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ELEVENTH PERIODIC MONITORING REPORT ON THE STATUS OF MANAGEMENT IMPLEMENTATION PLANS IN RESPONSE TO BOARD-ENDORSED IEO RECOMMENDATIONS

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board
- The **Staff Report**, prepared by IMF staff and completed on August 25, 2021 for the Executive Board's consideration on September 22, 2021.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes Eleventh Periodic Monitoring Report on the Status of Management Implementation Plans in Response to Board-Endorsed IEO Recommendations

FOR IMMEDIATE RELEASE

Washington, DC – **November 29, 2021:** The Executive Board of the International Monetary Fund (IMF) concluded the *Eleventh Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office (IEO) Recommendations*.

Since being instituted in January 2007, the PMR has been reporting on the state of implementation of Board-endorsed IEO recommendations. The Eleventh PMR assessed the progress made over the past 18 months on 72 actions contained in 10 MIPs. These include three new MIPs in response to recent IEO evaluations issued after the Tenth PMR, and another seven MIPs in response to older evaluations.

The Eleventh PMR concluded that significant progress has been made with the implementation of management actions, despite challenges that have arisen from the ongoing COVID-19 pandemic. Despite the effect of reprioritization to make space for the urgent needs of the membership resulting from the pandemic, the pace of implementation observed in the Eleventh PMR, with the 29 actions closed, significantly exceeded the previous trend of about 15 implemented actions per year. Strong progress has been made on actions in response to the IEO evaluations on *IMF Advice on Unconventional Monetary Policies* and *IMF Financial Surveillance*.

Further progress over the next year on the MIP in response to the evaluation on *The IMF and Fragile States* is contingent on the completion of the Strategy for Enhanced Fund Engagement with Fragile and Conflict-Affected States. Progress is also being made on the MIP in response to the evaluation on *Behind the Scenes with Data at the IMF*, but several circumstances have led to delays in completing several actions that depend on the projected March 2022 completion of the Review of Data Provision to the Fund for Surveillance Purposes.

Executive Board Assessment[1]

Executive Directors welcomed the opportunity to discuss the Eleventh Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office Recommendations. They broadly endorsed the assessment of implementation status contained in the PMR.

Directors were encouraged to see that the pace of implementing management action plans has accelerated despite the challenges brought by the ongoing COVID-19 pandemic. They

[1] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

welcomed, in particular, the strong progress in recent MIPs, including in response to the IEO evaluations on *IMF Advice on Capital Flows*, *IMF Advice on Unconventional Monetary Policies*, and *IMF Financial Surveillance*.

Directors regretted that about half of the open actions are more than one year past their implementation due dates. In this context, they called on the accountable Fund Departments to expedite implementation of all delayed open actions, particularly those that respond to the IEO evaluations on *IMF Financial Surveillance, The IMF and Fragile States*, *The IMF and Social Protection*, *Behind the Scenes with Data at the IMF*, and *The Role of the IMF as Trusted Advisor*. Directors also looked forward to the reformulation of the agreed eight actions to make them more effective and measurable, in line with the Board-approved triage framework for long standing open actions.

Directors welcomed the ongoing work to develop a framework to assess the impact of slippages in the implementation of open actions, while acknowledging that this is a difficult but important exercise to enhance governance. They agreed that it will be important to define "impact" ex-ante, as part of the MIP process, and to analyze the multiple actions that are proposed in response to a single recommendation in respect of their collective effectiveness rather than individually. Many Directors suggested that the Office of Risk Management could assess the impact of slippages in the implementation of open actions on enterprise risk. Directors looked forward to receiving a draft framework by the end of the fiscal year.

INTERNATIONAL MONETARY FUND

August 25, 2021

ELEVENTH PERIODIC MONITORING REPORT ON THE STATUS OF MANAGEMENT IMPLEMENTATION PLANS IN RESPONSE TO BOARD-ENDORSED IEO RECOMMENDATIONS

EXECUTIVE SUMMARY

The Eleventh Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office (IEO) Recommendations assesses the progress made over the past 18 months on 72 actions contained in 10 MIPs.

Significant progress has been made with the implementation of management actions, despite challenges that have arisen from the ongoing COVID-19 pandemic. Overall, 29 of the 72 actions for which implementation progress is assessed in the Eleventh PMR were deemed to have been satisfactorily implemented, while 35 remain open, and eight actions are being reformulated in line with the Board-approved triage framework for long-standing open actions. Despite the effect of reprioritization to make space for the urgent needs of the membership resulting from the pandemic, the pace of implementation observed in the Eleventh PMR, with the 29 actions closed, significantly exceeds the previous trend of about 15 implemented actions per year.

As has been the case with recent trends, a faster pace of implementation was observed on actions contained in more recent MIPs. Strong progress has been made on actions in response to the IEO evaluations on *IMF Advice on Unconventional Monetary Policies* and *IMF Financial Surveillance*, which show rates of implementation of approximately 80 percent and 60 percent, respectively. Further progress over the next year on the MIP in response to the evaluation on *The IMF and Fragile States* is contingent on the completion of the Strategy for Enhanced Fund Engagement with Fragile and Conflict-Affected States.

Of the 35 open actions, 16 are more than one year past their implementation due dates. Progress is being made on the MIP in response to the evaluation on *Behind the Scenes with Data at the IMF*, but several circumstances have led to delays in completing several actions that depend on the projected March 2022 completion of the Review of Data Provision to the Fund for Surveillance Purposes (DPF Review). The timing of the DPF Review was contingent on the completion of the Comprehensive Surveillance Review (CSR), which was delayed until May 2021. Work on an enhanced talent inventory of financial sector experts and experiences and a comprehensive workforce analysis may take longer to complete, given the ongoing work pressures and change management challenges associated with a number of modernization initiatives.

Approved By
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Prepared by Office of Internal Audit

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Glossary

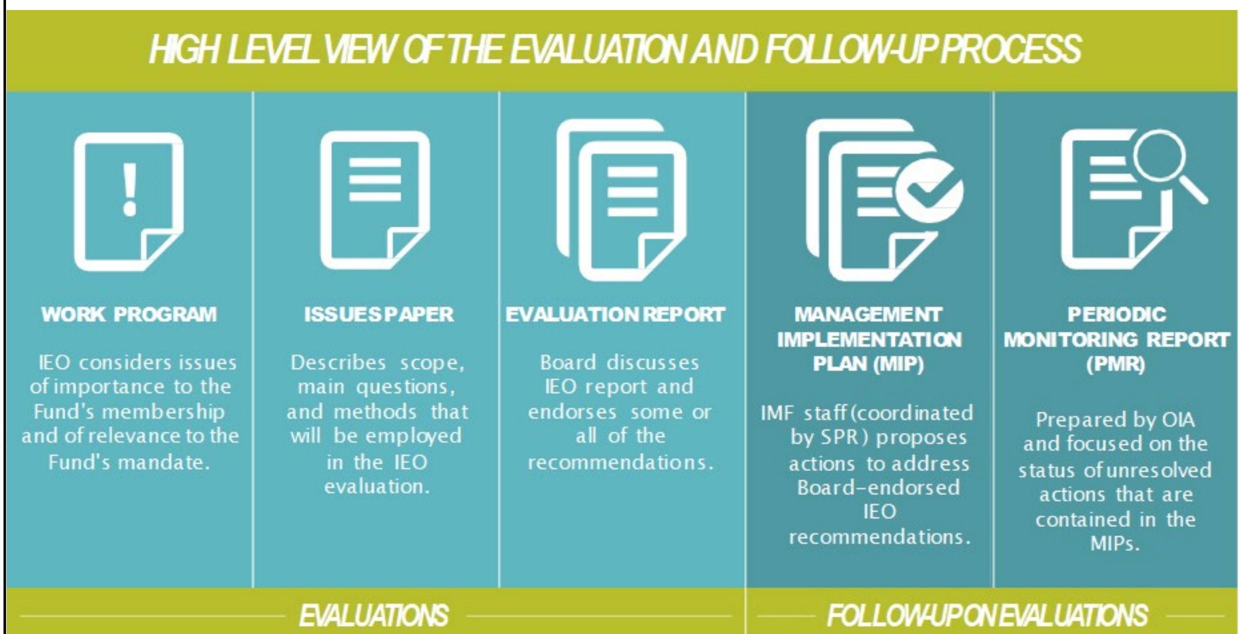
AG	Advisory Group
CBT	Central Bank Transparency Code
CES	Country Engagement Strategy
CFMs	Capital Flow Management measures
CPM	Career Path and Mobility Framework
CSR	Comprehensive Surveillance Review
DGG	Data Governance Group
DPF	Data Provision to the Fund for Surveillance Purposes
DSBB	Dissemination Standards Bulletin Board
DSI	Data Standards Initiative
D4D	Data for Decisions Fund
EBA	External Balance Assessment
e-GDDS	enhanced General Data Dissemination System
FM	Fungible Macroeconomist
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FTEs	Full Time Equivalents
FXI	Foreign Exchange Intervention
GaR	Growth-at-risk
HIPC	Heavily Indebted Poor Countries
IEO	Independent Evaluation Office
IGs	Institutional Goals
IPF	Integrated Policy Framework
IV	Institutional View
JFCF	Job Family and Career Framework
LICs	Low Income Countries
MIPs	Management Implementation Plans
MMU	Monetary Modeling Unit
MPMS	Macroprudential Policy Measures
NIRP	Neutral Interest Rate Policy
PMR	Periodic Monitoring Report
SDDS	Special Data Dissemination Standard
SIA	Statistical Issues Appendix
SMP	Staff-Monitored Program

SSN	Social Safety Nets
UMP	Unconventional Monetary Policy
URRs	Under-Represented Regions
WG	Working Group

OVERVIEW

1. **In January 2007, the Executive Board instituted the *Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office (IEO) Recommendations* to report on the state of implementation of Board-endorsed IEO recommendations.** Following the Executive Board's discussion of each IEO evaluation, Management and staff (SPR, in collaboration with other departments) prepare a MIP for those recommendations that are endorsed by the Board. Each year, OIA independently assesses the progress of open actions from preceding MIPs and prepares the PMR for Board endorsement.[1] A high level view of the evaluation and follow-up process is presented in Figure 1 below.

Figure 1. High Level View of the Evaluation and Follow-up Process



Source: OIA

2. **In July 2018, the Third External Evaluation of the IEO called on the Executive Board to make decisions to comprehensively address a backlog of open management actions in response to Board-endorsed IEO recommendations facing implementation challenges.**[2] In response to that recommendation, in March 2019, the Board endorsed an OIA-proposed framework to comprehensively address this backlog.[3] The framework ("triage framework") set the parameters

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[1] OIA assumed responsibility for preparing the PMR from SPR in February 2014.

[2] Kaberuka, Donald, C. Der Jiun and P. Meyerson, "*Time for a Reboot at a Critical Time for Multilateralism—The Third External Evaluation of the IEO*", July 2018. http://www.ieo-imf.org/ieo/pages/ExternalEvaluation.aspx.

[3] International Monetary Fund, Office of Internal Audit (OIA), "*A Framework to Address Open Management Actions in Response to Board-Endorsed IEO Recommendations*", March 2019.

for dividing the stock of open actions into five categories based on the root cause of their lack of implementation and provided guidance on how to tailor remedial actions. The categories were as follows: (1) actions that were open with no obvious challenges and would continue to be monitored in the PMR; (2) actions for which desired outcomes were not being achieved despite implementation guidelines being in place, and needed a different set of incentives; (3) actions that were insufficiently specific and needed clear measures of success to be defined; (4) actions that involved long-term technical or cultural change and were not suitable for a binary open-closed classification, and would be better addressed through a different mechanism; and (5) actions for which full implementation was no longer seen as valuable, had duplicates in other MIPs, or had become redundant. The Framework proposed that actions in categories 2 and 3 should be reformulated, actions in category 4 could be retired from PMR monitoring after five reporting cycles, and those in category 5 should be retired immediately from PMR monitoring. Categories 4 and 5 would still be subject to other oversight and monitoring mechanisms by the Executive Board.

3. **In December 2019, OIA issued the Tenth PMR, which reviewed the implementation status of 62 actions.** The Tenth PMR noted that progress on the implementation of management actions had continued during the previous year, with a faster pace observed on actions contained in more recent MIPs, relative to older ones. Of the 62 actions for which implementation progress was assessed, 16 actions were implemented during the previous year and 46 remained open. Out of these 46 actions, 24 actions (mostly from older MIPs) were assessed as facing implementation challenges.

4. **Concurrently with the Tenth PMR, staff issued a paper on the Categorization of Open Actions in Management Implementation Plans ("Categorization Paper"), based on the framework endorsed by the Board in March 2019.**[4] The Categorization Paper placed the 24 actions assessed as "off-track actions" in the Tenth PMR into categories 2-5 under the triage framework. Specifically, it proposed to move to categories 2 and 3 eight off-track actions that were not directly or fully tackled in other workstreams. These actions would be reformulated through a new MIP, following the standard processes for MIP issuance and would continue to benefit from follow-up through future PMRs. Due to a reprioritization of activities in response to the COVID-19 pandemic, the reformulation of these actions is now expected to take place in the last quarter of 2021. The remaining 16 actions were placed in categories 4 and 5, with the view that they would continue to be addressed through other institutional workstreams that are already subject to Board oversight. In this regard, the paper proposed to retire from the PMR ten actions in category 5 immediately after approval of the Categorization Paper, as well as five actions placed in category 4, given that they had already been monitored through five PMR cycles. One action, originally classified in category 4, was extended for an additional five PMR monitoring cycles.

5. **On February 10, 2020, the Executive Board endorsed the assessment contained in the Tenth PMR and the Categorization Paper.** During the Board discussion, Directors appreciated the accelerated pace of implementation of management actions included in recent MIPs but also noted

[4] International Monetary Fund, *Categorization of Open Actions in Management Implementation Plans,* December 2019. The paper was prepared by SPR in consultation with OIA and accountable departments.

that several actions were still facing implementation challenges, especially those from older MIPs. They broadly supported the categorization of actions proposed by staff as a one-off exercise to effectively resolve longstanding open actions, mindful of the need to prioritize and avoid duplication, given resource constraints. They noted that the proposed categorization of actions that remain relevant for members, but for which there was no direct or comprehensive oversight mechanism, would be retained under PMR monitoring.

6. The Eleventh PMR covers 10 MIPs containing 72 actions: three new MIPs in response to recent IEO evaluations issued after the Tenth PMR (containing 41 actions), and another seven MIPs in response to older evaluations (containing 31 actions that were classified as open after the Tenth PMR).[5] The 10 MIPs being considered in the Eleventh PMR are those arising from the following IEO evaluations: *(i) IMF Advice on Capital Flows (2020, new); (ii) IMF Advice on Unconventional Monetary Policies (2019, new); (iii) IMF Financial Surveillance (2019, new); (iv) The IMF and Fragile States (2018); (v) The IMF and Social Protection (2017); (vi) Behind the Scenes with Data at the IMF (2016); (vii) Self-Evaluation at the IMF: An IEO Assessment (2015); (viii) IMF Forecasts: Process, Quality, and Country Perspectives (2014); (ix) The Role of the Fund as Trusted Advisor (2013); and (x) Research at the IMF: Relevance and Utilization (2011).*[6, 7]

7. Overall, 29 of the 72 actions for which implementation progress is assessed in this PMR were deemed to have been satisfactorily implemented, while 35 remain open, and eight actions are being reformulated in line with the Board-approved triage framework for long-standing open actions. Of the 35 open actions, 16 are more than one year past their implementation due dates. The reprioritization of activities owing to the COVID-19 pandemic and resource constraints on account of several years of flat budgets led to delays in the implementation of several actions, partly because of the postponement of important reviews. Overall, strong progress has been made on actions in response to the IEO evaluations on *IMF Advice on Unconventional Monetary Policies* and *IMF Financial Surveillance*, which show rates of implementation of approximately 80 percent and 60 percent, respectively. In the case of the MIP in response to the IEO evaluation on *IMF Advice on Capital Flows*, which was approved in May 2021, strong progress is already being observed on several actions. These three aforementioned MIPs were all issued after the Tenth PMR. Efforts have also continued towards implementing the actions that were classified as open in the Tenth PMR, particularly for the MIPs in response to the

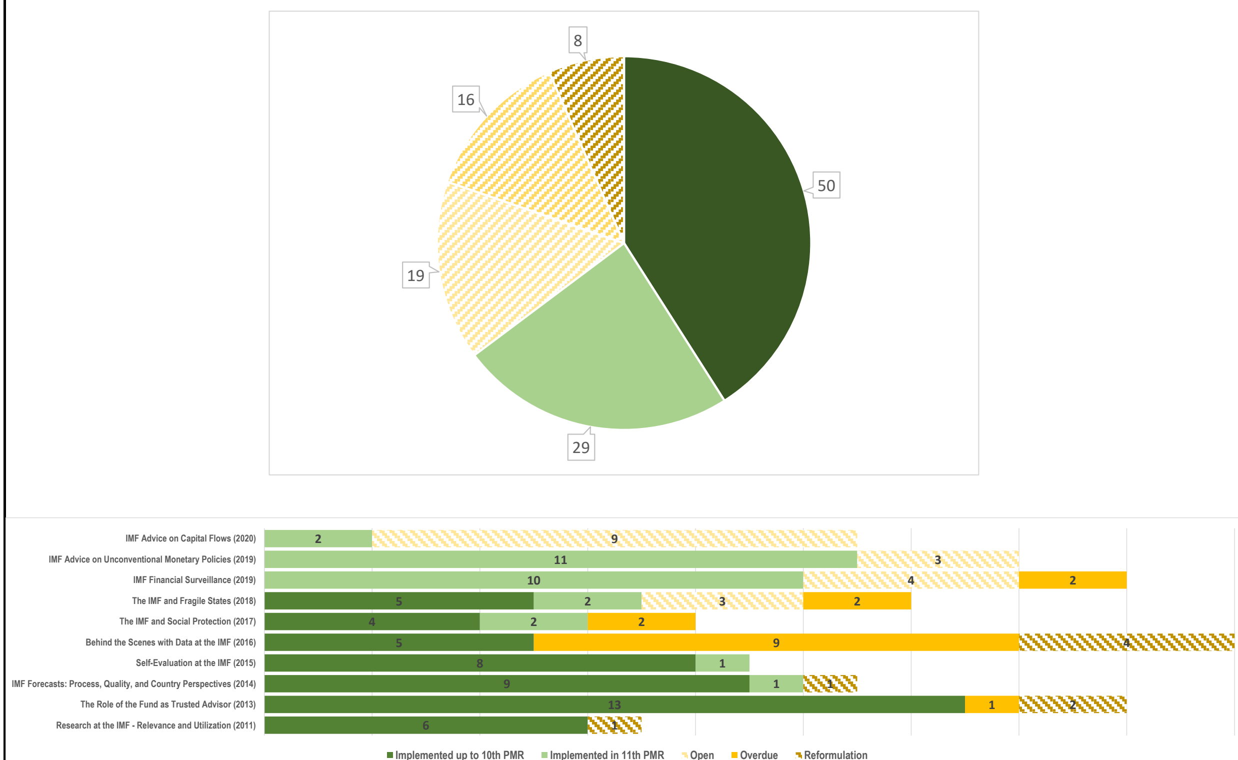
[5] Of the 46 actions that were classified as open in the Tenth PMR, the Executive Board, in considering the Categorization Paper, approved 15 actions to be removed from further monitoring in the PMR in favor of other institutional workstreams. The remaining 31 actions are included in the Eleventh PMR.

[6] This PMR does not include the following newly issued or ongoing evaluations. In November 2020, the IEO finalized the evaluation on "Working with Partners: IMF Collaboration with the World Bank on Macro-Structural Issues". The MIP associated with this evaluation has not yet been finalized. In December 2019, the IEO completed the update of "IMF Involvement in International Trade Issues", which required no MIP. Evaluations in progress include "Adjustment and Growth in IMF-Supported Programs", "IMF Engagement with Small States", "The IMF and Capacity Development", and "IMF's Emergency Response to the COVID-19 Pandemic".

[7] As noted above, 15 actions were removed from PMR monitoring as part of the triage exercise in the Categorization Paper. As a result, three MIPs have no remaining actions for PMR monitoring. These include the MIPs arising from the evaluations on "The IMF and the Crises in Greece, Ireland, and Portugal"; "IMF Response to the Financial and Economic Crisis"; and "IMF Performance in the Run-Up to the Financial and Economic Crisis".

evaluations on *The IMF and Fragile States* and *The IMF and Social Protection*. Further progress over the next year, to a large extent, is contingent on the completion of the upcoming *Strategy for Enhanced Fund Engagement with Fragile and Conflict-Affected States* (FCS Strategy) and a *Guidance Note on Social Protection*, which are currently being prepared by staff. Progress is also being made on the MIP in response to the evaluation on *Behind the Scenes with Data at the IMF*, but several circumstances have led to delays in completing some actions that depend on the projected March 2022 completion of the Review of Data Provision to the Fund for Surveillance Purposes (DPF Review). The DPF Review was deliberately scheduled to follow the Comprehensive Surveillance Review (CSR), which was delayed until May 2021. As mentioned earlier, eight actions are also being reformulated in line with the Board-approved triage framework for long-standing actions. Figure 2 below summarizes the current status of management actions.

Figure 2. Status of Management Actions



Source: OIA

8. The Eleventh PMR is being presented in the context of the COVID-19 pandemic, which caused the Fund to reprioritize many important activities in order to rapidly respond to the urgent needs of the membership. Early in the pandemic, the Fund focused on the immediate crisis response, deploying tools and resources. Other work streams were delayed to make space for crisis-related activities. In the policy area, the CSR and the Review of the Financial Sector Assessment Program (FSAP Review) were postponed, and a number of periodic policy reviews were delayed.[8]

[8] These include: The Review of the Framework for Excessive Delays in Completion of Article IV Consultations and Mandatory Financial Stability Assessments; the Review of Data Provision to the Fund for Surveillance Purposes and

(continued)

These reviews were integral in providing solutions for actions within several MIPs. Nevertheless, despite the effect of the reprioritization of several MIPs and resource constraints due to a flat budget environment, the pace of implementation observed in the Eleventh PMR, with 29 actions closed, significantly exceeds the previous trend when about 15 actions, on average, were closed each year.

