

INTERNATIONAL MONETARY FUND

**Fifth Periodic Monitoring Report on the Status of Implementation Plans in Response to  
Board-Endorsed IEO Recommendations**

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In consultation with other Departments

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## I. OVERVIEW

1. **Periodic Monitoring Reports update the status on Management Implementation Plans (MIPs) in response to Executive Board-endorsed IEO recommendations.**<sup>1</sup> The last Periodic Monitoring Report (PMR) was discussed by the Board Evaluation Committee (EVC) and then agreed by the Board in August 2011.<sup>2</sup> That report concluded that all key performance benchmarks related to the MIPs covered in that report had either been met or were on track for timely completion, that no new remedial actions were proposed, and that there were no outstanding performance benchmarks to be reviewed in the next PMR. In their assessment to the Executive Board, the EVC did, however, note that further work was needed on three other issues—staff mobility, enhanced coverage of previous implementation plans, and the process for following up on IEO recommendations.<sup>3</sup> This fifth report therefore updates work on these three issues, including a consolidated picture of recent progress on all Board-endorsed recommendations made since the first PMR in 2007. This PMR also presents progress on the [Implementation Plan](#) in response to Board-endorsed recommendations arising from the IEO Evaluation of [IMF Interactions with Member Countries](#) (hereafter, Interactions Evaluation).

## II. SUMMARY OF IMPLEMENTATION STATUS

2. **The implementation status of the performance benchmarks are reported below.** Section A describes progress on the key benchmarks for the implementation plan on the Interactions Evaluation. The EVC's request for a progress update on staff mobility and the process for following up on IEO recommendations are provided in section B. Section C presents an update on previous implementation plans agreed since the first PMR in 2007.

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<sup>1</sup> Periodic Monitoring Reports (PMRs) were established by the Executive Board in January 2007 to ensure the systematic monitoring of IEO recommendations that the Board has endorsed. The first PMR was discussed by the Board in January 2008 ([Periodic Monitoring Report on the Status of Board-Endorsed IEO Recommendations and Management Implementation Plans](#)), the second was discussed by the Evaluation Committee (EVC) in November 2008 ([Periodic Monitoring Report on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations](#)), and the third was discussed by the EVC in January 2010 ([Periodic Monitoring Report on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations](#)).

<sup>2</sup> [Fourth Periodic Monitoring Report on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations](#).

<sup>3</sup> The assessment by the EVC is reflected in [Fourth Periodic Monitoring Report on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations—Assessment by the Evaluation Committee to the Executive Board](#).

### A. IMF Interactions with Member Countries

3. As detailed below, the implementation of performance benchmarks related to the Interactions Evaluation have either been met or are on track for timely completion:<sup>4</sup>

- ***“Improve the quality and relevance of the international dimensions of the Fund’s work.”*** The following initiatives have been put in place:
  - i. New products and procedures have been introduced to strengthen the systematic and international aspects of Fund surveillance, including: continuing spillover reports (discussed by the Board in July 2012), the External Sector Report (a pilot report was discussed by the Board in July 2012), more coverage of spillovers and cross country work in Article IV reports, Board discussion of Article IV reports in clusters (the plan is to extend these beyond the clustered discussion of the five systemic economies), and Risk Assessment Matrices (RAMs), which systematize discussion of how key global risks affect each country.
  - ii. The Integrated Surveillance Decision was approved by the Board in July 2012.
  - iii. Given insufficient Board support for increasing the frequency of mandatory FSAPs for systemic economies, the 2011 Triennial Surveillance Report (TSR) described the alternative modalities that will be pursued. For example, a financial expert will be assigned to each Article IV team involving systemically important financial sectors. Additional resources will be mobilized for these countries as well as others as needed (e.g., in case of mounting financial vulnerabilities).
- ***“As an element of concerted strategy to engage more deeply with both emerging and advanced economies, develop menus of products and services to be offered and make sure they are transparent, compelling, and feasible.”*** Reform to lending products to meet the needs of the membership has continued. These have included the creation of the Precautionary and Liquidity Line (PLL) and amendments to the Flexible Credit Line (FCL) in November 2011. The 2011 review of fragile states saw the implementation of a number of new policies and practices, including fuller use of the Rapid Credit Facility (RCF).
- ***“Replace the now defunct country surveillance agendas with strategic agendas.”*** While there was little Board support for strategic agendas, much has happened to improve the traction of the IMF’s advice. The 2011 TSR directly tackled this issue, and proposed a number of actions, including reiterating that country teams should exchange

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<sup>4</sup> Details are provided in Annex 1.

views with authorities on key issues for discussion *prior* to Article IV missions, without compromising their capacity—and obligation—to raise relevant and difficult issues.

- ***“As part of new ways of engaging and to underpin the Fund’s strategic shift, bring more experts on country visits, especially when country interest and traction are waning.”*** Given insufficient Board support for the IEO’s specific proposal, efforts have instead been focused on continuing to broaden the professional diversity of staff, including their educational background and skill mix, as discussed in the recent MIP for the evaluation of the [IMF Performance in the Run-Up to the Financial and Economic Crisis](#) (hereafter the Crisis Evaluation). In this regard, steps have been taken to: recruit a higher proportion of midcareer economists with substantial policy experience; hire more staff with financial sector experience as well as experts with fiscal and debt policy skills; and increased support for training and secondments. The MIP for the Crisis Evaluation detailed the progress made in this area. The next update on strategic HR issues will be provided in the context of the corporate workforce planning discussions in the fourth quarter of 2012. In the last year, a Working Group has also been looking at recommendations on boosting the effectiveness of staff in the field and suggested actions to fill in gaps in implementation. Recommendations being taken forward include those to strengthen the training and preparation of resident representatives for their assignments, to ensure better advance planning in the selection process by focusing on the right balance of skills and experience, and to clarify the mandate and strengthen departmental management of resident representatives. Finally, regional advisory groups have continued to play an important role in some area departments.
- ***“Clarify the rules of the game on outreach.”*** The Fund’s approach to outreach continues to evolve, with a number of new initiatives to assist staff in their outreach efforts, including regularly held communications meeting chaired by the Managing Director/Acting Managing Director. The toolkit continues to be updated and plays a central role in supporting the Fund’s outreach efforts.
- ***“Decide how to handle the Fund’s negative reputational legacy and tell staff so that they can act upon it”***. Efforts described in the Interactions Evaluation MIP, such as reforms to the Fund’s conditionality and lending frameworks, continue to help address the legacy issue. The [2011 Review of Conditionality](#) (discussed by the Board in September 2012) assesses the progress made since the introduction of these reforms, and finds broadly positive results for a substantial majority of Fund-supported programs. At the same time, the review highlights challenges in some of the Fund’s recent arrangements, particularly for countries with high debt.
- ***“Provide guidance and training on professional conduct for staff interactions with the authorities and IMF senior/staff management on matters of country assessments.”*** Reforms have been announced covering professional conduct, leadership, management

training, mobility, and accountability. In particular, a statement of workplace values for employees has been agreed and was launched in July 2012. It emphasizes the need for an enhanced focus on people management and diversity. The statement of workplace values provides a basis for guidance as to the desired culture and behaviors for the Fund's managers and staff. The statement emphasizes, among other things, that staff should contribute their ideas to the work program of departments, to encourage diverse contributions that may not be in line with the Fund's "groupthink." As described above, a number of recommendations from the working group on staff presence in the field that directly address the concerns raised by the IEO in this area are also being taken forward.

- ***“Increase mission chief and staff tenure on country assignments, as well as training and incentives for interactions.”*** New measures aim to balance the demand for cross-country experience and fresh perspectives with the demand for mission team stability. As highlighted in the recent MIP for the Crisis Evaluation, reforms have recently been announced which mean that, going forward, assignments will be expected to last three years on average, and for staff members with seven or more years in a department, there will be a centralized mobility support program to complement existing market mechanisms. The Human Resources Department (HRD), with the support of the Technology and General Services Department (TGS), has also put in place a system to monitor mission chief and team tenure, the results of which will be shared with the Board as a part of briefings on strategic human resources issues.
- ***“Clarify relationship management arrangements, emphasizing the importance of team work.”*** The mandate of resident representatives has been clarified, and departmental management strengthened. This was one of the key recommendations of the recent working group on increasing staff effectiveness in the field. As a consequence, tailored job standards are being established for resident representatives, and terms of reference are being drawn up that are substantive and country specific, in consultation with key stakeholders.
- ***“The Fund should continue to strengthen implementation of its vision for country-specific technical assistance strategies.”*** The Fund opened a new era in its capacity building activities on May 1, 2012 with the launch of the Institute for Capacity Development (ICD). The new department brings together the former IMF Institute (INS) and Office of Technical Assistance Management (OTM) with a sharper focus on developing a strategic approach to the two planks of the Fund's capacity building—technical assistance and training—and exploiting synergies in the Fund's operations in this area. The new department will strengthen the strategy and coordination of capacity building activities of the Fund and also enhance outreach in this area. A new Strategy and Evaluation Division is tasked with continually developing and enhancing the Fund's capacity building strategy, while the Department's new regional divisional structure is

more closely aligned with area departments and regional technical assistance centers (RTACs) allowing a more cohesive approach.

## **B. Progress on Specific Issues Highlighted by the EVC from the Fourth PMR**

### **4. In their discussion of the fourth PMR, the EVC noted that further work was needed to address three issues.**

- I. **Staff tenure:** As discussed above, there is now a system to monitor mission chief and team tenure, the results of which will be shared with the Board as a part of briefings on strategic human resources. This aspect will be covered in the briefing on corporate workforce planning scheduled for the fourth quarter of 2012.
- II. **A better process for endorsing and following up on IEO recommendations:** The current MIP/PMR process, while seen as a useful way of helping monitor whether IEO recommendations are followed up on, also has a number of constraints. For instance, it is often seen as overly-bureaucratic—e.g., forgetting about IEO recommendations once they have been declared “implemented” in the PMR process. The upcoming external review of the IEO provides a timely opportunity to consider changes to the process. While there is always room for improvement, from the staff’s perspective, it is unquestionable that IEO recommendations do have a major impact on the work of the Fund long after the initial IEO evaluation—as seen most recently in the 2011 TSR and the 2011 Review of Conditionality. As the Managing Director emphasized at the conference celebrating the ten-year anniversary of the IEO, any new system for follow up should avoid being bureaucratic, cumbersome, and costly, especially when there are severe competing demands on staff time.
- III. **Enhanced coverage of previous implementation plans:** one immediate step that this PMR takes is to produce a table highlighting the status of past implementation plans, which will help facilitate an overall assessment of the effectiveness with which the IEO recommendations endorsed by the Board are being pursued. The first PMR provided a comprehensive assessment of all IEO recommendations made up to the 2006 IEO report on the IMF’s Multilateral Surveillance. Subsequent PMRs have reported on those reports that had their implementation outstanding. This PMR updates on the implementation status of all those Board-endorsed recommendations made since the first PMR in 2007. The reports covered in section C are:<sup>5</sup>

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<sup>5</sup> There was no Management Implementation Plan for the 2008 report—[Governance of the IMF: An Evaluation](#)—given the complexity of the issues, and the need for a broader discussion than could be considered within the PMR framework. These issues remain under active discussion, and Section B of the recent [Work Program](#) provides a summary of recent discussions and outlines the agenda going forward.

