

IMF Publication

Tenth Periodic Monitoring Report On The Status Of
Management Implementation Plans In Response To
Board-Endorsed IEO Recommendations

INTERNATIONAL MONETARY FUND



IMF POLICY PAPER

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

March 2020

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

- A **Press Release** summarizing the views of the Executive Board as expressed during its February 10, 2020 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on December 20, 2019 for the Executive Board's consideration on February 10, 2020.
- A **Proposed Decision** that was approved by the Executive Board on February 10, 2020.

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Tenth Periodic Monitoring Report on the Status of Management Implementation Plans in Response to Board-Endorsed IEO Recommendations; Categorization of Open Actions in Management Implementation Plans

The Executive Board discussed on February 10, 2020, the Tenth Periodic Monitoring Report (PMR) on the status of Management Implementation Plans (MIPs) in response to Board-Endorsed Independent Evaluation Office (IEO) recommendations. Since being instituted in January 2007, PMRs have been reporting on the state of implementation of actions to address Board-endorsed IEO recommendations. Previous PMRs were discussed by the Board's Evaluation Committee and the Tenth PMR is the first report discussed by the Board, following the recommendation of the [Third External Evaluation of the IEO in 2018](#).

The Tenth PMR covers two MIPs arising from recent IEO evaluations, and another eight MIPs for which individual management actions that not yet fully implemented were classified as "open" in the [Ninth PMR](#). The Tenth PMR concludes that over the past year, progress on implementation of management actions continued, with a faster pace observed on actions contained in recent MIPs, relative to older ones. In particular, strong progress was observed on actions in response to the IEO evaluations on [The IMF and Social Protection](#) and [The IMF and Fragile States](#). The Tenth PMR also identified a backlog of 24 actions that have faced serious implementation challenges and therefore are considered off-track. These off-track actions and their causes are the focus of the Categorization Paper.

Following guidance by the Third External Evaluation of the IEO in 2018, the Board endorsed in March 2019 a Framework to comprehensively address the backlog of off-track actions. The Framework divides the stock of open actions into five categories based on the root causes of their lack of implementation and provides guidance on how to tailor remedial measures. The Categorization Paper, presented to the Board concurrently with the Tenth PMR, places the 24 off-track actions into categories, retaining under PMR monitoring those actions that remain relevant for members and for which there are no direct or comprehensive oversight mechanisms. The categorization is expected to be a one-off exercise, as actions in recent MIPs have been consistently aligned with the SMART (Specific, Monitorable, Attainable, Relevant and Time-bound) principles and are on-track.

Executive Board Assessment

Executive Directors welcomed the opportunity to formally discuss the Periodic Monitoring Report (PMR) on the status of Management Implementation Plans (MIPs) in response to Board-endorsed Independent Evaluation Office (IEO) recommendations, together with the proposal to categorize and address a backlog of open actions in MIPs. They endorsed the assessment contained in the Tenth PMR and broadly supported the categorization as a one-off exercise to effectively resolve longstanding open actions, mindful of the need to prioritize and avoid duplication given resource constraints.

Directors appreciated the accelerated pace of implementing management action plans in recent years. They welcomed in particular the strong progress in recent MIPs, including in response to the IEO evaluations on: *The IMF and Social Protection* (2017) and *The IMF and Fragile States* (2018). Directors noted, however, that there remain open actions, some of which are facing implementation challenges, especially those from older MIPs.

Directors welcomed the proposal to categorize actions by applying the Framework to Address Open Management Actions in Response to Board-Endorsed IEO Recommendations that the Board had approved in March 2019. They noted that the proposed categorization would retain under PMR monitoring actions that remain relevant for members but for which there are no direct or comprehensive oversight mechanisms.

Specifically, Directors agreed to place eight actions into categories that would retain them under PMR monitoring, as they are not fully covered under other workstreams (Categories 2 and 3). They looked forward to considering reformulated actions in a MIP in six months' time, stressing that the reformulation should tackle the root causes of the implementation challenges, while being SMART (specific, measurable, attainable, relevant and timebound) and meeting the thrust of the underlying IEO recommendations. In this context, most Directors attached particular importance to the reformulation of actions on staff tenure and handover of country assignments, asking staff to take a holistic approach that would ensure mission teams' deep understanding of country circumstances, and their strong relationships and traction with member countries.

Directors agreed, or could go along, with the proposal to remove from PMR monitoring actions that involve long-term technical or cultural change (Category 4) and actions that have been superseded by broader workstreams or recent MIPs (Category 5), with some caveats and reservations. Directors stressed that most of these actions remain highly relevant for the Fund, and looked forward to further progress in their implementation through principal workstreams that are subject to robust Board oversight, notably the ongoing comprehensive surveillance review (CSR), the review of the Financial Sector Assessment Program, and the human resources strategy. They appreciated that the paper specifies the linkages between each action and follow-up workstream. Directors emphasized that progress in delivering the desired outcome should be monitored regularly in the context of the appropriate

workstreams, although a few Directors continued to see the benefit of monitoring certain actions through the PMR. A few Directors would have preferred deferring the categorization of these actions until after the completion of the CSR, and a few saw scope to reformulate some of the actions in Category 4 to make them SMART rather than removing them altogether from PMR monitoring.

Directors underscored that staff diversity remains a priority for the Fund, including regional, gender, and professional diversity. They recognized that efforts in this area are being enhanced through departmental action plans starting in FY2020, with Board oversight through the Diversity Report, along with periodic reporting to the Board by the Human Resources Department. Noting limited and uneven progress, a number of Directors expressed their strong preference for the reformulation of diversity-related actions for continued PMR monitoring, especially with respect to the share of staff from underrepresented regions. On balance, Directors supported a compromise approach whereby progress in implementing the action on geographic and gender diversity would be kept under PMR monitoring for another five reporting cycles, after which it could be proposed for retiring from PMR monitoring.

Directors welcomed the increased traction of IEO recommendations following the categorization process. They observed that eight actions that had been assessed as off-track by the Ninth PMR were brought back on track in the past year. Most Directors saw merit in including in future PMRs an assessment of the impact of slippage in the implementation of open actions, and looked forward to management's proposal in this regard. Directors emphasized the importance of sustaining efforts to promote knowledge sharing, continuous technical improvements, and cultural change within the Fund.



December 13, 2019

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

EXECUTIVE SUMMARY

The Tenth Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office (IEO) Recommendations assesses the progress made over the last year on actions contained in 10 MIPs with open management actions.

Over the past year, progress on implementation of management actions continued, with a faster pace observed on actions contained in recent MIPs, relative to older ones. Of the 62 actions for which implementation progress is assessed in this PMR, 16 were implemented during the past year and 46 remain open. Of the 16 actions that were implemented, 12 are related to MIPs approved after 2015 and four are from older MIPs. Of the 46 actions that remain open, 24 face implementation challenges and are mostly from older MIPs. Following the trends reported in previous PMRs, improvements in the follow-up process approved by the Executive Board in October 2015 continue to contribute to relatively speedier implementation of newer actions.

Management and staff are reviewing actions with implementation challenges, with the objective of proposing appropriate interventions for Executive Board consideration, focusing on high-priority actions. A companion paper to this PMR ("categorization paper"), authored by SPR in consultation with OIA and accountable departments, contains proposals for Executive Board consideration for the 24 actions that have been identified in this PMR as facing implementation challenges.

Despite the challenges with older MIPs, many of the actions in recent MIPs continue to make significant progress towards full implementation. Strong progress is being made on actions in response to the IEO evaluations on *The IMF and Social Protection (2017)* and *The IMF and Fragile States (2018)*. Despite some challenges with a few actions, the MIP for the IEO evaluation – *Behind the Scenes with Data at the IMF (2016)* – is similarly making good progress towards many actions that are due in the future. A number of actions are delayed beyond their original target implementation dates but continue to make progress. Where applicable, expected completion dates are indicated, based on OIA's assessment of current progress.

Approved By
Nancy Onyango

Prepared by Office of Internal Audit

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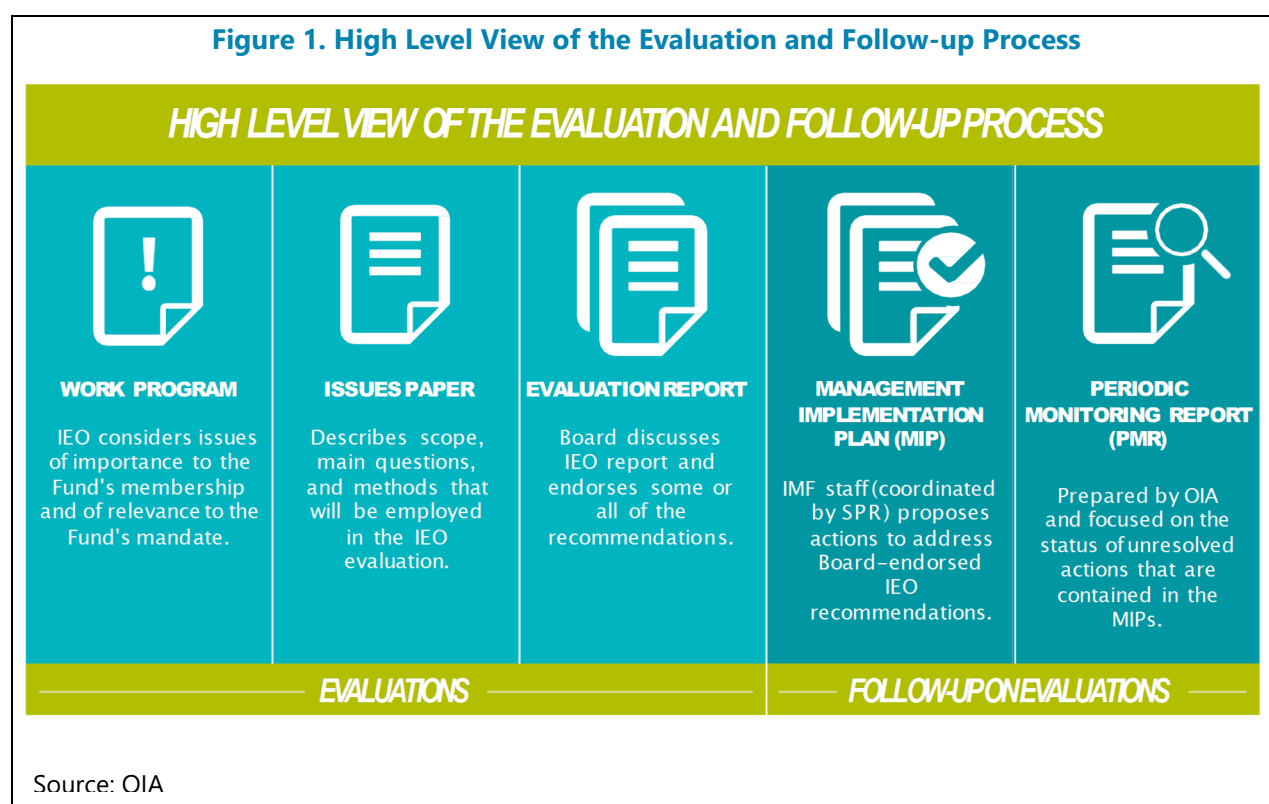
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Glossary