9. **To prepare the Eleventh PMR, OIA held meetings with senior staff from the IEO, SPR, and all departments that have accountability for implementing management actions.**[9] The report relies on staff reports to the Executive Board and Management, research papers, official memoranda, as well as other information and documents obtained in the meetings with these senior staff. As many of the management actions envisaged in the MIPs are qualitative in nature, the assessment of their implementation necessarily involves a degree of judgment.

IMPACT OF SLIPPAGES IN THE IMPLEMENTATION OF OPEN MANAGEMENT ACTIONS

In the Executive Board discussion of the Tenth PMR, several Directors called for future PMRs to include, or be accompanied by, an assessment of the impact of slippages in the implementation of open management actions. They indicated that the inclusion of such information would allow the Board to focus its review on the most material developments from year-to-year and thus promote greater accountability. A fully-fledged framework in response to this request will take a few iterations to finalize. In this section, OIA provides further analysis on those actions that are more than one year past their target implementation dates. As pandemic-related crisis response activities subside for departments, OIA plans to engage with IEO, ORM, SPR, and other departments to refine this assessment in future PMRs. Staff expect to jointly present a practical approach for measuring the impact of slippages to Management and the Evaluation Committee of the Board before the end of this fiscal year.

Article VIII, Section 5 issues; the Review of the Fund's Transparency Policy; and the Review of Surcharge Policies. The periodicities of these reviews are "5 years or more, as needed".

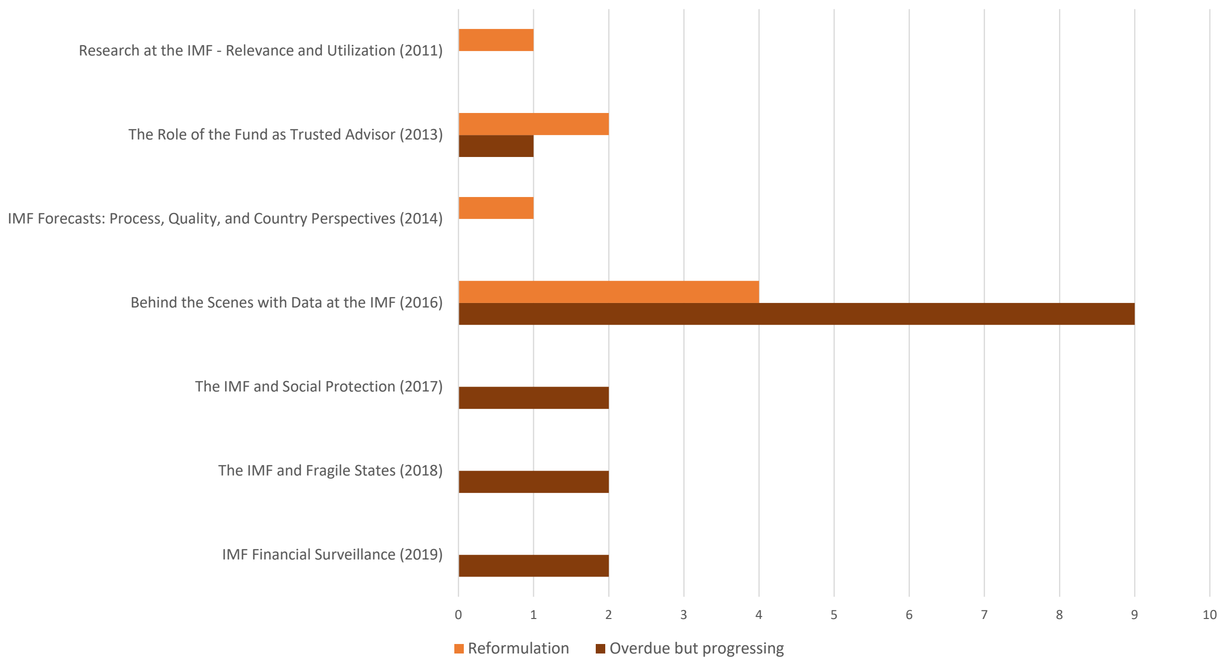
[9] These include: COM, FAD, HRD, ICD, MCM, RES, STA, SPR, and others.

10. The PMR's assessment of the impact of slippages in the implementation dates for MIP actions is conducted within certain constraints and assumptions. IEO recommendations are primarily intended to serve as a means to enhance the learning culture within the Fund and to support the Executive Board's institutional governance and oversight responsibilities. Further, IEO recommendations that are endorsed by the Executive Board, as well as actions included in MIPs that are approved by the Board, do not explicitly indicate relative importance or prioritization. In practice, the value placed by different stakeholders on these actions sometimes varies. Many, but not all, of the actions contained in MIPs align with risk mitigation actions that have been identified by the ORM , but an ex-post attribution of the significance or importance of an action as intended in the MIP is beyond the scope of the PMR. In this analysis, the PMR makes the general assumption that the risk and operational impact of delays tend to increase, the longer an action stays overdue. Further discussion is needed with IEO, ORM, and SPR to design processes that will better define "impact" ex-ante, as part of the MIP process, in order to add value to the assessment of subsequent slippages in implementation actions.

11. Over the years, successive PMRs have noted that some target implementation dates have turned out to be too optimistic, despite significant efforts directed at those actions. The framework guiding the preparation of MIPs calls for accountable departments to "provide an appropriate timetable for implementation". This has been largely interpreted by departments as "indicative" rather than "precise" timetables, especially for some of the more structural changes for which expected progress is harder to project. As accountable departments learn lessons from initial implementation efforts, there has been an occasional need to course-correct or re-sequence certain actions. In addition, departments have had to reprioritize actions as new institutional demands arise. Timetables for implementation that are included in MIPs do not always factor in these contingencies. In addition, the PMR has also observed that the significance of an individual action to departments tends to diminish if other related actions in response to the same recommendation have already been implemented. Therefore, it is important to analyze the multiple actions that are proposed in response to a single recommendation in respect of their collective effectiveness, rather than individually.

12. Of the 35 open actions in this PMR, 16 are more than one year past their implementation due dates and have been classified in this PMR as overdue but progressing, in addition to eight actions that are being reformulated. These 16 overdues but progressing and eight reformulation actions are contained in seven MIPs as shown in Figure 3 below.

Figure 3. Summary of Overdue Actions by MIP



Source: OIA

13. With respect to the MIP in response to the evaluation on *IMF Financial Surveillance*, two actions are overdue but progressing. Completion of one action regarding the allocation of sufficient resources for financial surveillance was contingent on the CSR and FSAP Review, which were themselves only finalized in May 2021. In addition to incremental budget allocations over the years for financial surveillance, early proposals for the FY23-25 medium term budget envisage a targeted structural augmentation to address new initiatives, including resource requirements arising from the CSR. On a related note, the overdue action regarding a comprehensive workforce analysis that is supported by an enhanced talent inventory of financial sector experts and experiences is now expected to take longer to complete, given the ongoing work pressures and change management challenges associated with a number of modernization initiatives. The technology to facilitate an enhanced talent inventory of staff, including talent profiles for financial sector experts and data on macrofinancial experiences of fungible macroeconomists, is being rolled out with the implementation of the new human resource system, Workday. While limited portions of staff talent profiles have been pre-populated from the previous HR system, it is generally expected that staff will voluntarily complete the rest of their profiles. Completion of the talent profiles will also be required for application to certain job positions at senior levels. Successful implementation will require stronger commitment by staff to complete relevant talent profiles.

14. Two actions in response to the evaluation of *The IMF and Fragile States*, while currently overdue, have made substantial progress. Five actions from the MIP remain open, out of which two are classified as overdue but progressing and are all on course to be implemented over the next year. These will complete the implementation of all 12 actions that were proposed in response to the evaluation. An FCS strategy, which is now planned for presentation to the Executive

Board by end-2021, following some delays due to the COVID-19 pandemic, will substantially address the open actions. In particular, the FCS Strategy will provide proposals to achieve a balanced mix of internal and external funding of CD and a flexible instrument for external financing to address the overdue action to propose a multi donor trust fund. The FCS strategy will also provide guidance and a timeline for full implementation of Country Engagement Strategies (CES) for all FCS engagements. In addition, a staff paper analyzing experiences with building financial capacity was presented to the Executive Board by MCM in May 2021, and a similar paper on statistical capacity by STA that is currently overdue, is planned for FY23, following a staff working paper that is being prepared. Regarding other open actions, a career path and mobility framework (CPM) for fungible macroeconomists was announced in July 2020. The new framework establishes that starting in July 2023, promotions from A14 to A15 will require country team or equivalent experiences in low-income countries and/or fragile states.

15. Two open actions in response to the evaluation on *The IMF and Social Protection* are currently overdue but progressing. A Guidance Note to assist with the implementation of the Strategy for IMF engagement on Social Spending, which was already running behind schedule, has been further delayed by the COVID-19 pandemic. Staff are working on sectoral background notes on pensions, social assistance, health, and education, which will serve as inputs to the guidance note. In addition, staff have prepared "How to Notes" and "Special Series Notes" on COVID-19 to provide guidance on social spending issues in the context of the pandemic. It is expected that these papers will form the core of a consolidated guidance note. The second overdue action relates to the formation of an advisory group to support country teams with the implementation of the guidance note, once it is finalized.

16. Progress is being made in the case of the MIP in response to the evaluation on *Behind the Scenes with Data at the IMF,* but several circumstances have led to delays in completing some actions. Eighteen actions were proposed in response to five recommendations by the IEO. Of these 18 actions, four were implemented in the years leading up to the Tenth PMR, while one additional action was retired from PMR monitoring because it was duplicated in the more recent evaluation of *The IMF and Fragile States*. No further actions were completed over the past year, even though progress continued on several fronts. All remaining 13 open actions are either more than one year past their promised due date or are being reformulated in accordance with the Board-endorsed triage framework. Of the nine actions that are currently overdue, four relate to various policy reviews on data provision and standards, and their original due dates for implementation have turned out to be too ambitious in light of the need for appropriate sequencing and the interruptions due to the pandemic. Specifically, the DPF Review, the Tenth Review of the IMF's Data Standards Initiatives, and the Review of Standards and Codes Initiative were all deliberately sequenced to follow each other after completion of the CSR, which was delayed until May 2021. Although substantial work was done on the DPF Review in 2020, with the Executive Board receiving two briefings to solicit its input, the DPF Review is now scheduled to be completed in March 2022. This will be followed by the other reviews, which facilitate implementation of six overdue actions. STA is also working on proactively engaging with area departments on methodological work to support surveillance activities, and revised Statistics Manuals to provide international methodological guidance, including for LICs, constitute a medium-term project. Moreover, in FY23 the Board is expected to be briefed on ongoing efforts to align CD with Fund and membership needs for closing data gaps, following a staff working paper on the topic that is currently in progress. Regarding data management issues, two actions are overdue, in addition to four related actions that are currently being reformulated. These six actions were initially assigned to the Economic Data Team before the absorption of that function by STA as part of the reorganization of the statistics function. Following the transfer of ownership to STA, it has been determined that these actions will require significantly more effort and time than previously anticipated.

17. In respect of *The Role of the Fund as Trusted Advisor*, work on diversity and inclusion continues. The action to implement measures to raise the share of nationals from underrepresented regions among senior staff and to set targets for representation of women at senior levels was extended for an additional five PMR monitoring cycles, with approval from the Executive Board.

18. A summary of the individual actions that are more than one year past their target implementation dates is presented in Table 1 below.

Table 1. List of Overdue Actions

IEO Report	Action and Accountable Department	Original Target Date	Expected Completion date (as of July 31, 2021)	OIA's Commentary
IMF Financial Surveillance	Brief the Executive Board on the HR strategy, including on the ongoing workforce analysis for financial sector experts **- HRD**	Jan-20	FY22	**Preparatory work underway.** Progress was slowed down partly due to the delays in implementing the new HR system, along with a workforce planning module, as well as ongoing work pressures.
IMF Financial Surveillance	The FY2021-23 Medium-term Budget discussion will consider the on-going FSAP Review and CSR and reflect on medium-term tradeoffs. **- OBP**	Apr-20	Q4 FY22	**Substantially complete.** Full assessment of the financing needs was not possible before the CSR and FSAP Review. Needs have now been identified, and proposals are being made.
The IMF and Fragile States	Staff to report to management on the case for a dedicated Multi-Donor Trust Fund (MDTF) or a coordinated set of bilateral projects for FCS to target CD gaps. **- ICD with Others**	Sep-19	End-2021	**Preparatory work underway.** The FCS strategy is expected to make proposals for a balanced mix of financing for CD in FCS.

Table 1. List of Overdue Actions (continued)

IEO Report	Action and Accountable Department	Original Target Date	Expected Completion date (as of July 31, 2021)	OIA's Commentary
The IMF and Fragile States	Prepare a staff paper for Board discussion with analysis of experience and lessons from building financial and statistical capacity in FCS. **- MCM, STA**	Dec-19	FY23	**Partially complete.** MCM's briefing on financial capacity completed. A staff working paper by STA, a precursor to the Board briefing, is underway.
The IMF and Social Protection	Staff will issue a follow-up guidance note to support the strategic framework for social protection. This note will address aspects of three of the IEO recommendations. **- FAD, SPR**	Dec-19	FY22	**Preparatory work underway.** Sectorial background papers, the foundation of the guidance note, have been drafted. Progress was slowed down by reprioritization towards urgent pandemic-related activities on social spending.
The IMF and Social Protection	An advisory group will be formed after issuance of the guidance note to provide support to country teams in operationalizing work on social protection. **- FAD**	After guidance note	End-FY22	**Not started.** Action depends on completion of guidance note.
Behind the Scenes with Data at the IMF	Comprehensive Surveillance Reviews (CSR) and their interim reports will continue to guide priorities regarding the Fund's evolving data and statistical needs for bilateral and multilateral surveillance activities. These priorities will be operationalized in Reviews of Data Provision to the Fund for Surveillance Purposes (DPF). **- SPR, STA**	Dec-17	End-FY22	**Substantially complete.** Action was contingent on completion of the CSR, which was delayed until May 2021 due to the pandemic. Two briefings of the Board to solicit inputs have been completed, and an early draft of the Board paper has been drafted.
Behind the Scenes with Data at the IMF	The Tenth Review of the IMF's Data Standards Initiatives will seek to further align data provision by member countries – to the extent feasible – with the broader initiative to promote publication of data required for surveillance by the Fund. **- SPR, STA**	FY19	End-FY22	**Preparatory work underway.** Review was scheduled to follow the DPF review. Preparatory work is underway, alongside the work on the DPF review.

Table 1. List of Overdue Actions (continued)

IEO Report	Action and Accountable Department	Original Target Date	Expected Completion date (as of July 31, 2021)	OIA's Commentary
Behind the Scenes with Data at the IMF	The Tenth Review of the IMF's Data Standards Initiatives will seek to merge the frameworks of the Special Data Dissemination Standard (SDDS), SDDS Plus, and the enhanced General Data Dissemination System (e-GDDS), including new technologies for data provision, such as open data, to improve country provision of relevant, timely and quality data to Fund economists. **- SPR, STA**	FY20	End-FY22	**Preparatory work underway.** The Tenth Review of DSI is expected to make proposals for enhanced publication, but implementation is expected to take several years and will depend on countries' voluntary adoption.
Behind the Scenes with Data at the IMF	The review of Standards and Codes Initiative will aim to strengthen its integration with Fund surveillance and capacity development activities. In this regard, the new Data ROSC will help guide future capacity development and methodological work with member countries to facilitate data provisioning to the Fund. **- SPR, STA**	FY18	FY23	**Preparatory work underway.** Level of effort required has turned out to be substantially more than anticipated. Pilot cases have been completed; process to be formalized with DPF guidance note. Streamlining of Data ROSC is underway.
Behind the Scenes with Data at the IMF	STA will engage in a more pro-active and structured consultation with area departments on methodological work to support surveillance priorities for LICs. Enhanced guidance will be provided for compiling data on LICs. **- STA**	Not indicated	End-CY22	**Preparatory work underway.** STA has ramped up support for area departments and continues to do so. Codification of guidance on compiling data on LICs is expected to take several years through the DPF guidance note and update to the statistical manuals.
Behind the Scenes with Data at the IMF	The ongoing efforts to align capacity development (CD) activities with Fund and membership needs will continue. CD will increasingly be geared toward closing data gaps hampering surveillance, ratcheting up data quality and broadening data dissemination to help detect economic vulnerabilities and risks, and improve economic decision-making. **- STA**	Not indicated	FY23	**Preparatory work underway.** STA has increased work on building statistical capacity in countries, mainly through dedicated CD trust funds. A staff working paper by STA, a precursor to a Board briefing, is underway.

Table 1. List of Overdue Actions (concluded)

IEO Report	Action and Accountable Department	Original Target Date	Expected Completion date (as of July 31, 2021)	OIA's Commentary
Behind the Scenes with Data at the IMF	Unify area department data management guidelines. **- STA, Area Departments**	Not indicated	End-FY22	**Preparatory work underway.** Following initial delays, oversight was transferred to the Data Governance Group. Actions were then broken down into multi-year milestones, and progress is being made.
Behind the Scenes with Data at the IMF	The next Review of Data Provision to the Fund for Surveillance Purposes (DPF) will also propose how to incorporate results of the new assessments of data adequacy for surveillance into a revised Statistical Issues appendix (SIA), and review the requirement to discuss the SIA in the main body of the Article IV staff report. **- SPR, STA**	FY19	End-FY22	**Substantially complete.** Action was contingent on completion of the CSR, which was delayed until May 2021 due to the pandemic.
Behind the Scenes with Data at the IMF	Building on the implementation of the previous recommendation, a plan will be developed to clarify the distinction between "official statistics" and data used by area and functional departments in surveillance activities. **- STA, ITD**	9/1/2017	End-FY22	**Substantially complete.** A plan for clarifying data sources in Fund publications has been drafted and is pending review and operationalization in the context of the DPF Review.
The Role of the Fund as Trusted Advisor	Implement measures to raise the share of nationals from underrepresented regions among senior staff and set targets for representation of women at senior levels. **- HRD, with Others**	Steps begin in 2013	FY25	**Partially complete.** Monitoring has been extended for five PMR cycles, and HRD continues to provide periodic updates to the Board in the context of the 2025 Diversity and Inclusion benchmarks.

IMPLEMENTATION STATUS OF MANAGEMENT ACTIONS

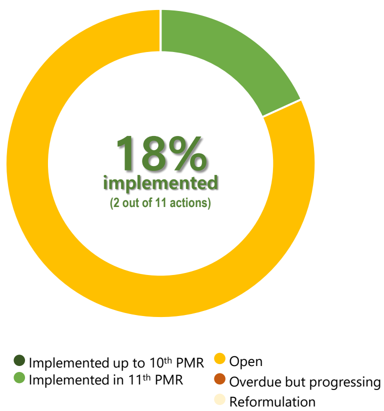
19. **This section discusses the progress made in implementing the management actions contained in 10 MIPs arising from three recent IEO evaluations and another seven MIPs for which individual management actions were classified as "open" in the Tenth PMR.** The section is organized by evaluation report date, starting with the most recent. The following key and broad definitions are used throughout the report.

Table 2. Key for Status of Implementation Actions	
Symbol	**Definition**
	**Implemented**. Actions that have been substantially addressed as intended, or another form of disposition has been endorsed by the Board.
	Open. Actions that: (i) are planned with no obvious obstacles or delays; (ii) are ongoing; or (iii) have been implemented in form, but their outcomes are yet to materialize.
	**Overdue but progressing**. A sub-category of open actions, these are more than one year past their target implementation date, but nevertheless continue to make progress.
	**Implementation Challenge**. Actions that have not been implemented or have stalled following partial implementation. *In this PMR, all applicable actions relate to those that previously received Executive Board approval **to be reformulated**, in line with the Board-approved triage framework for long-standing open management actions.*

A. IMF Advice on Capital Flows (2020)

The IEO evaluation focused on the influence and added value of IMF advice on capital flows since the approval of the Institutional View on the Liberalization and Management of Capital Flows (IV) in 2012, which sought to provide a coherent framework for IMF advice in this core area. *The evaluation found that the IV represented a considerable step forward, as it had endowed staff with a stronger conceptual template for engaging with country authorities on risks associated with capital flow volatility, while garnering long-term benefits from international financial integration. The evaluation also noted that, in practice, most countries' policy approaches had been in line with the IV and that in general countries had avoided using unconventional tools as substitutes for warranted macroeconomic adjustment. Notwithstanding these accomplishments, the evaluation pointed to a number of concerns about the Fund's advice on managing volatile capital flows, including with regards to the pre-emptive use of capital flow measures, making fine labeling distinctions between very similar* *measures that has led to disagreements with the authorities, the role of foreign exchange intervention, the use of capital account measures outside of a "crisis or imminent crisis" context, and the impact of capital flow measures on distribution and other social objectives. The evaluation also pointed to technical challenges associated with reliance on some metrics and quantification of thresholds. Against this backdrop, the evaluation recommended revisiting the IV in the light of recent experience and research; building up the monitoring, analysis, and research of capital account issues; and strengthening multilateral cooperation on policy issues affecting capital flows.*

Summary of Progress – IMF Advice on Capital Flows



In response to four recommendations in the IEO evaluation, the MIP envisaged 11 actions, of which two have been implemented. The remainder face no obvious challenges and are expected to be implemented in reasonable time.