- The IMF and Aid to Sub-Saharan Africa (2007);
- IMF Exchange Rate Policy Advice 1999-2005 (2007);
- Structural Conditionality in IMF-Supported Programs (2007);
- IMF Involvement in International Trade Policy Issues (2009).

A summary of the initial implementation of the MIP for the Crisis Evaluation, which was discussed by the Board in May 2012, is also provided below.

### **C. Implementation of IEO Reports - Summary of Recent Developments**

5. **A summary of developments on issues related to recent IEO reports is provided below.** More detailed explanations of how the original Board-endorsed recommendations have progressed are provided in Annexes 2-5. For each recommendation the annexes provide: (1) the original Board reaction; (2) the proposed follow up at the time of the relevant MIP discussion; (3) the progress with implementation provided at the time of the subsequent PMR discussion, and (4) an update on more recent progress.

#### **The IMF and Aid to Sub-Saharan Africa**

- The Fund overhauled its facilities for low-income (LIC) members in 2009, with a view to increasing their flexibility and tailoring them to meet the increasingly diverse needs of its LIC members. Coming at the height of the global crisis, the reform was seen as part of the Fund's response to assist LICs, many of which had become increasingly integrated into the world economy and thus become more exposed to global shocks.
- The reform created a new architecture of facilities comprising: (i) the Extended Credit Facility (ECF); (ii) the Standby Credit Facility (SCF); (iii) the Rapid Credit Facility; and (iv) the (pre-existing) Policy Support Instrument (PSI). Access was doubled and access policies revised; blending rules strengthened; concessionality increased, including through temporary interest relief; Poverty Reduction Strategy documentation requirements made more flexible; and a medium-term financing package put in place, supported in part from resources linked to gold sales. Around the same time, the Fund also adopted a new policy on debt limits in Fund-supported programs, making its debt policy more flexible, and discontinued structural performance criteria.
- LIC demand for Fund-supported programs has remained very high—there are currently around 50 PRGT-eligible countries in program or near-program status, of which around 30 in sub-Saharan Africa. LIC facilities will be reviewed in 2012.

## IMF Exchange Rate Policy Advice

- The 2007 Surveillance Decision and related guidance notes provided additional clarity on what is expected in Fund surveillance of exchange rates and external stability. In addition, the 2008 and 2011 TSRs contained recommendations clarifying the content of exchange rate surveillance, and Surveillance Guidance notes following each TSR provided guidance to staff. Staff also prepared proposals for an Integrated Surveillance Decision, which was approved by the Board in July 2012.
- With regard to exchange rate analysis, to enhance evenhandedness and promote knowledge dissemination, the Research Department has produced practical guidance to desks on implementing the Consultative Group on Exchange Rate Issues (CGER) assessments. Staff is also developing improved exchange rate methodologies, notably the External Balance Assessment (EBA), building on CGER. The Strategy, Policy, and Review Department (SPR) and Area Departments are promoting best practice, including on ways to adapt exchange rate analysis to countries in specific circumstances. The 2011 TSR and related guidance note also emphasized the importance of Article IV reports going beyond exchange rates to take a broad view of external stability, including examination of current accounts, reserves, capital flows, and balance sheets. They also emphasized the importance of discussing exchange rate policies in the context of the overall policy mix. These recommendations are now being implemented in staff reports.
- With regard to multilateral exchange rate surveillance, following Board endorsement of the MD's 2011 Statement on Strengthening Surveillance, staff has prepared a pilot External Sector Report that analyzes external sector imbalances on a multilaterally consistent basis. The report presents assessments of current accounts, exchange rates, capital flows, reserves (including intervention), and net foreign asset positions for 28 major economies plus the Euro Area. It will also enhance the transparency and consistency of the Fund's policy advice on exchange rates.
- Steps have also been taken on interdepartmental coordination on exchange rate analysis. While the existing team structure is deemed appropriate, attention has been given to developing better analytical techniques and disseminating these techniques to desks, e.g., via joint training sessions on external stability assessments by ICD and SPR. In addition, the External Sector Report Coordinating Group introduced a new interdepartmental process for integrating departments' views on members' external balances and exchange rates and ensuring information sharing across departments.
- The IEO report highlighted the importance of engagement with country authorities. The 2011 TSR recommended steps to improve engagement, including through exchanging views with authorities on key issues prior to Article IV missions and having Article

IV reports follow up on past policy advice. The Fund has also introduced new reports including spillover reports for five major economies in 2011, and again in 2012, which examined the impact of their policies on other members.

### **Structural Conditionality in IMF-Supported Programs**

- The 2011 Review of Conditionality found broadly positive results for a substantial majority of Fund-supported programs, but also highlighted challenges in some recent Fund financial arrangements.
- The review finds that program conditionality has generally been appropriately streamlined, even-handed, and tailored to country needs. In a few recent programs, where restoring external competitiveness required deep labor and product market reforms, structural conditionality was more extensive.
- In most programs, the conditionality guidelines were followed appropriately and programs succeeded in meeting their objectives. Program design adapted flexibly and appropriately to the challenges of the global financial crisis and its aftermath.
- The macroeconomic impact of most programs appears to have been generally positive, and social spending has usually been largely protected and, in some cases, has increased. However, in some cases where large policy adjustment was needed for medium-term fiscal and external sustainability, it was associated with output losses, though here too efforts were made to protect the most vulnerable.

### **IMF Involvement in International Trade Policy Issues**

Further progress has been made in those areas discussed in the MIP:

- The guidance on financial services and preferential trade agreements (PTAs) that were developed by staff, issued to the Board for information, and published, are now being utilized.<sup>6</sup>
- The Trade and Policy Review division in SPR reviews the consistency of Fund lending and surveillance with the updated trade guidance notes. Performance will be examined in the next review of trade policy, expected in 2014.
- Coverage of cross-cutting trade policy issues are regularly included in the Fund's surveillance vehicles. More trade-related multilateral surveillance material was also

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<sup>6</sup> See [Reference Note on Trade in Financial Services](#) (September 2010), and [Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency](#) (October 2010).

prepared on a standalone basis, including for example a 2011 paper [Changing Patterns of Global Trade](#), which outlined recent developments in global trade, and analyzed their implications for the outlook for global trade patterns. A follow up paper will look into the dynamic aspects of the global supply chains, and will also address implications for surveillance—e.g., the impact of value added trade on real effective exchange rates (REERs) and linkages with financial flows.

- A November 2011 paper, [The WTO Doha Trade Round—Unlocking the Negotiations and Beyond](#), provided an update on the status of Doha negotiations and an outlook on significant non-Doha trade issues that should be tackled.
- Trade policy work is carried out by staff economists able to work effectively on both trade policy and broader macroeconomic issues, which helped to integrate trade policy into the Fund’s broader work.
- Progress has been made on several fronts to ensure that staff has ready access to timely and relevant summary trade policy information regarding goods trade, preferential trade agreements (PTAs), and financial services. Examples include the Fund-wide availability of the Global Trade Atlas (containing up to date, detailed bilateral monthly trade statistics), and the preparation of a quarterly internal *trade monitor* publication. There was also continued close cooperation between IMF staff and those of the World Bank, WTO, and others on information and data sharing.
- Regular meetings have taken place between senior staff of the WTO and World Bank, as well as other relevant multilateral organizations, including semi-annually with the WTO experts group on trade finance. 2011 saw the first IMF/WB/WTO joint [trade workshop](#), the goal of which was to exchange views on policy issues of common interest and discuss ongoing research projects. A senior staff member also made a presentation in the WTO workshop on exchange rates and trade. Finally, IMF staff presented their analysis of protectionism to WTO ambassadors in a session chaired by the Director General of the WTO.

### **IMF Performance in the Run-Up to the Financial and Economic Crisis**

6. **The Board discussed the MIP in response to Board-endorsed recommendations for the Crisis Evaluation in May 2012.** They broadly supported the specific proposals in the implementation plan, and welcomed [management’s statement](#) on an ambitious agenda to break down silos and promote diverse views and candor, further advancing initiatives underway. Directors considered that both sets of proposals provide a good start and encouraged management and staff to continue to build on them, and where appropriate, engage the Board in the process.

7. **The next PMR will make an assessment of the progress made on the measures set out in the MIP for the Crisis Evaluation.** At the same time, as the Managing Director highlighted in her statement for that meeting, the MIP may not be the best vehicle for assessing the more intangible goals. Therefore, in addition to that process, the Board will return in a year's time to the issues raised in the Managing Director's statement.

### III. CONCLUSIONS

8. **All performance benchmarks from the Interactions MIP have either been met or are on track for completion, and no new remedial actions are proposed.** There are no outstanding performance benchmarks to be reviewed in the next PMR, although the next PMR will provide further updates on any broader issues raised in the context of this report.

#### Proposed Decision

The Executive Board supports the conclusions in Paragraph 8 of the Fifth Periodic

Monitoring Report on the Implementation of Board-Endorsed IEO Recommendations.