BSA	Balance Sheet Analysis
CD	Capacity Development
CPA	Consistent Policy Assessment
CSR	Comprehensive Surveillance Reviews
CTS	Catalogue of Time Series
D4D	Data for Decisions
DGG	Data Governance Group
DPF	Data Provision to the Fund for Surveillance Purposes
DSBB	Dissemination Standards Bulletin Board
EBA	External Balance Assessment
e-GDDS	Enhanced General Data Dissemination System
EVC	Evaluation Committee of the Executive Board
FCS	Fragile and Conflict-affected States
FSAP	Financial Sector Assessment Program
FSSF	Financial Sector Stability Fund
GDP	Gross Domestic Product
GRA	General Resources Account
IEO	Independent Evaluation Office
ISR	Interim Surveillance Review
LICs	Low Income Countries
MIPs	Management Implementation Plans
MONA	Monitoring of Fund Arrangements Database
NSDP	National Summary Data Pages
OEDs	Offices of the Executive Directors
PMR	Periodic Monitoring Report
PRGT	Poverty Reduction and Growth Trust
ROSC	Report on the Observance of Standards and Codes
SC	Structured Curriculum
SDDS	Special Data Dissemination Standard
SDN	Staff Discussion Notes
SIA	Statistical Issues Appendix
SPIAC-B	Social Protection Inter-Agency Collaboration Board
SSBIG	G20 Report on Strong, Sustainable, Balanced and Inclusive Growth
WEO	World Economic Outlook

OVERVIEW

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



2. **The Tenth PMR covers ten MIPs: two arising from recent IEO evaluations, and another eight for which individual management actions were classified as "open" in the Ninth PMR.** The MIPs being considered arise from the following evaluations: (i) *The IMF and Fragile States (new)*; (ii) *The IMF and Social Protection (new)*; (iii) *The IMF and the Crises in Greece, Ireland, and Portugal*; (iv) *Behind the Scenes with Data at the IMF*; (v) *Self-Evaluation at the IMF: An IEO Assessment*; (vi) *IMF Response to the Financial and Economic Crisis*; (vii) *IMF Forecasts: Process, Quality, and Count*

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

(continued)

*Perspectives; (viii) The Role of the Fund as Trusted Advisor; (ix) Research at the IMF – Relevance and Utilization; and (x) IMF Performance in the Run-Up to the Financial and Economic Crisis.*² A total of 62 actions across these ten MIPs were assessed for implementation progress.

3. On June 19, 2018, the Evaluation Committee (EVC) reviewed the Ninth PMR and recommended its endorsement by the Board. The EVC welcomed the streamlined presentation of the report and acknowledged the good overall progress made but expressed concerns about slower traction on some long-standing actions that require fundamental changes to institutional culture and practices. On September 12, 2018, the Executive Board endorsed the Ninth PMR on a lapse of time basis.

4. In July 2018, the *Third External Evaluation of the IEO* also called on the Board to make decisions to comprehensively address the backlog of open management actions, on the basis of the improved format of the Ninth PMR.³ In response to that recommendation, OIA proposed a framework (“trriage framework”) containing five categories that provide a sound basis for a “trriage”.⁴ The EVC discussed the triage framework in January 2019, and recommended it for Executive Board approval in March 2019, on a lapse of time basis.

5. SPR has prepared for Board consideration a categorization of actions facing implementation challenges (“categorization paper”), in consultation with OIA and accountable departments.⁵ The categorization paper, which implements the triage framework, is being presented to the Executive Board jointly with this Tenth PMR, and includes relevant proposals for remediating and/or reprioritizing those actions that face implementation challenges. The categorization exercise contains 24 actions that have been identified in this Tenth PMR as facing implementation challenges.

6. Over the past year, progress on implementation of management actions continued with a faster pace was observed on actions contained in recent MIPs, relative to older ones. See Figure 2 below. Overall, 46 of the 62 actions for which implementation progress are assessed in this PMR remain open. Of the 16 actions that were implemented, 12 are related to MIPs approved after 2015 and four are from older MIPs. Of the 46 actions that remain open, 24 face implementation challenges and are mostly from older MIPs. This follows recent trends in which improvements in the follow-up process approved by the Executive Board in October 2015 continues

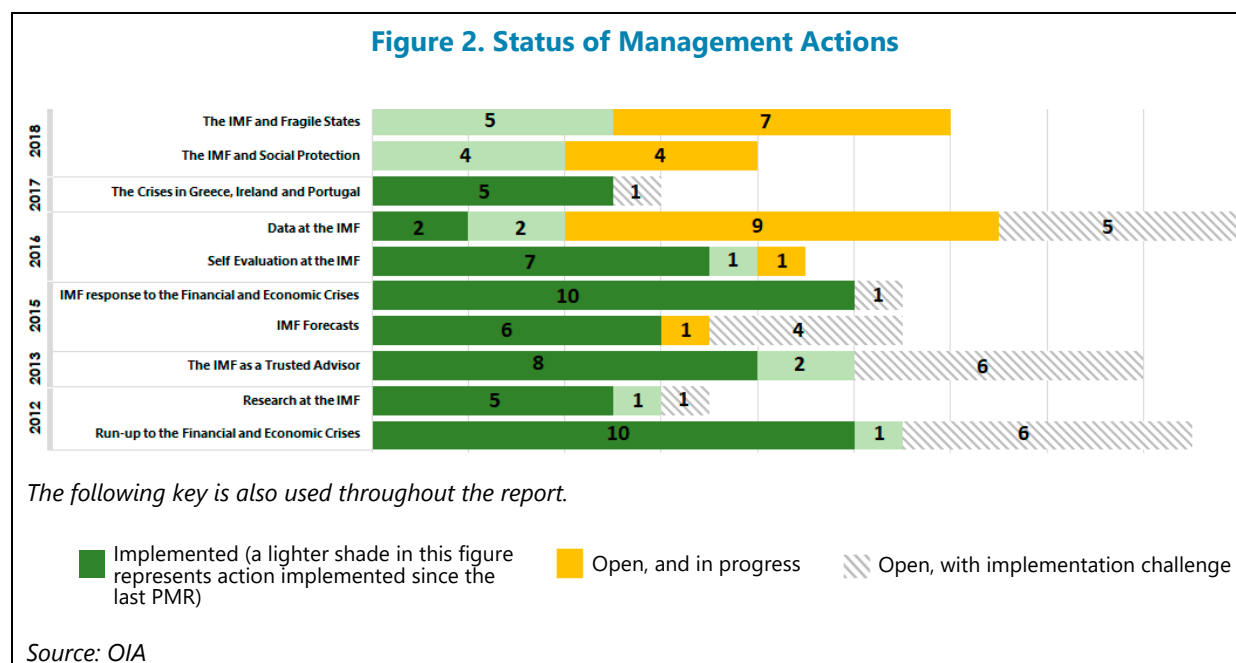
² This PMR does not include the following newly issued or ongoing evaluations. In January 2019, the IEO finalized the evaluation of IMF Financial Surveillance; the associated MIP was approved by the Executive Board on October 25, 2019 on a lapse of time basis. The IEO evaluation of IMF Advice on Unconventional Monetary Policies was also completed in June 2019, with a MIP due in December 2019. In November 2018, the IEO completed the update of the 2008 evaluation of Governance of the IMF.

³ Kaberuka, Donald, C. Der Jiun and P. Meyerson, “*Time for a Reboot at a Critical Time for Multilateralism—The Third External Evaluation of the IEO*”, July 2018. <http://www.ieo-imf.org/ieo/pages/ExternalEvaluation.aspx>.

⁴ International Monetary Fund, Office of Independent Audit (OIA), “*A Framework to Address Open Management Actions in Response to Board-Endorsed IEO Recommendations*”, March 2019.

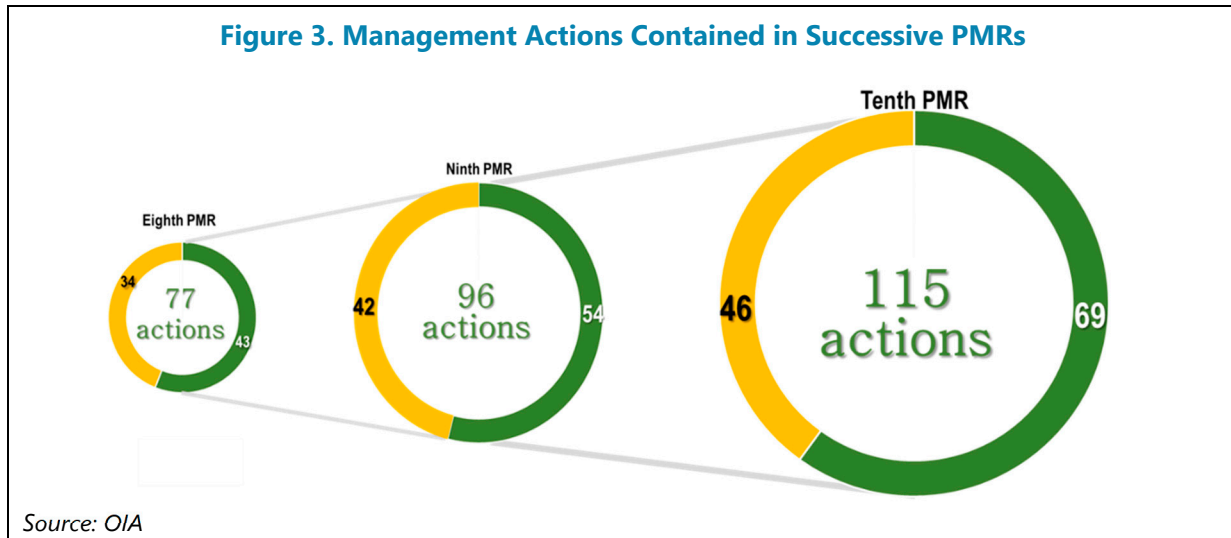
⁵ International Monetary Fund, *Categorization of Open Actions in Management Implementation Plans*, December 2019.

to contribute to relatively speedier implementation of newer actions. Many of the actions in recent MIPs that remain open continue to make significant progress towards full implementation. Strong progress is being made on actions in response to the IEO evaluations on *The IMF and Social Protection (2017)* and *The IMF and Fragile States (2018)*. Despite some challenges, the MIP for the IEO evaluation – *Behind the Scenes with Data at the IMF (2016)* – is similarly making good progress towards many actions that are due in the future. A number of actions are delayed beyond their original target implementation dates but continue to make progress. Where applicable, expected completion dates are indicated, based on OIA’s assessment of current progress.



7. The number of actions from new MIPs continues to outpace the rate of implementation of older actions. See Figure 3. All ten MIPs included in this Tenth PMR originally contained 115 actions, of which 46 remain open and 69 actions have been implemented to date. The Ninth PMR reported a total of 96 original actions in nine MIPs, of which 42 actions remained open. Similarly, 34 of the 77 original actions included in the eight MIPs covered in the Eighth PMR remained open at the time.




8. To prepare the Tenth PMR, OIA met with senior staff from the IEO, SPR, and all departments that have accountability for implementing management actions. The report relies on staff reports to the Executive Board and management, as well as other information obtained in meetings with these senior staff. As many of the management actions envisaged in the MIPs are qualitative in nature, the assessment of their implementation necessarily involves a degree of judgment.



