individual indicators to monitor the 17 goals and 169 targets of the SDGs.
- Staff are working on a number of issues that will shed light on the key issues:
- The main determinant of SDG attainment will be the progress made in achieving strong economic growth. Medium-to-long term projections of growth rates are subject to substantial uncertainty, but staff can offer a view as to whether the trend growth rate is consistent with targeted growth in living standards and poverty reduction.
- An exercise to assess the likely fiscal cost of meeting three key SDGs for some sectors of infrastructure, education and health for five developing countries (*Benin, Guatemala, Indonesia, Rwanda, and Vietnam*)—will shed light on how to assess the adequacy of public spending levels for achieving these core objectives.

- Staff are developing a template for reporting on progress toward attainment of a set of SDG indicators for inclusion in surveillance reports to replace the MDG reporting table used in the past.

Fund Policies

16. [Delayed Article IVs] ***We call to schedule a Board meeting to discuss the results of the survey on excessive delays in Article IV and consider steps to make progress.***

- As you may be aware, a survey to Executive Directors is now underway to gauge whether a consensus is emerging with respect to refining the excessive delays framework (responses to the survey are due June 15). The results with no attribution will be conveyed to the Board following the completion of the survey.

17. [Surveillance] ***With regard to publication of surveillance reports, a clear guideline is needed in cases in which the authorities have not yet given their consent to publication at the time of the relevant Board meeting.***

- Publication is covered under the Transparency Decision. Publication of country documents is "presumed" but it is still "voluntary" (see ¶4-5 of the Updated Guidance Note on Fund's Transparency Policy). Hence the authorities' consent is required for publication. In terms of process, if 28 days after the Board meeting the authorities do not consent to publication of the staff report, a factual statement on publication intentions is posted on the IMF country page. The factual statement remains posted until the Article IV report is published. The statement can be removed when the documents are published and SPR regularly reports on publication rates and lags, for instance through the Key Trends reports (see e.g., the January 2018 Key Trend Report). The information also updates the Transparency Fact Sheet."

18. [Lending facilities reviews] ***We would have expected the Review on Conditionality—which encompass the whole membership—to be completed before the Review of Facilities for LICs. Why is that not the case?***

- The Review of LIC Facilities and the Review of Conditionality follow the same sequencing as in the MD's previous Work Program statement, albeit with some timing adjustments. The workstreams are related but distinct. Work on the Review of Conditionality will continue through 2018, with an informal-to-engage session scheduled for July 27, 2018—a few days after formal consideration of the first LIC Facilities Board paper. Directors' feedback from both meetings, as well as later consultations with Directors, will inform work on the follow-up paper for the Review of LIC Facilities as well as the Review of Conditionality.

19. **[LIC facilities]** ***Could staff indicate when they plan to address the issue of access limits and norms for LICs?***

- PRGT access limits and norms will be addressed in the LIC Facilities review, which is expected to be discussed at the Board in July.

20. **[Debt data and Surveillance] Could s*taff consider integrating work on debt transparency prioritizing debt data coverage with Data Provision to the Fund for Surveillance Purposes and Misreporting Policies?***

- The upcoming review of data provision to the Fund will examine the possible need to expand the provision obligation to cover the data on the finances of the consolidated public sector, including on assets and liabilities.

21. **[Debt framework]** ***The Fund needs to establish an effective framework to prevent borrowing countries, especially those of LICs, from deteriorating their debt sustainability by taking non-concessional loans without strict due-diligence processes. We encourage staff to consider how to promote non-program LICs to have prudent fiscal policy and debt management at the same time.***

- Several workstreams are in train to help countries implement sustainable debt strategies, both in surveillance and in programs:

- The implementation of the new LIC DSF starting in July will provide for a more robust DSA. For example, the new realism tools will help users assess risks around baseline macroeconomic assumptions and make any needed revisions. The new LIC DSF also ensures better disclosure of debt data coverage and provides incentives for broad coverage. At the same time, staff is preparing a review of the DSF for market access countries.

- Insights from the work stream on fiscal space will help countries assess whether they have such space and under which conditions they may wish to use it.