IEO Recommendation 1: Revisit the Institutional View in the light of recent experience and recent research.

Directors broadly agreed on the need to revisit the IV in the light of recent experience and research while underlying that its core principles remained valid, emphasizing the need to establish adequate safeguards against possible misuse of capital flow management measures (CFMs) and calling for continued evenhanded application across countries. **The MIP envisaged one action to address this recommendation.**

MANAGEMENT ACTION 1.1: Staff will undertake a review of the IV on the basis of research and experience (including from the COVID crisis) and make an informal presentation to the Executive Board to discuss preliminary proposals in 2021 Q3. Staff intends to complete the review in the second half of 2021	**Open**	**ACCOUNTABLE:** LEG, MCM, RES, SPR **ORIGINAL TARGET DATE:** Informal briefing – Q3 CY2021 Review of IV – Second half of CY 2021

20. On July 21, 2021, staff made an informal presentation to the Executive Board to discuss preliminary proposals for the IMF's Institutional View on the Liberalization and Management of Capital flows (IV). As envisaged in the MIP, staff intend to complete the work on the review of IV in the second half of 2021. The Board discussion has been set for January 2022. The preliminary proposals are informed by the IEO evaluation, the work on the Integrated Policy Framework (IPF), other research, feedback from country authorities and other stakeholders, and lessons learned in the implementation of the IV, including during the COVID-19 crisis. The IV review will re-examine the combinations of policies to respond to capital flow shocks proposed in the IV; revisit the policy on capital flow management measures (CFMs) and those that are both CFMs and macroprudential policy measures (CFM/MPMs) on inflows; elaborate certain concepts that have an important bearing on assessments and policy advice on CFMs; define the conditions under which capital account liberalization may be considered premature; and provide guidance on some operational issues encountered in the implementation of the IV. The review is expected to preserve the core principles underpinning the IV, i.e., the overall presumption that capital flows can bring substantial benefits for countries and that CFMs, while useful in certain circumstances, should not substitute for warranted macroeconomic adjustment. While broadly endorsing the proposals and direction of the review, Executive Directors provided several additional suggestions for consideration.

IEO Recommendation 2: Build up the monitoring and research of capital account issues as part of a sustained Fund-wide medium-term agenda.

Directors broadly supported strengthening monitoring, analysis, and research of capital account issues as part of a Fund-wide medium-term agenda to help maintain the Fund as a thought leader and increase traction of Fund policy advice. **The MIP envisaged six actions to address this recommendation.**

MANAGEMENT ACTION 2.1: Staff will brief the Executive Board through an informal presentation on progress on operationalization and analytical work related to the IPF.	**Implemented**	**ACCOUNTABLE:** RES, MCM, SPR **ORIGINAL TARGET DATE:** Q2 CY2021.

21. In May 2021, staff briefed the Executive Board on progress on operationalization and analytical work related to the IPF. The presentation noted that substantial progress had been made in all the dimensions previously requested by the Board and showed some of the new results. The modeling work confirmed that fiscal policy should be used alongside, rather than in place of IPF tools (defined as foreign exchange intervention and macroprudential and capital flow management measures) and yielded some specific results for various situations. It also demonstrated that while one could use either fiscal policy or foreign exchange intervention (FXI) to stimulate an economy facing deficient demand and constrained monetary policy, cross-border spillovers from these two alternatives can be notably different. Staff noted that persistent use of CFMs or FXI may lead to resource misallocation and slow market development over the long-run and identified additional frictions and other factors outside the models that can influence the appropriate mix of IPF tools. Staff also identified key metrics for country characteristics that feature prominently in IPF models and are close to assembling a comprehensive dataset. In addition, staff are working on safeguards to minimize the risks of inappropriate use of IPF policies. Further preliminary policy implications of this analysis, including inputs from Executive Directors, will be discussed in the context of the review of the IV scheduled for later in 2021.

MANAGEMENT ACTION 2.2: Staff will brief the Executive Board on analytical work being undertaken on the interplay between capital flows, CFMs and crises.	**Open**	**ACCOUNTABLE:** MCM, RES **ORIGINAL TARGET DATE:** Q4 CY2021.

22. A brief to the Executive Board, planned for Q4 CY2021, is expected to focus on progress made on analytical work on capital-flow-related issues as part of a broader, medium-term oriented research agenda, and as a continuation of the IPF empirical work to further support staff's policy advice on capital flow issues. Specifically, staff are expected to examine (i) the impact of preemptive CFMs on financial stability and growth; (ii) the effects of pre-emptive tightening of inflow CFMs on the probability of future inflow surges; (iii) the role of CFMs in preventing the build-up of leverage in the financial sector; (iv) the impact of long-standing CFMs on the probability of crises; (v) the impact of introducing outflow CFMs during crises on sovereign debt ratings; and (vi) the interaction of MPMs with other policies, including CFMs. No obstacles are anticipated at this stage.

MANAGEMENT ACTION 2.3: MCM will hire 1.5 additional staff to work on the AREAER.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** Q2 CY2021.

23. MCM has recently completed recruitment activities for additional staff to work on the AREAER. One Research Assistant has recently been hired to be onboarded in August 2021 and will work primarily on the yearly update of the AREAER. Another Research Assistant who previously worked half-time on the AREAER has been assigned to work full time on the yearly update of the AREAER.

MANAGEMENT ACTION 2.4:	Open	**ACCOUNTABLE:** MCM
Staff will publish on the IMF external website indices of capital account openness using the AREAER database.		**ORIGINAL TARGET DATE:** Binary and change indices by Q4 CY2021; indices also accounting for type of CFMs by Q4 CY2023

24. Plans are on course for staff to publish indices of capital account openness on the IMF external website. For capital account openness, two forms of indices are expected to be available by end-2021 – a binary index based on existing controls and another one that also incorporates changes to controls over time. In addition, by end-2023, staff are expected to construct and publish indices of capital account openness accounting for diversity in the type of CFMs. Over time, once the indices have been tested, staff intend to extend the dataset to cover all member countries. No obstacles are anticipated at this stage.

MANAGEMENT ACTION 2.5:	Open	**ACCOUNTABLE:** MCM, SPR
Staff will publish an update of the IMF Taxonomy of CFMs on the IMF external website.		**ORIGINAL TARGET DATE:** End-CY2021

25. Plans are on course for staff to publish an update of the IMF Taxonomy of CFMs on the IMF external website. The CFM taxonomy is a public good that serves both to monitor capital flow policies and to undertake research on capital flow-related issues. The taxonomy is expected to contain information about measures assessed by Fund staff as CFMs or CFM/MPMs and discussed in published staff reports since the adoption of the IV. No obstacles are anticipated at this stage.

MANAGEMENT ACTION 2.6:	Open	**ACCOUNTABLE:** RES, SPR
Staff will explore refinements to capital account-related aspects in the EBA models (informal presentation to the Executive Board).		**ORIGINAL TARGET DATE:** Q1 CY2022.

26. Staff plan to review the EBA models, including reassessing the drivers of current account balances and real effective exchange rates. In this regard, an informal presentation to the Executive Board on "External Balance Assessment (EBA) Model Refinements" is tentatively planned for the first quarter of CY2022. The exercise will also involve examining alternative indicators of capital account openness, although this will not be the main focus of the refinements. No obstacles are anticipated at this stage.

IEO Recommendation 3: Strengthen multilateral cooperation on policy issues affecting capital flows.

Directors agreed with the need to strengthen multilateral cooperation on policy issues affecting capital flows, calling for close collaboration with other multilateral organizations, with due regard to their different mandates, purposes, and memberships. **The MIP envisaged four actions to address this recommendation.**

MANAGEMENT ACTION 3.1: Staff will brief the OECD as the review of the IV takes place and once it is completed. Following the completion of the review, staff will brief the Executive Board on the IV and the OECD Codes of Liberalization. Staff will also invite OECD staff to present their revised Codes of Liberalization at the IMF's Capital Flows Group forum and hold jointly with the OECD a workshop on capital flow-related research.	**Open**	**ACCOUNTABLE:** LEG, MCM, SPR **ORIGINAL TARGET DATE:** Brief to the OECD – Q4 CY2021; Brief to the Board – Q4 CY2021; OECD staff presentation – Q2 CY 2021; Joint workshop – Q4 CY2022

27. **Outreach to OECD staff on cooperation with respect to codes of liberalization are underway.** On April 27, the Capital Flows Group hosted a presentation by the staff of the OECD Secretariat. The seminar was a response to calls by Executive Directors in the context of the IV review to better understand the OECD capital flow management framework and to the related commitment in the MIP. Arrangements are underway for a reciprocal briefing by IMF staff to the OECD and subsequently to the Executive Board. No obstacles are anticipated at this stage.

MANAGEMENT ACTION 3.2: Staff will present a proposal through a Board paper to consider the use of the assessment letter framework to respond to OECD requests for information.	**Open**	**ACCOUNTABLE:** LEG, MCM, SPR **ORIGINAL TARGET DATE:** Q1 CY2022.

28. **Staff plan to propose an amendment to the current assessment letters policy to cover the OECD.** The assessment letters policy has been used routinely to provide assessments to other IFIs and donors/creditors. Recent amendments to the OECD's Codes of Liberalization envisage that the OECD may ask for the Fund's view "on any questions relating to the balance of payments and the state of the monetary reserves of a member" and on "any questions relating to the liberalization of capital movements". No obstacles are anticipated at this stage.

MANAGEMENT ACTION 3.3: Staff will address inadvertent and unintended tensions between the IV and the Basel III framework as part of the review of the IV.	**Open**	**ACCOUNTABLE:** MCM, SPR **ORIGINAL TARGET DATE:** Second half of CY2021.

29. The review of the IV is expected to examine cases of potential tensions with the Basel III framework and propose possible ways of addressing them. Tensions between the IV and the Basel III framework may arise, for example, in cases when the implementation of the Basel III reciprocity recommendations result in CFMs on capital flows imposed outside of crises circumstances, which would be considered inappropriate under the IV. No obstacles are envisaged at this stage.

MANAGEMENT ACTION 3.4: Staff will prepare a departmental paper on "NBFIs and Market-Based Intermediation", to support the participation of Fund staff in discussions at international working groups at the FSB and SSB.	**Open**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** Q2 CY 2021.

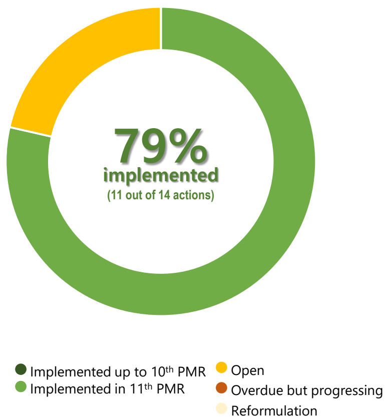
30. The proposed departmental paper on NBFIs and Market-Based Intermediation is under preparation. MCM staff envisage completion in the Fall of 2021.

B. IMF Advice on Unconventional Monetary Policies (2019)

The IEO evaluation of IMF Advice on Unconventional Monetary Policy (UMP) found that, overall, the Fund's response to the unprecedented challenges posed by the 2008 global financial crisis had been wide-ranging and, in many respects, impressive. *The evaluation also recognized, however, that there was room to further improve the added value of the Fund's contribution, as well as the traction and timeliness of its advice on monetary policy issues. The evaluation concluded that the Fund provided early support and validation to the major advanced economy central banks on UMP, helped develop a new macroprudential policy toolkit to manage risks, analyzed cross-border spillovers through new products and techniques, and introduced the new Institutional View on managing capital flows. At the same time, the IEO identified several shortcomings in the IMF's engagement on UMP. In particular, it noted that the Fund's ability to provide cutting-edge advice was limited by the absence of deep expertise on monetary policy issues, that staff did not go sufficiently far to appreciate the policy challenges faced by emerging market countries from financial spillovers and volatile capital flows, and that the Fund confronted long-standing limits on traction in encouraging international policy cooperation. Against this background, the evaluation recommended keeping abreast of, and contributing to cutting-edge discussions on frontier issues in the central banking community; deepening work on the costs and benefits of UMP and related policies;*

ensuring that the Fund is at the forefront of spillover analysis and provision of advice on capital flows; and considering steps to deepen and enrich country engagement in bilateral surveillance.

Summary of Progress – IMF Advice on Unconventional Monetary Policies



In response to four recommendations in the IEO evaluation, the MIP envisaged 14 actions, of which 11 have been implemented. The remainder face no obvious challenges and are expected to be implemented in reasonable time.

IEO Recommendation 1: Build a small core group of top monetary policy experts at the IMF to position the IMF among "thought leaders" on monetary policy issues.

Directors saw merit in building expertise in monetary policy issues to enhance the Fund's role in this field. They generally agreed that a core group of top, broadly-diverse monetary experts with experience in policy making would better provide practical guidance, more effectively engage with senior officials on monetary policy and frontier central banking issues, and at the same time support institutional learning at the Fund. **The MIP envisaged five actions to address this recommendation.**

MANAGEMENT ACTION 1.1: The new Monetary Policy Modeling Unit (MMU) in MCM will be fully staffed.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** End-2019

31. **A new Monetary Modeling Unit (MMU) in the MCM, which was created in 2019, is now fully staffed with a strength of 6.5 Full Time Equivalents (FTEs).** The unit is overseen by a Deputy Director with deep monetary expertise and is staffed with economists with strong knowledge of both monetary policy and macroeconomic modeling, as well as practical experience, including at central banks. The MMU has already developed a workhorse small open economy model that captures key features of monetary policy transmission, as well as foreign exchange intervention and CFM tools. MMU staff have also engaged in the estimation of the model, and more recently have incorporated fiscal policy, extending the model to a multi-country setting. The MMU has also developed larger-scale models to assess the effects of UMP, negative interest rates, and alternative frameworks that include average inflation targeting. MCM staff worked extensively with

EUR in applying an estimated closed economy version to assess prospective changes to the ECB's monetary policy framework, and an open economy version is being used to assess policy spillovers. In addition, the MMU team is working on various approaches to incorporate macroprudential tools into modeling frameworks.

32. **The MMU has produced seven analytical papers since its inception, of which four have been published as working papers and three are close to completion.** These papers include: "*A Quantitative Model for the IPF*" (WP 20/122); "*The Costs of Macroprudential Deleveraging in a Liquidity Trap*" (WP 20/89); "*Monetary and Macroprudential Policy with Endogenous Risks*" (WP 20/236); "*Equilibrium Foreign Currency Mortgages*" (WP 21/84); "*Navigating the Global Lockdown: Macrofinancial Policy Trade-Offs under COVID-19*"; "*Monetary Policy Strategies for the European Central Bank*"; and "*An estimated Model for the IPF*".

MANAGEMENT ACTION 1.2: A press release will announce the remit and composition of a high-level external advisory group.	**Open**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** September 2020. **EXPECTED COMPLETION DATE:** End-2021.

33. **The creation of an external advisory group has been delayed due to the COVID-19 crisis, but MCM now plans to issue the terms of reference for the group no later than end-2021.** In the meantime, MCM has hired two eminent economists as visiting scholars to provide advice on monetary policy issues.[10] Both have been senior central bank officials, in addition to having distinguished academic credentials. These scholars have supported the work on monetary policy by providing feedback on key workstreams and participating in meetings and informal discussions.

MANAGEMENT ACTION 1.3: An internal Monetary Policy Advisory Group will be created.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** Mid-2020

34. **An internal interdepartmental monetary policy advisory group (the Monetary Policy Advisory Group) was created in the Fall of 2020.** The group includes senior staff representatives from all area departments and several functional departments involved with monetary policy issues.

[10] Mr. Lars Svensson and Mr. Andrew Levin.

It meets on a regular basis and has had engaging discussions (often focused on presentations) on core issues concerning monetary policy.

MANAGEMENT ACTION 1.4: The 2020 Michel Camdessus Lecture event will be broadened to a full-day conference with a focus on monetary policy issues, including UMP.	**Implemented**	**ACCOUNTABLE:** MCM, RES **ORIGINAL TARGET DATE:** Fall 2020.

35. **The Michel Camdessus Central Banking Lecture, the first ever virtual one, took place in two half day sessions on July 14, 2020 and July 22, 2020, with a focus on monetary policy challenges in a low-interest-rate environment.** Participants included the Managing Director, the First Deputy Managing Director, the Chairman of the Governing Board of the Swiss National Bank, and the Governor of the Bank of Japan. The lecture followed a Conference on Advances in Monetary Economics, which was organized by MCM. The conference and the lecture focused on the theme of appropriate monetary policy in a "lower-for-longer" interest rate environment, a topic that has become even more relevant following the unprecedented COVID-19 shock in an environment where monetary policy room was already very limited. On July 19, 2021, MCM and RES hosted the 2021 Conference on Advances in Monetary Economics (AME) Conference, demonstrating the Fund's commitment to ongoing thought leadership on monetary policy issues. The conference covered monetary policy and inequality, monetary policy and financial markets, and coordination of monetary and fiscal policies. The event concluded with a policy panel on U.S. monetary policy, financial markets, and international spillovers.

MANAGEMENT ACTION 1.5: The Independence, Accountability, Policy and Operational Strategy, and Communications (IAPOC) toolkit, with the data and methodology paper, will be published.	**Open**	**ACCOUNTABLE:** RES **ORIGINAL TARGET DATE:** Fall 2020. **EXPECTED COMPLETION DATE:** End-FY22.

36. **An IAPOC index of monetary policy frameworks has been developed by RES, as part of the work related to governance and transparency, and publication is pending.** The work was presented in the NBER Summer Institute and is expected to be published as a working paper by Fall 2021, including the data and methodology. In parallel, RES is working with ITD to develop an online toolkit.

IEO Recommendation 2: Deepen work on the costs and benefits of UMP and related policies to develop a playbook on policy responses to use in future downturns.
Directors broadly supported the idea of developing a playbook to guide policy responses in the future by deepening work on the costs and benefits of UMP and related policies. They emphasized the need to avoid over-prescriptive approaches, allowing sufficient flexibility to adapt

to country-specific conditions and evolving circumstances. They welcomed Management's intention to present the specific agenda in future work program discussions. **The MIP envisaged five actions.**

MANAGEMENT ACTION 2.1: The MMU will issue at least two of the following research products: a small open economy model capturing key features of monetary policy transmission and FX intervention, a medium-size model incorporating macroprudential tools, and a larger scale model allowing for analysis of UMP, including negative interest rates and spillovers.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** April 2020

37. Staff have conducted substantial research on monetary issues, foreign exchange intervention, and macroprudential tools. As mentioned above, in 2020, the MMU developed a workhorse small economy model that captures key features of monetary transmission, as well as FX intervention and CFMs. The model and its key applications were published in the WP on "*A Quantitative Model for the IPF*" (WP 20/122), which shows that FXI and CFMs may improve policy tradeoffs under certain conditions, especially for economies with less well-anchored expectations, substantial foreign currency mismatch, and a higher vulnerability to shocks likely to induce capital outflows and exchange rate pressures. The MMU has also completed a paper on "*Monetary and Macroprudential Policy with Endogenous Risk*" (WP 20/236), which extends the New Keynesian model to include endogenous risk, showing that macroprudential measures can mitigate the intertemporal risk-return tradeoff created by vulnerability. In addition, the paper on "*Monetary Policy Strategies for the European Central Bank*" developed a behavioral DSGE model that seeks to assess if UMP tools such as asset purchases, forward guidance, and negative rates suffice to provide efficient macroeconomic stabilization in a context of low nominal and real interest rates. The paper finds that these instruments may be insufficient and considers alternative monetary policy frameworks, including average inflation and price level targeting. In March 2021, a stocktaking paper on negative interest rates was published as an IMF Departmental paper (2021/003) and presented in a Joint IMF-IMFS Webinar. In February 2021, staff also made a presentation to the Board on "*Monetary Policy Framework Reviews*", which provided a high-level overview of the framework reviews of major central banks, focusing on work conducted by the US Federal Reserve Board. Another Board presentation on *Monetary Frameworks and Tools* is scheduled for December 2021.

38. Recent IMF flagship publications have also included research on UMP. The Spring 2020 WEO featured two chapters (Chapters 2 and 3) analyzing policy challenges in an environment of limited policy space for both advanced economies and emerging markets. Drawing on analysis completed before the emergence of the pandemic, Chapter 2 looked at policymakers' options to respond to adverse shocks and build resistance when interest rates are low, and debts are high. The analysis showed that even when rates are low, central banks still have wide scope to use UMP tools to support the economy, although questions remain about the side effects on future financial stability and threats to central bank independence with their use. The chapter also included a Box on "*Can Negative Interest Rates Stimulate the Economy*", which illustrates pre-pandemic experiences with negative interest rate policy in several advanced economies. Chapter 3 included research which found that a tighter level of macroprudential regulation can significantly dampen the impact of global financial shocks on GDP growth in emerging markets, as well as the effects on credit growth and the exchange rate. However, the research noted that a tight level of macroprudential regulation is not costless, as it also lowers economic activity when financial conditions are favorable. The Chapter also looked at the potential side effects of macroprudential regulation through cross-country spillovers. Chapter 4 of the April 2020 GFSR analyzed the effects of very low interest rates on banks' net interest margins. A number of policies to help mitigate medium-term vulnerabilities and ensure an adequate flow of credit were discussed, including the use of macroprudential policies to tame banks' incentives for excessive risk-taking.