IMPLEMENTATION STATUS OF MANAGEMENT ACTIONS

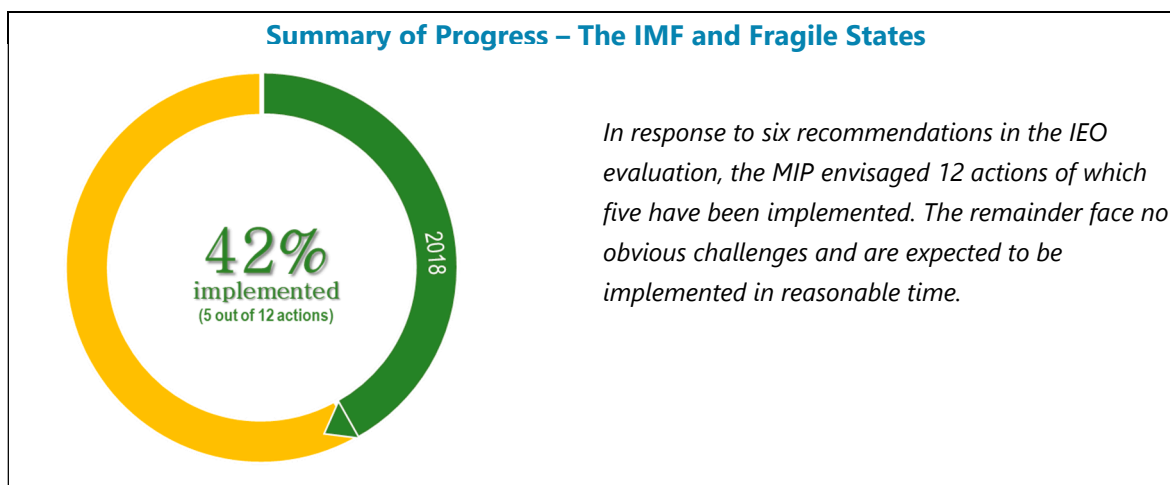
9. This section discusses the progress made in implementing the management actions contained in MIPs arising from two recent IEO evaluations, and another eight for which individual management actions were classified as “open” in the Ninth PMR. This section is organized by evaluation report date, starting with the most recent.

10. A progress chart is included for the update on each IEO evaluation, as well as some indication of where implementation challenges exist. The following key and broad definitions are used throughout the report:

Symbol	Definition
	Implemented. Actions that have been substantially addressed as intended, or another form of disposition has been endorsed by the Board.
	Open. Actions that: (i) are planned but not yet commenced; (ii) are ongoing; or (iii) have been implemented in form, but their outcomes are yet to materialize.
	Implementation Challenge. Actions that have not been implemented or have stalled following partial implementation.

A. The IMF and Fragile States (2018)

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



IEO Recommendation: Issue a statement on the importance of the Fund's work on countries in fragile and conflict situations that could be endorsed by the IMFC.

Directors agreed on the importance of a statement endorsed by the IMFC. They called for such a statement to be accompanied by concrete steps, with greater value placed on such work within the Fund. **The MIP envisaged one action.**

MANAGEMENT ACTION:

Issue a management statement on the importance of the Fund's work on countries in fragile and conflict situations for the approval of the Board and consideration by the IMFC in October 2018.

IMPLEMENTED




ACCOUNTABLE: SPR and SEC

ORIGINAL TARGET DATE: October 2018

11. A statement by the Managing Director, approved by the Executive Board, and subsequently endorsed by the International Monetary and Financial Committee (IMFC), highlighting the Fund’s work on Fragile and Conflict-affected States (FCS) was issued on October 4, 2018.⁶ The Managing Director’s statement emphasized the Fund’s commitment to support FCS and described the various actions that the Fund will undertake in response to the IEO evaluation. In its communique of October 13, 2018, the IMFC endorsed the Managing Director’s statement and called for full and timely implementation of management’s plan in response to the IEO’s evaluation.


IEO Recommendation: Establish an effective institutional mechanism to better coordinate the work by the Fund and other stakeholders.

Directors broadly agreed with this recommendation. Some cautioned that such a mechanism should not be duplicative or unduly resource intensive, while a few suggested that the mechanism be chaired by Management, and some others would appreciate regular reporting to the Board. A few were unconvinced that a new institutional mechanism was the most effective way to address the issue. ***The MIP envisaged three actions.***


<p>MANAGEMENT ACTION 1:</p> <p>Establish a high-level committee that will report twice a year in a formal meeting with management to seek management guidance to the action plan.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: SPR (with other departments)</p> <p>ORIGINAL TARGET DATE: October 2018</p> <p>EXPECTED COMPLETION DATE: End-FY2020</p>
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12. A High-Level Interdepartmental Committee on Fund Engagement in FCS was established in late 2018 and has met on two occasions. Its principal objectives are to advocate for, and promote, the implementation of measures to improve Fund engagement in fragile and conflict situations, including actions to improve coordination across the Fund and with outside agencies. The Committee is chaired by the Director of SPR and comprises the Directors of AFR, FAD, HRD, ICD, MCD, and MCM. Other departments are invited to participate as warranted. The immediate strategic priorities for the Committee are (i) addressing HR issues, including staffing levels, (ii) improving communications (within the Fund, with other agencies, and with the wider public), and (iii) promoting strategic engagement at the country level. The Committee has not yet met with Management but expects to do so shortly to seek guidance on additional strategic priorities for FY2020.

⁶ International Monetary Fund, “Communique of the Thirty-Eighth Meeting of the IMFC” <https://www.imf.org/en/News/Articles/2018/10/10/communique-of-the-thirty-eighth-meeting-of-the-international-monetary-and-financial-committee>, October 13, 2018.

<p>MANAGEMENT ACTION 2: Staff to provide an informal briefing on implementing this MIP.</p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: SPR (with other departments) ORIGINAL TARGET DATE: End-2019</p>
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13. On November 11, 2019, staff provided the Executive Board with an *Update on Implementation of Measures to Strengthen Fund Engagement in Fragile and Conflict-Affected States*. The informal briefing provided Executive Directors with a current view of the Fund's stepped-up engagement in FCS, including: intensified program and surveillance engagement; adapting the toolkit for financial support; and integration of surveillance, capacity development and financial support. Staff also provided some indication of important challenges which remain, including: rolling out impactful country engagement strategies; better tailoring program engagement to country capacity; and strategic workforce and career planning.

<p>MANAGEMENT ACTION 3: Staff will prepare a Board paper on Review of FCS Engagement.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: SPR (with other departments) ORIGINAL TARGET DATE: End-2020 EXPECTED COMPLETION DATE: End-2020</p>
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14. Following the informal briefing to the Board, staff are planning to prepare a formal paper on the *Review of FCS Engagement by the end of 2020*. No obstacles are anticipated at this stage.

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


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

<p>MANAGEMENT ACTION: Area department FCS country teams to prepare as part of staff reports for Art. IV and new program requests a succinct country engagement strategy that discusses country fragility, surveillance and CD priorities, and, if applicable, the complementary role for Fund financial support.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: Area Departments (monitored by SPR) ORIGINAL TARGET DATE: Starting from Q1 2019 EXPECTED COMPLETION DATE: End-2020</p>
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15. A provisional guidance note for the preparation of country engagement strategies was deployed in early 2019. After learning from the experiences of the first group of country teams (across AFR, MCD, and WHD) preparing engagement strategies, staff plan to update the guidance note and finalize it for implementation across all FCS country teams preparing staff reports for Article IV consultations and for new program requests. The guidance note is expected to be finalized by the end of 2020.

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

Directors supported further consideration of modifications to the Fund’s lending toolkit in the context of the 2018 Review of Facilities for Low Income Countries (LICs), including consideration to raising the access limits for Rapid Financing Instrument/ Rapid Credit Facility and introducing shorter upper credit tranche financial arrangements. ***The MIP envisaged two actions.***

<p>MANAGEMENT ACTION 1:</p> <p>A staff paper on adapting the lending toolkit to support FCS (following options presented at the Review of Fund Facilities for LICs, July 20, 2018) will consider formal proposals.</p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: SPR, LEG, and FIN</p> <p>ORIGINAL TARGET DATE: Q1 2019</p>
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16. The 2018-19 Review of Facilities for Low-Income Countries—Reform Proposals was approved by the Executive Board in May 2019. The reform included: (i) providing higher access limits to concessional financing, favoring the needs of the poorest and most vulnerable Low Income Countries (LICs); (ii) responding to the specific challenges faced by countries in fragile or post-conflict situations and by countries vulnerable to natural disasters; and (iii) improving the flexibility of PRGT instruments to allow better tailoring of program design to countries’ diverse circumstances. For FCS, the reforms involved: (i) in addition to the generalized access increase of one-third, doubling the annual RCF limit under the regular window; (ii) increasing the annual and cumulative access limits for the RFI, in line with the generalized access increase for all concessional facilities; and (iii) for countries facing substantial near-term uncertainties, making full use of the flexibility allowed under the ECF to focus attention on near-term targets fleshed out on an annual basis as the arrangements unfold.

<p>MANAGEMENT ACTION 2:</p> <p>Report [to the Executive Board] efforts to mobilize broad creditor support for FCS with external arrears to official creditors, including arrears to the Fund, in the context of the upcoming reviews of overdue financial obligations for Sudan and Somalia.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: FIN and SPR</p> <p>ORIGINAL TARGET DATE: March 2019</p> <p>EXPECTED COMPLETION DATE: 2020</p>
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17. The review of overdue financial obligations for Somalia has been completed with a report to the Executive Board, but the review for Sudan has been delayed due to conditions beyond the control of staff. In the case of Somalia, in July 2019, the Executive Board discussed the *Review of Overdue Financial Obligations to the Fund* simultaneously with the report on the *2019 Article IV Consultation, Second Review Under the Staff-Monitored Program, and Request for New Staff-Monitored Program*. Directors supported the authorities' continued efforts to make progress toward the Heavily Indebted Poor Country (HIPC) initiative Decision Point. Directors also recognized that continuing progress require the concerted effort of the membership to mobilize the necessary financing for debt relief, including to meet the costs for the Fund. To this end, they looked forward to discussing possible financing options in the period ahead. On the other hand, the review of Sudan's overdue financial obligations has been postponed three times until June 15, 2020, due to internal country issues. The next review is now expected to be discussed in conjunction with Sudan's 2019 Article IV consultation, scheduled in the first quarter of 2020.


IEO Recommendation: Take practical steps to strengthen the impact of Fund's capacity development (CD) support to countries in fragile and conflict situations.

Directors supported this recommendation, including increasing the use of on the ground experts, employing realistic impact assessment tools, and making efforts to ensure that adequate financial resources are available for CD work in these countries. Directors saw merit in a multi-donor trust fund for FCS, provided a business case could be made while also protecting RTAC funding. Directors agreed on the importance of effective coordination with other TA providers. ***The MIP envisaged three actions.***


<p>MANAGEMENT ACTION 1:</p> <p>CD Strategy Review (for Board consideration) will include a focus on FCS.</p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: ICD</p> <p>ORIGINAL TARGET DATE: November 2018</p>
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18. The Review of the Fund's CD Strategy was discussed by the Executive Board in November 2018, and Directors broadly supported the main conclusions and recommendations. The strategy seeks to increase the impact of Fund CD by strengthening its integration with surveillance and lending operations, and by continuing to move to a comprehensive

country-tailored approach that supports implementation of TA recommendations more consistently. The strategy involves: clearer responsibilities of internal and external stakeholders in the CD process; better prioritization and monitoring; enhanced tailoring of CD delivery with a focus on implementation; better internal consultation; and continued work on external coordination and dissemination of TA recommendations. The strategy's approach recognizes fragile states' special needs, in terms of limited absorptive capacity, local scarcity of resources, and possible political and security concerns. In particular, the emphasis on country-tailored delivery of CD focused on implementation is especially important in fragile states, where hands-on, incremental approaches are needed for sustainable reforms. Staff plan to continue with the practice of informal Board briefings on CD activities, including in the context of follow-up on the IEO evaluation.