## Annex 1. Implementation Status for the IEO Report on IMF Interactions with Member Countries

IEO Recommendations	Executive Directors' Responses	Follow-Up Plan	Implementation Status
<i>To make the Fund more attractive to country authorities and promote traction</i>			
<p><b>1. Improve the quality and relevance of the international dimensions of the Fund's Work.</b> For instance, a new knowledge product, such as a <i>"Cross-Country Brief"</i> could be prepared on requested topics and/or periodically, mining the latest work coming out of experience and research available within the Fund and drawing on its huge store of country and macro-financial knowledge.</p>	<p>"Directors stressed the importance of further enhancing the international dimension of the Fund's surveillance and policy work with <i>greater attention to cross-country analysis and spillovers.</i>"</p> <p>"While efforts to improve traction should aim to strengthen existing instruments in the first instance, Directors remained open to <i>exploring other products that could enhance the Fund's cross-country analysis.</i>"</p> <p>"[Directors] emphasized that, building on the flagship products of the World Economic Outlook [(WEO)], the Global Financial Stability Review, the Regional Economic Outlooks, and other products in the Work Program, there is scope for improvements and better integration of multilateral surveillance products into bilateral surveillance."</p>	<p>Initiatives in the Mandate papers, including:</p> <ul style="list-style-type: none"> <li>- New bilateral and multilateral surveillance procedures and products: (i) thematic multi-country reports; (ii) spillover reports; and (iii) multilateral consultations.</li> <li>- Multilateral surveillance decision.</li> </ul> <p>Continue strengthening Fund's financial sector analysis and understanding of macro-financial linkages: (i) improve access to data for analysis of spillover risks; and (ii) make the FSAP stability module mandatory for countries with systemically important financial systems.</p>	<p>The 2011 Triennial Surveillance Review outlined a number of recent initiatives: continuing spillover reports (done in 2011 and 2012); more coverage of spillovers and cross country work in Article IV reports (which was expanded in 2012); and Board discussion of Article IV reports in clusters, which has been done for the systemic 5 economies, but now needs to be implemented more broadly. Upcoming WEOs will also cast the chapter on regional developments around policy spillovers and interactions across countries in different regions.</p> <p>Staff prepared proposals for an Integrated Surveillance Decision, which was adopted by the Executive Board in July 2012.</p> <p>With insufficient Board support for increasing the frequency of mandatory FSAPs for systemic economies, the TSR described the alternative modalities that will be pursued. For example, a financial expert will be assigned to each Article IV team involving systemically important financial sectors. Additional resources will be mobilized for these countries as well as others as needed (e.g., in case of mounting financial vulnerabilities).</p> <p>The review of data provision to the Fund has been brought forward to 2012.</p>

<p><b>2. As an element of concerted strategy to engage more deeply with both emerging and advanced economies, develop menus of products and services to be offered and make sure they are transparent, compelling, and feasible.</b></p> <p>Where useful, also consider such strategic menus for other sub-groups of countries, such as the small states who face special challenges, cutting across area department lines.</p>	<p>“[Directors] also remained open to considering menus of products for different country groupings within resource limits and while preserving the evenhandedness of surveillance.”</p>	<p>Initiatives in the Mandate papers, including:</p> <ul style="list-style-type: none"> <li>- New ‘knowledge products’: such as (i) work on economies with large financial systems; and (ii) emerging market economies’ performance during the crisis.</li> <li>- Multi-country swap/credit lines.</li> <li>- Support to regional financing arrangements (RFAs).</li> <li>- Precautionary Credit Line (PCL).</li> <li>- Refinements to FCL.</li> <li>- Post-Catastrophe Debt Relief (PCDR) Trust Fund for disaster stricken fragile states.</li> <li>- Vulnerability Exercise for LICs.</li> </ul>	<p>There has been further reform to lending products to meet the needs of the membership. These have included the creation of the Precautionary and Liquidity Line (PLL), and amendments to the Flexible Credit Line (FCL).</p> <p>New concessional facilities for LICs became effective in January 2010 under the Poverty Reduction and Growth Trust (PRGT) as part of a broader reform to make the Fund’s financial support more flexible and better tailored to the diverse needs of LICs.</p> <p>The 2011 review of fragile states saw the implementation of a number of new policies and practices, including fuller use of the Rapid Credit Facility (RCF). IMF staff work on small states is ongoing.</p> <p>The vulnerability exercise has become a central part of the Fund’s toolkit, while new knowledge products have also continued— including the Crisis Program Review papers. A new debt limits policy has also been agreed.</p>
<p><b>3. Replace the now defunct country surveillance agendas with strategic agendas...</b> the strategic agendas would:</p> <ul style="list-style-type: none"> <li>(i) include effectiveness of interactions as a specific goal;</li> <li>(ii) spell out the linkages across surveillance, programs, and any</li> </ul>	<p>“A number of Directors supported further consideration of the proposal to replace the Surveillance Agenda with “strategic agendas.” Other Directors were concerned that such agendas could create an additional burden with little real effect on interactions.”</p> <p>“Directors looked forward to considering proposals to improve surveillance and its</p>	<p>Options in the Mandate papers—see initiatives under recommendation 1 above.</p>	<p>The 2011 TSR directly tackled the issue of how to improve the traction of IMF surveillance, and proposed a number of actions, including reiterating that country teams should exchange views with authorities on key issues for discussion prior to Article IV missions, without compromising their capacity—and obligation—to raise relevant, and at times difficult, issues.</p>

<p>technical assistance plans, and to traction, over the medium term; (iii) clarify the outreach plan—its strategic links to traction and constraints to its effectiveness; (iv) build in consultation with authorities to help generate buy-in; (v) align the associated budgetary and staffing requirements; and (vi) increase accountability and learning, reflect staff self assessments of what the Fund’s previous interactions achieved.</p>	<p>traction, and reference was made to the upcoming review of the Fund’s mandate and modalities.”</p>		
<p><b>4. Bring more experts on country visits, especially when country interest and traction are waning.</b> The Fund must increasingly offer specific expertise to work directly with authorities. To provide this, it needs to further improve the staff skills mix by recruiting highly skilled technical experts and</p>	<p>“Some Directors saw merit in the proposal to bring more experts on country visits, especially when they offer significant value added, but others were concerned that a greater role of experts could run counter to team continuity.”</p> <p>“Directors supported the expanded recruitment of experienced, mid-career professionals to ensure the right skills mix and</p>	<p>Continue emphasis on mid-career and specialized skills recruitment.</p> <p>Regional advisory groups.</p> <p>Working Group on Fund Presence in the Field report by end-May 2011.</p>	<p>The recent MIP for the IEO Crisis Evaluation provided an update on efforts to continue to broaden the professional diversity of staff, including their educational background and skill mix. In this regard, steps have been taken to: recruit a higher proportion of midcareer economists with substantial policy experience; hire more staff with financial sector experience as well as experts with fiscal and debt policy skills; and increased support for training and secondments.</p> <p>Regional advisory groups have continued. The groups, who are comprised of prominent experts—acting in their personal capacity—from the private and public sectors, as well as academia and civil society, have an independent, advisory function and their composition has been regularly adapted to meet the needs of the Fund.</p>

<p>mid-career practitioners who would add value and command peer respect, and by using the services of a panel of world class experts to join key staff visits, and add to the policy debate.</p>	<p>expertise.”</p>		<p>The working group report on increasing the effectiveness of staff in the field was delivered in June 2011, and its recommendations are being acted upon. These suggested improvements include longer lead times for the Resident Representative selection process; focusing the selection process on finding candidates with the outreach, interpersonal, and diplomatic skills needed for Resident Representative assignments; and developing a comprehensive training program for newly appointed Resident Representatives.</p>
<b><i>To improve the effectiveness of outreach</i></b>			
<p><b>5. Clarify the rules of the game on outreach.</b> Clarification of the policy intent is essential, mindful that such outreach is potentially one of the main foundations of traction in large emerging and advanced economies.</p>	<p>“Directors generally considered that it would be useful to provide greater guidance on outreach efforts, while ensuring sufficient flexibility.”</p> <p>“Several Directors stressed the need for care in engaging in policy debates outside the official dialogue, and a few asked for further discussion on this issue.”</p>	<p>Interdepartmental Communications Group, now chaired by First Deputy Managing Director, meets regularly to provide guidance to staff on strategic communications and outreach priorities.</p> <p>Continue updating communications toolkit with changing Fund policies and facilitate staff use of toolkit.</p>	<p>The communications group meeting has been replaced by a weekly communications meeting that is now chaired by the Managing Director.</p> <p>The toolkit is regularly updated and disseminated to staff.</p>
<p><b>6. Decide how to handle the Fund’s negative reputational legacy and tell staff so that they can act upon it. Such advice goes beyond the new communications toolkits for mission chiefs and resident representatives and</b></p>	<p>“[Directors] agreed that it is important for the Fund to deal forthrightly with current and past controversies, and that outreach efforts should be regularly updated to reflect ongoing reforms in Fund policies.”</p> <p>“While outreach efforts were seen to have a critical role in</p>	<p>Recent reforms:</p> <ul style="list-style-type: none"> <li>- Adoption of review-based monitoring of structural conditionality.</li> <li>- Establishment of FCL (ex-ante conditionality).</li> </ul> <p>Update communications toolkit.</p> <p>Revised Conditionality</p>	<p>The experience with many of these recent reforms is considered in detail in the forthcoming Review of Conditionality.</p>

<b>media training available to staff.</b>	overcoming a negative reputational legacy in many countries, <i>Directors generally did not support</i> the proposal to develop specific guidance in this particular area.”	Guidance Note.  Increased targeted outreach activities.	
<b><i>To improve the management of interactions</i></b>			
<b>7. Provide guidance and training on professional conduct for staff interactions with the authorities and IMF senior staff/management on matters of country Assessments.</b> The Managing Director should commission a <i>task force</i> of staff at all levels, with participation by the ethics officer, to consider guidance for staff on how to be both appropriately forthright, and respectful.... The task force should report back by summer 2010, and the actionable points to be reported to the Executive Board for its endorsement and oversight.	“Directors strongly supported efforts to enhance the candor and effectiveness of Fund engagement with country authorities. They acknowledged the critical role of management and the Executive Board in supporting staff analysis involving politically difficult messages. <i>Directors supported continued deepening of guidance and training</i> for staff in conducting country relations”  “A few Directors supported the establishment of a task force to develop professional standards for staff interactions with the authorities on country assessments.”	Continue updating training framework for staff and mission chiefs: new course on ‘conducting country relations.’  Communication and outreach refresher courses for resident representatives and mission chiefs.  Systematic training needs analysis.  Working Group on Standards for Staff Conduct.	The Fund now offers a range of management development training courses to help managers understand and develop the skills needed to conduct effective country relations.  The training and preparation of resident representatives for their assignments has been strengthened, and now focuses on preparing staff in the field to conduct effective outreach. This has been achieved through a revised training program, including a deeper media and outreach course better tailored to the Fund’s needs.  In March 2012, The IMF revised its standards of conduct for staff, bringing to fruition more than two years of work on strengthening the institution's ethical framework.
<b>8. Increase mission chief and staff tenure on country</b>	“Directors generally supported the proposal to increase mission chief and	Increase staff tenure from the current low base, while remaining mindful	The recent MIP for the IEO Crisis Evaluation provides an update on staff tenure, noting that new measures will ensure the demand for cross-country experience among staff is met, while