MANAGEMENT ACTION 2.2: A thematic briefing on the distributional impact of monetary policy will be presented to the Board.	**Implemented**	**ACCOUNTABLE:** SPR, MCM, RES **ORIGINAL TARGET DATE:** May 2020

39. **In November 2020, staff briefed the Board in an informal session on the "*Distributional Effects of Monetary Policy*", as part of an effort to help understand how monetary policy can impact inequality.** The presentation focused on the channels through which MP actions may affect the distribution of income and wealth, focusing on advanced economies and inequality within countries. It discussed the conceptual channels for analyzing the distributional effects of monetary policy shocks, documented exposures to such shocks and their impact, and presented policy recommendations. The presentation concluded that monetary policy should remain focused on macroeconomic stability, although it should not ignore distributional considerations altogether. To address public concerns about the distributional effects of monetary policy, staff recommended to highlight that secular changes in inequality and in the long-run level of interest rates are caused by structural factors. Moreover, central bankers can emphasize that monetary policy is a blunt tool to address group-specific concerns and that any distributional effects can be mitigated by policies designed for this purpose. More recently, the 2021 AME conference hosted by MCM and RES in July 2021 devoted a session to the distributional effects of monetary policy.

MANAGEMENT ACTION 2.3: An informal Board briefing on UMP and related policies will be presented to the Board.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** May 2020

40. **In September 2020, staff briefed the Board on the most recent experience on the impact of low or negative interest rates within the broader context of unconventional monetary policies.** Staff noted that the lack of conventional policy space meant that central banks had turned to a variety of unconventional monetary policy measures, with Negative Interest Rate Policy (NIRP) often adopted as part of the UMP package. Interest rates were close to zero in many advanced economies and even in some emerging market-and developing economies. Staff argued that including NIRP in the UMP policy package seemed beneficial, since it allowed policy makers to rely less intensively on other tools, mitigating their side effects. It also indicated that the net benefit of NIRP could be different for countries depending on the characteristics of their financial systems. Executive Directors raised several points, such as the need for further work on the impact of NIRP on the real economy, inflation, and inequality; the importance of paying close attention to the effects on the non-bank sector; and a better understanding of the financial stability aspects within different monetary policy frameworks.

41. **In April 2021, the Executive Board was briefed again by MCM and RES on UMPs, including the effects of spillovers.** The presentation discussed the costs and benefits of conventional and UMP tools, with a view to developing a playbook on policy responses for use in future downturns. It also drew on cross-country experience and model analysis to assess the macroeconomic impact of prominent UMP tools such as forward guidance, asset purchase programs, new central bank lending operations, and negative interest rate policies. In addition, the presentation discussed the impact that UMP may have on financial stability risks, including the effects of AE monetary policy – in particular US policy – on EMDE bond yields and investor risk tolerance for EMDE assets. The presentation emphasized the effects on equity prices, capital inflows, financial sector leverage, and corporate leverage. It indicated that effects vary significantly across EMDEs, with spillovers being typically larger for economies with higher financial openness. It was also noted that financial markets had already started to price in some removal of US policy accommodation, and that the spillovers to foreign economies were likely to depend on whether policy tightening was driven by faster US growth or inflation risks, as well as on the modalities of normalization.

MANAGEMENT ACTION 2.4: The Central Bank Transparency Code will be presented to the Board.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** May 2020

42. In July 2020, the Executive Board approved a new IMF Central Bank Transparency Code (CBT). The CBT, its principles, and detailed practices, were developed after extensive consultation with relevant stakeholders, and its preparation benefitted from guidance from a high-level advisory panel consisting of eminent former central bank governors and academics, as well as input from central banks, other relevant international organizations, and standard setters. These inputs were solicited, in part, through a conference with external experts in March 2020 hosted by MCM. Staff noted the importance of the CBT for policy effectiveness and accountability, in light of the wide-ranging policy measures undertaken by central banks in recent years in response to extraordinary shocks. The CBT's five pillar framework comprises central bank governance, policies, operations, outcomes, and official relations, thereby covering transparency in every area of central banking. The CBT seeks to support capacity building activities, technical assistance and Financial Sector Stability Reviews, surveillance, use of Fund resources, and the framework for enhanced Fund engagement in governance. The modular approach of the CBT allows for a voluntary and proportional application that takes into account country-specific circumstances.

MANAGEMENT ACTION 2.5: A thematic briefing on the components of a playbook will be presented to the Board.	**Open**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** Summer 2021 **EXPECTED COMPLETION DATE:** End-CY2021.

43. As noted in the MIP, development of a playbook requires a broad stock-take of the experience with complex UMP and related circumstances in recent years, as well as a long-term strategy. The challenge continues to be not only to advance the analytical work agenda but also to identify what constitutes good policy under circumstances that are very different from those envisaged in the immediate aftermath of the global financial crisis, when interest rates were expected to return to pre-crisis levels. To that end, the MMU and MCM's Monetary and Macroprudential Policies Division are moving ahead with their near-term work agenda. The outputs of this agenda are expected to help develop a "recession playbook", in the form of lessons learned. In July 2021, MCM partnered with SPR and FAD in an informal Board briefing on effective monetary-fiscal coordination. As noted above, in April 2021, the Executive Board was also briefed by MCM and RES on the use and effectiveness of UMP tools by both advanced and emerging market economies. These briefings and other research draw both on modeling and empirical work, and on an extensive series of notes that MCM and RES have published since the onset of the COVID-19 crisis (COVID notes), which summarize policy advice and cover various aspects of policy interventions to support economies and financial systems. Among other things, these notes discuss the potential costs and benefits of designing "direct monetary support" and the feasibility on the part of EMDEs of adopting UMP in a broad sense, including asset purchase programs. As noted earlier, another Board presentation on Monetary Frameworks and Tools is scheduled for December 2021.

IEO Recommendation 3: Make sure that the Fund is at the forefront of financial spillover analysis and provision of advice on dealing with capital flows.
Directors agreed with this recommendation. They concurred that the Fund should be at the forefront of financial spillover analysis and provision of advice on capital flows. A number of Directors called on the Fund to pay greater attention to the challenges faced by emerging market and developing countries from financial spillovers and capital flow volatility, including additional work on the appropriate mix of policies in "source" countries. **The MIP envisaged three actions.**

MANAGEMENT ACTION 3.1: The CSR will present proposals to further strengthen spillover analysis and coverage in Article IV surveillance.	**Implemented**	**ACCOUNTABLE:** SPR **ORIGINAL TARGET DATE:** April 2020

44. **The CSR, completed in May 2021, provided recommendations for strengthening spillover analysis in Article IV surveillance.** The CSR called for Fund surveillance to be prioritized around four key priorities: (i) confronting risks and uncertainties; (ii) preempting and mitigating adverse spillovers; (iii) fostering economic sustainability; and (iv) providing unified policy advice. The CSR noted that the nature of cross-border spillovers is evolving and intensifying, with shifts in global integration generating changes in patterns in the trade of goods and services, global value chains, new types of financial intermediaries, relocation of foreign direct investment, and new patterns of migration and remittances. Moreover, the COVID-19 pandemic demonstrated how increased global interconnectedness could amplify the global economic impact of outbreaks of the disease. Digital and financial technologies could also result in more rapid policy and risk transmission, with cyber risk constituting a new frontier for spillovers.

45. **The CSR emphasized that Fund surveillance would need to prioritize the identification of potential sources of adverse spillovers, as well as approaches to pre-empt and/or mitigate them.** The CSR underscored that analytical work should aim to address gaps and uncertainties, and that the Fund's efforts to address relevant gaps in data and tools should continue. In this connection, the CSR emphasized the need to bring in more cross-country perspectives and strengthen information sharing, peer learning, and internal coordination by ensuring easy access by staff to a centralized repository of spillover case studies and policy responses. The CSR also noted that there was room for the Fund to better leverage its convening power to encourage a robust dialogue between spillover producing and receiving countries. In addition, it called for further clarifying the scope of Fund coverage of spillovers in surveillance in the context of the upcoming *Guidance Note on Surveillance under Article IV Consultations*. The "*2021 CSR – Background Paper on the Surveillance Priority Pre-Empting and Mitigating Spillovers*" provided a more detailed discussion of the above-mentioned proposals. Specifically, the paper proposed a Spillovers Forum in the form of an informal closed-door meeting to take place once a year, which would bring together the membership to discuss incipient policy issues with potentially large spillovers. It also called for the

development of a spillover tool to help improve the understanding of key spillovers in a given juncture and their propagation channels, in order to enable a more coordinated approach to spillover analysis at the institutional level. Executive Directors shared the view that the Fund should continue to strengthen its work on spillovers, drawing on better data, tools, and information-sharing frameworks, while strengthening the dialogue with the membership. They broadly agreed that the spillovers tool and the Spillovers Forum would help in this regard.

MANAGEMENT ACTION 3.2: Update the Board on progress on the Integrated Policy Framework (IPF)	**Implemented**	**ACCOUNTABLE:** SPR, RES, MCM **ORIGINAL TARGET DATE:** Spring and Summer 2020

46. Staff briefed the Executive Board on progress on the Integrated Policy Framework (IPF) in May 2020, September 2020, and May 2021. The IPF aims to provide a systematic analytical approach to selecting an appropriate policy mix for managing large and volatile capital flows and, more generally, to preserve macroeconomic and financial stability in the face of domestic and external shocks. It jointly considers the role of monetary, exchange rate, macroprudential and capital flow management policies, and their interactions with each other and other policies. The May 2020 presentation focused on the implications for response to the COVID-19 pandemic. The presentation emphasized that the COVID-19 shock had underscored the need to take into account multilateral spillovers; seek the support of the international community for a well-functioning global financial system, including by helping to ensure orderly debt restructuring; and strengthen the global safety net. The September 2020 briefing, "*Toward an Integrated Policy Framework*", was subsequently published as IMF Policy Paper No. 2020/046 and will serve as an input into the forthcoming IV review, which is planned for the second half of 2021. The paper suggests that the appropriate policy mix depends on the nature of shocks, country characteristics, and initial conditions. It underscores that this finding does not rationalize indiscriminate use of multiple tools or supports their deployment in all circumstances, and that reliance on such tools should not be considered a substitute for warranted economic adjustment. As previously mentioned, the May 2021 presentation focused on progress on operationalization and analytical work related to the IPF.

MANAGEMENT ACTION 3.3: The GFSR will include a box or chapter on UMP financial spillovers.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** Fall 2020.

47. The effects of UMP on financial stability, including policy developments in emerging markets and capital flows, have become regularly discussed in recent GFSRs. The coverage of spillovers in multilateral surveillance, such as in the GFSR, supplements other research and publications like the periodic Global Markets Monitor Special Features, presentations to the OMD, and other ad-hoc work. More broadly, the April 2020 GFSR (Chapter 3), October 2020 GFSR

(Chapter 2), and April 2021 GFSR (Chapter1) analyzed the determinants of capital flows, the effect of portfolio flows volatility on local markets, and the risks of further portfolio outflows with respect to EM country fundamentals and access to vaccines. The 2020 Fall GFSR focused on the impact of the pandemic on financial conditions, the aggressive use of UMP in response to the crisis, and policy developments in emerging markets. The paper noted that since the June 2020 GFSR, global financial conditions had remained accommodative on the back of continued policy support in advanced economies and had generally eased also in emerging markets. Many emerging market central banks had deployed asset purchases for the first time, which had allowed countries and firms to benefit from continued access to capital markets and bank funding. Chapter 2 of the Fall GFSR, entitled "Emerging and Frontier Markets: A Greater Set of Policy Options to Restore Stability", further noted that asset purchases by emerging market central banks had played an important role in some domestic bond markets during the acute phase of the sell-off arising from external movements in the pricing of risk, by helping the domestic investor base absorb much of the outflow pressure and contributing to deal with the government's increased financing needs. In addition, SPR has created the first repository of asset purchases programs (APPs) announcements and implementation by EMDEs during COVID. The dataset was published in a working paper in January 2021, along with the results of an empirical analysis of the effectiveness of APPs.

IEO Recommendation 4: Draw on lessons from this evaluation to consider steps to deepen and enrich country engagement in bilateral surveillance.

Directors recognized the relevance of the lessons from the evaluation in considering how to deepen and enrich country engagement in bilateral surveillance. Most Directors shared the view that increased staff continuity, including longer tenure of mission chiefs and better transitions, would help deepen understanding of country circumstances and relationships with the authorities. Directors concurred that these issues would be best considered in the context of the CSR and the HR strategy. **The MIP envisaged one action.**

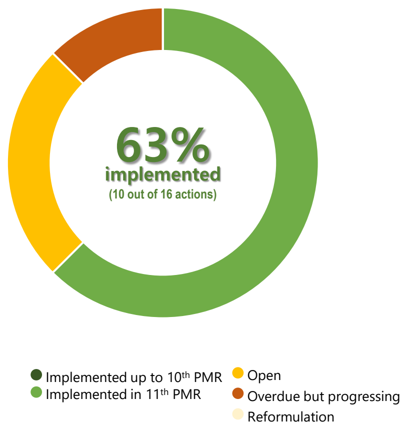
MANAGEMENT ACTION 1.1: The CSR is exploring ways to enhance the traction of Fund surveillance.	**Implemented**	**ACCOUNTABLE:** SPR **ORIGINAL TARGET DATE:** April 2020.

48. The CSR examined the issue of country engagement and made recommendations to strengthen the traction of Fund surveillance. The CSR considered a variety of complementary approaches to assess the traction of Fund surveillance, including an analysis of the implementation of past Fund advice, surveys of authorities' views, case studies, sentiment analysis, and an assessment of the uptake of Fund surveillance products and their relevance in the local policy debate (see "*2021 CSR – Background Paper on Traction*" for more details). The CSR indicated that the traction of Fund advice was reasonably strong and had risen over time but recognized that longstanding challenges of relatively weaker traction in some parts of the membership had remained, with receptiveness being systematically lower in AEs and in larger and financially open economies. Moreover, Fund advice was better received for fiscal and financial sector policies, and less so for monetary and external issues. The CSR noted that the COVID-19 crisis intensified the bilateral dialogue with most members of the Fund, despite the temporary suspension of Article IV consultations. Among the new products developed by the Fund to help members navigate the crisis, the policy tracker was particularly popular. Follow-up surveys of the membership also indicated that, in addition to listening to the authorities and providing cross-country experiences, members found the Fund's insight into global and regional development and the greater use of remote communication technology as highly relevant. The CSR pointed out that the gaps in traction could be addressed through: strengthening the quality of analytical underpinnings and bringing in relevant cross-country experiences; focusing on responding to country-specific challenges in a continuous and balanced way by discussing alternative policy options and tradeoffs; better integrating policy advice with capacity development; and maintaining a continuous dialogue, both inside and outside Article IV cycles, by leveraging new technologies and complementary modalities of Fund surveillance. In this connection, the implementation of MS Teams and OneDrive, and enabling collaboration with external participants, would provide a ready means for surveillance teams to meet and stay in touch with members on an ongoing basis. It is also necessary to improve public communication to contribute to the ongoing national or international debate.

C. IMF Financial Surveillance (2019)

The IEO evaluation found that the many initiatives that had been put in place in response to the global financial crisis had delivered a substantial upgrade of the Fund's financial surveillance work. *The special attention given to systemically important financial sectors in the FSAP program had provided high-quality assessments; the Fund had contributed to developing new diagnostic tools and exploring new policy approaches; and Article IV surveillance had stepped up attention to macrofinancial linkages. While recognizing these achievements, the evaluation noted that the quality and impact of the Fund's financial surveillance had been uneven. In particular, there was a need to further strengthen financial and macrofinancial analysis in Article IV consultations, including through closer integration with the FSAP; to increase the traction of multilateral surveillance through greater rigor and transparency, including by strengthening the Fund's contribution to the global regulatory agenda in its areas of expertise; and to intensify the Fund's efforts to become a global center of excellence on financial and macrofinancial research. The latter requires expanding research on issues within the Fund's comparative advantage, enhancing tools, and further developing financial expertise among staff. The evaluation also recommended that the Fund give consideration to increasing the resource envelope for financial surveillance in order to meet its goals and mandate.*

Summary of Progress – IMF Financial Surveillance [To be updated]



In response to six recommendations in the IEO evaluation, the MIP envisaged 16 actions, of which 10 have been implemented. Of the remaining six open actions, two are overdue but progressing and the remainder are on course to be implemented on or within a year of their original implementation due dates.

IEO Recommendation 1: Deepen financial and macrofinancial analysis, particularly in Article IV consultations, including by taking practical steps to better integrate FSAP analysis in Article IV consultations and increasing financial skills and expertise among staff.

Directors supported the recommendation to strengthen financial and macrofinancial analysis in Article IV surveillance and noted that the Comprehensive Surveillance and FSAP reviews would provide an opportunity to consider this recommendation and related specific suggestions. **The MIP envisaged two actions.**

MANAGEMENT ACTION 1.1: The CSR in conjunction with the FSAP Review, will present proposals on how to further strengthen financial and macrofinancial analysis in Article IV surveillance, including, inter alia, a proposal to increase MCM resources that would support Area Departments.	**Implemented**	**ACCOUNTABLE:** SPR in coordination with MCM **ORIGINAL TARGET DATE:** Spring 2020.

49. The CSR, completed in May 2021, discussed the importance of strengthening financial and macrofinancial analysis in Article IV surveillance, including a specific proposal to increase the pool of macrofinancial talent in Area Departments. The CSR noted that there had been significant but uneven progress in integrating macrofinancial analysis into Article IV staff reports. It identified several areas where additional efforts could help deepen systemic financial risk analysis and macroeconomic policy advice. Specific suggestions included setting expectations for Article IV reports to contain a well-articulated view about systemic financial risk grounded in a rigorous analysis of vulnerabilities; more consistent follow-up of FSAP findings and recommendations; more forward-looking systemic financial risk analysis; expanding the analysis of vulnerabilities beyond banks; and deepening knowledge on the side effects of macroprudential policy and its interaction with other policies. A detailed discussion of these issues was presented in "2021 CSR – Background Paper on Systemic Risk and Macroprudential Policy Advice in Article IV Consultations". The CSR further emphasized the need to expand the pool of macrofinancial talent at the Fund to deepen all dimensions of macrofinancial analysis in Article IV surveillance. The companion paper on "2021 CSR - Modalities for Modernizing Surveillance" noted that limitations in macrofinancial expertise, compounded by competing priorities, had constrained progress on the integration of systemic risk analysis and macroprudential policy advice in Article IV Consultations, highlighting the need for additional recruitment with the proper skill set. The assessment found that half of all Article IV reports presented gaps in this area, and that an additional 24 FTEs with macrofinancial expertise would translate into about 80 percent coverage of these gaps. Remaining gaps could be closed through training and reprioritization. In their discussions, Executive Directors called for further efforts in the areas of systemic risk analysis to better anchor macroprudential policy advice and closer integration of FSAP findings and recommendations with Article IV consultations. Directors also underscored the need to expand macrofinancial talent at the Fund, particularly in country teams, while taking into account budget considerations.

50. The 2021 FSAP review noted that progress has been made on operationalizing strengthened analytics in FSAPs and more risk-based scoping. At the same time, the review proposed to further strengthen the risk-focused approach to scoping, including by making use of greater flexibility within the FSAP's three-pillar framework (risk analysis, oversight, and safety nets) to prioritize the most systemically important risks. Specific proposals are discussed in detail in "2021 FSAP Review – Background Paper on Scope". Regarding traction, the review called for further deepening the integration of FSAPs and Article IV consultations by deploying new tools to help risk analysis by country teams, piloting increased cross-country participation, improving follow-up on FSAPs, and reflecting the authorities' views in FSSAs. A detailed description of the staff's proposals to address the challenges posed by traction is included in "2021 FSAP Review – Background Paper on Traction". In their discussions, Executive Directors agreed that greater use could be made of the flexibility within the FSAP's framework when scoping issues for FSAPs, balancing current coverage with emerging risks and issues, with continued tailoring to country specifics. They welcomed ongoing efforts to further enrich the FSAP's risk analysis toolkit and emphasized the importance of continued efforts to increase the efficiency, dissemination, and ease of use of the FSAP toolkit, and to ease data constraints.

MANAGEMENT ACTION 1.2: Publish an updated guidance note on surveillance under Article IV consultations containing practical steps to implement the Board-approved CSR recommendations, including on financial surveillance.	**Open**	**ACCOUNTABLE:** SPR **ORIGINAL TARGET DATE:** by April 2021 **EXPECTED COMPLETION DATE:** Q1 CY2022

51. Following the approval of the CSR by the Board, staff are working on the updated guidance note for surveillance in Article IV consultations, which will contain practical steps to

implement the CSR recommendations, including on financial surveillance. With the delay in completing the CSR due to the global pandemic, the guidance note is now expected to be finalized in Q1 2022. Other Fund workstreams will take aspects of the CSR priorities forward. Given prevailing uncertainties over the medium term, the operationalization of CSR priorities will proceed in gradual steps to allow for learning and efficiency gains. An interim review will take place in about two years' time to take stock of progress and make adjustments as required.

IEO Recommendation 2: Revisit the current approach to allocating FSAP resources to achieve a more flexible, dynamic, and risk-based allocation across countries and issues.

Directors broadly agreed to revisit the current approach to allocating FSAP resources to achieve a more flexible, dynamic, and risk-based allocation across countries and issues. They also agreed that the scope and focus across FSAPs could be reviewed to better tailor assessments to country circumstances, including risks and regulatory gaps. **The MIP envisaged one action.**

MANAGEMENT ACTION 2.1: The FSAP Review will present proposals on country participation and on better balancing the standardization and customization of finance stability assessments.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** Spring 2020

52. In the context of the FSAP review, staff revisited country participation in the FSAP program and proposed further strengthening the risk-based approach to surveillance. Specifically, staff proposed a new list of jurisdictions with Systemically Important Financial Sectors (SIFS), expanding the coverage from the current 29 members to 47 members. Under this new approach, 32 jurisdictions with relatively more systemically important financial sectors would participate in FSAPs more frequently (once every five years), while the remaining 15 jurisdictions, which have relatively less systemically important financial sectors, will participate in FSAPs less frequently (once every ten years). The increase in gross resource requirements for FSAPs to accommodate the larger set of mandatory FSAPs would be met by resource efficiencies elsewhere in MCM. In their discussion, Executive Directors welcomed the update and expansion of the list of jurisdictions with SIFS that are subject to periodic mandatory FSAs. A few Directors recalled that Fund policy requires the periodic review of the country list and assessment frequency.