<p>MANAGEMENT ACTION 2:</p> <p>Report to management on the case for a dedicated Multi Donor Trust Fund (MDTF) or a coordinated set of bilateral projects for FCS to target CD gaps.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: ICD (with other departments)</p> <p>ORIGINAL TARGET DATE: September 2019</p> <p>EXPECTED COMPLETION DATE: End-2020</p>
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19. Staff continue to explore options for increased CD in FCS, including the possibility of a dedicated trust fund or a coordinated set of bilateral projects dedicated to FCS. Proposals are currently under discussions by staff.

<p>MANAGEMENT ACTION 3:</p> <p>Prepare a staff paper for Board discussion with analysis of experience and lessons from building financial and statistical capacity in FCS.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: MCM and STA</p> <p>ORIGINAL TARGET DATE: December 2019</p> <p>EXPECTED COMPLETION DATE: End-2020</p>
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20. MCM and STA plan to prepare two staff papers on lessons from building financial and statistical capacity in FCS for Board discussions by end-2020. The MCM paper, *Building Capacity in Monetary and Financial Policies in Fragile and Conflict-Affected States*, is expected to be sent to the Board in March 2020. The STA paper is expected to follow shortly after. The timing for the staff papers are later than initially planned due to other work priorities, but no further obstacles are anticipated at this time.

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

Directors supported this recommendation and called on the upcoming review of the HR strategy to proactively consider ways of providing stronger recognition of the staff's work in these countries to reduce turnover and attract more experienced staff, and to consider changes to recruitment practices. Directors noted that an increase in field staff presence in high-risk locations should be weighed against the paramount objective of protecting staff safety. ***The MIP envisaged two actions.***

<p>MANAGEMENT ACTION 1:</p> <p>The HR Strategy Review will look into strategic workforce and career planning, including recruitment, and will consider actions to ensure that the Fund has appropriate staff expertise and experience to work effectively in fragile states, including the introduction of a "career" playbook to incentivize staff to work on FCS.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: HRD</p> <p>ORIGINAL TARGET DATE: Progress assessed at end-2020 in the review of FCS engagement</p> <p>EXPECTED COMPLETION DATE: End-2020</p>
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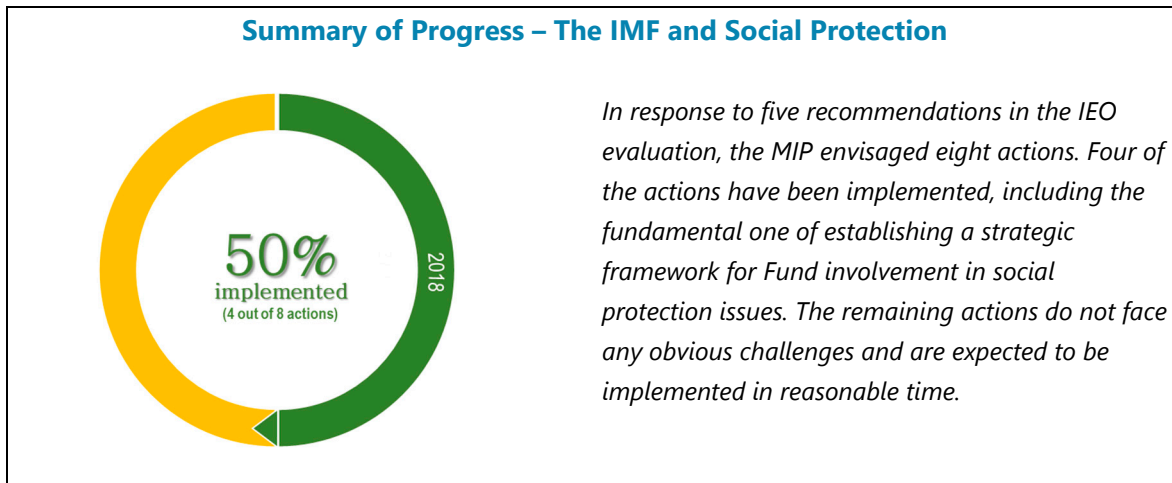
21. A formal HR policy position on incentivizing staff to work on FCS countries is expected to be announced by end-2019, as part of the HR strategy review. A panel discussion in June 2019, headlined by the FDMD, explored options for strengthening the Fund's engagement with FCS and the support to staff working on these countries. The panel discussed recent policy and institutional changes aimed at improving the Fund's engagement with FCS, how work on FCS can be better integrated into economists' careers, how to help build support within such countries for Fund policies and programs, and how to improve the Fund's interaction with authorities and citizens in FCS. HRD is expected to launch an enhanced career mobility framework along with a career playbook for all job families (economists and specialized career streams) by FY20 Q3, which will incorporate the FCS-related incentives.

<p>MANAGEMENT ACTION 2:</p> <p>Report to Management on FCS staffing gaps, notably for staff assigned from functional departments in program and near-program countries.</p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: FAD, SPR, and OBP</p> <p>ORIGINAL TARGET DATE: October 2018</p>
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22. The High-Level Interdepartmental Committee on Fund Engagement in FCS submitted to Management, in May 2019, a report on FCS staffing issues along with some recommendations. The report describes longstanding challenges that departments have faced in staffing teams working on FCS and examines a number of potential measures to address those challenges. Under Management's direction, the findings and recommendations of the report are being taken up in the context of the HR strategy review. In the meantime, FAD has reallocated six fiscal economists in FY20 from non-fragile to fragile states.


B. The IMF and Social Protection (2017)

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




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


Directors agreed on the need to establish a clear strategic framework to guide the Fund's involvement in social protection. This framework could be set out in a Board paper that would delineate the scope, objectives, and boundaries of the Fund engagement in social protection. **The MIP envisaged three actions.**

<p>MANAGEMENT ACTION 1: Staff will prepare a paper on a strategic framework on social protection issues for the Board's consideration.</p> <p><i>[This action is also proposed in partial response to all of the IEO recommendations.]</i></p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: FAD, SPR and COM ORIGINAL TARGET DATE: February 2019</p>
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23. The Executive Board discussed A Strategy for IMF Engagement on Social Spending in May 2019, and broadly endorsed the strategy. The strategy proposes that engagement be guided by an assessment of the macro-criticality of a specific social spending issue, consideration of that issue in a program context, and by the existence of in-house expertise. It calls for improved collaboration with international development institutions, strengthened program design and conditionality, advice on the use of targeted and universal transfers tailored to the countries' social and political preferences and their fiscal and administrative constraints, and external communications in specific countries focused on providing a clear explanation of Fund policy advice. Executive Directors welcomed the proposed strategy to guide Fund engagement on social spending issues, noting that the Fund has made considerable progress in its treatment of social spending over recent years. They looked forward to further strengthening of the Fund's engagement on social spending issues by making it more systematic and effective in surveillance and Fund-supported programs.

<p>MANAGEMENT ACTION 2: Staff will issue a follow-up guidance note to support the strategic framework for social protection.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: FAD and SPR ORIGINAL TARGET DATE: End-2019 EXPECTED COMPLETION DATE: End-2020</p>
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24. Following the Board's endorsement of the Strategy paper, a guidance note to assist staff with implementation is envisaged to be completed by end-2020. Staff are currently doing preparatory work, including on sectoral background notes on pensions, social assistance, health, and education that will serve as inputs to the staff guidance note and additional in-house resources for country teams. FAD and SPR are planning to conduct area department road shows to explain the implications of the strategy for country work, answer questions, and collect feedback as inputs to the guidance note. The guidance note is expected to explain how to consistently apply the key concepts, including macro-criticality of social spending, in country- and sector-specific settings. It is also expected to highlight the significant support to country teams that already exists (such as access to Board policy papers, interdepartmental papers on selected social spending topics, TA reports, diagnostic tools and databases, analytical work, feedback from reviewing departments, seminars and training, and access to external resources). The note will likely also discuss initiatives to strengthen the existing support, such as the introduction of new diagnostic and policy tools and improved knowledge management.

<p>MANAGEMENT ACTION 3: An advisory group will be formed after issuance of the guidance note to provide support to country teams in operationalizing work on social protection.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: FAD ORIGINAL TARGET DATE: After issuance of the guidance note in 2020 EXPECTED COMPLETION DATE: End-2020</p>
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25. An advisory group to support country teams in operationalizing work on social protection will be considered following the issuance of the guidance note. Staff do not foresee any implementation problems at this time.

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


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

<p>MANAGEMENT ACTION: Staff will receive training [on social protection issues] if needed.</p> <p><i>[This is in addition to the Strategy for IMF Engagement on Social Spending and related guidance note]</i></p>	<p>OPEN</p> 	<p>ACCOUNTABLE: FAD, ICD ORIGINAL TARGET DATE: After issuance of the guidance note in 2020 EXPECTED COMPLETION DATE: End-2020</p>
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26. ICD and FAD plan to launch an internal training course on social spending in the Spring of 2020. . The course will use resources and skills available at the Fund, as well as leverage the external expertise of academic and international development institutions. For the time being, training of SPR and FAD reviewers on issues associated with the strategy for Fund engagement on social spending has started.

IEO Recommendation: Find more realistic and effective approaches to program design and conditionality to ensure that adverse impacts of program measures on the most vulnerable are mitigated.

Directors supported this recommendation and called for comprehensive guidance to staff in Fund-supported programs across the membership, including those using GRA resources. ***In addition to the Strategy for IMF Engagement on Social Spending and related guidance note, the MIP envisaged two actions.***

<p>MANAGEMENT ACTION 1: Staff will issue a guidance note on strengthening social safeguards measures in low-income country programs.</p> <p><i>[This is in addition to the Strategy for IMF Engagement on Social Spending and related guidance note]</i></p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: SPR ORIGINAL TARGET DATE: First half of 2018</p>
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27. Staff issued the Guidance Note on IMF engagement on Social Safeguards in Low-Income Countries in June 2018. The note provides operational guidance to staff on how to engage on social safeguard issues with low-income countries in both program and surveillance contexts. The note indicates that programs are expected to enhance education and health spending whenever possible and include measures to strengthen social safety nets, recognizing that it takes time to design and implement such reforms. The note also indicates that program design and conditionality on social safeguards should follow two general principles: flexibility in accommodating country-specific circumstances and national priorities, and clarity in the discussion of how program conditionality helps achieve the desired social safeguard goal.

<p>MANAGEMENT ACTION 2: The 2018 Review of Conditionality will assess effectiveness of Fund conditionality on social protection.</p> <p><i>[This is in addition to the Strategy for IMF Engagement on Social Spending and related guidance note]</i></p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: SPR ORIGINAL TARGET DATE: November 2018</p>
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28. The 2018 Review of Program Design and Conditionality, discussed and endorsed by the Executive Board in May 2019, assessed the effectiveness of Fund conditionality on social spending. The review examined program performance between September 2011 and end-2017. It found that social expenditure was generally protected in Fund-supported programs. About 90 percent of the PRGT programs and 20 percent of the GRA programs included conditionality on social spending. Performance against indicative targets on social spending was broadly satisfactory, and comparable to other types of indicative targets, with about 70 percent met across the PRGT and GRA. For PRGT countries, social assistance, health, and education spending grew in real terms, on average, even under fiscal consolidation programs. Nevertheless, the review noted that there was limited focus on the quality of social spending. Directors broadly agreed with the findings of the review. Directors supported focusing on the quality of social spending and prioritizing structural conditions on social issues, where relevant.