<p><b>assignments; as well as training and incentives for interactions.</b> Current turnover rates are vexing to all country groupings, except for the G-7, and need to be reduced along with the transition costs of the handover to new teams.</p> <p>Equally, staff training for interactions needs to be enhanced, especially for senior staff, including practical advice based on country experience.</p>	<p>staff tenure on country assignments. They welcomed the steps being taken in this regard and noted that <i>this objective should be balanced against the desire for fresh and cross-country perspectives.</i>”</p>	<p>of Directors calls for fresh perspectives on country teams as well as the importance of departmental flexibility and staff career development needs.</p> <p>Training framework: new course on ‘conducting country relations.’</p>	<p>being cognizant of the demand for mission team stability. Reforms have recently been announced to ensure that an appropriate balance is struck. Going forward, assignments will be expected to last three years on average, at five years staff members will be encouraged to look for assignments outside their department, and if they are unable to do this by seven years there will be centralized support.</p>
<p><b>9. Clarify relationship management arrangements, emphasizing the importance of team work—setting out clearly who is responsible and accountable for what, along with appropriate performance measures.</b> The links (interrelationships and overall management responsibility) between the mission chief and the resident representative need to</p>	<p>“A few Directors supported the IEO recommendation that the responsibilities and accountabilities of management in interactions with members need to be better established.”</p>	<p>Continue efforts to improve clarity about relations and management responsibilities between mission chief and resident representative</p> <p>Continue strengthening the framework for provision of technical assistance. Medium-term technical assistance (TA) programs on a pilot basis.</p> <p>No action; proposal not broadly supported</p>	<p>One of the key recommendations of the recent working group on increasing staff effectiveness in the field focused on the need to clarify the mandate and strengthen departmental management of resident representatives (RRs). As a consequence, tailored job standards are being established for RRs, and Terms of Reference are being drawn up that are substantive and country specific, in consultation with key stakeholders.</p> <p>The new Institute for Capacity Development, launched in May 2012, marked a step change in the provision of the Fund’s TA. A new Strategy and Evaluation Division is tasked with continually developing and enhancing the Fund’s capacity building strategy, while the Department’s new regional divisional structure is more closely aligned with area departments and regional technical assistance centers (RTACs) allowing a more cohesive approach.</p>

<p>be clarified and systematized, with a view to improving the quality of interactions with the authorities and other stakeholders.</p> <p>The Fund should also continue to strengthen implementation of its vision for country-specific technical assistance strategies, involving a joint agenda with countries, with the area departments responsible and accountable for the overall strategy and the functional departments for the delivery and quality of the specific technical assistance products.</p> <p>Finally and importantly, the responsibilities and accountabilities of the MD and DMDs for interactions need to be better established.</p>			
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## Annex 2. Recent Progress on the IEO Report on the IMF and Aid to Sub-Saharan Africa

IEO Recommendations	Executive Directors' Responses	Follow-up and Modalities for Implementation	Implementation Status, October 2008	More Recent Progress
<p><b>A.</b> The Executive Board should reaffirm and/or clarify IMF policies on the underlying performance thresholds for the spending and absorption of additional aid, the mobilization of aid, alternative scenarios, poverty and social impact analysis (PSIA), and pro-poor and pro-growth budget frameworks.</p> <p>Based on these reaffirmations and/or clarifications, management should provide clear guidance to staff on what is required, encouraged, permitted, and/or prohibited—including in working with the World Bank and other partners—and ensure effective implementation and results.</p>	<p><b>A1</b> Directors generally agreed that considerable scope remains for further improvements ... and that any improvements in the Fund's engagement in low-income countries should, in line with the Medium Term Strategy (MTS), continue to be focused on its core mandate.</p>	<p>All strands.</p>	<p>Policy has been clarified by the Board in this respect at the July 2007 discussion of program design and aid (<a href="http://www.imf.org/external/np/pp/2007/eng/060507.pdf">http://www.imf.org/external/np/pp/2007/eng/060507.pdf</a>) and <a href="http://www.imf.org/external/np/pp/2007/eng/061407.pdf">http://www.imf.org/external/np/pp/2007/eng/061407.pdf</a>) and at the October 2007 discussion of the IMF's role in the Poverty Reduction Strategy (PRS) process and collaboration with donors (Public Information Notice No. 07/130, and <a href="http://www.imf.org/external/np/pp/2007/eng/052907.pdf">http://www.imf.org/external/np/pp/2007/eng/052907.pdf</a>).</p> <p>A chapeau paper on the "The Role of the Fund in LICs" was discussed by the Board in July 2008 (<a href="http://www.imf.org/external/np/pp/eng/2008/061308.pdf">http://www.imf.org/external/np/pp/eng/2008/061308.pdf</a>) and Public Information Notice No. 08/125).</p>	<p><a href="#"><i><u>The Implications of the Global Financial Crisis for Low-Income Countries</u></i></a> highlighted, inter alia, the role of Fund support in LICs.</p> <p>Program design in low-income countries was discussed in <a href="#"><i><u>Creating Policy Space—Responsive Design and Streamlined Conditionality in Recent Low-Income Programs</u></i></a> and in <a href="#"><i><u>Emerging from the Crisis—Macroeconomic Challenges Facing Low-Income Countries</u></i></a>.</p> <p>Collaboration with the World Bank was discussed in <a href="#"><i><u>Implementation of the Joint Management Action plan on Bank-Fund Collaboration</u></i></a>.</p>

	<p><b>A.2</b> Directors confirmed the importance of accommodating higher aid flows through higher spending and net imports, provided that this would not jeopardize macroeconomic stability.</p>	<p>The Role of the Fund in Managing Aid Inflows and Impact on the Design of Fund-supported Programs.</p>	<p>Policy has been clarified in this respect at the July 2007 Board discussion of program design and aid.</p>	<p>Policy unchanged since 2008 Periodic Monitoring Report.</p>
	<p><b>A.3</b> ...they considered that this approach should continue to be implemented on a case by-case basis.</p>	<p>All strands.</p>	<p>This approach was reaffirmed by the Board at the discussion of program design and aid in July 2007.</p>	<p>Policy unchanged since 2008 Periodic Monitoring Report.</p>
	<p><b>A.4</b> ...most Directors confirmed that distributional policies generally lie outside the Fund's core mandate and that PSIA should be conducted by other agencies in the context of the PRSP process.</p>	<p>The Role of the Fund in Managing Aid Inflows and Impact on the Design of Fund-supported Programs.</p> <p>Follow-up to Malan Report.</p>	<p>Policy has been reaffirmed during the October 2007 Board discussion of the IMF's role in the PRS process and collaboration with donors.</p> <p>As follow-up to the Malan Report, a Joint Management Action Plan (JMAP) to improve Bank-Fund collaboration—presented to the Board in October 2007 (<a href="http://www.imf.org/external/np/sec/pr/2007/pr07235.htm">http://www.imf.org/external/np/sec/pr/2007/pr07235.htm</a>)—is being implemented.</p>	<p>Collaboration with the World Bank was discussed in <i>Implementation of the Joint Management Action plan on Bank-Fund Collaboration</i>.</p> <p>In the context of the new architecture for LIC lending facilities, increased emphasis is given to protecting social and other priority spending, including through explicit program targets where possible.</p>

	<p><b>A.5</b> Directors noted that PSIAs have not systematically supported PRGF program design, and emphasized the importance of improving Fund collaboration with development partners, in particular the World Bank, to take these issues into account.</p>	<p>The Role of the Fund in Managing Aid Inflows and Impact on the Design of Fund-supported Programs</p> <p>The Role of the Fund in the PRSP and Donor Coordination Processes</p> <p>Follow-up to Malan Report.</p>	<p>Issues have been addressed in papers prepared for the Board on the IMF’s role in the PRS process and collaboration with donors.</p> <p>A JMAP to improve Bank-Fund collaboration—presented to the Board in October 2007—is being implemented.</p>	<p>Collaboration with the World Bank was discussed in <i>Implementation of the Joint Management Action plan on Bank-Fund Collaboration</i>.</p>
	<p><b>A.6</b> On other aid related issues Directors offered a range of views on:</p> <ul style="list-style-type: none"> <li>- developing alternative aid scenarios;</li> <li>- preparing scenarios that illustrate the macroeconomic challenges of scaling up aid in the context of the PRSP and, when available, based on estimates by</li> </ul>	<p>The Role of the Fund in the PRSP and Donor Coordination Processes.</p> <p>The Role of the Fund in Managing Aid Inflows and Impact on the Design of Fund-supported Programs.</p> <p>Fiscal Policy Response to Scaled-up Aid.</p> <p>Follow-up to Malan Report.</p>	<p>Policies have been clarified during the July 2007 Board discussion on fiscal responses to scaled up aid and program design and aid and the October 2007 Board discussion of the IMF’s role in the PRS process and collaboration with donors.</p> <p>A JMAP to improve Bank-Fund collaboration—presented to the Board in October 2007—is being implemented.</p> <p>A chapeau paper on the “The Role of the Fund in LICs” was discussed by the Board in July 2008.</p>	<p>Scaling Up Aid Scenarios have recently been prepared by the Fund for 15 countries in Sub-Saharan Africa as a result of the Fund’s participation in the MDG Africa Steering and Working Group.</p> <p>Collaboration with the World Bank was discussed in <i>Implementation of the Joint Management Action plan on Bank-Fund Collaboration</i>.</p>