IEO Recommendation 3: Continue to work to enhance the impact of IMF multilateral surveillance by increasing rigor and transparency, and by deepening collaboration with international partners.

Directors supported making more GFSR data and analysis available online, subject to copyright constraints, and adapting the GFSR presentation to make it easier to react for busy country officials, who are its main audience. Directors also supported continuing to deepen cooperation with international partners. **The MIP envisaged two actions.**

MANAGEMENT ACTION 3.1: Staff will prepare a Board paper on “Adapting National Prudential Approaches to the International Reform Agenda: Lessons from Experience”, that will draw from staff’s experience in collaborating with international partners.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** April 2020

53. MCM staff have published two papers: “From Basel I to Basel III: Sequencing Implementation in Developing Economies” (WP/18/127, published in 2019); and “Strengthening Bank Regulation and Supervision: National Progress and Gaps” (Departmental Paper No. 21/05, published in March 2021). While these papers were not presented at a Board discussion, they were circulated to relevant constituencies. Regular updates to the Executive Board on regulatory issues routinely cover these topics. The next such update, which is expected to focus on regulatory policy developments during the COVID crisis, is currently planned for October/November 2021.

54. Collaboration with the Financial Stability Board (FSB) and other international standard setting bodies continues and has deepened in new focus areas such as climate-related risks, cross-border payments, and nonbank financial intermediation. Staff participate in several groups of the FSB, the Basel Committee on Banking Supervision (including co-chairing a working group on proportionality), the International Association of Insurance Supervisors, and the International Organization of Securities Commissions, among others. Staff are also contributing to work by the FSB and the Basel Committee on the impact of regulatory reforms, and have prepared an annex on Enhanced Supervision and Heightened Supervisory Expectations that was included in an FSB report on the evaluation of the effects of “too-big-to-fail” (TBTF) reforms for systemically important banks, which was published in April 2021. In addition, the IMF and the FSB have continued to share and review the proposed outlines for their respective EWE presentations, with the goal of having complementary analyses. In recent EWEs, the FSB has generally covered more immediate threats to financial stability, while the Fund has examined longer-term financial stability implications of the vulnerabilities and risk scenarios introduced by the FSB.

MANAGEMENT ACTION 3.2: The 2019 Fall GFSR will publish online annexes with additional details on data and methodologies, subject to copyright and confidentiality constraints.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** Fall 2019

55. The Fall 2019 GFSR, "Lower-for-Longer", published online data annexes for all chapters as well as seven methodological annexes. These included Technical Notes on Asset Valuation Models, Credit Quality Assessment of the Corporate Sector, and Investment Fund Stress Testing; as well as an explanation for the Sample of Emerging Market State-Owned Enterprises and three technical annexes for Non-US Banks' USD Funding, the Econometric Methodology, and the methodology used for Non-US Banks' US dollar Balance Sheet and Funding Fragility Measures. The publication of online annexes with additional details on data and methodologies continued in subsequent GFSRs. Moreover, text and figures in GFSRs have been made more accessible to target audiences.

IEO Recommendation 4: Enhance the IMF's analytical tools and strengthen efforts to be a global center of excellence on financial and macrofinancial research.
Directors supported the recommendation to continue to enhance the Fund's analytical tools to improve the understanding of macrofinancial linkages. They considered that exchange of views between the Fund and major central banks, as well as developing simplified tools and increasing internal outreach, is helpful to this purpose. **The MIP envisaged five actions.**

MANAGEMENT ACTION 4.1: To strengthen efforts to be a global center of excellence on financial and macrofinancial research: Hold a conference on macrofinancial linkages.	**Implemented**	**ACCOUNTABLE:** RES **ORIGINAL TARGET DATE:** April 2020

56. On September 15-16, 2020, the Fund held a virtual Third Annual Macrofinancial Research Conference with the participation of policymakers, academics, and representatives of other international organizations. The conference focused on monetary policy transmission; risk taking by financial intermediaries; the political economy of financial regulation; leaning against the wind: tradeoffs and optimal policy; financial frictions and aggregate demand; technology in lending and credit market competition; and macrofinancial policy considerations at the time of COVID-19. The Fourth Annual Macrofinancial Research Conference is planned for September 29-30, 2021, and is expected to focus on the redistributive effects of financial policies; real and financial drives of global imbalances; technology in finance; sustainable finance solutions to climate change; credit markets, innovation and growth; and macrofinancial aspects of COVID-19.

MANAGEMENT ACTION 4.2: To strengthen efforts to be a global center of excellence on financial and macrofinancial research: Hold a conference on "Rethinking Financial Stability: The FSAP at 20".	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** October 2019

57. On October 14-15, 2019 the Fund organized a conference on "Rethinking Financial Stability: The FSAP at 20". The conference marked the 20th anniversary of the FSAP and brought together policymakers, academics, and practitioners. The first day of the conference was relatively more technical, concentrating on advances in financial stress testing, while the second day was more policy oriented, reexamining the three pillars of financial stability: (i) risk analysis, (ii) risk prevention and mitigation, and (iii) financial safety nets and crisis management.

MANAGEMENT ACTION 4.3: To enhance the IMF's analytical tools: Roll out an upgraded version of the corporate vulnerabilities surveillance tool that expands country and firm coverage vis-à-vis the current version.	**Open**	**ACCOUNTABLE:** RES **ORIGINAL TARGET DATE:** by April 2021. **EXPECTED COMPLETION DATE:** End-FY22

58. The corporate vulnerability surveillance tool was last upgraded in 2018, improving the calculation of some indicators and the presentation of some information. The roll out of a new upgraded version that would expand country coverage has been delayed due to work demands related to the pandemic and the reprioritization of RES's work program.

MANAGEMENT ACTION 4.4: To enhance the IMF's analytical tools: Roll out a tool that tracks indicators of financial risks across the membership to help strengthen the consistency of systemic financial risk assessments and facilitate the follow-up of FSAP-identified vulnerabilities (recommendation 1) in Article IV staff reports.	**Implemented**	**ACCOUNTABLE:** SPR **ORIGINAL TARGET DATE:** December 2019

59. A Systemic Risk Tracker was rolled out in December 2019 and has been updated subsequently. The tracker is a user-friendly tool for extracting signals of cyclical systemic risk from macrofinancial indicators, tailored to the needs of bilateral surveillance. It consolidates available data covering the entire membership at quarterly frequency since 1995 from existing Fund toolkits and databases and provides an economy wide snapshot by sector and type of underlying risk. A monthly

Financial Markets Monitor module facilitates the monitoring of risks in between the quarterly updates of the tracker.

MANAGEMENT ACTION 4.5: To enhance the IMF's analytical tools: The FSAP Review will present proposals to strengthen the FSAP's analytical foundations.	**Implemented**	**ACCOUNTABLE:** MCM **ORIGINAL TARGET DATE:** Spring 2020

60. The FSAP Review made several proposals to strengthen the FSAP's analytical foundations. The Review recognized that significant progress had been made since the 2014 FSAP Review in upgrading the FSAP's analytical foundations but indicated that there was room for further improvements. The review emphasized the need to further improve the efficiency of core risk analysis tools while applying new standardized tools, including for corporate and household stress testing and bank-sovereign linkages. It proposed to enhance macroprudential stress testing in FSAPs by improving the modeling of the interaction between solvency, liquidity, and contagion risks and macrofinancial feedback effects; expanding the coverage of nonbanks, focusing on cross-sectoral interactions and nonbanks' potential impact on markets; aiding calibration of macroprudential policies via stress tests; and developing financial stability analysis frameworks for emerging risks such as climate change and technological change in financial services. A detailed description of the staff's proposals in this area is included in "2021 FSAP Review – Background Paper on Quantitative Analysis".

61. MCM is also making progress in developing and disseminating simplified analytical tools to support financial stability risk analysis by area departments. Examples of these tools include the Global Bank Stress Test and Universal Bank Stress Test Tool, which is still under development. Since 2019, policy position notes were added to the KE to assist country teams, focusing on regulatory sandboxes, foreign exchange settlement risk, and regulation and supervision of e-money issuers. With the pandemic, support to country teams shifted to COVID notes, with MCM publishing nine of these notes to support countries and country teams in setting out their policy response to financial sector issues. MCM has also been working on updating its intranet page, which provides access to a range of analytical tools, to help country teams strengthen the operationalization of macroeconomic surveillance. The aim is to discuss key macrofinancial issues to be considered, improve the accessibility and applicability of existing analytical tools, and examine gaps that need to be addressed. Further, all GFSRs from April 2019 have continued to use the growth-at-risk (GaR) framework. Refinements to the framework have included (i) better aligning forecast densities with information contained within the global growth projections provided in the WEO; and (ii) broadening the scope to facilitate scenario analysis. MCM continues to assist country desks (and FSAP teams) in tailoring the framework for specific uses – e.g., for macrofinancial assessments and stress-test scenarios.

IEO Recommendation 5: Intensify efforts to attract, develop and retain a deeper pool of financial talent, as well as to ensure that area department fungible macroeconomists have the knowledge and support to integrate financial and macrofinancial analysis into Article IV consultations.

Directors underscored that it is critical to ensure that country teams have the knowledge and support to integrate financial and macrofinancial analysis into Article IV consultations. They noted that targeted enhancements from the HR Strategy can help ensure that Fund staff develop the expertise needed for effective macrofinancial surveillance. **The MIP envisaged five actions.**

MANAGEMENT ACTION 5.1: Brief the Executive Board on the HR strategy, including on the ongoing workforce analysis for financial sector experts.	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** HRD **ORIGINAL TARGET DATE:** by January 2020 **EXPECTED COMPLETION DATE:** FY22

62. The Executive Board was briefed on the HR strategy in November 2019, including ongoing workforce planning efforts by HRD, and additional work on financial sector experts is in progress. Robust workforce analysis for financial sector experts is currently limited by the absence of comprehensive data on skills, expertise, and experiences. Staff analyses in presentations to the Executive Board in the context of budget discussions and recruitment and retention experience reports have focused on a narrow definition that only includes financial sector experts with FSE titles mostly in MCM and other departments to a lesser extent. A broader definition that also includes fungible macroeconomists with experience in MCM or other exposure or experience on financial sector issues is more difficult to quantify because of the absence of comprehensive talent inventories. In the context of the modernization of HR processes and systems, plans are underway to capture talent profiles and build a comprehensive talent inventory to facilitate better workforce analysis, including for financial sector experts. The categorization of skills is largely dependent on the full rollout of the new HR system, Workday, which is ongoing. Workforce analysis notes have been presented and discussed at the corporate workforce planning board, and the analysis for financial sector experts is slated for FY22. At this stage, based on the narrow definition of financial sector experts, there has been an increase in the number of these experts from 97 in FY15 to 132 in FY21.

MANAGEMENT ACTION 5.2: Launch an enhanced career mobility framework along with a career playbook for all job families, including for financial sector experts.	**Implemented**	**ACCOUNTABLE:** HRD **ORIGINAL TARGET DATE:** by January 2020

63. **In July 2020, Management launched new career tools and guidance to support staff with their career development at the Fund.** The introduction of new Career Playbooks that include self-development resources and interactive tools will serve as an essential resource for exploring paths that best match the background and career aspirations of staff members. In total, 13 career playbooks have been introduced, one for each of the four job families under the Economics job function and nine for the Specialized Career Streams job functions. Within the Economics job function, financial sector experts constitute one of the four job families, together with macroeconomists, fiscal sector experts, and statistics experts. The playbooks would allow staff to explore options within their function and across the Fund. The playbooks are supported by a new job architecture, the Job Family and Career Framework (JFCF), and a technical competency model (TCM).

64. **Alongside the career playbooks, Management also issued the Fungible Macroeconomist (FM) Career Path and Mobility Framework (CPM).** The framework recognizes that over the years the Fund has encountered staffing challenges in the macrofinancial area, LIC/FS, and some areas regarded as non-core. The framework contains recommendations for six elements aimed at improving the transparency and functioning of the internal job market. These elements are: updated guidelines on expected experiences; responsiveness to institutional needs as a prerequisite for eligibility for promotion to A15; tenure rules and benchmarks; introduction of staff profiles and talent inventory; establishment and use of talent pools; and enhanced mobility support. Some of these elements have been completed but others are still under development. FMs at grades A12-14 are now expected to gain a wide range of experiences on different topic/policy areas, regional/country contexts, and forms of country engagement. Examples of experiences include real, fiscal, monetary, external, and financial sectors; and regional/multilateral surveillance, global solutions, policy formulation/review, and economic and financial research. In addition to this diverse set of experiences, for advancement to A15, A14 FMs will be required to have experience with at least one LIC/FS country assignment or equivalent.

MANAGEMENT ACTION 5.3: Complete an enhanced talent inventory of staff to include talent profiles for financial sector experts and data on macrofinancial (and other) experiences of fungible macroeconomists.	**Open**	**ACCOUNTABLE:** HRD **ORIGINAL TARGET DATE:** by November 2020 **EXPECTED COMPLETION DATE:** FY23

65. The technology to facilitate an enhanced talent inventory of staff, including talent profiles for financial sector experts and data on macrofinancial experiences of fungible macroeconomists, has been rolled out with the implementation of Workday. As part of the technology roll-out for the program to modernize HR processes and systems, Talent Cards are now available for all employees to complete. The Talent Card, supported by a comprehensive talent profile, provides a high-level summary of staff's corporate and work experience, education, qualifications, skills, career interests, certifications, training, publications, and more. Work experience includes areas of expertise and type of assignments (e.g., advanced economies, fragile states, LICs, event management, etc.) as well as duration and countries covered. While limited portions of the talent profile are pre-populated from the previous HR system, it is generally expected that staff will voluntarily complete the rest of their profiles. It is also intended that completion of the talent profiles will be required for application to certain job positions at senior levels. Over time, this requirement should gradually help develop a full talent inventory for staff across different job functions. For the economics job functions, required experiences are clearly defined and easier to track. For the specialized career streams, more work is needed to define required experiences due to the wide disparity across job functions.

MANAGEMENT ACTION 5.4: Publish implementation details of the new HR strategy, which will include strategic workforce planning supported by a talent inventory of staff (with expertise profiles, including macrofinancial), a career mobility framework, and an expert track.	**Open**	**ACCOUNTABLE:** HRD **ORIGINAL TARGET DATE:** by April 2022 **EXPECTED COMPLETION DATE:** FY23

66. In September 2018, Management announced the Fund's Enhanced Performance Management approach as the first milestone of the HR Strategy. This new framework aims to build a strong and agile workforce capable of meeting the evolving needs of the membership. It involves a continuous cycle of setting and reviewing objectives, supporting sustained performance, providing coaching and feedback throughout the year, and conducting a comprehensive year-end assessment for staff's overall performance. The new framework became effective starting May 1, 2019, but aspects of it have been delayed to accommodate work pressures arising from the COVID crises.

67. As previously mentioned, in July 2020, Management launched new career tools and guidance to support staff with their career development at the Fund. A new JFCF was designed to help enrich and support career development in the Fund. The JFCF has three main deliverables that support career management: an updated job architecture which demonstrates how jobs are organized in the Fund; an Integrated Competency Framework (ICF) that provides insights on the competencies and specialty knowledge needed for roles under each family; and Career Playbooks to help staff navigate their careers and explore development options. The ICF competencies are grouped as Behavioral, People Management and Technical and are expected to strengthen the quality of career guidance, performance management, and learning development for staff and managers.

68. Also mentioned above, alongside the new career tools, Management issued the Fungible Macroeconomist (FM) Career Path and Mobility Framework (CPM). A new benchmark encouraging a maximum tenure on a country team of 3.5 years (in addition to the current minimum assignment tenure of 2 years) is encouraged from July 2020. Interdepartmental mobility for A14/B3s continues to be required after seven years in the same department and has been expanded to include A12-A13 FMs. Mobility remains predominantly market based. Enhanced mobility support will be provided, including with improved tools (new staff profile, talent inventory, institution-wide talent pools for specific types of assignments, etc.). The new mobility framework for fungible macroeconomists includes policy requirements that incentivize work on low-income countries and/or fragile states, which are covered in paragraph 78.

69. The work on strategic workforce planning is now expected to take longer than expected, given the ongoing work pressures and change management challenges associated with a number of modernization initiatives. A new technology designed to aid a systematic and comprehensive workforce analysis is expected to be deployed in December 2021, as part of the new HR technology solution. Alongside the aforementioned talent profiles and inventory, the new system is expected to have more data on skills (and experiences) that will allow more granular identification of skills gaps in particular areas across job functions. A proposal for an expert track is also being considered. If deemed feasible, the expert track will seek to provide a career path to certain specialists, including financial sector experts, with a clear expectation that they will support the work of the Fund and build institutional capacity. Positions in the expert track could cover areas of strategic importance to the Fund and would be based on a validated need for long-term expertise in those areas.

MANAGEMENT ACTION 5.5: Offer 19 training events in the macrofinancial area in 2019, up from 17 in 2018.	**Implemented**	**ACCOUNTABLE:** ICD **ORIGINAL TARGET DATE:** by end-2019

70. The number of Internal Economics Training (IET) events in the macrofinancial area offered by ICD increased from 18 in FY18 to 20 in FY19. Due to the pandemic, the number of events in the macrofinancial area declined to 4 in CY 2020. In addition to the traditional course offerings, clinics and hands-on workshops have become an integral part of the IET program. A clinic on the GaR tool was delivered in FY19, while a clinic on the updated GaR has been postponed until FY22 due to the pandemic. In addition to the GaR clinic, a clinic on systemic risk analysis was delivered in FY20 and another one in FY21. Clinics on financial inclusion (as part of the macro-structural clinics) were delivered in FY18-FY19.

IEO Recommendation 6: Consider devoting significant additional resources to financial surveillance.
Directors agreed that to fully meet its responsibilities and objectives, the Fund should devote adequate resources to strengthening financial surveillance and concurred with the need for additional resources for this work. **The MIP envisaged one action.**

MANAGEMENT ACTION 6.1: The FY21-23 Medium-Term Budget discussion will consider the on-going FSAP Review and CSR and reflect on medium-term trade-offs.	**Overdue but progressing**	**ACCOUNTABLE:** OBP **ORIGINAL TARGET DATE:** February-April 2020 **EXPECTED COMPLETION DATE:** Q4 FY22

71. **Recent medium-term budgets have provisioned additional resources in support of financial surveillance, but additional reviews of resource needs and trade-offs are now being considered following the completion of the CSR and FSAP Review in May 2021.** Current estimated direct spending on financial surveillance in functional departments is estimated at $47 million per year (average for FY17-20, in FY20 U.S. dollars), reaching close to $60 million in FY21. This does not include financial surveillance work undertaken by area departments, which are harder to quantify but estimated through Fund-wide surveys at close to $15 million in FY21. Within this estimate, bilateral financial surveillance (including FSAPs) is around $30-33 million per year. Overall, the FY21 Budget provided an increase in MCM's structural and transitional resources, including for financial surveillance/FSAPs, cybersecurity, fintech (including digital currencies), and the Monetary Policy Modeling Unit. Expressed in FY20 US dollars, the net increase in structural resources for MCM for FY21 amounted to US$1.6 million, while the transitional resources for FY21 amounted to US$2.3 million. This was relative to a FY20 overall budget for MCM (including transitional funds) of US$87.4 million. The FY22 Budget provides additional spending on financial surveillance, including macroprudential stress testing, new data requirements for surveillance, and strengthening of selected country teams. Overall, the budget envisages an increase in MCM's structural and transitional resources, including to provide support to area departments on crisis-related topics, debt issues, and financial surveillance/FSAPs, with focus on crisis-related risks, cybersecurity, fintech, the IPF, and climate change. Expressed in FY21 US dollars, the net increase in structural resources envisaged in the FY22 budget for MCM amounts to US$2.8 million, while the transitional resources amount to US$1.3 million, and crisis resources to US$3.8 million. This is relative to a FY21 overall budget for MCM (including transitional funds) of US$90.6 million.

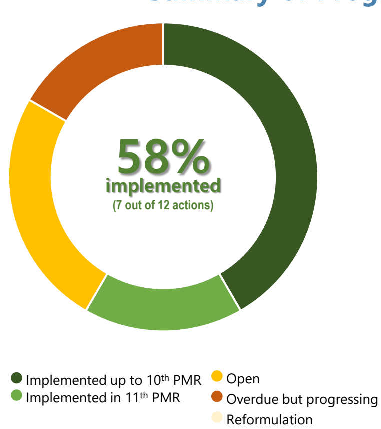
72. **Looking ahead, the early proposals for FY23-25 Medium-Term Budget envisages a targeted structural augmentation to address new initiatives following a decade of flat real budgets, including resource requirements arising from the CSR and FSAP Review.** Staff are

expected to present formal proposals for the structural budget augmentation in October 2021, following an informal presentation on preliminary proposals in July 2021. The augmentation is expected to focus on the Fund's work on climate change and digital money, accelerating ongoing efforts to strengthen the Fund's macrofinancial work in bilateral surveillance, reinforcing its support to FCS, and work on inclusion and gender. The CSR and the FSAP Review, together with formal discussions on the Fund's climate and digital money strategies, and informal discussions on the FCS and inclusion and gender strategies, constitute the main channels that provide the strategic underpinnings for the augmentation. In particular, the CSR proposals to enhance bilateral macrofinancial surveillance through expanding macrofinancial talent (24 FTEs) are expected to be reflected in the proposed structural budget augmentation request. In the implementation, this would also involve mobility from MCM to area departments to support a broadening of macrofinancial expertise across country teams.