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

Directors supported this recommendation and noted that clarity about the Fund’s involvement in social protection will help to sharpen external communications and avoid reputational risks to the Fund. ***In addition to the Strategy for IMF Engagement on Social Spending, the MIP envisaged one action.***

<p>MANAGEMENT ACTION:</p> <p>More staff resources will be allocated to enhance external communications in this area. Appropriate communications products will be developed with departments.</p> <p><i>[This is in addition to the Strategy for IMF Engagement on Social Spending]</i></p>	<p>OPEN</p> 	<p>ACCOUNTABLE: COM</p> <p>ORIGINAL TARGET DATE: Not indicated</p> <p>EXPECTED COMPLETION DATE: End-2020</p>
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29. COM has started to implement the communication strategy on the Fund’s approach to social spending. The public launching of the *Strategy for IMF Engagement on Social Spending* in June 2019, with a speech by the Managing Director in Geneva, was the beginning of renewed efforts to build awareness of the Fund’s work in this area. The communications strategy calls for a clear explanation of the Fund’s approach, within a specific country context, and setting of realistic expectations about what the Fund can and cannot do given its mandate, resources, and expertise. The communication strategy envisages closer attention to country cases where social spending is considered to be macro-critical. For these countries, a communications plan developed by the country team, in collaboration with COM, will guide relevant activities. For the time being, COM has reallocated some of its resources towards work on social spending; all the department’s work in this area is now being coordinated at the immediate office. In addition, in reviewing country staff reports, COM will seek to ensure that the communications strategy is implemented for all countries where social spending is macro-critical, and that staff reports pay due attention to social spending issues when relevant.

IEO Recommendation: Engage actively in inter-institutional cooperation on social protection to find ways to work constructively with development partners, particularly institutions with different mandates and policy priorities.

Directors strongly supported the recommendation to engage actively and collaborate constructively with development partners and other IFIs, including the World Bank, to better leverage their expertise in social protection issues. ***In addition to the Strategy for IMF Engagement on Social Spending, the MIP envisaged one action.***

<p>MANAGEMENT ACTION: IMF senior-level staff will attend SPIAC-B meetings when the issue under discussion is relevant to Fund's work.</p> <p><i>[This is in addition to the Strategy for IMF Engagement on Social Spending]</i></p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: FAD, SPR and COM ORIGINAL TARGET DATE: Not indicated</p>
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30. IMF staff have been attending, at a senior level, relevant Social Protection Inter-Agency Collaboration Board (SPIAC-B) meetings since early 2018. The SPIAC-B, co-chaired by the International Labor Organization (ILO) and the World Bank, is composed of representatives of international organizations and bilateral institutions with the goal of enhancing global coordination and advocacy on social protection issues, including international cooperation in country-driven actions. Following sporadic participation since the SPIAC-B was established in 2012, the Fund started to participate actively at the senior staff level in early 2018, including by making a presentation on the Fund's work on social protection issues. Staff envisages continued active participation as part of a current strengthening of Fund dialogue and collaboration with international development institutions, including the ILO.

C. The IMF and the Crises in Greece, Ireland, and Portugal (2016)

The IEO evaluation found that the IMF's pre-crisis surveillance mostly identified the right issues but did not foresee the magnitude of the risks that would later become paramount. In responding to the crises, the IMF's policy on exceptional access to Fund resources, which mandates early Board involvement, was followed only in a perfunctory manner. The report noted that the Executive Board had approved a decision to modify the framework for exceptional access without the IMF's usual deliberative process. The report also identified issues of accountability and transparency, which created the perception that the IMF treated Europe differently. Further, the Fund had not articulated how best to design a program that included conditionality on policies under the control of regional institutions. On the conduct of the evaluation, the report indicated that some documents related to sensitive issues had been prepared outside the regular, established channels, and that there was no clear protocol on the modality of interactions between the IEO and Fund staff.

Summary of Progress – The IMF and the Crises in Greece, Ireland, and Portugal



In response to five recommendations in the IEO evaluation, the MIP envisaged six actions, of which one remained open after the 9th PMR. This remaining action is currently being reviewed as part of the effort to categorize actions with implementation challenges in order to determine alternative courses.

IEO Recommendation: The Executive Board and Management should develop procedures to minimize the room for political intervention in the IMF’s technical analysis.

The Managing Director did not accept the premise of political intervention, and Executive Directors acknowledged that the procedures in place had been strengthened substantially in recent years. While the recommendation was not endorsed as written, the Board and management supported the principle of an independent technical analysis that underpins both surveillance and program design. **The MIP envisaged one action, which remained open after the Ninth PMR.**

MANAGEMENT ACTION:

Ensure continuous improvements in the analytical underpinnings of both surveillance and program design, especially in the areas of economic forecasting, external sector assessments, and integrated surveillance, as part of the regular processes to continuously improve the technical analysis of the Fund.

IMPLEMENTATION CHALLENGE



ACCOUNTABLE: All Departments

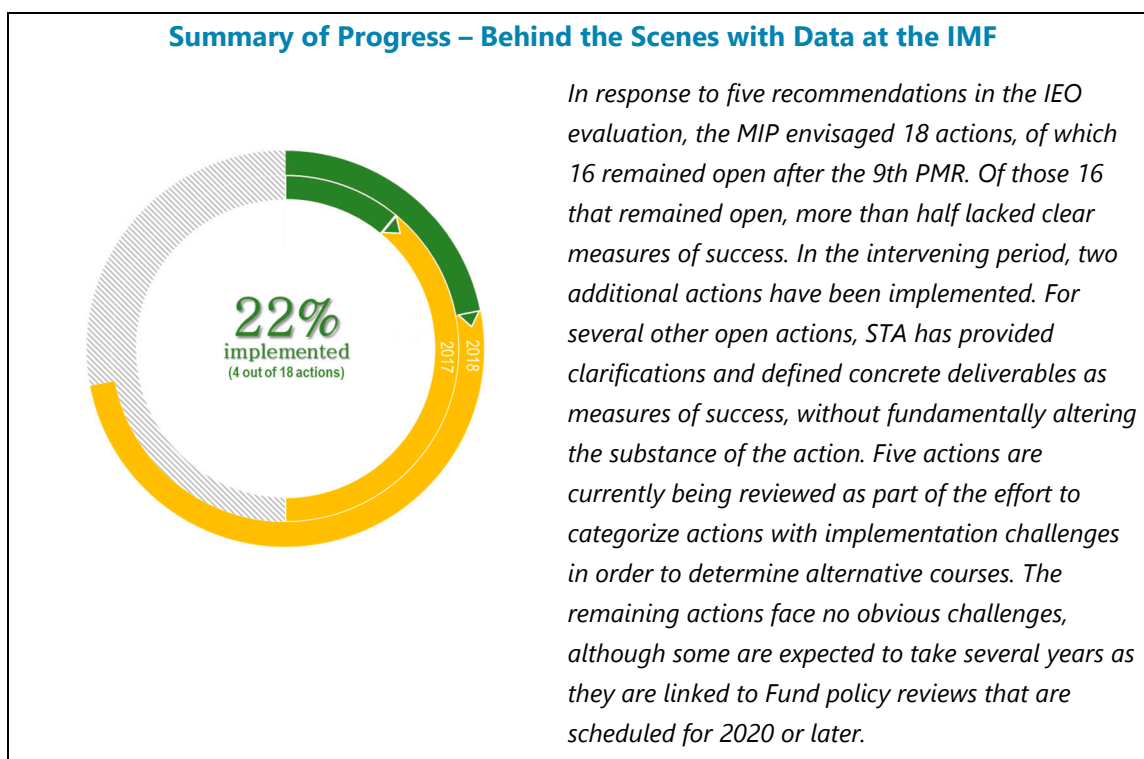
ORIGINAL TARGET DATE: Not Indicated

31. Work on strengthening the analytical underpinnings of Fund surveillance and program design has continued. For instance: country teams and reviewers have continued to use a forecast diagnostic tool to improve desk projections; staff have done additional work on the drivers of growth optimism and derived lessons to improve future forecasting; a refined EBA methodology has been used for the external assessment of EBA countries since the Spring of 2018, and a significantly revised EBA-lite methodology has been used for EBA-lite countries since the Fall of 2018; and staff have continued to work on Integrated Policy Frameworks (IPF) to better understand the factors affecting the impact of combinations of monetary, exchange rate, macroprudential, and capital flow management policies. With respect to program design: the recently revised LIC DSF has

become operational and is providing stronger analytical underpinnings for assessing debt sustainability; and the ongoing review of the MAC DSA framework is exploring improvements to analytical tools to inform staff's judgement on debt sustainability. Looking forward, the 2020 Comprehensive Surveillance Reviews (CSR) plans to consider the need for analytical work to further enhance the identification and assessment of risks and will likely examine whether the Fund has the data and tools to effectively identify, preempt, and mitigate spillovers in light of new potential sources and channels of transmission. Also, the Financial Sector Assessment Program (FSAP) review plans to look into ways to strengthen the analytical foundations of FSAPs by deepening macrofinancial feedback analysis, strengthening non-bank and cross-sectoral interconnectedness analysis, improving macro prudential analysis, and other actions.


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

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




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


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

<p>MANAGEMENT ACTION 1:</p> <p>Comprehensive Surveillance Reviews (CSR) and their interim reports will continue to guide priorities regarding the Fund’s evolving data and statistical needs for bilateral and multilateral surveillance activities. These priorities will be operationalized in Reviews of Data Provision to the Fund for Surveillance Purposes (DPF).</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: SPR, STA</p> <p>ORIGINAL TARGET DATE: December 2017</p> <p>EXPECTED COMPLETION DATE: End-2020</p>
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32. The sequencing of the Review of Data Provision to the Fund for Surveillance Purposes (DPF) has been modified forthwith to follow the CSR in order to ensure that evolving data and statistical needs for bilateral and multilateral surveillance activities can be properly identified and addressed. Under current Board-approved schedule for policy reviews, the Review of DPF is expected to be performed every five years or more, as needed. Similarly, the CSR is to be performed every five years. Staff are currently working on the 2020 CSR, which would help provide directions for identifying new data needs. The next Review of DPF will follow shortly after the CSR and is expected to ensure consistency of new data needs with data required for surveillance. The Tenth Review of the IMF’s Data Standards Initiative (DSI) would subsequently seek to operationalize the outcomes of the DPF Review. These activities are deliberately sequenced to enable identification of data priorities for surveillance (CSR), which informs formulation of specific proposals to expand or refine the list of data required for surveillance (DPF), with the Executive Board’s guidance from the DPF informing operational decisions to be implemented through the review of data standards (DSI). At present, some of the issues envisaged to be included in the Review of DPF include proposals to address outdated data categories among those data series for which provision is mandatory, updating the list of data required for surveillance, enhancing the timely provision of data, and conducting a more transparent and structured assessment of data adequacy for surveillance purposes.

<p>MANAGEMENT ACTION 2:</p> <p>The Tenth Review of the IMF's Data Standards Initiatives will seek to further align data provision by member countries – to the extent feasible – with the broader initiative to promote publication of data required for surveillance by the Fund.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: SPR, STA</p> <p>ORIGINAL TARGET DATE: FY2019</p> <p>EXPECTED COMPLETION DATE: End-2021</p>
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33. Under the sequencing of activities mentioned above, the Tenth Review of the IMF's Data Standards Initiatives is to follow shortly after the Review of DPF in 2020. To strengthen common understandings on timeliness and periodicity of data required for surveillance, the DPF review will consider aligning these understandings with publication expectations under the voluntary data dissemination standards (e-GDDS/SDDS/SDDS Plus).