- The IMF and World Bank multi-pronged approach to addressing rising debt levels will consider several initiatives aimed at improving debt transparency, building on notes that were prepared for the G20 and shared with the Board recently.

- The Review of Conditionality will study debt developments under programs, consider which factors explain larger-than-programmed debt accumulation, and discuss what can be done to avoid excessive debt accumulation in the future.

22. **[Capacity Development]** ***Could staff provide more clarity as to when the "IMF label" can be used, including with respect to external experts.***

- Work labeled as IMF capacity development is underpinned by a set of procedures that ensure quality control and protect against reputational risks. First, there is no outsourcing of CD work to outside firms. Second, there is a rigorous selection and due diligence process for any experts that work with the Fund, whether on a long or short-term basis. And third, there is thorough quality control of the work done by staff and experts through backstopping and review of their technical advice and written output. This is the case for any IMF CD work, produced in the field or at HQ.

Governance

23. [Linkage with the Risk Report] ***Only about a quarter of items in the work Program are portrayed as addressing key risks. We suspect this is more for brevity purposes but would welcome staff comment. One area warranting further consideration would be strengthening Board governance around major funding decisions.***

- Box 3 of this Work Program reflects the key items that present risk mitigation opportunities as outlined in the 2017 Risk Report. These items relate to risks in so called “core” areas of Fund operations as surveillance, lending, capacity development, as well as to the medium-term budget. The risk mitigation opportunities in the “cross-functional” risk areas, including human capital, information security and technology, physical assets and business continuity are sometimes not captured here. As noted in the 2018 Mid-Year Risk Update (discussed by the Board on June 8) broadly all mitigation directions outlined in the 2017 Risk Report have been translated into specific actions and reflected in the departments’ Accountability Frameworks.

24. [Risk Report] ***On “enhancing policy guidance for emerging macro-critical issues,” please clarify if “emerging macro-critical issues” refer only to “non-traditional” issues that are of a more structural and medium-term nature.***

- The mitigation directions in the 2017 Risk Report refer to “emerging macro critical issues” broadly, so work on fiscal space, the digital economy, fiscal policies, and gender inclusion would be related to this area.

IMF Finances and Internal Organization

25. [Modernization/streamlining] ***How should these two work streams—the Work Program and streamlining initiative—be seen in relation?***

- The Modernizing and Streamlining paper discussed on Friday presented steps to increase impact and effectiveness, and to leverage technology to modernize how we do things. Some of the issues covered in that paper have a bearing on the Work Program, such as a proposed benchmark level of 50 non-country items, as well as a more thematic approach to analytical work on policy issues. Staff sees the two work streams as complementary. For example, the proposed Work Program already reflects efforts on staff and Management's part to better prioritize policy papers, with a view to more effectively delivering on the GPA.

26. **[Linkage with the budget]** ***Will the use of same business categories in the Budget and WP improve interoperability between them?***

- Staff agrees that interoperability between the budget and the WP is an important objective and is working on this as quickly as possible. Specifically, staff is exploring how best to achieve correspondence between the new thematic categories, time reporting (TRACES), and the Fund's output classification/cost accounting system (ACES).

27. **[Costing methodologies]** ***Could staff elaborate on how further granularity in cost accounting can be obtained? How will the costing methodologies for both recurrent and non-recurrent items be refined? Will this lead to overall higher, more realistic cost estimates?***

- Staff is committed to providing more information on costs. The budget outturn paper issued each year in July provides more granular information on the Fund's expenditures by output and by groups of countries. With respect to further granularity in the cost associated with the Board WP, a breakdown of cost estimates by thematic area may be useful and is expected to be included in the Fall WP.
- It is inherent difficulty to estimate the cost of individual WP items. Individual items often draw or build on other work, and specific work streams may span several WPs and items. It is hoped that these challenges can be addressed in part by refining the methodology as we learn from the experience, the alignment of the WP and the Fund's fiscal year calendars that has now been achieved, and, more generally, by strengthening the link between the WP, departmental Accountability Frameworks, budget planning, and ex-post time reporting. Staff has no reason to believe that such refinements will lead to higher cost estimates.