D. The IMF and Fragile States (2018)

The IEO evaluation found that the IMF has made important contributions in fragile states by helping to restore macroeconomic stability, build core macroeconomic policy institutions, and catalyze donor support, but it also considered that the Fund's approach to fragile states seemed conflicted and that the outcomes from its engagement fell short of potential*. In particular, the evaluation noted that the IMF's efforts at adapting policies and practices to the special situation of fragile states had not always been sufficiently bold or adequately sustained. Against this background, the evaluation found scope for the IMF to provide a strong public signal of its commitment to work on fragile states; create institutional mechanisms to promote and coordinate internally and externally its work in this area; and develop individual country strategies that integrate the roles of policy advice, financial support, and capacity building in fragile states. It also recommended improving the adequacy of its financing instruments; enhancing the delivery of its capacity development support; strengthening the IMF's teams working on fragile states; and seeking pragmatic ways to increase its presence on the ground in risk-locations, while minimizing the risk exposure of staff.*

Summary of Progress – The IMF and Fragile States



In response to six recommendations in the IEO evaluation, the MIP envisaged 12 actions of which seven remained open after the Tenth PMR. Two additional actions have been implemented since the Tenth PMR. As a result, five actions remain open, of which two are overdue but progressing and three are on course to be implemented on or within a year of their original implementation due date.

IEO Recommendation 2: Establish an effective institutional mechanism to better coordinate the work by the Fund and other stakeholders.
Directors broadly agreed with this recommendation. Some cautioned that such a mechanism should not be duplicative or unduly resource intensive, while a few suggested that the mechanism be chaired by management, and some others noted that they would appreciate regular reporting to the Board. A few Directors were unconvinced that a new institutional mechanism was the most effective way to address the issue. ***The MIP envisaged three actions, two of which remained open after the Tenth PMR. One additional action has since been implemented.***

MANAGEMENT ACTION 2.1: Establish a high-level committee that will report twice a year in a formal meeting with management to seek management guidance to the action plan.	**Implemented**	**ACCOUNTABLE:** SPR (with other departments) **ORIGINAL TARGET DATE:** October 2018

73. **A *High-Level Interdepartmental Committee on Fund Engagement in FCS* was established in late 2018 and have been meeting with Management on key issues such as staffing for FCS country engagements and the institutional FCS engagement strategy.** The committee is chaired by the Director of SPR and comprises the Directors of AFR, FAD, HRD, ICD, MCD, and MCM, with other departments invited to participate as warranted. The main objectives of the committee are to advocate for, and promote, the implementation of measures to improve Fund engagement in fragile and conflict situations, including actions to improve coordination across the Fund and with outside agencies. In 2020, due to the pandemic, the activities of the committee were suspended but the Committee was reinvigorated in February 2021 and has been meeting roughly on a bi-weekly basis since then. In recent months significant work has been carried out for the preparation of the Fund's FCS engagement strategy, including defining a set of priority actions for the next three years. Alongside the High-Level FCS committee, an interdepartmental FCS Technical Taskforce was also set up. The task force is chaired by the newly hired Deputy Director of ICD who is leading the Fund's work on FCS. The new Deputy Director is in charge of the task force and seven working groups across the Fund that focus on key priorities identified by the IEO, including the preparation of the FCS engagement strategy and updating the 2012 staff guidelines on FCS work.

MANAGEMENT ACTION 2.3: Staff will prepare a Board paper on Review of FCS Engagement.	**Open**	**ACCOUNTABLE:** SPR (with other departments) **ORIGINAL TARGET DATE:** End-2020 **EXPECTED COMPLETION DATE:** End-CY2021

74. **A full-fledged strategy on the Fund's engagement in FCS (FCS Strategy) is now planned for presentation to the Executive Board by end-2021, following some delays due to the COVID pandemic.** The FCS Strategy will seek to provide a renewed vision for the Fund's role in FCS. Initial proposals have been prepared based on lessons learned from the Fund's past engagement in FCS, together with analytical contributions from RES. On July 6, a presentation was made to the Executive Board in an informal session to solicit inputs on these proposals, which received positive feedback from Directors. First, the FCS Strategy is expected to articulate how the Fund's comparative advantage, core competencies, mandate, and instruments can be leveraged to achieve this vision across the fragility and conflict spectrum. Second, the FCS Strategy would articulate how the Fund can enhance its tailoring of surveillance, macroeconomic policy advice, CD provision, and program design to the specific manifestations of fragility and conflict. It will thus clarify how modalities of engagement can be better tailored to the special characteristics and unique policy space of FCS. Third, the FCS Strategy will seek to spell out the Fund' s role relative to other partners and its work with other actors, including development, humanitarian, peace and security agencies, based on the respective mandates, comparative advantage, and complementarities. Fourth, the Strategy will set out specific measures to adapt the Fund's engagement at each stage of the fragility and conflict spectrum, thereby enhancing its effectiveness. Another informal Board briefing is planned for September 2021, prior to formal Board consideration of the strategy by the end of 2021.

IEO Recommendation 3: Develop forward looking, holistic country strategies that integrate the roles of policy advice, financial support, and capacity building as part of the Article IV surveillance process.

Directors broadly supported this recommendation and stressed that the requirements for such strategies would need to be flexible and adaptive to avoid being a bureaucratic administrative requirement and should not overburden the Article IV process. ***The MIP envisaged one action, which remained open after the Tenth PMR.***

MANAGEMENT ACTION 3.1: Area department FCS country teams to prepare as part of staff reports for Art. IV and new program requests a succinct country engagement strategy that discusses country fragility, surveillance and CD priorities, and, if applicable, the complementary role for Fund financial support.	**Open**	**ACCOUNTABLE:** Area Departments (monitored by SPR) **ORIGINAL TARGET DATE:** Starting from Q1 2019 **EXPECTED COMPLETION DATE:** End-CY2021

75. **Country Engagement Strategy (CES) have been successfully deployed for a pilot of five countries, with a plan to roll out to all FCSs under the proposed FCS strategy.** Following three early attempts (for Djibouti, Iraq, and Somalia), medium-term CES have now been formalized for five pilot countries – Afghanistan, Central African Republic, Djibouti, Haiti, and Madagascar – in papers discussed at the Board. Interim staff guidance for the preparation of CES was provided in early 2019,

and staff have experienced with different approaches, depending on country circumstances. Preliminary experience has shown that the CES is valuable in enhancing engagement both with the authorities and other stakeholders. An FCS Technical Taskforce has organized meetings to exchange lessons learnt on developing CES, and a stocktaking of experiences as well as a survey of mission chiefs have been conducted with a view to deciding on next steps.[11] The FCS Strategy is expected to propose ways to implement the CES in FCS and provide broad guidance to teams in this area. Initial proposals envisage a gradual rollout of the CES, with the specific timeline to be established in the FCS Strategy. ICD, in coordination with other departments, delivered a training program in FY21 to develop the skills and expertise of Fund staff working on FCS. The program will be further enhanced in line with the FCS Strategy, taking a practical, hands-on approach to improve the skills needed for surveillance and program work on FCS.

IEO Recommendation 4: Adapt the Fund's lending toolkit in ways that could deliver more sustained financial support to fragile states and, for countries that have external arrears to the IMF, respond proactively to windows of opportunity for the clearance of arrears and restoration of access to Fund resources.

Directors supported further consideration of modifications to the Fund's lending toolkit in the context of the 2018 Review of Facilities for Low Income Countries (LICs), including consideration to raising the access limits for the Rapid Financing Instrument/ Rapid Credit Facility. ***The MIP envisaged two actions, of which one remained open after the Tenth PMR. This has since been implemented.***

MANAGEMENT ACTION 4.2: Report [to the Executive Board] efforts to mobilize broad creditor support for FCS with external arrears to official creditors, including arrears to the Fund, in the context of the upcoming reviews of overdue financial obligations for Sudan and Somalia.	**Implemented**	**ACCOUNTABLE:** FIN and SPR **ORIGINAL TARGET DATE:** March 2019

76. After mobilizing broad creditor support, both Somalia and Sudan have made substantial progress towards debt relief and arrears clearance with official creditors, including arrears to the Fund. In July 2019, the Executive Board completed the 2019 Article IV Consultation with Somalia; the Second Review Under Staff-Monitored Program and Request for a New Staff-Monitored Program; and the Review of Overdue Financial Obligations to the Fund and Further Review Following Declaration of Ineligibility. In February 2020, the Executive Boards of the IMF and the World Bank considered Somalia as eligible for assistance under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative, in recognition of its sustained commitment to key economic and

[11] An analytical chapter on tailoring programs to FCS was published in Macroeconomic Policy in Fragile States (Oxford University Press).

financial reforms under consecutive staff-monitored programs. Subsequently, the Managing Director announced that the Fund had secured sufficient financing pledges to allow it to provide comprehensive debt relief to Somalia. Once donor pledges were formalized, Somalia cleared its external arrears with official creditors, including those to the Fund, and the Fund provided new financing, enabling the delivery of HIPC Initiative and other debt relief. Somalia's arrears to IDA were cleared on March 5, 2020 through bridge financing provided by Norway, reimbursed with the proceeds of a Development Policy Grant, while the arrears to the African Development Bank were cleared on the same date through bridge financing from the United Kingdom and a contribution from the EU. The bridge loan from the UK was reimbursed by the proceeds of a Policy Based Operation Grant. Somalia's arrears clearance to the Fund took place on March 25, 2020 and involved a bridge loan from Italy. Subsequently, Somalia paid the increase in its quota under the 14th General Review through the implementation of a second bridge loan from the same lender. This was followed by a decision to approve 3-year arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF), as well as interim assistance under the enhanced HIPC Initiative on Somalia's debt service falling due to the Fund. The first ECF review was completed on November 18, 2020, and on March 24, 2021, the Executive Board granted additional interim assistance to cover Somalia's debt service obligations to the Fund for the period March 25, 2021 through March 24, 2022.

77. On September 23, 2020, the Executive Board endorsed the Upper Credit Tranche quality of a new Staff-Monitored Program (SMP) approved by management for Sudan, following stabilization of internal political issues in the country. The new government of Sudan requested the SMP to establish a track record of policy and reform implementation, which constitutes one of the key requirements to qualify for HIPC debt relief. On March 24, 2021 the Executive Board considered the First Review Under the Staff-Monitored Program, the Review of Overdue Financial Obligations to the Fund and the Complaint with Respect to the Suspension of Voting Rights. On March 23 and March 26, 2021, respectively, the Executive Boards of the World Bank and the IMF discussed Sudan's Preliminary Document on the Enhanced Heavily Indebted Poor Countries Initiative and after commending the authorities' sustained commitment to economic and institutional reforms under challenging circumstances, they agreed that Sudan could be eligible for assistance under the Enhanced HIPC Initiative based on the preliminary assessment. On June 22, 2021 the Fund secured sufficient financing pledges to provide comprehensive debt relief to Sudan, with the support of 101 IMF member countries. On June 29, 2021 Sudan reached the HIPC Decision point and qualified to receive total debt relief under the HIPC Initiative of US$23.3 billion in present value terms, over three times the next largest HIPC case. This will be complemented by traditional debt relief initiatives for US$ 25.3 billion, bringing total debt relief to more than US$50 billion in net present value terms (over 90 percent of Sudan's total external debt) once the Completion Point is reached, with the participation of the majority of Sudan's creditors. In addition, the IMF Executive Board approved a new 39-month Extended Credit Facility Arrangement (ECF) for Sudan for about US$2.5 billion to support the implementation of the authorities' reform agenda, anchoring reforms between the HIPC Decision and Completion Points. Sudan's arrears to IDA were cleared on March 26, 2021 through bridge financing provided by the United States, reimbursed with the proceeds of a Development Policy Grant primarily funded from IDA's Arrears Clearance Set Aside in IDA19. Arrears to the African Development Bank Group were cleared on May 12, 2021 through bridge financing provided by the United Kingdom and contributions from Sweden and Ireland. The bridge loan from the UK was reimbursed via the proceeds of a Policy Based Operation Grant. Arrears to the Fund were cleared on June 29, 2021 with the assistance of bridge financing from France, which was reimbursed using front-loaded access under the IMF financial arrangement.

IEO Recommendation 5: Take practical steps to strengthen the impact of Fund's capacity development (CD) support to countries in fragile and conflict situations.
Directors supported this recommendation, including increasing the use of on the ground experts, employing realistic impact assessment tools, and making efforts to ensure that adequate financial resources are available for CD work in these countries. Directors saw merit in a multi-donor trust fund for FCS, provided a business case could be made while also protecting RTAC funding. Directors agreed on the importance of effective coordination with other TA providers. ***The MIP envisaged three actions, of which two remained open after the Tenth PMR. These remain overdue, but nevertheless making progress.***

MANAGEMENT ACTION 5.2: Report to management on the case for a dedicated Multi Donor Trust Fund (MDTF) or a coordinated set of bilateral projects for FCS to target CD gaps.	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** ICD (with other departments) **ORIGINAL TARGET DATE:** September 2019 **EXPECTED COMPLETION DATE:** End-2021

78. **Proposals for a dedicated Multi Donor Trust Fund (MDTF) for FCS to target CD gaps is yet to gain broad-based support, but options to achieve a more balanced mix of internal and external funding of CD and a more flexible funding instrument for external financing are being explored as part of the upcoming FCS strategy.** These efforts, among others, are expected to lead to an increase in the share of CD delivery to FCS, in a manner consistent with absorption capacity.

MANAGEMENT ACTION 5.3: Prepare a staff paper for Board discussion with analysis of experience and lessons from building financial and statistical capacity in FCS.	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** MCM and STA **ORIGINAL TARGET DATE:** December 2019 **EXPECTED COMPLETION DATE:** FY23

79. **In May 2021, MCM made an informal presentation to the Executive Board on *Building Capacity on Monetary and Financial Policies in Fragile and Conflict-Affected States*;**

a companion paper by STA on building statistical capacity is expected to follow. Staff briefed Executive Directors on MCM's ongoing CD activities in FCS, outlook and challenges for these activities, and lessons learned. The presentation drew on recent experiences in FCS in respect of the approaches taken by Fund TA to design and implement central bank and financial system reforms, including financial market development and debt management. In particular, trends and modalities of TA delivery to these countries were analyzed to derive lessons for the future. Regarding statistical capacity in FCS, STA is preparing a working paper that is expected to be completed in the last quarter of 2021. Depending on the availability of resources and priorities, the paper would form the basis for a presentation to the Board tentatively planned for FY23.

IEO Recommendation 6: The IMF should take practical steps to incentivize high quality and experienced staff to work on individual countries in fragile and conflict situations, ensure that adequate resources are allocated to support their work, and find pragmatic ways of increasing field presence in high-risk locations while taking necessary security arrangements even at high cost.

Directors supported this recommendation and called on the upcoming review of the HR strategy to proactively consider ways of providing stronger recognition of the staff's work in these countries to reduce turnover and attract more experienced staff, and to consider changes to recruitment practices. Directors noted that an increase in field staff presence in high-risk locations should be weighed against the paramount objective of protecting staff safety. ***The MIP envisaged two actions, of which one remained open after the Tenth PMR. This action is now overdue, but nevertheless making progress.***

MANAGEMENT ACTION 6.1: The HR Strategy Review will look into strategic workforce and career planning, including recruitment, and will consider actions to ensure that the Fund has appropriate staff expertise and experience to work effectively in fragile states, including the introduction of a "career" playbook to incentivize staff to work on FCS.	**Open**	**ACCOUNTABLE:** HRD **ORIGINAL TARGET DATE:** Progress assessed at end-2020 in the review of FCS engagement **EXPECTED COMPLETION DATE:** FY23

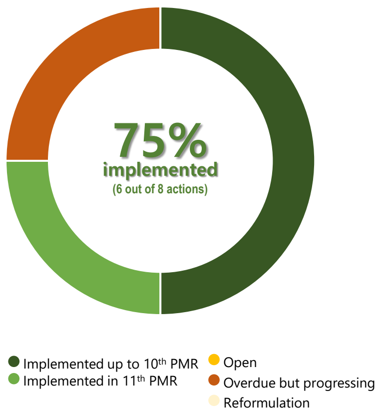
80. As noted earlier, in July 2020 management launched a new policy including a career path and mobility framework (CPM) for fungible macroeconomists at grades A12-A14. The CPM for FM provides the range of experiences expected from FMs at grades A11-A14. As part of these experiences, the framework establishes that starting July 2023, without exception, promotions from A14 to A15 will require country team or equivalent experiences in low-income countries and/or fragile states. The requirement can be fulfilled by either of the following assignments: (i) country team assignment(s) for a minimum of two years (not required to be continuous) on LICs/FS; (ii) a minimum of five CD missions focused on LICs/FS country work (considered as equivalent to the minimum of two years on a country team); (iii) a combination of a minimum of one year LICs/FS country team assignment(s) and three CD missions focused on LIC/FS country work; or (iv) a minimum of two years of equivalent external experience on LIC/FS, e.g. midcareer experience with Central Bank, Ministry of Finance, International Financial Institution, or International Organization at the professional level in LIC/FS. The framework for FMs also establishes supporting mechanisms and resources to acquire the recommended experiences and fulfill mobility requirements. The FCS strategy will continue to look at career incentives/paths, team support at headquarters, recruitment for FCS, and solutions to incentivize experienced economists to join FCS teams.

81. An Interdepartmental Committee will systematically review the experiences of FMs to determine if they meet the LIC/FS requirements. Draft terms of reference for a LIC/FS Advisory Group (AG) to provide guidance on the implementation of the new policy were prepared in November 2020. The terms of reference established that the AG, supported by HRD, will be primarily responsible for clarifying which LIC/FS operational experiences meet the policy requirements at the institutional level and for individual staff cases. The AG is already operational and significant progress has been achieved in developing the operational guidelines, consulting with departments, and fleshing out the vetting process. The AG consists of representatives at grade A15-B3 from area and functional departments. The Division Chief of HRD's Organizational Effectiveness unit serves as ex-officio member. Members of the AG were nominated by departments and approved by the Director of HRD, based on deep knowledge of Fund operations, LIC/FS expertise, excellent judgement and corporate citizenship, embodiment of the Fund's core values, and diversity (gender, nationality).

E. The IMF and Social Protection (2017)

The IEO evaluation found that the Fund had stepped up its attention to social protection, but also indicated that its level of engagement varied across countries, and that implementation outcomes had been mixed*. While engagement in some countries was deep, covering different activities (bilateral surveillance, technical assistance, and/or program work) and involving detailed analysis of policy options and distributional impacts, engagement in other countries was more limited, with little detailed analysis or follow-up. This varied treatment, particularly in surveillance, seemed to partly reflect the lack of a uniform view among staff on the IMF's role in social protection and the work they were expected to do in this area. The evaluation noted that in the program context, the IMF almost always took account of social protection concerns, but with mixed success in implementation. While this outcome partly reflected capacity constraints and differences in country commitments, sometimes the authorities also viewed the Fund as insufficiently attuned to local conditions. Against this background, the IEO evaluation recommended that the Fund establish a strategic framework to guide its work on social protection; provide tailored policy advice; and adopt more effective approaches for program design and conditionality. The evaluation also found scope for strengthening the IMF's collaboration with other developing partners and enhancing its external communications regarding its approach to social protection and its boundaries for involvement, given its mandate and limited resources and expertise.*

Summary of Progress – The IMF and Social Protection



In response to five recommendations in the IEO evaluation, the MIP envisaged eight actions. Four of these actions had been implemented as of the Tenth PMR, including the fundamental one of establishing a strategic framework for Fund involvement in social protection. Two additional actions have been implemented since then; the remaining two actions are overdue but nevertheless continue to make progress.

IEO Recommendation 1: Establish a clear strategic framework to guide the Fund's involvement in social protection.

Directors agreed on the need to establish a clear strategic framework to guide the Fund's involvement in social protection. This framework could be set out in a Board paper that would delineate the scope, objectives, and boundaries of the Fund's engagement in social protection. ***The MIP envisaged three actions, of which two remained open after the Tenth PMR. Both of these actions are now overdue, but nevertheless making progress.***

MANAGEMENT ACTION 1.2: Staff will issue a follow-up guidance note to support the strategic framework for social protection.	**Overdue but progressing** 	**ACCOUNTABLE:** FAD and SPR **ORIGINAL TARGET DATE:** End-2019 **EXPECTED COMPLETION DATE:** End-FY22

82. **Following the Board's endorsement of the Strategy for IMF engagement on Social Spending, staff were then expected to complete a guidance note by end-2020 to assist with the implementation of the strategy.** However, the guidance note has been delayed because of the reallocation of resources to provide immediate assistance on social spending to country teams in the context of the COVID-19 pandemic. In September 2020, staff issued a note on "How to Operationalize IMF Engagement on Social Spending During and After the COVID-19 Crisis", which provides guidance on engaging on social spending issues in the context of the pandemic. This how-to note distinguishes three phases of the COVID-19 crisis and its economic impact – containment, stabilization, and recovery – to highlight the relative policy priorities at different junctures of the

crisis. Country teams are expected to use judgement and flexibility to decide which stage is applicable to their country at a given point in time. The note emphasizes that collaboration with international financial institutions involved in health and social protection could provide valuable insights to inform the staff's assessment.

83. Over FY21, FAD focused on providing immediate assistance on social spending to country teams in the context of the COVID pandemic, including by : (i) developing, disseminating and supporting a Social Protection Tool for country-level engagement; (ii) developing and delivering a new course on IMF Engagement on Social Safety Nets to IMF staff; (iii) joint FAD/World Bank seminars on country-level engagement on social protection during COVID and beyond, tailored specifically to different area departments; (iv) a series of COVID fiscal notes on policies for protecting vulnerable groups from the adverse effects of COVID;[12] and (v) formal monitoring through the review process of IMF engagement on social spending issues prior and during COVID. Moreover, FAD staff are preparing a series of background papers (on pensions, social safety nets, health, and education) to provide more granular advice on IMF engagement in each of these areas. The pensions paper has already been circulated to departments and should be published before the 2021 Annual Meetings, while the other background notes are expected to be delivered over FY22, if resources permit. The nature and content of the Guidance Note will be determined after the background notes are completed.