<p>MANAGEMENT ACTION 3:</p> <p>The Tenth Review of the IMF's Data Standards Initiatives will seek to merge the frameworks of the Special Data Dissemination Standard (SDDS), SDDS Plus, and the enhanced General Data Dissemination System (e-GDDS), including new technologies for data provision, such as open data, to improve country provision of relevant, timely and quality data to Fund economists.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: SPR, STA</p> <p>ORIGINAL TARGET DATE: FY2020</p> <p>EXPECTED COMPLETION DATE: End-2021</p>
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34. The Tenth Review of the IMF's Data Standards Initiative, planned for 2020 or later, will make proposals for merging the frameworks of the Special Data Dissemination Standard (SDDS), SDDS Plus, and the enhanced General Data Dissemination System (e-GDDS). The merging of these frameworks will involve the integration of a cloud-based network of member countries' websites, under the Fund's Data Dissemination Initiative, publishing data essential for surveillance by the Fund and the markets on a pre-announced schedule. Staff do not envisage any obstacles to making the proposals for merging the frameworks but expect implementation of the proposals to take several years.

<p>MANAGEMENT ACTION 4:</p> <p>The review of the Standards and Codes Initiative will aim to strengthen its integration with Fund surveillance and CD activities. In this regard, the new data quality module in the revised Data Report on the Observance of Standards and Codes (ROSC) will help guide future CD and methodological work with member countries to facilitate data provisioning to the Fund.</p> <p><i>[A revised DPF Guidance Note, following the 2020 Review of the DPF, will operationalize the New Assessment of Data Adequacy for Surveillance.]</i></p>	<p>OPEN</p> 	<p>ACCOUNTABLE: SPR, STA</p> <p>ORIGINAL TARGET DATE: FY2018</p> <p>EXPECTED COMPLETION DATE: End-2021</p>
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35. The 2017 Review of the Standards and Codes Initiative laid the foundational elements for strengthening its integration with Fund surveillance and CD activities. The review identified the diagnostic focus of the data quality framework developed for Data Report on the Observance of Standards and Codes (ROSCs), which requires benchmarking against a starting point; identification, prioritization, and sequencing of reforms; and measuring progress against agreed milestones as a best practice. The goal is to strengthen integration of the standards and codes work with CD to support the drive for better data for policymaking. In furtherance of that goal, STA is introducing a *New Assessment of Data Adequacy for Surveillance*. The fundamental objective of the new assessment – previously endorsed in principle by the Board as part of the Overarching Strategy on Data and Statistics in 2018 – is to introduce more structure and transparency by requiring teams to specify the factors behind their views on the degree to which data deficiencies and gaps might hinder the reliability of the analyses underlying their policy advice. STA, supported by SPR and LEG, is launching an exercise involving 20 pilot cases to test a draft questionnaire to guide the assessment of data adequacy in the pilot countries, including those where data has serious shortcomings that significantly hamper surveillance. The operational details for the full roll-out of the *New Assessment of Data Adequacy for Surveillance* is expected to be formalized in the DPF Review and subsequent guidance note.

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


Directors supported the thrust of this recommendation, noting that STA is already devoting more attention to the provision of services to the Fund, and looked forward to continued progress and closer collaboration with area departments. ***The MIP envisaged six actions, five of which remained open after the Ninth PMR.***

<p>MANAGEMENT ACTION 1:</p> <p>Revisit the role and mandate of STA to ensure that it is in line with the Fund core operations. The decision on whether to move the new data management structure into STA will be taken in the context of the long-term strategy.</p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: STA</p> <p>ORIGINAL TARGET DATE: September, 2017</p>
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36. STA is currently operating fully under its new role and mandate, as part of an overarching strategy on data and statistics approved by management in January 2018 and subsequently supported by the Executive Board in March 2018. The initiative includes a new governance framework for data and statistics, with a Standing Committee chaired by management—and STA serving as secretariat—and the integration of the Economic Data Team (EDT) within STA. The Standing Committee oversees the implementation of the strategy and serves as a forum for discussing and guiding related efforts. In addition, management appointed the Director of STA as Chief Statistician and Data Officer responsible for the implementation of the overarching strategy. At the departmental level, STA’s new role prompted the reorganization of its data function and a reconfiguration of its skill mix. The departmental changes have virtually been completed, the new governance framework is consolidated, and the implementation of the overarching strategy is moving forward. Since the launching of the new strategy, STA has briefed the Executive Board several times on different aspects of the implementation of the strategy.

<p>MANAGEMENT ACTION 2:</p> <p>Review data publications, databases, and data sharing within the membership and among international agencies.</p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: STA</p> <p>ORIGINAL TARGET DATE: To be determined</p>
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37. In January 2019, STA completed a review of publications and databases, and phased out all print publications to go digital, including for the Fund data flagship *International Financial Statistics*. This shift modernized data publication, promoting mobile presence while enabling operational efficiencies. In addition, STA has streamlined databases and has introduced several new measures to improve data sharing. STA has harmonized collection forms and removed many country-specific indicators – nearly 1,000 – from the IFS. STA has expanded data sharing with other institutions, with much of the national accounts data for EU countries now sourced from Eurostat, and production and labor market data from the OECD, with plans to expand data sharing with the BIS beyond interest rate data. STA has also started to ingest data machine-to-machine via the SDDS plus and e-GDDS National Summary Data Pages (NSDPs), to reduce reporting burdens by member countries. Staff do not anticipate any additional significant changes at this stage but expect additional benefits from the planned Global Data Commons, which will eventually replace direct country data reporting by pulling data from the NSDPs.

<p>MANAGEMENT ACTION 3:</p> <p>STA will engage in a more pro-active and structured consultation with area departments on methodological work to support surveillance priorities for LICs. Enhanced guidance will be provided for compiling data on LICs.</p> <p><i>[STA will be issuing revised Statistics Manuals (a medium-term project) to provide international methodological guidance for the national accounts and the balance of payments, which will include specific considerations for LICs.]</i></p>	<p>OPEN</p> 	<p>ACCOUNTABLE: STA</p> <p>ORIGINAL TARGET DATE: To be determined</p> <p>EXPECTED COMPLETION DATE: End-2022</p>
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38. STA continues to dedicate resources towards methodological work in support of area departments, and LICs in particular, in the context of revamping its role and mandate. STA's revised mandate now integrates its mission as a provider of statistical support for Fund operations (surveillance, use of fund resources, and CD) and its traditional role vis-a-vis the Fund membership and the world's statistics community. Ultimately, a planned major revision of the Statistics Manuals (a medium-term project) will provide methodological guidance for the national accounts and the balance of payments, which will include specific considerations for LICs. In the near term, STA is also developing more user-friendly ways for area department economists to access methodological advice, including in Quick Reference Notes on GFS matters. In the meantime, STA has rolled out a number of operational changes aimed at better supporting area departments. For example, the *New Assessment of Data Adequacy for Surveillance* has the objective of helping to identify and focus on shortcomings that significantly hamper surveillance — mainly low-income countries. STA has nominated country coordinators for all countries with major data weaknesses and gaps to assist country teams in updating the Statistical Information Annex of staff reports, coordinating the preparation of statistics scorecards, and facilitating responses to country team requests for statistical advice. In addition, STA's Strategy, Standards, and Review Division (STASR) coordinates STA's contributions to the interdepartmental review of country papers, again differentiating by countries based on the severity and criticality of data issues that need to be addressed. In supporting country teams, STA also continues to prioritize its methodological work on Gross Domestic Product (GDP) rebasing, and participate in missions for Article IV, UFR, FSAPs, Financial Sector Stability Reviews (FSSRs), and Fiscal Transparency Evaluations (FTEs). Incorporating departmental views for selecting the topics, the 2019 IMF Statistical Forum (November 14-15, 2019) focused on *Measuring the Informal Economy*, a critically important issue for fragile and vulnerable countries.

<p>MANAGEMENT ACTION 4:</p> <p>The ongoing efforts to align CD activities with Fund and membership needs will continue. CD will increasingly be geared toward closing data gaps hampering surveillance, ratcheting up data quality and broadening data dissemination to help detect economic vulnerabilities and risks, and improve economic decision-making.</p> <p><i>[In the context of the IEO report on the IMF and Fragile States, staff will prepare a comprehensive assessment on lessons from building financial and statistical capacity in FCS for Board discussions by end-2020, including work undertaken to align CD activities with Fund and membership needs especially in LICs.]</i></p>	<p>OPEN</p> 	<p>ACCOUNTABLE: STA</p> <p>ORIGINAL TARGET DATE: Not indicated</p> <p>EXPECTED COMPLETION DATE: End-2020</p>
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39. STA's efforts at strengthening the link between CD and surveillance have continued with the objective of enhancing country teams' access to more and better data in support of surveillance. On average, 750 TA missions have been fielded by STA over the past eight years addressing data gaps and quality concerns. STA's CD activities on data gaps, data quality, and data dissemination have ramped up more recently, partly supported by two fairly new multi-partner vehicle trust funds. The Financial Sector Stability Fund (FSSF) and the Data for Decisions Fund (D4D) are designed to help finance CD activities to support surveillance, especially in low- and middle-income countries, including fragile states. The trust funds are close to fully funded, allowing implementation of a steady-state work program. The two statistics workstreams under the FSSF are on track to meet the objectives of quasi-universal coverage of low- and lower-middle-income countries in reporting FSIs or undertaking partial or full balance sheet analysis (BSA) by the end of FY2022. In addition, work under all modules and submodules of the D4D Fund is moving ahead. STA CD efforts in data dissemination appears to have yielded significant results, as the number of countries publishing key economic data under the Data Standards Initiatives (e-GDDS, SDDS, SDDS Plus) continue to increase.

<p>MANAGEMENT ACTION 5:</p> <p>Consistent with established Fund priorities, devote greater attention to CD in fragile states and vulnerable program countries, while also fostering greater integration with surveillance and reaping synergies between TA and training.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: STA</p> <p>ORIGINAL TARGET DATE: To be determined</p>
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40. STA continues to work with other departments to continuously adjust its CD product mix and increase their effectiveness, with increasing focus on LICs and fragile states. STA's CD delivered to fragile states increased from 24 percent in FY16 to 31 percent in FY19. The D4D and the FSSF trust funds, have secured funding to provide for a sustained CD engagement with low- and lower-middle-income countries, including fragile countries. In addition, bilateral donor projects are now subject to greater selectivity to achieve administrative savings and reduce funding risk. On CD modalities, TA missions now account for 85 percent of STA's CD, and associated training and workshops at the Fund's regional CD centers and under bilateral and multilateral funding vehicles have become the norm. In addition, the first online learning course under the D4D was launched in September 2019. On TA documentation, STA's new guidelines have become effective in FY2019. The guidelines seek to enhance the buy-in by senior policy-makers and other interested parties in the findings and recommendations of TA reports. To better measure the impact of these activities, all of STA's CD activities are now captured in the Fund's Results-Based Management (RBM) framework, irrespective of their funding source, and STA has been working with ICD and other departments to implement the new TA evaluation framework. Going forward, work in this area is being overtaken by parallel work in relation to the MIP on the *IMF and Fragile States* evaluation.

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


Directors supported this recommendation, and welcomed the work underway to strengthen staff incentives and accountability for data management and the IEO's suggestions. Directors also supported a review of the incentives for staff to candidly assess and discuss data issues in Article IV and FSAP reports where weaknesses in data quality could significantly hamper surveillance. ***The MIP envisaged six actions, all of which remained open after the Ninth PMR.***

<p>MANAGEMENT ACTION 1: Unify area department data management guidelines.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: STA, Area departments ORIGINAL TARGET DATE: Not Indicated EXPECTED COMPLETION DATE: End-2021</p>
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41. Work on unifying area department data management guidelines is advancing, with new oversight by the Data Governance Group (DGG), established in mid-2018. The DGG has embarked on a broad work program, dealing with a variety of data management issues, including the development of data management standards and guidance. Area departments have commonality of operations and prepared draft individual data management guidelines in 2017. Unifying these guidelines is a multi-year objective. A first round of discussions is expected to take place in FY2020 under the aegis of the DGG.