	<p>others of additional resources needed for the MDG; - though these should be limited to assessing the consistency of additional aid flows with macroeconomic stability In addition, Directors supported the report's recommendation on the need for further clarification of Fund policy on several aid-related issues: e.g., aid mobilization, alternative scenarios.</p>			
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	<p><b>A.7</b> Directors generally considered that the World Bank and other MDBs should be the lead agencies in providing advice related to expenditure composition issues.</p>	<p>Fiscal Policy Response to Scaled-up Aid.</p> <p>Follow-up to Malan Report.</p>	<p>Policies have been clarified during the July 2007 Board discussion on fiscal responses to scaled up aid and program design and aid and the October 2007 Board discussion of the IMF’s role in the PRS process and collaboration with donors.</p> <p>A JMAP to improve Bank-Fund collaboration—presented to the Board in October 2007—is being implemented.</p>	<p>Collaboration with the World Bank was discussed in <i>Implementation of the Joint Management Action plan on Bank-Fund Collaboration</i>.</p>
	<p><b>A.8</b> Directors concurred on the need for improved transparency and clear communications by the Fund on its stance regarding the use of aid, and on the trade-offs involved.</p>	<p>The IMF’s Communication Strategy.</p>	<p>Strategy to improve communication has been laid out in the papers prepared for the June 2007 Board discussion of the IMF’s communication strategy (<a href="http://www.imf.org/external/np/pp/2007/eng/052907.pdf">http://www.imf.org/external/np/pp/2007/eng/052907.pdf</a>).</p> <p>A chapeau paper on the “The Role of the Fund in LICs” was discussed by the Board in July 2008.</p>	<p>Intensive outreach activities remain a critical part of the Fund’s work on low-income countries.</p>
	<p><b>A.9</b> Directors agreed that the Fund’s engagement with development partners would benefit from ensuring that institutional communications—both internal</p>	<p>The Role of the Fund in the PRSP and Donor Coordination Processes.</p> <p>The IMF’s Communication Strategy.</p>	<p>Strategy to improve communication has been laid out in the papers prepared for the June 2007 Board discussion of the IMF’s communication strategy and the discussion of the IMF’s role in the PRS process and collaboration with donors.</p>	<p>Intensive outreach activities remain a critical part of the Fund’s work on low-income countries.</p> <p>The new Vulnerability Exercise for LICs (<i>Managing Global Growth Risks and Commodity Price Shocks—Vulnerabilities and Policy Challenges for Low-Income Countries</i>) provides a vehicle for enhanced outreach.</p>

	and external—are consistent with Board-approved operational policies.			
<p><b>B</b> Management should establish transparent mechanisms for monitoring and evaluating the implementation of the clarified policy guidance.</p> <p>The IMF’s ex post assessments should explicitly cover staff actions and contributions to the implementation of existing and clarified policies.</p> <p>But in view of widespread external concerns about IMF staff accountability in SSA, a more periodic and transparent stocktaking across country programs is needed, possibly in the context of Board reviews of the PRGF—or in future reviews of the MTS.</p>	<p><b>B.1</b> Directors welcomed the report’s recommendation to establish transparent Mechanisms for monitoring and evaluating the implementation of the clarified policy guidance.</p>	All strands.	A chapeau paper on the “The Role of the Fund in LICs” was discussed by the Board in July 2008.	<p>A <a href="#">Handbook of IMF Facilities for Low-Income Countries</a> was issued to the Board in March 2012 and posted on the IMF’s website.</p> <p><a href="#">Macroeconomic and Operational Challenges in Countries in Fragile Situations</a>, and the related guidance note, provide specific policy guidance for Fund engagement with fragile LICs.</p> <p>Guidance Notes were issued on the <a href="#">Application of the Joint Fund Bank Debt Sustainability Framework</a> and on <a href="#">Debt Limits in Fund-supported Programs</a>, and the debt sustainability framework was revisited in <a href="#">Revisiting the Debt Sustainability Framework for Low-Income Countries</a>.</p>
	<p><b>B.2</b> ...existing mechanisms for follow up, such as ex-post assessments of past Fund arrangements, might be</p>	<p>Review guidance note on ex-post assessments.</p> <p>2010 Review of PRGF.</p>	<p>Reviewing the guidance note on EPAs is not in the immediate work program in light of their limited use; only one EPA (Kenya) has been undertaken since May 2007 (Ghana).</p> <p>2010 Review of PRGF is on track.</p>	<p>Guidelines for Ex Post Assessments (EPAs) were updated in 2010 (see <a href="#">Ex Post Assessments of Members with a Longer-Term Program Engagement—Revised Guidance Note</a>).</p> <p>Recent EPAs were prepared for a</p>

	strengthened and broader stocktaking in the context of periodic Board reviews of the PRGF.			<p>number of countries, including: Benin, Burundi, The Gambia, Ghana, Kenya, Kyrgyz Republic, Mali, Niger, Sierra Leone, and Zambia.</p> <p>Facilities for low-income members were overhauled in 2009 (see <a href="#">A New Architecture of Facilities for Low-Income Countries</a>).</p> <p>A Review of Facilities for Low-Income Countries is scheduled for 2012.</p>
<p><b>C</b> Management should clarify expectations — and resource availabilities—for resident representatives’ and missions chiefs’ interactions with local donor groups and civil society. It should monitor trends in the institution’s country level operating environment, including for aid, periodically assessing the cross-country implications for IMF policies and strategies.</p>	<p><b>C.1</b> Directors also welcomed the final recommendation in the IEO report to clarify expectations under Fund policies—and resource availabilities—for resident representatives’ and missions chiefs’ interactions with local donors and civil society groups.</p>	<p>The Role of the Fund in the PRSP and Donor Coordination Processes.</p> <p>The IMF’s Communication Strategy.</p> <p>Medium-Term Budget.</p>	<p>Issue has been addressed in the June and October 2007 Board meetings on the IMF’s communication strategy and the IMF’s role in the PRS process and collaboration with donors.</p> <p>No expansion of resident representative program in the medium-term budget.</p>	<p>A comprehensive review of the Fund’s Resident Representative program, including the role of resident representatives in outreach activities, took place in June 2011.</p>
	<p><b>C.2</b> ...attention should be paid to changing aid modalities and</p>	<p>The Role of the Fund in the PRSP and Donor Coordination Processes.</p>	<p>Issue has been addressed in the June and October 2007 Board meetings on the IMF’s communication strategy and the IMF’s role in the PRS process and collaboration with donors.</p>	<p>A comprehensive review of the Fund’s Resident Representative program, including the role of resident representatives in</p>

	<p>increasing decentralization of donor operations, while also taking into account the Fund's budget and staffing constraints. Directors recognized the particular importance of the role played by resident representatives in this context, but stressed that any further consideration of their role should be informed by a careful cost-benefit analysis.</p>	<p>Medium-Term Budget.</p>	<p>No expansion of resident representative program in the medium-term budget.</p>	<p>outreach activities took place in June 2011.</p>
	<p><b>C.3</b> Directors emphasized that, in particular, the concerns raised by donor groups called for improved coordination and communication.</p>	<p>The Role of the Fund in the PRSP and Donor Coordination Processes.</p>	<p>Issue has been addressed in the June and October 2007 Board discussions of the IMF's communication strategy and the IMF's role in the PRS process and collaboration with donors.</p> <p>A JMAP to improve Bank-Fund collaboration—presented to the Board in October 2007)—is being implemented.</p>	<p>Collaboration with the World Bank was discussed in <i>Implementation of the Joint Management Action plan on Bank-Fund Collaboration</i>.</p>

### Annex 3. Recent Progress on the IEO Report on IMF Exchange Rate Policy Advice, 1999-2005

IEO Recommendations	Board Discussion	Follow Up Plan	MIP Status, October 2008	More Recent Progress
<i>I. Rules of the Game and Guidance to Staff</i>				
I.1 Clarify the rules of the game for the IMF and its member countries.	“Most Directors agreed ... that a revalidation of the fundamental purpose of surveillance is an important goal, although views differed on the best vehicle through which this revalidation could occur.”	Adoption of the 2007 Decision on Bilateral Surveillance.	Decision adopted and being implemented.	The 2008 and 2011 TSRs contained recommendations clarifying the content of exchange rate surveillance. Guidance to staff was provided in revised Surveillance Guidance notes following each TSR.  Consideration is being given to the adoption of an Integrated Surveillance Decision.
I.2 Practical policy guidance should be developed on key analytical issues. Two priorities would be on the stability of the system and on the use and limits of intervention.	Directors “had diverse views regarding the need for such guidance and on the feasibility of developing it.” “A number of Directors saw merit in a Board discussion on the stability of the system of exchange rates, similar to the one undertaken in 1999. A number of other Directors, however, noted that the WEO already provides a useful platform for such an assessment.” “Many Directors saw the	Revised Surveillance Guidance Note (by end 2007, note that guidance related to the 2007 Decision may be issued by October 2007).  Tentatively, review of the stability of the system of exchange rates in 2009.  Expand and improve CGER work (including refining methodologies and expanding it to key low income countries and producers of exhaustible	Guidance on operational aspects of the 2007 Surveillance Decision issued in July 2008 and published in August 2008. Updated Surveillance Guidance Note to be issued after Board discussion of the TSR.  Priority in the CGER work program has been given to assessing the performance of past CGER predictions and improving the current methodology. Work is also underway on expanding CGER to LICs and producers of exhaustible resources.  Preliminary versions of these methodologies are expected for the Spring of 2009.  Work on knowledge dissemination is proceeding and most of it is expected to be completed in the summer of 2008.	As part of improved guidance and knowledge dissemination, the Surveillance Guidance Note was revised following the 2011 TSR, and a new intranet site has been set-up to help provide effective dissemination of guidance and best practice examples.  Following Board endorsement of the MD’s 2011 Statement on Strengthening Surveillance, Fund staff is preparing an External Sector Report (ESR) that will analyze external sector imbalances on a multilaterally consistent basis.  Staff is developing improved exchange rate methodologies, the External Balance Assessment