MANAGEMENT ACTION 1.3: An advisory group will be formed after issuance of the guidance note to provide support to country teams in operationalizing work on social protection.	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** FAD **ORIGINAL TARGET DATE:** After issuance of the guidance note in 2020 **EXPECTED COMPLETION DATE:** End-FY22

84. Staff have indicated that an advisory group to support country teams in operationalizing work on social protection will be considered following the issuance of the guidance note. Presently, a social protection team in FAD provides advice to country teams on engagement on social spending in the context of the review process. Moreover, an Inequality Advisory Group chaired by FAD and AFR was established in September 2019. The group supports country teams on inequality issues, shares knowledge and expertise in support of inequality analysis, and facilitates collaboration and communication with internal and external experts.

[12] RES also prepared two IMF Special Notes on "Options to Support Incomes and Formal Employment During COVID-19" (April 2020) and "Options to Support the Incomes of Informal Workers During COVID-19" (May 2020).

IEO Recommendation 2: Provide tailored advice based on in-depth analysis of the particular country situation.

Directors broadly agreed on the need to tailor advice to the member countries' circumstances, emphasizing the importance of drawing on work by development partners or country authorities, where available. ***In addition to the Strategy for IMF Engagement on Social Spending and related guidance note, the MIP envisaged one action, which remained open after the Tenth PMR. This has since been implemented.***

MANAGEMENT ACTION 2.1: Staff will receive training [on social protection issues] if needed. *[This is in addition to the Strategy for IMF Engagement on Social Spending and related guidance note]*	**Implemented**	**ACCOUNTABLE:** FAD, ICD **ORIGINAL TARGET DATE:** After issuance of the guidance note in 2020

85. **In addition to several special series notes and how-to notes, a course on IMF Engagement with Social Safety Nets (SSN) was delivered by ICD and FAD in December 2020.** The course presented case studies to illustrate the key role of social safety nets by discussing the three channels through which SSN spending can be considered macrocritical: fiscal sustainability, spending adequacy, and spending efficiency. It also demonstrated how the Social Protection and Labor Assessment Tool (SPL-AT) can be used to assess the strength of SSNs. Another course on social spending is planned for FY22. FAD has also been involved in joint seminars with the World Bank on country-level engagement on social protection during the COVID pandemic and beyond. These seminars were specifically tailored to different IMF area departments. In addition, as mentioned above, FAD has issued a series of COVID fiscal notes on policies to protect vulnerable groups from the adverse effects of the pandemic.

IEO Recommendation 4: Realistically explain the Fund's approach to social protection issues in external communications.

Directors supported this recommendation and noted that clarity about the Fund's involvement in social protection will help to sharpen external communications and avoid reputational risks to the Fund. ***In addition to the Strategy for IMF Engagement on Social Spending, the MIP envisaged one action, which remained open after the Tenth PMR. This action has since been implemented.***

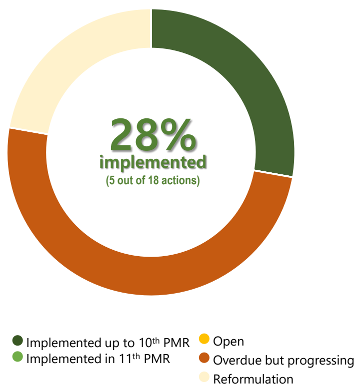
MANAGEMENT ACTION 4.1: More staff resources will be allocated to enhance external communications in this area. Appropriate communications products will be developed with departments. *[This is in addition to the Strategy for IMF Engagement on Social Spending]*	**Implemented**	**ACCOUNTABLE:** COM **ORIGINAL TARGET DATE:** Not indicated **EXPECTED COMPLETION DATE:** End-CY 2021

86. COM has allocated significant resources and deployed several coordinated and targeted communication products to enhance external communications on the IMF approach to social protection. As previously reported in the Tenth PMR, the Fund launched the *Strategy for IMF Engagement on Social Spending* in June 2019 with a high-profile public event, which was accompanied by a speech by the Managing Director in Geneva. COM has since devoted staff resources for the successful external rollout of the strategy. Notably, to help clarify the role of the Fund in social protection issues, COM has opened channels of communication with external observers, including by organizing civil society organization engagements with Executive Directors and Fund leadership especially during the Annual and Spring Meetings. COM also routinely collaborates with area departments to highlight and to disseminate social spending issues, with particular attention to where these issues are macrocritical. Through the interdepartmental review process for country papers, COM works closely with each country team in drafting relevant press releases that aim to stress the importance of social spending where warranted. For example, nearly all 71 countries that received COVID-19 financial assistance (as of June 2021), included references to social spending issues in the press release, and more than 50 highlighted these issues for prominence. A few selected recent examples where social spending has been highlighted in external communications through blogs, podcasts, and video interviews include engagements with Bangladesh, Costa Rica, Egypt, Moldova, and South Africa.

F. Behind the Scenes with Data at the IMF (2016)

The IEO evaluation found that noteworthy progress had been made with data at the IMF – particularly with countries' provision of data to the Fund and internal data management – but that important obstacles to reform had yet to be tackled. *Problems with data or data practices had, at times, adversely affected the IMF's surveillance and lending activities. The report advocated, first and foremost, that the Fund should design and implement a long-term overarching data strategy going well beyond data management and recognizing data as a strategic institutional asset. It also made other recommendations, which included: define and prioritize the IMF's data needs; reconsider the role and mandate of the IMF's Statistics Department (STA); reexamine staff incentives; and make clear the Fund's responsibility regarding the quality of the data it disseminates.*

Summary of Progress – Behind the Scenes with Data at the IMF



In response to five recommendations in the IEO evaluation, the MIP envisaged 18 actions, of which 13 remained open after the Tenth PMR. Of these 13 actions, four actions are being reformulated in line with the Board-approved triage framework for long-standing open actions. The remaining nine are all overdue, partly due to delays in separate prerequisite actions, but are nevertheless making progress.

IEO Recommendation 2: Define and prioritize the Fund's data needs and support data provision by member countries accordingly.

Directors agreed with this recommendation. They stressed that the Fund's minimum data requirements should be carefully prioritized taking into account the benefits and costs of additional data requests, as well as any budgetary implications for the Fund. They encouraged the staff to make full, and more innovative, use of data already publicly available, and to leverage data produced by other institutions. ***The MIP envisaged four actions, all of which remained open after the Tenth PMR. These are now overdue, but nevertheless making progress.***

MANAGEMENT ACTION 2.1: Comprehensive Surveillance Reviews (CSR) and their interim reports will continue to guide priorities regarding the Fund's evolving data and statistical needs for bilateral and multilateral surveillance activities. These priorities will be operationalized in Reviews of Data Provision to the Fund for Surveillance Purposes (DPF).	**Overdue but progressing** 	**ACCOUNTABLE:** SPR, STA **ORIGINAL TARGET DATE:** December 2017 **EXPECTED COMPLETION DATE:** End-FY22

87. Work on the Review of the DPF was substantially completed in 2020, but progress was temporarily stalled by institutional reprioritization in light of the COVID-related crisis work, especially in those involving collaboration with SPR. By necessity, the DPF Review could only be completed after the CSR in order to take account of surveillance priorities identified in the CSR. With the CSR delayed until May 2021, due to the COVID-19 crisis, the DPF Review is now tentatively scheduled for March 2022. The DPF Review will aim to operationalize the new data requirements emerging from surveillance priorities identified by the CSR. The CSR emphasized that a modern surveillance framework needed to be timely, topical, and targeted; better interconnected; and better informed. In this regard, the CSR highlighted the importance of more and better-quality data in high-priority areas for risk assessments, unified policy advice, and evaluation of economic sustainability. The companion paper, "2021 CSR – Modalities for Modernizing Surveillance" underscored that better data are critical to deliver on the surveillance priorities. In particular, it called for a broader and more granular coverage of public sector data, access to timely and comprehensive foreign exchange intervention data, and improved provision of data on the main financial indicators to support macrofinancial analysis.

88. In March 2019 and March 2021, staff engaged informally with the Board to seek inputs on the DPF Review. The DPF Review will reflect on developments in countries' provision of data since the last review in 2012; propose a new and more structured assessment of data adequacy for surveillance; and identify immediate data priorities informed by the CSR. The March 2021 presentation noted that an analysis of trends showed that data provision, proxied by the common indicators required for surveillance, had improved over time supported by CD, and that the timeliness of data was broadly in line with the Fund's data dissemination standards. Among other things, staff proposed adding more granularity and clarity to the assessment of data adequacy for surveillance in order to improve transparency in highlighting data weaknesses. In line with the CSR, the initial proposals identified three areas of immediate data needs: public sector data, FXI, and indicators for macrofinancial analysis. Data related to economic sustainability (inequality, climate change, demographics, technological advances, and socio-political and geopolitical developments) were not proposed to become mandatory at this stage. In these areas, staff could continue to rely on data from external sources. Regarding public sector data, the presentation proposed two options to broaden the coverage of public sector debt beyond the central government and called for enhanced reporting on the composition of debt by including a breakdown of general government debt by creditor and instrument type.

89. Executive Directors were supportive of a new data adequacy assessment and the identified areas for data needs. They differed somewhat on the level of disaggregation/granularity at which the Fund should establish new mandatory data provision requirements and pointed to the need to be mindful of countries' capacity constraints and reporting burden, and of continuing with CD efforts. Based on the feedback from Directors, staff will firm up their proposals for data requirements before the formal Board meeting to consider the DPF Review in March 2022.

MANAGEMENT ACTION 2.2: The Tenth Review of the IMF's Data Standards Initiatives will seek to further align data provision by member countries – to the extent feasible – with the broader initiative to promote	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** SPR, STA **ORIGINAL TARGET DATE:** FY19 **EXPECTED COMPLETION DATE:** End-FY22

publication of data required for surveillance by the Fund**.**		

90. The Tenth Review of the IMF's Data Standards Initiatives (DSI), which is expected to be completed in Spring 2022, will report on lessons and experiences with members' voluntary publication of data to inform public and private decision-making. The Review of DSI was scheduled to follow the DPF Review, but timing has been impacted by the cascading delays to the CSR and the DPF Review. The Tenth Review of DSI will explore options for advancing one of the main goals of the overarching strategy to develop a "global data commons" – a cloud-based network of official country websites publishing data used for surveillance, under common technological parameters. The DSI review will also explore ways of encouraging countries' participation in the voluntary data dissemination standards (e-GDDS/SDDS/SDDS Plus), and to publish a few additional indicators, including to advance important new policy requirements such as in the area of debt data transparency.

MANAGEMENT ACTION 3: The Tenth Review of the IMF's Data Standards Initiatives will seek to merge the frameworks of the Special Data Dissemination Standard (SDDS), SDDS Plus, and the enhanced General Data Dissemination System (e-GDDS), including new technologies for data provision, such as open data, to improve country provision of relevant, timely and quality data to Fund economists**.**	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** SPR, STA **ORIGINAL TARGET DATE:** FY20 **EXPECTED COMPLETION DATE:** End-FY22

91. The Tenth Review of DSI is expected to make proposals to further align publication capabilities and technologies across the official websites operationalizing the Special Data Dissemination Standard (SDDS), SDDS Plus, and the enhanced General Data Dissemination System (e-GDDS). While merging of these frameworks is not intended by STA, staff plan to work with SDDS subscribers to adopt a specialized data transmission system (SDMX) that allows publication of data series (rather than just the latest data point) and machine-to-machine reading (pulling) of the data posted in National Summary Data Pages. Such technology is already used by SDDS Plus countries and about 60 percent of e-GDDS participants. The review will also discuss the evolution of the three tiers (e-GDDS, SDDS, SDDS Plus) and identify factors affecting members' migration across tiers. The steady increase in countries disseminating data through the e-GDDS and adherence to the SDDS Plus will likely accelerate migration to cloud-based dissemination. Staff do not envisage any obstacles to making specific proposals for advancing this initiative but expect implementation of the proposals to take several years.

MANAGEMENT ACTION 2.4: The review of the Standards and Codes Initiative will aim to strengthen its integration with Fund surveillance and CD activities. In this regard, the new data quality module in the revised Data Report on the Observance of Standards and Codes (ROSC) will help guide future CD and methodological work with member countries to facilitate data provisioning to the Fund. *[A revised DPF Guidance Note, following the 2020 Review of the DPF, will operationalize the New Assessment of Data Adequacy for Surveillance.]*	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** SPR, STA **ORIGINAL TARGET DATE:** FY18 **EXPECTED COMPLETION DATE:** FY23

92. Efforts to integrate the standards and codes work with CD and surveillance is ongoing, following a successful run of a pilot exercise involving 20 country cases. As previously reported in the Tenth PMR, the 2017 STA introduced a *New Assessment of Data Adequacy for Surveillance* to provide more structure and transparency by requiring country teams to specify the factors behind their views on the degree to which data deficiencies and gaps might hinder the reliability of the analyses underlying policy advice. In October 2019, STA, supported by SPR and LEG, carried out an exercise involving 20 pilot cases to test a draft questionnaire to guide the assessment of data adequacy. The assessment offers flexibility and adaptability, a more structured view, potential for enhancing the policy dialogue with the authorities, and transparency in highlighting how data weaknesses may hinder analysis. Pilot country teams agreed that the new assessment is helpful in highlighting data weaknesses that raise the risk of errors in analyses and policy advice and should contribute to focus the discussions with the authorities on areas where targeted CD would be most beneficial and urgent. In parallel, STA has conducted interviews with country teams reporting serious shortcomings in data provision. The operational details for the full roll-out of the new assessment are expected to be formalized in the DPF Review and subsequent guidance note.

93. In line with Board guidance at the 2017 review of Standards and Codes Initiative, STA has also begun to prepare more targeted reports on the observance of standards and codes (Data ROSC). As previously reported in the Tenth PMR, the 2017 review of the Standards and Codes Initiative resulted in the streamlining of the focus of the assessment underpinning the preparation of the Data ROSC. This has taken place in two cases: Panama (completed) and Mexico (in train). In the case of Panama, the recommendations of the Data ROSC were taken by the authorities as a basis for a plan for statistical reform (including subscription of the SDDS), which has informed program conditionality.

IEO Recommendation 3: Reconsider the role and mandate of the Statistics department.

Directors supported the thrust of this recommendation, noting that STA is already devoting more attention to the provision of services to the Fund, and looked forward to continued progress and closer collaboration with area departments. ***The MIP envisaged six actions, two of which remained open after the Tenth PMR. Both are now overdue, but nevertheless making progress.***

MANAGEMENT ACTION 3.4: STA will engage in a more pro-active and structured consultation with area departments on methodological work to support surveillance priorities for LICs. Enhanced guidance will be provided for compiling data on LICs. *[STA will be issuing revised Statistics Manuals (a medium-term project) to provide international methodological guidance for the national accounts and the balance of payments, which will include specific considerations for LICs.]*	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** STA **ORIGINAL TARGET DATE:** Not indicated **EXPECTED COMPLETION DATE:** End-CY2022

94. STA continues to dedicate resources towards methodological work in support of area departments, and LICs in particular, in the context of revamping its role and mandate. STA's revised mandate integrates its mission as a provider of statistical support for Fund operations (surveillance, use of fund resources, and CD) and its traditional role vis-a-vis the Fund membership and the world's statistics community. Preparing the next generation of statistical manuals and addressing frontier issues for surveillance are among STA's key objectives and deliverables.[13] The planned major revision of the Statistics Manuals (a medium-term project) will provide methodological guidance for the national accounts and the balance of payments, including specific considerations for LICs. The main priority of the methodological work is the ongoing update of the International Statistical Standards (ISS), specifically of the System of National Accounts 2008 (2008 SNA) and the Balance of Payments and International Investment Position Manual, sixth edition (BPM6). Work on these two updates, which are scheduled for publication in 2025, remains on track. Under the current first phase of the ISS project, ten technical task teams are undertaking research on specific areas, discussing how they impact macroeconomic statistics, and making recommendations on how they should be reflected in the updated standards. At the end of the first phase of the SNA/BPM updates (March 2022), STA plans to hold an information session to update the Board, which is tentatively scheduled for mid-2022. The process underlying the ISS updates is being

[13] ITD is exploring with STA the development of a Virtual Community of Practice around the Compiler's Hub to establish a virtual workplace where interested parties can exchange ideas, collaborate, and meet on these topics.

coordinated with other international organizations, including the BIS, ECB, Eurostat, OECD, and the United Nations (UNCTAD, UNSD).

95. **In the meantime, STA is also making efforts to develop more user-friendly ways for area department economists to access methodological advice.** The *New Assessment of Data Adequacy for Surveillance* will be rolled out after the completion of the DPF Review in March 2022. Engagement with LICs has already helped shape the assessment, with eight LICs having been included in the pilot exercise conducted with 20 country teams. Other important STA efforts include: (i) Quick Reference Notes to address questions frequently asked by Fund area and functional economists and country authorities; (ii) proactive statistical guidance in response to urgent challenges faced by area department economists, including during the COVID-19 pandemic (several guidance notes covering a wide range of topics have been prepared); (iii) the development of a one-stop shop and knowledge depot on methodological advice by revamping STA's intranet site on methodological issues (this site was launched in March 2020); and (iv) consultation with area departments during the process of preparing the Climate Change Indicators Dashboard (CID), with the view of identifying the most relevant indicators for surveillance purposes. While bilateral surveillance was mostly suspended in 2020 on account of the pandemic, STA remained heavily engaged in country cases where surveillance or programs featured statistical issues. With the resumption of bilateral surveillance in 2021, STA has participated in selected Policy Consultation Meetings, has continued to support area departments with review work, and has joined some country teams where statistical issues are prominent (e.g., Andorra, Ecuador, and Panama). STA has also nominated country coordinators for all countries with major data weaknesses to assist country teams in updating the Statistical Information Annex of staff reports, to coordinate the preparation of statistics scorecards, and to facilitate responses to country team requests for statistical advice.

MANAGEMENT ACTION 3.5: The ongoing efforts to align CD activities with Fund and membership needs will continue. CD will increasingly be geared toward closing data gaps hampering surveillance, ratcheting up data quality and broadening data dissemination to help detect economic vulnerabilities and risks, and improve economic decision-making. *[In the context of the IEO report on the IMF and Fragile States, staff will prepare a comprehensive assessment on lessons from building statistical capacity in FCS for Board discussions, including work undertaken to align CD activities with Fund and membership needs especially in LICs.]*	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** STA **ORIGINAL TARGET DATE:** Not indicated **EXPECTED COMPLETION DATE:** FY23

96. **STA's efforts at strengthening the link between CD and surveillance have continued, with the objective of enhancing country teams' access to more and better data in support of surveillance.** As indicated earlier, the pilot exercise carried out in October 2019 with 20 country teams in the context of the *New Assessment of Data Adequacy for Surveillance* provided indications that country teams expect that the assessment will focus discussions with the authorities on areas where targeted CD would be most beneficial. STA's CD activities have ramped up recently, partly supported by two multi-partner vehicle trust funds: The Financial Sector Stability Fund (FSSF) and the Data for Decisions Fund (D4D). These funds are designed to help finance CD activities to support surveillance, especially in low- and middle-income countries, including fragile states. Both funds are close to being fully funded and the implementation of their work programs has continued despite the travel restrictions imposed by the pandemic. The two statistics workstreams under the FSSF are on track to meet the objectives of quasi-universal coverage of low- and lower-middle-income countries in reporting FSIs and undertaking partial or full balance sheet analysis (BSA) by the end of FY22. In addition, work under all modules and submodules of the D4D Fund has been moving ahead. About two thirds of LLMICs have already benefitted from D4D Fund CD on fiscal and debt statistics; progress on high frequency indicators has been in line with the original work program; national accounts benchmarking and rebasing are advancing well; and strong progress has been made on Residential Property Price Indices. In addition, STA staff report that CD efforts in data dissemination are yielding significant results, as the number of countries publishing key economic data under the Data Standards Initiatives (e-GDDS, SDDS, SDDS Plus) continues to increase despite the impact of the pandemic. As noted earlier, STA is preparing a working paper on CD in FCS, which will be followed by a Board presentation in FY23.

IEO Recommendation 4: Reexamine the staff's structure of incentives in the area of data management.

Directors supported this recommendation, and welcomed the work underway to strengthen staff incentives and accountability for data management and the IEO's suggestions. Directors also supported a review of the incentives for staff to candidly assess and discuss data issues in Article IV and FSAP reports where weaknesses in data quality could significantly hamper surveillance. ***The MIP envisaged six actions, all of which remained open after the Tenth PMR. Out of these six actions, four are being reformulated in line with the Board-approved framework for long-standing open actions. The remaining two are overdue but nevertheless making progress.***

MANAGEMENT ACTION 4.1: Adopt Fund-wide data management standards.	**To be reformulated**	**ACCOUNTABLE:** STA **ORIGINAL TARGET DATE:** 2017

97. **In accordance with the Executive Board's decision on the Categorization Paper, this action is being reformulated to make it more effective and measurable.**

MANAGEMENT ACTION 4.2: Unify area department data management guidelines.	**Overdue but progressing**	**ACCOUNTABLE:** STA, Area departments **ORIGINAL TARGET DATE:** Not Indicated **EXPECTED COMPLETION DATE:** End-FY22

98. **Work on unifying area department data management guidelines is being implemented under the aegis of the Data Governance Group (DGG) established in mid-2018.** During the preparation of its FY20 work program, the DGG considered unifying data management guidelines as an important long-term goal but also recognized this objective as too broad and not easily monitorable. Therefore, the DGG agreed to break down the activities leading to unification as a multi-year objective with substantive, front-loaded milestones. Furthermore, it was agreed that data management activities should be harmonized for all departments and not only for area departments. Following the creation in FY21 of a specific work stream to "harmonize Fund-wide data management standards", the F22 work program will focus on developing a standard metadata model for Fund databases and cleaning-up the Catalogue of Time Series. Both activities are expected to be completed by end-FY22.