MANAGEMENT ACTION 2: Adopt Fund-wide data management standards.	IMPLEMENTATION CHALLENGE 	ACCOUNTABLE: STA ORIGINAL TARGET DATE: 2017
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42. The development of Fund-wide data management standards is envisaged to be long-term, and STA is in the process of defining clear and measurable milestones. The DGG is expected to review and endorse these milestones and assign priorities. Following internal discussions in the DGG, there appears to be a better understanding of all the issues involved, and staff are working on various building blocks needed for the standards, such as ensuring consistent series descriptors and common metadata fields across databases.

MANAGEMENT ACTION 3: Undertake metadata cleanup.	IMPLEMENTATION CHALLENGE 	ACCOUNTABLE: STA, area departments ORIGINAL TARGET DATE: Not indicated
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43. Staff are making progress with the metadata cleanup. A first cleanup was completed in 2018, focusing on economic variables in staff reports. Further work, focused on a priority list of series, is expected to be finalized in 2019. This will be followed by a more comprehensive cleanup, which will be a long-term effort. STA is in the process of defining clear and measurable milestones.

MANAGEMENT ACTION 4: Update the Catalogue of Time Series (CTS).	IMPLEMENTATION CHALLENGE 	ACCOUNTABLE: STA ORIGINAL TARGET DATE: Not indicated
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44. Staff are making progress with the update of the Catalogue of Time Series (CTS). STA and RES launched a “cleanup” of the “CTS 3.0” version in May 2017, and the updates of the real, the external, and the financial sectors have been completed. An update of the fiscal sector is envisaged to be finalized by end-FY2020. The comprehensive update is not expected to be completed until end-2023, with an updated “CTS 4.0.” STA is in the process of defining clear and measurable milestones.

MANAGEMENT ACTION 5: Incentivize use of the Common Surveillance Databases.	IMPLEMENTATION CHALLENGE 	ACCOUNTABLE: STA, RES ORIGINAL TARGET DATE: Not indicated
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45. Use of the Common Surveillance Database (CSD) is expected to increase once certain challenges with data access are resolved. The CSD is now integrated into the workflow in area departments, with submissions not only at the time of the World Economic Outlook (WEO) and Vulnerability Exercises but also when staff reports are submitted to the Board. Area departments are now driving more cross-country exercises to source from the CSD; five cross-country exercises (CPA, SSBIG, EBA, MONA, Quota) are now sourcing their data from the CSD. The CSD also serves as a source for other projects. For example, the review of the CTS—the Fund’s coding system for economic data—uses the CSD to check which CTS codes area departments use. The Database Management for Excel (DMX) modernization project also uses the CSD to check which features of DMX were actually in use. More generally, area departments have asked that data requests from all parties flow through the CSD as this reduces the burden on country teams. Improved data management practices in area departments—including metadata management and use of consistent coding—have made the CSD more usable, but challenges remain with data access due to the existing IT infrastructure. ITD’s Economic Data Interface project should reduce some of the data access challenges, but iData is expected to provide the ultimate solution through a next generation economic data lifecycle management platform. The DGG has requested RES to provide periodic reports on the usage of the CSD, that will be based on clear and measurable milestones to be developed soon.

<p>MANAGEMENT ACTION 6:</p> <p>The next Review of Data Provision to the Fund for Surveillance Purposes (DPF) will also propose how to incorporate results of the new assessments of data adequacy for surveillance (revised ROSC) into a revised statistical issues appendix (SIA), and review the requirement to discuss the SIA in the main body of the Article IV staff report.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: SPR, STA</p> <p>ORIGINAL TARGET DATE: FY 2019</p> <p>EXPECTED COMPLETION DATE: End-2021</p>
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46. Staff expect to make proposals about the revised statistical issues appendix (SIA) in Article IV staff reports in the context of the next Review of DPF, which will take place sometime in 2020. No obvious obstacles are anticipated at this time.

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

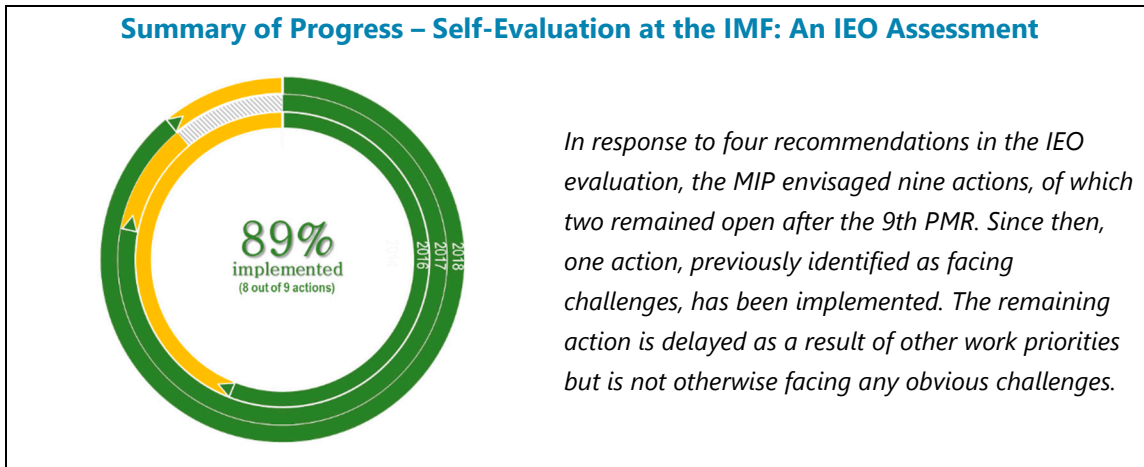
Directors supported this recommendation and agreed that the distinction should be clarified between “IMF data,” used for Fund surveillance (such as Article IVs), and “official data,” which are official statistics provided by authorities to STA that are not vetted by the Fund. A few Directors felt that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

<p>MANAGEMENT ACTION:</p> <p>Building on the implementation of the previous recommendation, a plan will be developed to clarify the distinction between “official statistics” and data used by area and functional departments in surveillance activities.</p> <p><i>[A revised DPF Guidance Note, following the 2020 Review of the DPF, will clarify expectations of staff with respect to the sources of data and estimates used by the Fund in surveillance activities.]</i></p>	<p>OPEN</p> 	<p>ACCOUNTABLE: STA, ITD</p> <p>ORIGINAL TARGET DATE: September 2017</p> <p>EXPECTED COMPLETION DATE: End-2021</p>
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47. A draft plan for clarifying data in Fund publications is pending review and operationalization in the context of the Review of DPF. The strategy on data and statistics at the Fund, discussed by the Board in March 2018, noted that while the WEO and the IFS flagships properly distinguished between IMF staff estimates and official data, Article IV staff reports often did not. Also, the Dissemination Standards Bulletin Board (DSBB) did not clarify Fund responsibility for the published data. Since then, a disclaimer has been added to the DSBB to clarify that the Fund does not endorse the data on the DSBB; and a Guidance Note on Third-party Indicators (TPIs) was endorsed by the Board in July 2018 to clarify principles for the use of TPIs (e.g. indicators compiled by organizations and third parties other than the Fund or member countries) in Fund publications to manage related challenges and risks to the Fund’s credibility. Regarding multilateral flagships and Article IV staff reports, a draft plan currently proposes that: (i) data sources should be systematically included in the metadata fields of CSD and flagship multilateral databases, with monitoring by the Data Governance Group in FY2020; (ii) the DPF Guidance Note—to be revised following the Review of DPF scheduled for 2020 – should clarify expectations of staff with respect to the sources of data and estimates; and (iii) departments authoring multilateral flagships should continue to monitor data used in multilateral surveillance products to ensure proper distinction between official sources and staff estimates.


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

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




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

Directors supported this recommendation. ***The MIP envisaged four actions, two of which remained open after the Ninth PMR.***

<p>MANAGEMENT ACTION 1:</p> <p>Develop a plan to enhance knowledge management. Expected actions include:</p> <ul style="list-style-type: none"> (i) produce concrete plans to make available high-quality, web-based information on critical topics for Fund staff; (ii) enhance internal information classification and retrieval tools; (iii) provide recommendations on the respective responsibilities of area, functional, and other departments, as well as each staff member, in strengthening KM; and (iv) propose a permanent KM structure. 	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: KMU</p> <p>ORIGINAL TARGET DATE: Not indicated</p>
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48. Implementation of the Fund’s knowledge management plan is well underway. At present there is a permanent Knowledge Management structure focused on implementing a strategy to make Fund knowledge more easily accessible to staff and member countries. Following the delivery of the report of the Small Group on Knowledge Management in July 2016, Management established the Knowledge Management Unit (KMU) in December 2016, which started to operate in full in mid-2017. Since then, the KMU has made important advances in content availability and taxonomy improvements. The KMU is currently working in a number of areas, including new document management, autocategorization, enterprise search, and knowledge exchange tools,

which are part of the institution's major modernization capital projects. The KMU operates under the strategic guidance of an interdepartmental advisory committee and has informed and received feedback from the Executive Board on its activities broadly once a year. Most recently, the KMU updated the Board on the implementation of the KM strategy at an informal meeting in May 2019.

<p>MANAGEMENT ACTION 2: Develop a common evaluation framework, including self-evaluation, for IMF CD.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: ICD ORIGINAL TARGET DATE: Not indicated EXPECTED COMPLETION DATE: End-2020</p>
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49. The New Common Evaluation Framework (CEF) for IMF CD was introduced in July 2016, but the preparation of an operational guidance note has been delayed due to other work priorities. The new framework is intended to streamline current practices for all CD evaluations and increase comparability and use of results by adopting a common four-step process that includes use of the OECD Development Assistance Committee evaluation criteria of relevance, impact, effectiveness, efficiency, and sustainability. Following initial experience with the new framework, staff are preparing an operational guidance note to facilitate implementation, which is now expected to be issued in 2020.

F. IMF Response to the Financial and Economic Crises (2014)

The IEO evaluation of the IMF Response to the Economic and Financial Crisis assessed the IMF's actions to help contain the global crisis and navigate the recovery. The evaluation concluded that the Fund played an important role within the global response to the crisis, with resource mobilization and lending. However, the Fund's record in surveillance was assessed as mixed. Although the Fund's calls for global stimulus in 2008-09 were timely, its endorsement of fiscal consolidation in 2010-11 in some of the largest advanced economies was considered premature. The evaluation recognized that many initiatives had been taken to strengthen macro and financial sector surveillance and the Fund's collaboration with other organizations. Looking forward, it called for developing guidelines for structuring collaboration arrangements that clarify the parties' roles and accountabilities.

Summary of Progress – IMF Response to the Financial and Economic Crises



In response to four recommendations in the IEO evaluation, the MIP envisaged 11 actions, of which one remained open after the 9th PMR. This action, which is of a continuous nature, continues to face implementation challenges.

IEO Recommendation: Update annually the Financial Sector Assessment Programs (FSAPs) for the world's five to seven largest systemic financial centers in conjunction with IMF bilateral surveillance.