	<p>need for practical policy guidance on specific aspects of exchange rate policy advice, while some Directors underscored the practical difficulties in formulating such guidance.”</p> <p>Many Directors noted that “more effort needs to be put into integrating cutting edge techniques into the Fund’s country work, and in disseminating such knowledge within the Fund”</p>	<p>resources).</p> <p>Knowledge dissemination. A coordinated training plan will be developed by INS and PDR in 2008, and a section of examples of best practice in exchange rate surveillance will be posted on the PDR website in late 2007.</p>		<p>(EBA), building on CGER. These include greater country coverage and address identified shortcomings of the CGER approaches.</p>
<p>I.3 Management should give much greater attention to ensuring effective dialogue with authorities.</p>	<p>“Directors agreed that there remains scope to explore further ways to improve the dialogue with member countries, and to address any perception of lack of evenhandedness.”</p>			<p>The 2011 TSR recommended greater transparency and explanation of exchange rate assessment methodologies for the country authorities and the public. Staff is currently examining best practice enhancements to CGER to ensure consistency across the membership.</p> <p>In addition, to enhance evenhandedness and promote knowledge dissemination, the Research Department has produced practical guidance to desks on implementing CGER.</p> <p>The ESR report will transparently</p>

				present assessments of current accounts, exchange rates, capital flows, reserves (including intervention), and net foreign asset positions for 28 major economies plus the Euro Area.
a. Management should develop a strategic approach to identify opportunities to improve the effectiveness of the dialogue.	“Directors encouraged management to give consideration to the IEO recommendations in this area, particularly to a strategic approach to identifying opportunities to improve the effectiveness of the dialogue.” “Ensuring that missions have the right mix of skills and expertise...was seen by many as requiring further efforts”.	Surveillance agendas.  Ongoing initiatives to increase MCM participation in Article IV missions.	Surveillance agendas are prepared for all countries alongside the Article IV cycle.  MCM participation in Article IV missions increased to about 60 consultations in FY08. A decline is planned in FY09 (40-50 missions), but ongoing training on financial sector issues targeted to country desks and mission chiefs should help ensure that mission teams keep the right mix of skills and expertise.	Surveillance agendas have been discontinued as they were found to be overly-bureaucratic. Instead, the TSR focused on ways to be attentive to members’ needs. For example, country teams will exchange views with authorities on key issues for discussion prior to Article IV missions, without compromising their capacity—and obligation—to raise relevant, and at times difficult, issues.  Staff produced the first Consolidated Multilateral Surveillance Report (CMSR) in 2011, and a second in April 2012, to promote engagement at the ministerial level.  The 2011 TSR recommended steps to improve engagement including by exchanging views with authorities on key issues prior to Article IV missions and having Article IV reports follow up on past policy advice. These have been included in the updated guidance note and are being implemented.

<p>b. Management and the Board need to adjust the incentives to raise controversial issues.</p>	<p>“Staff should be encouraged to raise controversial issues with the authorities, to better understand the viewpoint of national authorities, and to ensure evenhandedness.”</p>	<p>Clearer expectations and support from management.</p>	<p>The Managing Director has made clear in his Strategic Directions paper that he envisions an IMF more critical in its assessments (especially in good times), and more assertive in communicating its concerns.</p>	<p>The 2011 TSR emphasized the need for greater candor and that traction could be increased via the steps listed in <a href="#">the Managing Director’s statement on Strengthening Surveillance</a></p>
<p><i>II. Implementing Existing Policy Guidance</i></p>				
<p>II.1 Management and the Executive Board should resolve inconsistencies and ambiguity over the issue of regime classification.</p>	<p>“Directors reaffirmed the importance of a clear description of the de facto exchange rate regime. Many Directors also underscored the need to better understand the factors underlying differences between the de facto and de jure classifications.”</p>	<p>Revised Surveillance Guidance Note.</p> <p>Review of Exchange Arrangements, Restrictions, and Markets in September 2007.</p> <p>Focus on the issue in the internal review process.</p>	<p>Guidance on operational aspects of the 2007 Surveillance Decision issued in July 2008 and published in August 2008. Updated Surveillance Guidance Note to be issued after Board discussion of the TSR.</p> <p>The Review was split in two. The Review of Exchange Arrangements, Restrictions, and Controls was completed in 2007. On methodological issues, an informal Board seminar on the Classification of Exchange Rate Arrangements was held in April 2008; a further Board discussion of classification issues, based on supplementary information, may take place later in 2008 if requested by Directors.</p> <p>Review process strengthened following guidance to staff on reporting of the exchange rate regime classification. Training by MCM on foreign exchange regime classification and analysis of foreign exchange market operations is being prepared in the context of expanding knowledge dissemination on exchange rate surveillance.</p>	<p>The 2008 TSR found 96 percent of sampled reports had a clear description of the de facto exchange rate classification.</p> <p>MCM compiles a list of de facto exchange rate classifications in the Annual Report on Exchange Arrangements and Exchange Restrictions. These classifications are based on the quantitative behavior of the exchange rate rather than desk judgment.</p>
<p>II.2 IMF advice on exchange rate regimes should be backed up more explicitly by analytic work.</p>	<p>Regarding the assessment of members’ choices of exchange rate regimes, Directors</p>	<p>Revised Surveillance Guidance Note.</p>	<p>Guidance on operational aspects of the 2007 Surveillance Decision issued in July 2008 and published in August 2008. Updated Surveillance Guidance Note to be issued after Board discussion of the TSR.</p>	<p>MCM compiles a list of de facto exchange rate classifications in the Annual Report on Exchange Arrangements and Exchange Restrictions. These</p>

	<p>saw scope for more candid staff assessments while avoiding a mechanistic approach.”</p> <p>“In general, Directors agreed that staff’s views should, whenever warranted, be explicitly underpinned by more comprehensive analytical discussion of the pros and cons, taking into account country circumstances, the authorities’ views, and implementation issues when macroeconomically relevant. Staff advice should be informed by the Fund’s considerable cross-country experience.”</p>	<p>Knowledge dissemination (see above).</p> <p>Focus on the issue in the internal review process.</p> <p>Tentatively, review of the stability of the system of exchange rates in 2009.</p>	<p>Progress on knowledge dissemination (see above).</p> <p>Review process strengthened in the context of the implementation of the 2007 Decision. Guidance on expectations for exchange rate assessments in Article IV consultations was included in the guidance on operational aspects of the 2007 Decision.</p> <p>The review of the stability of the system of exchange rates is expected to be completed in FY2009.</p>	<p>classifications are based on the quantitative behavior of the exchange rate.</p> <p>Country teams provide advice on exchange rate regimes taking into account macroeconomic conditions and country-specific circumstances.</p>
<p>II.3 To improve assessments of the exchange rate level, the IMF should be at the forefront of developing the needed analytical framework, while more successfully translating existing</p>	<p>“Directors welcomed the finding that analysis of exchange rate levels had improved, although in several cases there remained scope for improvement in the quality of the analysis.” “Directors</p>	<p>Expand and improve CGER work (including refining methodologies and expanding it to key low income countries and producers of exhaustible resources).</p>	<p>CGER work (see above).</p> <p>Progress on knowledge dissemination (see above).</p> <p>Work in area departments (through dedicated working groups) and PDR (real exchange rate benchmarks for oil exporting countries) is ongoing.</p>	<p>Research has undertaken a major project to improve the CGER approaches via the new External Balance Assessment (EBA).</p>

<p>methodologies into advice that is relevant to discussion of individual country cases.</p>	<p>generally agreed with the IEO that the Fund should stay at the forefront of developing the analytical framework in this area, including with respect to developing countries. Several Directors advocated caution in the Fund’s public communications on its findings on equilibrium exchange rates and misalignments, including those based on CGER assessments. In this context, a few Directors cautioned against overreliance on model-based estimates of equilibrium exchange rates.”</p>	<p>Knowledge dissemination (see above).</p> <p>Additional research in area departments, including cross-country work on oil producers in MCD.</p> <p>Focus on the issue in the internal review process.</p>	<p>Table A.2 has a list of recent Selected Issues papers on exchange rate-related topics. Review process strengthened in the context of the implementation of the 2007 Decision (see above).</p>	<p>SPR and Area Departments are promoting best practice and adapting exchange rate analysis to countries in specific circumstances (e.g., oil exporters, financial centers).</p>
<p>II.4 Management and the Executive Board should consider further what lies behind the apparently serious problems of data provision for surveillance, and how incentive structures can be improved.</p>	<p>“Directors... welcomed the recommendation to consider further the scope of the problem [of data availability] and possible remedies. Thus, they looked forward to the upcoming review of</p>	<p>Review of data provision to the Fund in late 2007.</p>	<p>Review completed in May 2008. Directors noted that the approach followed in recent years has been largely effective in resolving concerns that members may not be sharing data to the best of their ability. They pointed, however, to the wide variance in staff’s handling of such cases as an area for improvement, and stressed that staff must follow up expeditiously in cases where concerns arise. They endorsed the proposal to clarify guidance to staff regarding steps to follow when there is a concern that a member may</p>	<p>In September 2012, a review of Data Provision to the Fund for Surveillance Purposes will assess the usage of data and future data needs to strengthen surveillance.</p>

	data provision to the Fund.”		not be complying with Article VIII, Section 5, to ensure consistent and evenhanded treatment.	
II.5 Incentives should be given to develop and implement guidance for the integration of spillovers into bilateral and regional surveillance.	“Directors underscored the importance of better incorporating the analysis of policy spillovers into regional and bilateral surveillance and welcomed the initiatives recently taken in this area under the aegis of the Medium-Term Strategy.”	No new initiatives. Continued implementation of existing initiatives under the MTS.	This theme has received renewed emphasis in the refocusing process and in the TSR. The Managing Director’s Strategic Directions paper outlines some initiatives to integrate a multilateral perspective in bilateral surveillance.	<p>Spillover Reports –produced in 2011 and again in 2012 - for five major economies examined the impact of their policies on other members.</p> <p>The External Sector Report is being prepared that will examine external balances in a multilaterally consistent way, taking account of cross-country effects.</p> <p>Staff has revised the Surveillance Guidance note. Based on 2011 TSR recommendations the Guidance note encourages greater coverage of inward and outward spillovers in Article IV reports.</p> <p>The recently adopted Integrated Surveillance Decision is designed to take better account of spillovers in the surveillance process.</p>
<i>III. Management of Work on Exchange Rates</i>				
III.1 Management should address how to bring better focus to the analytical work on exchange rates.	“Directors agreed with the recommendation that management should ensure that exchange rate work across the Fund is organized and managed effectively,	No changes in departmental organization and responsibilities.		The ESR Coordinating Group was a pilot for a new interdepartmental process for integrating views on members’ external balances and exchange rates and ensuring information sharing across departments.