28. **[Knowledge sharing]** ***How could the Fund's Knowledge Exchange become more accessible to the Board and member countries?***

- Knowledge Exchange in its current form is an internal operational collection of sites for staff to use for collaboration and exchanging information on evolving topics and policies. However, finalized content akin to the content on KE pages already exists for member countries to tap into imf.org, aggregated under Key Issues; one such example are the topical pages on fiscal issues and the related fiscal datasets. In addition, various initiatives are underway to provide better information on cross-country experiences; some of these were outlined during the informal Board briefing on KM, but they are not yet ready for broad use.

29. **[Diversity]** ***Could staff indicate a timeline for the recruitment of the diversity advisor and the Board discussion of the diversity and inclusion report?***

- The recruitment for a Diversity Advisor was completed in January 2018 and the selected candidate withdrew in the final stage. Given the high importance that management places on the diversity agenda, a broad and thorough global search was conducted again during February – April, and is now in the final offer stage. Once recruitment and relocation formalities are completed, the new appointee could be expected around August 2018.
- As reflected in HRD's submission to the Board's Work Program items, we do not anticipate producing a Diversity and Inclusion Report for a Board discussion this calendar year. The most recent Diversity & Inclusion Report (2016-2017) was published in November 2017. We expect to publish the next Report under the leadership of a new Advisor. Nonetheless, renewed effort and careful monitoring of outreach and recruitment continues and diversity outcomes will be included in the next Recruitment & Retention Board paper.

30. **[HR Strategy]** ***What is the timeline for the HR Strategy discussion?***

- HRD, in consultation with SEC, plans to engage the Board soon in an informal setting on the HR strategy deliverables. The new performance management system has been approved by management. It is designed to drive individual, team, and organizational performance and enable staff to link work objectives to institutional key goals and strategic priorities. Staff will be assessed not only on the basis of "what" they have delivered (i.e., their output) but also on "how" they have delivered these outcomes (i.e., their competencies and behaviors consistent with the Fund's core values).
- Also, workforce and career development will be led by modernizing the Fund's job infrastructure for all job functions and career streams, of which a key feature will be career playbooks to guide assignments and mobility, with the support of an institutional framework. We will also add a technical track to the existing managerial track to help lead and build institutional capacity in emerging issues and areas of work. These are the primary tools envisaged to address the LIC/FS and capacity development issues, reinforced by the performance tools.
- All of the proposed measures are in varying stages of consultations with stakeholders in the Fund, though recent engagement has been heavily focused on the new performance management system. While the measures are mutually reinforcing, we have deliberately paced the socialization of new ideas to avoid disrupting staff work.

We need to adhere to good change management and communication practices on engaging departments, management and staff.

31. **[Thematic Categories]** ***As regards the classification of Fintech, is a category named "financial stability" more appropriate than "financial regulation"?***

- Staff agrees that addressing fintech issues also serve the purpose of financial stability, which is why it is a key aspect of global stability under the remit of the Fund. 'Financial Regulation' is a subcategory under the global stability. The financial regulatory category includes the Fund's work on collaboration on the global financial regulatory reform agenda, so better describes the components included, and the current work streams of fintech have a strong focus on regulatory aspects.

32. **[IMF Finances]** ***When will the "Reviews of the Level of the SDR Holdings by the IMF" take place?***

- Staff will hold informal consultations with EDs, and then gauge whether the issue warrants a stand-alone Board paper or could be wrapped into the next FTP.

33. **[LOT]** ***LOT recently increased for both policy and country items. LOT should be seen more as an exception for program reviews that result in disbursement.***

- So far this year, 17 country items were considered on LOT basis which is comparable with the annual number of 35 recorded in 2017. The current LOT procedures were initiated by the Board following the 2010 Board reforms in order to make Board interactions even more strategic and focused.
- On process, Management, based on staff's recommendation, may propose the use of LOT consideration in cases where the LOT criteria are met (see this link). In these cases, the consent of the Executive Director for the member concerned is also required. There is a presumption that staff will propose the use of LOT if the above-mentioned LOT criteria have been met. Executive Directors for concerned members may also propose the use of LOT up to two days after the issuance of the paper, subject to the above-mentioned criteria. In all cases, Executive Directors may request a Board meeting if they deem warranted.