MANAGEMENT ACTION 4.3: Undertake metadata cleanup.	**To be reformulated**	**ACCOUNTABLE:** STA, area departments **ORIGINAL TARGET DATE:** Not indicated

99. **In accordance with the Executive Board's decision on the Categorization Paper, this action is being reformulated to make it more effective and measurable.**

MANAGEMENT ACTION 4.4: Update the Catalogue of Time Series (CTS).	**To be reformulated**	**ACCOUNTABLE:** STA **ORIGINAL TARGET DATE:** Not indicated

100. **In accordance with the Executive Board's decision on the Categorization Paper, this action is being reformulated to make it more effective and measurable.**

MANAGEMENT ACTION 4.5: Incentivize use of the Common Surveillance Databases.	**To be reformulated**	**ACCOUNTABLE:** STA, RES **ORIGINAL TARGET DATE:** Not indicated

101. In accordance with the Executive Board's decision on the Categorization Paper, this action is being reformulated to make it more effective and measurable.

MANAGEMENT ACTION 4.6: The next Review of Data Provision to the Fund for Surveillance Purposes (DPF) will also propose how to incorporate results of the new assessments of data adequacy for surveillance (revised ROSC) into a revised statistical issues appendix (SIA), and review the requirement to discuss the SIA in the main body of the Article IV staff report.	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** SPR, STA **ORIGINAL TARGET DATE:** FY19 **EXPECTED COMPLETION DATE:** End-FY22

102. The next DPF Review, which is expected to take place in March 2022, will include proposals about the revised statistical issues appendix (SIA) in Article IV staff reports. No obvious obstacles are anticipated at this time.

IEO Recommendation 5: Make clear the limits of IMF responsibility regarding the quality of disseminated data and clarify the distinction between "IMF data" and "official data".

Directors supported this recommendation and agreed that the distinction should be clarified between "IMF data," used for Fund surveillance (such as Article IVs), and "official data," which are official statistics provided by authorities to STA that are not vetted by the Fund. A few Directors felt that such distinctions would do little to change perceptions, underscoring the importance of building members' capacity to produce high-quality data. ***The MIP envisaged one action, which remained open after the Tenth PMR. This action is now overdue but nevertheless making progress.***

MANAGEMENT ACTION 5.1: Building on the implementation of the previous recommendation, a plan will be developed to clarify the distinction between "official statistics" and data used by area and functional departments in surveillance activities. *[A revised DPF Guidance Note, following the 2020 Review of the DPF, will clarify expectations of staff with respect to the sources of data and estimates used by the Fund in surveillance activities.]*	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** STA, ITD **ORIGINAL TARGET DATE:** September 2017 **EXPECTED COMPLETION DATE:** End-FY22

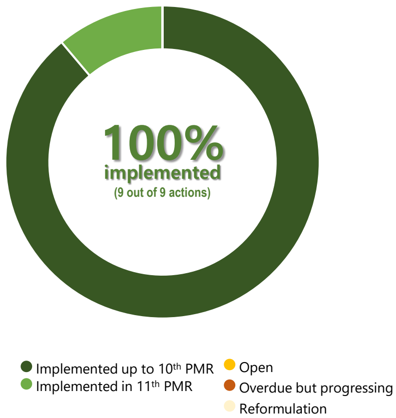
103. A draft plan for clarifying data in Fund publications is pending review and operationalization in the context of the DPF Review. The strategy on data and statistics at the Fund, discussed by the Board in March 2018, noted that while the WEO and the IFS flagships properly distinguished between IMF staff estimates and official data, Article IV staff reports often did not. Also, the Dissemination Standards Bulletin Board (DSBB) did not clarify Fund responsibility for the published data. Since then, a disclaimer has been added to the DSBB to clarify that the Fund does not endorse the data on the DSBB; and a Guidance Note on Third-party Indicators (TPIs) was endorsed by the Board in July 2018 to clarify principles for the use of TPIs (e.g., indicators compiled by organizations and third parties other than the Fund or member countries) in Fund publications to manage related challenges and risks to the Fund's credibility. Regarding multilateral flagships and Article IV staff reports, a draft plan proposes that data sources should be systematically included in the metadata fields of Country Surveillance Data (CSD) and flagship multilateral databases. For the CSD, the WEOCSD team has been checking submissions by country desks to ensure that the requirement to identify the sources of historical data in the metadata field for all indicators is met. The team reports compliance to area department representatives every month. For the WEO external database, the last full year of actual data is noted in the accompanying metadata; data after this year constitute IMF staff estimates. The DPF Guidance Note—to be revised following the DPF Review – will clarify expectations of staff with respect to the sources of data and estimates.

104. In the meantime, the DGG has established an inter-departmental working group to create a common metadata model for the Fund. The model includes dimensions to account for source and usage rights. The source identifies the parties responsible for the collection and initial aggregation of data, and those that repackage and/or alter the data. The "usage rights" attribute defines the information about restrictions imposed on access to and use of data. It is expected that the new model, including sources and rights, will become operational with the ongoing implementation of the next generation economic data platform (iData).

G. Self-Evaluation at the IMF: An IEO Assessment (2015)

The IEO report on Self-Evaluation at the IMF found that many self-evaluation activities and reports were of high quality but concluded that the Fund takes an ad hoc approach to self-evaluation. *The report identified some gaps in coverage, weaknesses in quality, and shortcomings in instilling and disseminating lessons, in part due to the absence of an explicit, conscious, institution-wide approach to self-evaluation. Further, previous streamlining exercises appear to have adversely affected the resources available for self-evaluation. The IEO recommended that the IMF adopt an overall policy for self-evaluation, setting its goals, scope, key outputs, expected utilization, and follow-up. Such policy should be general to allow practices to evolve with the operational environment.*

Summary of Progress – Self-Evaluation at the IMF: An IEO Assessment



In response to four recommendations in the IEO evaluation, the MIP envisaged nine actions, of which one remained open after the Tenth PMR. This has since been implemented.

IEO Recommendation 4: Develop products and activities aimed at distilling and disseminating evaluative findings and lessons in ways that highlight their relevance for staff work and facilitate learning.

Directors supported this recommendation. ***The MIP envisaged four actions, one of which remained open after the Tenth PMR. This has now been implemented.***

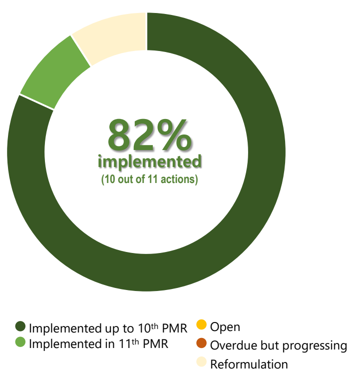
MANAGEMENT ACTION 4.2: Develop a common evaluation framework, including self-evaluation, for IMF CD.	**Implemented**	**ACCOUNTABLE:** ICD **ORIGINAL TARGET DATE:** Not indicated

105. In September 2020, staff issued an Updated Common Evaluation Framework for IMF CD, as well as an Operational Guidance Note. This follows the framework introduced in July 2016 to streamline practices for all CD evaluations and increase comparability and use of results by adopting a common four-step process that included use of the OECD Development Assistance Committee (DAC) evaluation criteria of relevance, impact, effectiveness, efficiency, and sustainability. The recent updates to the CEF aim to emphasize learning from evaluations and simplify the evaluation approach. They highlight the role that evaluations play in scrutinizing the results of CD, particularly those that feature noteworthy successes and/or failures, in order to draw valuable lessons on design and implementation of future CD. The updates simplify the requirements for the evaluation process by de-emphasizing the use of a counterfactual approach while basing the framework on (i) use of Results-Based Management (RBM) log frames; and (ii) consistent application of the revised OECD DAC criteria. The document issued by staff also provides guidance on evaluation methods, approaches, and processes to support the full implementation of the updated framework. The guidance included in the document covers all the phases of an evaluation and discusses how to apply the OECD DAC criteria to the IMF context.

H. IMF Forecasts: Process, Quality, and Country Perspectives (2014)

The IEO evaluation found that IMF forecasts had no significant biases in general, but that there was a tendency for significant over-predictions of GDP growth in the WEO during regional or global recessions, as well as during crises in individual countries. *The evaluation noted that the processes and methods used to generate short-term forecasts for Article IV consultations and the WEO were well structured and, in general, appropriately tailored to country-specific characteristics. By and large, country officials had confidence in their integrity, but some officials believed that the forecasting process lacked transparency. The evaluation further found that short-term forecasts of GDP growth and inflation made in the context of IMF-supported programs were unbiased in the majority of cases but tended to be optimistic in high-profile cases characterized by exceptional access to IMF resources. The IEO recommended that the IMF should: promote a culture of learning from past forecast performance; ensure that best practice is followed by providing appropriate guidance to desk economists; and enhance transparency by describing the forecasting process.*

Summary of Progress – IMF Forecasts: Process, Quality, and Country Perspectives



In response to five recommendations in the IEO evaluation, the MIP envisaged 11 actions, of which two remained open after the Tenth PMR. Subsequently, one action was implemented and one other action is being reformulated in line with the Board-approved triage for long-standing open actions.

IEO Recommendation 1: Maintain the practice of commissioning external evaluations of IMF forecasts by recognized experts.

Directors endorsed this recommendation, noting that the Fund should maintain the practice of commissioning external evaluations of IMF forecasts by recognized experts. ***The MIP envisaged one action, which remained open after the Tenth PMR. This action is overdue, but now close to implementation.***

MANAGEMENT ACTION 1.1: Commissioned studies will be undertaken on a regular schedule, every 5-8 years, starting in 2015.	**Implemented**	**ACCOUNTABLE:** RES **ORIGINAL TARGET DATE:** End 2015

106. **A RES-commissioned study on WEO forecasting performance was completed in late 2018 and its results were published as an online annex to a staff WP by RES in August 2021.**[14] The purpose of the staff WP was to synthesize the results of the external study and make it more digestible by the general public, focusing especially on trends between 2004 and 2017. The WP, which is entitled "An Evaluation of World Economic Output Growth Forecasts, 2004-17", notes that differences in the accuracy of WEO forecasts across country groups during the period under study can be largely explained by differences in the volatility of actual growth. Moreover, the WP indicates that for most countries the precision and unbiasedness of WEO forecasts have improved relative to the pre-2014 period. The analysis also suggests that a more efficient use of available information on internal and external factors – such as the estimated output gap and projected terms of trade for a country, and the growth forecasts of its major trading partners – can improve the accuracy of some economies' growth forecasts. The RES-commissioned study, which analyzed the predictive accuracy of the WEO forecasts of GDP growth and inflation over a longer period (1990-2016), is appended to the WP as a technical online annex. The commissioned study examined how forecasting performance differed across forecast horizons, regions, and economies, and compared the accuracy of the WEO forecasts to those from Consensus Economics as well as forecasts from simple time-series models.

IEO Recommendation 2: Enhance processes and incentives for learning from past forecast performance.
Directors endorsed this recommendation, noting that the implementation of handover procedures for country assignments is a welcome step. ***The MIP envisaged five actions, one of which remained open after the Tenth PMR, and is currently being reformulated in line with the Board-approved triage framework for long-standing open actions.***

MANAGEMENT ACTION 2.4: Issue guidelines establishing minimum requirements and recommending best practices for the handover of country assignments.	**To be reformulated**	**ACCOUNTABLE:** SPR, KMU **ORIGINAL TARGET DATE:** End 2016

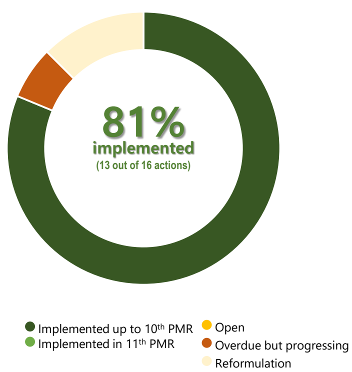
[14] The RES-commissioned study was conducted by Professor Timmermann of the University of California San Diego.

107. In accordance with the Executive Board's decision on the Categorization Paper, this action is being reformulated to make it more effective and measurable.

I. The Role of the IMF as Trusted Advisor (2013)

The IEO Evaluation found that the Fund's image had improved in the aftermath of the financial crisis, and was perceived as more open, flexible, and responsive. *The evaluation emphasized the importance of the quality of advice and the relationship between staff and country authorities in achieving traction and becoming a trusted advisor. It further noted that additional efforts were needed to enhance the value and relevance of policy advice, strengthen the continuity of relationships, and address concerns about the perceived lack of evenhandedness.*

Summary of Progress – The Role of the IMF as a Trusted Advisor



In response to six recommendations in the IEO evaluation, the MIP envisaged 16 actions, of which three remained open after the Tenth PMR. Two actions are being reformulated in line with the Board-approved triage framework for long-standing actions. The remaining action is overdue and has been extended for five additional cycles of PMR monitoring.

IEO Recommendation 2: Strengthen the continuity of the relationship between the Fund and member countries.

Many Directors did not support the development of medium-term strategic plans, which would introduce more bureaucratic processes. A number of Directors agreed on the need to develop incentives for staff to better act as a trusted advisor, while a few others were concerned about how such incentives might affect the independence of staff advice. A number of Directors emphasized the importance of lengthening staff country assignments, and a number of others called for increased staff diversity. ***The MIP envisaged six actions, two of which remained open after the Tenth PMR. One of these two actions is being reformulated in line with the Board-approved triage framework for long-standing open actions. The remaining action is overdue and monitoring has been extended for five additional PMR cycles.***

MANAGEMENT ACTION 2.1: Target three-year average tenure for country assignments to be monitored by HRD.	**To be reformulated**	**ACCOUNTABLE:** HRD **ORIGINAL TARGET DATE:** Steps begin in 2013

108. In accordance with the Executive Board's decision on the Categorization Paper, this action is being reformulated to make it more effective and measurable.

MANAGEMENT ACTION 2.2: Implement measures to raise the share of nationals from underrepresented regions among senior staff and set targets for representation of women at senior levels.	**Overdue but progressing** OVERDUE	**ACCOUNTABLE:** HRD (with others) **ORIGINAL TARGET DATE:** Steps begin in 2013

109. In November 2020, the Executive Board discussed the *2020 Diversity and Inclusion Update and the Report on the 2025 Diversity Benchmarks.* The Diversity and Inclusion Report showed good progress against the management-level benchmarks for gender but slower progress towards the B-level benchmarks for Under-Represented Regions (URRs). As of end-April 2020, the Fund had achieved four of the nine 2020 diversity benchmarks (two for gender and two for underrepresented regions). Overall, relatively more progress has been made in achieving gender-based benchmarks, while more needs to be done to close the gaps relative to the benchmarks for URRs. Specifically, regarding the gender-diversity benchmarks, the Fund met the management-level (B-level) benchmarks for gender, surpassing the 30 percent target for women, in addition to the 25 percent for women in the Economist career stream. Progress towards the B-level benchmarks for URRs, however, saw slower progress, with only two out of the six benchmarks being met. In particular, the benchmarks for the share of A9-B5 staff from East Asia and the MENA+ regions, as well as those for the share of B-level staff from Sub-Saharan Africa and East Asia, were not achieved. Moreover, despite the relative success in meeting the B-level gender benchmarks, women from URRs accounted for only 6.5 percent of B-level staff, compared to 24.8 percent of women for the combined total from other regions.

110. The Report on the 2025 Diversity Benchmarks presented the findings and recommendations of the 2025 Diversity Benchmarks Working Group (WG), which was set up in the Fall of 2019. The WG assessed the 2020 benchmarks and made proposals for the 2025 benchmarks based on EPIC anchors (benchmarks should be equitable, principled, inclusive, and clear in terms of both formulation and implementation). Based on the equity and inclusion principles and the top-heavy nature of existing benchmarks, the WG favored including A1-A8 staff and longer-term (one year or longer) contractual employees, which until then had not been included as part of the diversity architecture. The WG made several other recommendations. First, quantitative diversity benchmarks would continue to be formulated as stock measures for the three URR regions – Sub-Saharan Africa, MENA+, and East Asia - for continuity, simplicity, and feasibility. Second, Institutional Goals (IGs) would be introduced, representing how the Fund should look like in terms of gender and representation over the longer term. These IGs would be separate from more formalized benchmarks and would not require that each and every department meet them by 2025, but they would be monitored and tracked. IGs would cover two groups: (i) all staff (including A1-A8 support staff and longer-term contractual employees, no matter the grade); and (ii) the Fund-wide senior management teams (B4s and B5s).[15] Third, the WG made several proposals to redefine and simplify the Diversity Benchmarks.[16] Both the benchmarks on managerial women and those on URR managers were modified and increased.

111. During the Board discussion, Directors broadly supported the proposals presented by the WG for the 2025 Diversity Benchmarks, emphasizing that achieving the IGs and the Diversity Benchmarks should remain at the forefront of the Fund's agenda. Directors recognized that there were some areas where progress had been made but indicated that the long-standing underperformance of three URR benchmarks was particularly disappointing. They looked forward to a strong engagement and regular reviews to update the Board on progress under the proposed policies and initiatives.

112. In late April 2021, the Board considered the paper on "Staff Recruitment and Retention Experience in CY2020". Among other things, the paper analyzed recent progress toward meeting the new 2025 benchmarks for gender and URRs. The report noted that in CY2020, the overall share of women professionals hired at the A9-B5 level was 40 percent (unchanged from 2019), while MENA+ staff accounted for 6 percent of all hires (4 percent in 2019), both below the 50 percent recruitment benchmark for women and the 10 percent target for MENA+ professional staff. The report pointed out that the net recruitment inflow (the difference between external hires and separations) constituted an important indicator of progress toward the Fund's numerical diversity benchmarks. It was noted that the net inflow of URR nationals at the A9-B5 level more than doubled in CY2020 due to the dual effect of higher gross hiring and relatively stable separation rates. Gross hiring of URR nationals at A9-B5 level increased significantly by over half, driven largely by crisis related hiring, with progress being made across all three related regions. The report concluded that significant further institutional efforts are required to achieve and maintain the diversity benchmarks for underrepresented nationals, especially for the MENA+ region.

[15] Four IGs were proposed. Specifically, for all employees, 50 percent should be women and at least 30 percent should be from URRs; while for the B4-B5 group, 50 percent should be women and at least 30 percent should be from URRs.

[16] These proposals consisted of (i) defining two grade groups (managerial and non-managerial staff); (ii) redefining the six URR benchmarks – two for each region – based on the new grade groups; and (iii) reducing the number of gender benchmarks to two (from three) by eliminating the distinction between SCS and economists, and by adding a new benchmark for the professional non-managerial group at A9-A13 (SCSs)/A14 economists.

IEO Recommendation 4: Reduce unnecessary disclosure concerns that may inhibit authorities from using the Fund as a true sounding Board for informal advice at an early stage when formulating their policies.

Directors broadly endorsed this recommendation. ***One action in response to the recommendation remained open after the Tenth PMR and is being reformulated in line with the Board-approved triage framework for long-outstanding actions.***

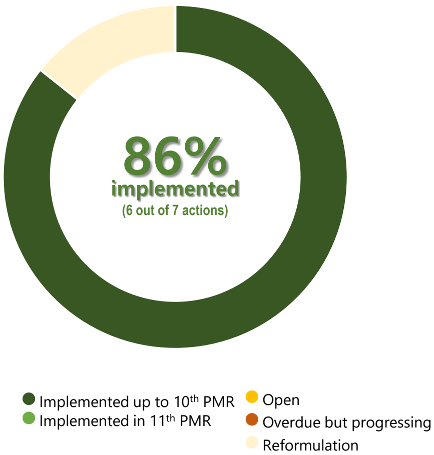
MANAGEMENT ACTION: Staff will be expected to inform the authorities of the Fund's policy on the treatment of confidential information. At the same time, staff will be encouraged to have informal/brainstorming discussions with country authorities during the policy discussions.	**To be reformulated**	**ACCOUNTABLE:** Not indicated **ORIGINAL TARGET DATE:** Steps begin in 2013

113. In accordance with the Executive Board's decision on the Categorization Paper, this action is being reformulated to make it more effective and measurable.

J. Research at the IMF – Relevance and Utilization (2011)

The IEO evaluation of Research at the IMF noted that Fund Research was widely read and included many high-quality products. *The evaluation also found that IMF research, outside of the analytical chapters in the flagships, was of uneven quality and perceived to be message driven. In addition, some country authorities indicated that some important and relevant issues were not always adequately covered, at times due to lack of consultation with the authorities. Several steps to address these issues were identified in a subsequent independent study that was commissioned by management.*

Summary of Progress – Research at the IMF – Relevance and Utilization



In response to four recommendations in the IEO evaluation, the MIP envisaged seven actions, of which one remained open after the Tenth PMR. This action is now being reformulated in line with the Board-approved triage framework for long-standing open actions.

IEO Recommendation 4: Management and staff need to allocate adequate time and resources to each research project … the IMF needs clear standards for technical quality of different research projects … incentives to improve the quality of research should be strengthened.

The MIP envisaged two actions, one of which remained open after the Tenth PMR. This action is now being reformulated in line with the Board-approved triage framework for long-standing open actions.

MANAGEMENT ACTION 4.1: Adopt new procedures to ensure the quality of working papers.	**To be reformulated** 	**ACCOUNTABLE:** Not indicated **ORIGINAL TARGET DATE:** Not indicated

114. In accordance with the Executive Board's decision on the Categorization Paper, this action is being reformulated to make it more effective and measurable.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

The Board reviewed the implementation status of Management Actions in Response to Board-Endorsed IEO Recommendations and endorsed the assessment of their implementation progress as proposed in the Eleventh Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office (IEO) Recommendations (SM/21/156).