	in tandem with ongoing work to integrate financial sector issues into Fund surveillance.”			
a. Management should clarify responsibility and accountability for exchange rate policy issues and actively use a forum like the Surveillance Committee to ensure proper focus on key issues, and to discuss a variety of different views and perspectives.	“Directors encouraged further strengthening of the existing coordinating mechanisms (including the Surveillance Committee and the CGER), as envisaged by the Medium-Term Strategy.”	Strengthened role of the Surveillance Committee and CGER.	The Surveillance Committee is being strengthened and is expected to oversee efforts to integrate global perspectives into Article IV consultations, especially in systemically important cases.	The ESR Coordinating Group was a pilot for a new interdepartmental process for integrating views on members’ external balances and exchange rates and ensuring information sharing across departments.
b. The structure of staff teams could be reconsidered.		No new initiatives. Ongoing initiatives to increase MCM participation in Article IV missions.		Existing team structures are deemed appropriate. The focus has been on developing better analytical techniques and diffusion of these techniques to desks, e.g., via ICD/SPR’s joint training session on external stability assessments.
<i>IV. Confidentiality and Executive Board Oversight</i>				
An understanding is needed on what are the expectations for inclusion in the Article IV staff report, what may be mentioned orally at Board meetings, and what may be understood to have	“Many Directors had concerns with the IEO suggestion to have an independent party periodically review Fund staff activities that are not reported to the Board.”  “Most Directors	No new initiatives planned at this time, at least pending the discussion of the Board’s Ad Hoc Committee on Confidential Information on a report on related issues in use of Fund		The 2011 TSR and the revised guidance emphasize the importance of Article IV reports going beyond exchange rates to take a broad view of external stability, including examination of current accounts, reserves, capital flows, and balance sheets. Guidance will also emphasize the importance of

<p>been discussed between staff and the authorities on the clear understanding that it would not be revealed to the Executive Board.</p> <p>a. Confidential policy discussions about possible policy actions in the case of contingencies should be a regular feature of the dialogue with member countries.</p> <p>b. Options for the Board to exercise its accountability and oversight functions.</p>	<p>emphasized that management is responsible for providing the Executive Board with all the information that it needs to conduct surveillance, and is accountable to the Executive Board for how it combines this duty with the need for the staff and management to serve as a confidential advisor to members.”</p>	<p>resources.</p>		<p>discussing exchange rate policies in the overall policy mix.</p> <p>No additional guidelines have been issued regarding what information may be shared with the Board.</p>
<p><i>V. Facilitating Multilateral Policy Coordination</i></p>				
<p>Opportunities for potential multilateral concerted action deserve to be a key strategic management focus.</p>	<p>“Most Directors considered multilateral consultations to be a useful addition to the surveillance toolkit because they helped to improve policymakers’ understanding of each other’s objectives.”</p>	<p>Continued use of the multilateral consultation vehicle.</p>	<p>There is continued monitoring of the conclusions of the Multilateral Consultation in the relevant Article IV reports. The Fund is also playing a useful role in facilitating the dialogue in other areas that require multilateral concerted action. In particular, the IMFC underscored that continued close Fund collaboration with the Financial Stability Forum, the Bank for International Settlements, standard setting bodies, and national authorities will be essential to ensure that the lessons from the crisis are effectively shared and that agreed policy actions are rapidly implemented. Also, the IMFC welcomed the IMF’s initiative to work, as facilitator and coordinator, with Sovereign Wealth Funds to develop a set of best practices.</p>	<p>No additional steps have been taken in this area.</p>



#### Annex 4. Recent Progress on the IEO Report on Structural Conditionality in IMF-Supported Programs

IEO Recommendations	Board Discussion	Follow Up Plan	Implementation Status, October 2008 <sup>9</sup>	More Recent Progress
<b>A. Policy Review</b>				
Clarify what is expected in terms of numbers and focus of structural conditions.	Supported: “The preferred way forward appears to be to strengthen efforts to achieve parsimony by focusing on criticality, and requiring rigorous justification for conditions.”	Propose changes to the Operational Guidance Note (OGN)—revised in January 2006—that would highlight the importance of a clear and thorough justification of the criticality of structural conditionality (SC)—covering to the extent possible the life of the program—in all initial staff reports. See below. Assess the need for additional changes to the OGN that would serve to highlight parsimony and criticality while minimizing subjectivity; this would include guidance on how to deal with donor-driven	The Operational Guidance Note (OGN) was revised in July 2008 to emphasize the importance of linking structural conditionality to program goals, to emphasize parsimony and criticality, and to provide further specific guidance on these concepts. Following circulation to the Board, the revised OGN was made available on the Fund’s external web site <a href="#">Revisions to the Operational Guidance Note on Conditionality</a> ; July 10, 2008.	The 2011 Review of Conditionality found that program conditionality has generally been appropriately streamlined, even-handed, and tailored to country needs. In a few recent programs, where restoring external competitiveness required deep labor and product market reforms, structural conditionality was more extensive.

		conditionality and structural conditions introduced at the request of country authorities (see also below).		
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<b>B. Program and Conditionality Design</b>				
Identify the main goals of each program and set structural conditions that contribute to these goals.	Supported: “Directors agreed ... that the link between program goals, strategies, and conditions should be better explained in Board papers.”	At the time of the pre-brief meeting, staff should propose the program strategy that is necessary to achieve the program goals. To the extent possible, the framework of structural reforms that is considered critical for implementing this strategy during the program period should be discussed  Anticipated SC should be indicated—to the extent possible—at the pre-brief stage. Justification of SC would be strengthened in the	Revisions to the OGN call specifically for program documentation to present the links between program goals, reform strategies, and underlying structural conditionality, and require that conditionality added during reviews be in line with the reform strategy presented in the original program document or justified in the new staff report. Program documents, particularly those for longer-duration arrangements, are to provide a roadmap of reform, and the documentation for the last program review will take stock of the experience with implementation.	The 2011 Review of Conditionality found that the presentation of conditionality in program documents has been uneven. While most country documents analyzed program implementation risks, the presentation of critical structural measures, the justification of the criticality of conditionality, and the discussion of policy options presented to the authorities were often more limited. Efforts will be needed to ensure better implementation of existing guidelines in this area. The review called for enhanced clarity on structural conditionality in program documents, particularly regarding macro-criticality, alternative structural measures that were considered (if any),

		<p>briefing paper sent to management for approval. Such conditionality would be modified in light of discussions with country authorities.</p> <p>At the time of approval of a new UFR arrangement ...Board documents will present a clear description of the links between program goals and program strategies, and their link to the proposed reform framework.</p> <p>All future discussions of SC under a program ...would be anchored in the reform framework presented in the originating program document. An expansion in the scope of SC outside the original reform framework would need to be justified in the staff</p>		<p>and the adequacy of progress in structural reforms subject to review-based conditionality.</p>
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		report...Programs of longer duration might define SC at later stages but within the specified reform framework.		
<b>C. Development of a Monitoring and Evaluation Framework</b>				
Develop a monitoring and evaluation framework linking conditions in each program to reforms and specified goals and improve the system to track conditions (Monitoring of Fund Arrangements database; MONA) with a view to disclose this data.	Supported: “Directors agreed...that the link between program goals, strategies, and conditions should be better explained in Board papers—and that this should be monitored.”	Establish framework within MONA to monitor the links between goals, reforms, and SC. Issue annual updates (Board information) on the application of SC. Make data in MONA available on the Fund external website—only for staff reports that are in the public domain.	A system to link goals, reforms, and structural conditionality was established within the MONA database framework in July 2008. The first Annual Report on Structural Conditionality was provided to the Executive Board for information in July 2008 and was made available on the Fund’s external website. It provides new data for the period 2005-07. The second annual report will soon be issued to the Board for information and staff will recommend that it be made available on the Fund’s external website ( <a href="#">Application of Structural Conditionality 2009 Annual Report</a> ).	The 2011 Review of Conditionality argued that ownership might also be enhanced by better provision of cross-country information on program design. It noted that the Annual Report on Structural Conditionality is merely descriptive, and analysis in the Review of Conditionality has become less frequent due to its substantial scale and costs, and proposed that it be replaced with a short, periodic analytical report. Furthermore, staff intends to make the data from the conditionality review publicly available, nurturing well-informed public and academic discussion.  The published MONA database has been significantly enhanced. For example – users can now retrieve a count of conditions per review by selected country or group and compared to another country or group.

D. Information in Board Documents				
<p>Program documentation needs to be more explicit about the objectives being supported by the IMF and how the measures being proposed would help achieve these objectives.</p> <p>For PRGF arrangements, in particular, program requests should be accompanied by an operational roadmap covering the length of the program, elaborating on the modalities of the reforms and on their sequencing and expected impact.</p>	<p>Supported: “Directors agreed...that the link between program goals, strategies, and conditions should be better explained...” In particular:...some Directors reiterated their support for inclusion in program documents of text boxes that lay out the rationale for... conditions.”</p> <p>“...several Directors proposed that initial program requests include a roadmap describing the sequencing and linkage of conditions to stated program goals; some Directors proposed that final program reviews should include a stock-taking to compare stated program goals with their achievement.”</p>	<p>See above.</p> <p>Staff reports should include a description of the links between goals, strategies, and conditionality.</p> <p>A judgment that a condition is of critical importance for achieving program goals should be at the core of such description. One way of doing so would be for staff to quantify the impact of the implementation of SC on the macroeconomic framework of the Fund-supported program; it is recognized, however, that such assessment might not always be possible ex ante. In addition, in the context of reviewing the OGN, the contact group will assess if there is a need for</p>	<p>See above.</p>	<p>See above.</p>

		<p>additional guidance regarding the use of structural benchmarks. The use of an appendix table would be a possibility for establishing these links but would not be required; these appendix tables will not be subject to the usual word count limits.</p>		
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## Annex 5. Recent Progress on the IEO Report on IMF Involvement in International Trade Policy Issues

IEO Recommendations	Board Discussion	Follow Up Plan	Implementation Status, March 2010	More Recent Progress
<b>A. Reviews of the Fund's Work on Trade and Guidance to Staff</b>				
<p>“The Board should commit to periodic re-evaluation of its guidance on objectives of, approaches to, and modalities of staff work on trade policies. Regular reviews of guidance should be undertaken in the context of assessments of current global trends in trade and trade policy.”</p> <p>“The Board should establish guidance on the role and approach of the IMF in PTAs.”</p> <p>“The Board should establish guidance on the role and approach of the IMF in trade in financial services.”</p>	<p>“Most Directors supported the IEO’s recommendation on the need for periodic Board review of guidance on trade policies, which would help to define the parameters of trade work in ways that best support the Fund’s broader mission.”</p> <p>“Most Directors considered it advisable to establish guidance on the approach to Preferential Trade Agreements (PTAs) where there are issues of spillovers or significant macroeconomic effects.”</p> <p>“In particular, they noted the benefits from guidance on the approach to trade in financial services that stresses the links between trade in financial services, the regulatory environment, and capital account liberalization.”</p>	<p>A1. Five-yearly reviews of Fund work on trade policy will be conducted. As the IEO Evaluation covers much the same ground as staff reviews, an early review of trade policy by staff would be duplicative. Taking the IEO Evaluation as the starting point for the cycle, the first five-yearly review would be expected in 2014.</p> <p>A2. Staff guidance on trade in financial services and PTAs will be developed and issued to the Board for information by July 2010. A review of the content and implementation of this and other guidance on trade policy would be considered by the Executive Board in the context of the 2014 Board reviews of trade policy in the Fund.</p>	<p>Guidance on financial services and preferential trade agreements (PTAs) have been developed by staff and issued to the Board for information (see <a href="#">Reference Note on Trade in Financial Services</a>, September 2010, and <a href="#">Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency</a>, October 2010).</p>	<p>The guidance on financial services and preferential trade agreements (PTAs) that were developed by staff, issued to the Board for information, and published, are being utilized.</p>

**B. Trade policy in Fund-supported programs**

<p>“The IMF must engage on [trade policy] issues with borrowing countries through a strong advisory role” to help them resist protectionist pressures, ensure adequate trade finance, influence decisions within PTAs, and reform trade policies to reduce business costs.</p>	<p>“Most Directors welcomed the scaling back of conditionality on trade policy in Fund supported programs. They suggested that trade-related conditionality should continue to be macro-critical and take into account country-specific circumstances, as in other policy areas. Directors underscored that, guided by the Fund’s Article I, the emphasis should be on avoiding the resort to trade restricting measures. Trade liberalization should be promoted actively where necessary for program objectives.”</p>	<p>B1. Relevant general guidance notes, in particular the 1999 <i>Guidelines on Implementing Trade Policy Reforms</i> will be updated and revised by July 2010. This guidance would clearly distinguish between Board-endorsed guidance and other information such as best practices, to the extent that both were covered in a single document. All such guidance notes would be issued to the Executive Board for information upon completion. Their content and implementation would be expected to be covered in the five-yearly Executive Board reviews of trade policy (see A1 above).</p>	<p>As noted for A1 above, the recently issued <i>Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency</i> is based on and updates the 1999 <i>Guidelines on Implementing Trade Policy Reforms</i>.</p>	<p>The Trade and Policy Review division in SPR review the consistency of Fund lending and surveillance with the updated trade guidance notes. Performance will be examined in the next review of trade policy, expected in 2014.</p>
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**C. Multilateral, regional, and bilateral surveillance**

<p>“Trade policy—particularly involving PTAs—should be addressed periodically in multilateral and regional surveillance.”</p>	<p>“Surveillance should discuss macro-critical trade policy issues, for all countries, while ensuring evenhandedness in trade policy advice. In this context, most Directors also saw scope for multilateral surveillance to pay greater attention to the global effects of trade policies in systemically important countries.” “[Directors] also agreed that trade policy should be addressed periodically in multilateral and regional surveillance vehicles, such as the <i>World Economic Outlook</i> (WEO), <i>Regional Economic Outlooks</i> (REOs), and, on financing issues, the <i>Global Financial Stability Report</i> (GFSR).”</p>	<p>C1. Relevant trade-related topics would be covered in standalone papers and through collaboration between staff working on trade policy and departments responsible for WEOs, REOs, and GFSRs as appropriate. The Executive Board guidance on macro-critical trade policy issues and evenhandedness in trade policy advice will be incorporated into general trade policy guidance notes and its applicability to bilateral surveillance as well as multilateral and regional surveillance will be emphasized (see B1 above).</p>	<p>Trade policy staff have increased the coverage of cross-cutting trade policy issues in the Fund’s surveillance vehicles, for example in Chapter 4 of the September 2010 WEO. More trade-related multilateral surveillance material has also been prepared on a standalone basis, including two Staff Position Notes in <a href="#">April</a> and <a href="#">September</a> 2010.</p> <p><i>The Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency</i> highlights the need for greater emphasis in multilateral surveillance on the global effects of trade policies in systemically important countries and, for all countries, for bilateral surveillance to tackle macro-critical trade policy issues, while ensuring evenhandedness in advice.</p>	<p>Coverage of cross-cutting trade policy issues has been included in the Fund’s surveillance vehicles. More trade-related multilateral surveillance material was also prepared on a standalone basis, including for example a 2011 paper <i>Changing Patterns of Global Trade</i>, which outlined recent developments in global trade, and analyzed their implications for the outlook for global trade patterns. A follow up paper will look into the dynamic aspects of the global supply chains, and will also address implications for surveillance—e.g., the impact of value added trade on REERs and linkages with financial flows. A November 2011 paper – <i>The WTO Doha Trade Round—Unlocking the Negotiations and Beyond</i> provided an update on the status of Doha negotiations and an outlook on significant non-Doha trade issues that should be tackled.</p>
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**D. Staffing-related issues**

<p>“...a small but critical mass of trade policy expertise must be built....”  “...a division solely devoted to trade issues is needed....”</p>	<p>“Directors agreed with the IEO Evaluation on the need for a critical mass of trade policy expertise within the Fund. Most, however, did not consider that this required re-introducing a separate Trade Policy Division, while recognizing that this matter would have to be decided by management.”</p>	<p>D1. The Fund staff should attract and develop trade policy expertise while balancing the need for economist staff to work on macroeconomic issues and in country teams. Such a balance would also position staff working on trade policy well to integrate their expertise into the broader Fund work and keep open options for successful Fund careers. Maintaining trade policy expertise in a division with broader responsibilities may help to facilitate the latter goal.</p>	<p>Since the discussion of the Management Implementation Plan, trade policy work has continued to be carried out by staff economists able to work effectively on both trade policy and broader macroeconomic issues, which has helped to integrate trade policy into the Fund’s broader work.</p>	<p>Trade policy work is carried out by staff economists able to work effectively on both trade policy and broader macroeconomic issues, which helped to integrate trade policy into the Fund’s broader work.</p>
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**E. Trade policy information**

<p>Fund staff need data and measures of trade protection.... IMF staff should work with other organizations to improve data and tools regarding PTAs and financial services.</p>	<p>“Directors concurred with the IEO on the importance of up-to-date summary trade policy information within the Fund, but encouraged staff to examine efficient alternative approaches to securing and internally disseminating this information, and encouraged reliance on data provided by the WTO and World Bank.”</p>	<p>E1. Trade policy staff will prepare a guidance note for Fund staff on the availability and use of tariff and other trade policy information from existing databases by July 2010 (See also B1 above).</p>	<p>The recent <i>Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency</i> provides a detailed account of information sources available to Fund staff that are useful in trade policy work.</p> <p>Action has been taken on several fronts to ensure that</p>	<p>Progress has been made on several fronts to ensure that staff has ready access to timely and relevant summary trade policy information regarding goods trade, PTAs, and financial services. Examples include the Fund-wide availability of the Global Trade Atlas (containing up to date, detailed bilateral monthly trade statistics), and the preparation of a quarterly internal trade monitor publication. There was</p>
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		<p>E2. Fund trade policy staff will also explore possibilities for enhanced information sharing on trade policy information with the WTO Secretariat, World Bank staff, and other potential interlocutors. Staff will engage actively with WTO and others on the ongoing trade policy monitoring exercises.</p>	<p>staff has ready access to timely and relevant summary trade policy information regarding goods trade, PTAs, and financial services. One example is the Fund-wide availability of the Global Trade Atlas (containing up to date, detailed bilateral monthly trade statistics). There has also been continued close cooperation between IMF staff and those of the World Bank, WTO, and others on information and data sharing.</p> <p>Staff have continued to actively engage with the WTO and others on the ongoing trade policy monitoring exercises. For example, trade policy staff presented and discussed their work on the protectionist response to the crisis to a variety of external interlocutors, including the WTO and the World Bank.</p>	<p>also continued close cooperation between IMF staff and those of the World Bank, WTO, and others on information and data sharing.</p>
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**F. Institutional cooperation**

<p>“To spearhead such cooperation, Management and a small number of senior staff need to commit to regular and formal meetings—for example, once a year—with counterparts in other key international organizations involved with trade.... IMF management should report to the Committee on Liaison with the World Bank and other International Organizations and/or the Executive Board/IMFC on proceedings of these meetings and plans for staff level coordination.”</p>	<p>“Directors welcomed the IEO’s finding that institutional cooperation with the WTO and the World Bank on trade has evolved and should be strengthened further...”  “[Directors]...agreed that occasional meetings on trade with counterparts in other multilateral economic institutions would—if focused and well-designed—bring important benefits. Directors suggested that such meetings might be most effective at staff levels and be used to set an agenda for and follow up on practical issues of common importance to the institutions.”</p>	<p>F1. Occasional meetings on trade among senior staff of the IMF, World Bank, and WTO, and possibly other multilateral economic institutions will continue, and Fund staff will seek to focus these interactions on issues relevant to the Fund in general and current Fund concerns that are shared with the appropriate institutions. Whenever possible, these could be organized on the margins of other international meetings.</p>	<p>As detailed above, regular meetings have continued between senior staff of the WTO and World Bank, as well as other relevant multilateral organizations.</p>	<p>Regular meetings have taken place between senior staff of the WTO and World Bank, as well as other relevant multilateral organizations, including semi-annually with the WTO experts group on trade finance. 2011 saw the first IMF/WB/WTO joint trade workshop, the goal of which was to exchange views on policy issues of common interest and discuss ongoing research projects. A senior staff member also made a presentation in the WTO workshop on exchange rates and trade. Finally, IMF staff presented their analysis of protectionism to WTO ambassadors in a session chaired by the Director General of the WTO.</p>
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