Most Executive Directors saw limited merit in the IEO recommendation and instead looked forward to the broader proposal by management to mainstream macrofinancial surveillance and report periodically to the Board. **The MIP envisaged two actions, one of which remained open after the Ninth PMR.**

MANAGEMENT ACTION :

Introduce measures to fully embed macrofinancial analysis in Article IV surveillance, including through Balance Sheet Analysis (BSA) and promoting uptake of user-friendly tools.

IMPLEMENTATION

CHALLENGE



ACCOUNTABLE: SPR, MCM, area and functional departments

ORIGINAL TARGET DATE: Not indicated

50. Considerable progress continues to be made in mainstreaming macrofinancial analysis.

The macrofinancial initiative, launched in 2015, was accompanied by a significant ramp-up in training and knowledge-sharing, including delivery of a specialized curriculum and dissemination of knowledge across and within departments through dedicated macrofinancial teams. The 2018 ISR reported that macrofinancial analysis was now better integrated into bilateral surveillance. Also, over 70 percent of Board members characterized the quality of staff's advice and analysis of macrofinancial issues as having improved to some extent. The macrofinancial integration initiative has continued to expand across countries and now covers all members.

51. Staff are now working on addressing some unevenness in the quality and coverage of financial issues in Article IV staff reports.

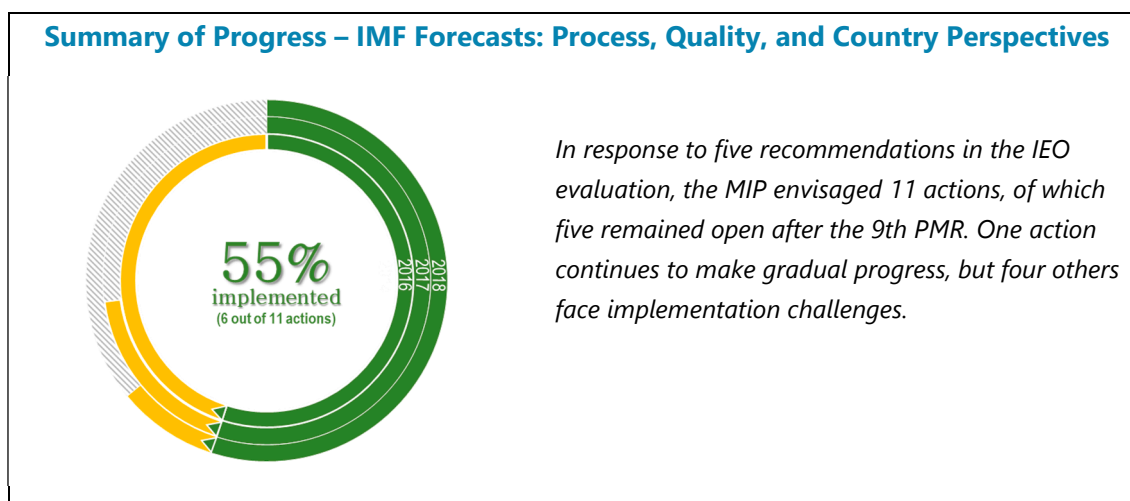
Discussions on early pilot countries tend to be of higher quality than those on countries that were brought into the initiative more recently. Also, macrofinancial analysis seems to be better integrated into the risk and policy discussions than into the baseline discussions. MCM and SPR are working with area departments on keeping

macrofinancial integration in focus, including using the Growth-at-Risk concept, more structured review of systemic risks in country papers, and holding regular “office hours” when teams can informally contact MCM staff to discuss specific macrofinancial topics.

52. The recent IEO evaluation on *IMF Financial Surveillance*, discussed by the Executive Board in January 2019, recognized the important progress made in Fund financial surveillance over the years. It also considered, however, that the mainstreaming of macrofinancial analysis into Article IV surveillance remains work in progress. Among other measures, it recommended better integrating FSAP analysis into Article IV consultations. Macrofinancial integration is expected to continue, including within the context of follow-up activities related to the IMF Financial Surveillance, the CSR, and FSAP review.


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

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



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

Directors endorsed this recommendation, noting that the Fund should maintain the practice of commissioning external evaluations of IMF forecasts by recognized experts. ***The MIP envisaged one action, which remained open after the Ninth PMR.***

<p>MANAGEMENT ACTION: Commissioned studies will be undertaken on a regular schedule, every 5-8 years, starting in 2015.</p>	<p>OPEN</p> 	<p>ACCOUNTABLE: RES ORIGINAL TARGET DATE: End 2015 EXPECTED COMPLETION DATE: FY2020</p>
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53. A RES-commissioned study on WEO forecasting performance was completed in late 2018 and its results are envisaged to be published in the coming months simultaneously with results from additional work by RES.⁷ The study analyzed the predictive accuracy of the WEO forecasts of GDP growth and inflation over the period 1990-2016. It examined how forecasting performance differs across forecast horizons, regions, and economies, and compared the accuracy of the WEO forecasts to those from Consensus Economics as well as forecasts from simple time-series models. RES is doing further work on WEO forecasting performance, more focused on the post-2004 period, and including more comprehensive analysis of the sources of errors. RES envisages reporting its analysis and findings in a working paper to be published simultaneously with the external study in the coming months.

IEO Recommendation: Enhance processes and incentives for learning from past forecast performance.

Directors endorsed this recommendation, noting that the implementation of the handover procedures for country assignments is a welcome step. ***The MIP envisaged five actions, two of which remained open after the Ninth PMR.***

<p>MANAGEMENT ACTION 1: Policy consultation meetings for Article IV consultations and program reviews will discuss the underlying causes of significant forecast errors (not pertaining to data revisions) for key macroeconomic variables.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: SPR, Area departments ORIGINAL TARGET DATE: January, 2016</p>
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⁷ The study was conducted by Professor Timmermann of the University of California San Diego.

54. Policy consultation meetings discussions are currently aided by a forecasting review tool that is circulated to reviewers and country teams, and additional steps focused on a broader approach to forecasting are in train. This tool, developed by SPR and RES, was introduced in the October 2017 WEO cycle and is currently available for a majority of member countries. For each economy, this tool compares GDP, inflation, and the external current account errors against historical and peer country errors. It also helps evaluate the external sector forecasts against those of trading partners to assess the multilateral consistency of the bottom-up projections. In addition, the review process looks closely into the realism of the scenarios in debt sustainability analysis. Staff indicate that other reviews, such as the 2018 Review of Program Design and Conditionality and future ones, will continue to assess and identify lessons regarding assumptions and forecasting. Staff are also exploring new approaches to uncertainties and risks, including possibly broadening the focus of the discussions in policy consultation meetings from point forecasts to better understanding risk profiles and establishing contingency plans for both surveillance and programs.

<p>MANAGEMENT ACTION 2: Issue guidelines establishing minimum requirements and recommending best practices for the handover of country assignments.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: SPR, KMU ORIGINAL TARGET DATE: End 2016</p>
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55. After some initial challenges with ensuring compliance with the guidelines for handover of country assignments, the KMU was tasked in 2018 to explore new approaches for maintaining and sharing country desk knowledge. The KMU has initiated several projects to aid the exchange of information among desk economists. For example, in December 2018, the KMU launched the KE country pages, which are available for all member countries. These pages present information that is useful to new desk economists, such as basic information on the country relationship with the Fund; country security level; country team members; mission documents for surveillance, lending, and TA activities going back a few years; links to country pages of similar countries; and some news on the country, including Fund press releases and Fund staff speeches. Looking ahead, the KMU has completed a new survey of desk economists and mission chiefs to better understand handover “pain-points”. Following this diagnostic stage, the KMU expects to formulate and pilot improvements to the desk handover process which will inform possible revisions to the overall approach for handover of country assignments.

IEO Recommendation: Extend guidance to desk economists about how best to incorporate advances in forecasting methodologies for short- and medium-term forecasts.

Directors supported this recommendation. They underscored that strengthening macroeconomic consistency in medium-term forecasts is desirable, but some noted that it would have resource implications. ***The MIP envisaged two actions, both of which remained open after the Ninth PMR.***

<p>MANAGEMENT ACTION 1:</p> <p>RES will start a pilot process (to be broadened gradually for most major economies and country groups) with top-down guidance for medium-term forecasts in the spirit of the approach used for short-term forecasts.</p>	<p>IMPLEMENTATION</p> <p>CHALLENGE</p> 	<p>ACCOUNTABLE: RES</p> <p>ORIGINAL TARGET DATE: 2015</p>
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56. Broadening the pilot process beyond a few large economies has stalled since 2016 due to unforeseen technical difficulties. As explained in previous PMRs, application of the methodology across many economies requires simulation capabilities beyond what is currently technically feasible or efficient. After several efforts, which included hiring an external consultant and trying to linearize the model to make it computationally less demanding, RES decided in 2018 that further efforts on this project could not be justified in light of the difficulties involved and the demand for other RES modelling work.

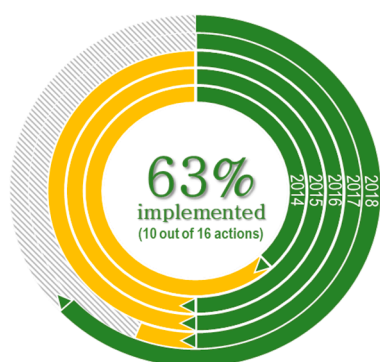
<p>MANAGEMENT ACTION 2:</p> <p>Develop a multi-country macro-econometric forecasting model to ensure medium-term consistency of forecasts.</p>	<p>IMPLEMENTATION</p> <p>CHALLENGE</p> 	<p>ACCOUNTABLE: RES</p> <p>ORIGINAL TARGET DATE: 2015</p>
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57. The development of a multi-country macro-econometric forecasting model to ensure medium-term consistency of forecasts constitutes a more advanced stage of the pilot process described above. Therefore, this action has also stalled for the same reasons as above.

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

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

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



In response to six recommendations in the IEO evaluation, the MIP envisaged 16 actions, of which eight remained open after the 9th PMR. Since then, two actions have been implemented. The remaining actions continue to face implementation challenges.

IEO Recommendation: Enhance the value-added of Article IV consultations for country authorities.

Directors supported early informal consultations with country authorities on key areas of interest for upcoming consultations and stressed that their offices could play a key role in this process and, more broadly, in promoting dialogue between mission teams and country authorities. Directors, nonetheless, had different views on whether sharing the macroeconomic framework and key policy recommendations with the authorities ahead of missions would add value to Article IV consultations. **The MIP envisaged five actions, four of which remained open after the Ninth PMR.**

MANAGEMENT ACTION 1:

Early consultations with country authorities will now be expected of all teams.


IMPLEMENTATION CHALLENGE




ACCOUNTABLE: Not indicated

ORIGINAL TARGET DATE: Steps begin in 2013

58. The fourth Survey of the Offices of the Executive Directors (OEDs) on the Quality of the Fund's Engagement with the Membership, completed in the summer of 2019, showed significant improvement in satisfaction rates for early engagement on Article IV consultations. Seventy percent of Executive Directors indicated that their authorities were contacted to exchange views on proposed policy issues and topics at least a month in advance of the Article IV Consultation mission. This shows significant improvement across all area departments, compared to the previous year when three of the five area departments had favorable responses from less than half of the respondents. Nearly half of all respondents in this year's survey indicated that the exchange with authorities was initiated two months in advance of the mission, an improvement from the previous year when all departments received favorable responses from less than half of the respondents, including two with less than 30 percent.

<p>MANAGEMENT ACTION 2:</p> <p>Mission teams will be expected to share major policy questions and global assumptions underlying projections at least one week ahead of the mission.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: Not indicated</p> <p>ORIGINAL TARGET DATE: Steps begin in 2013</p>
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59. The aforementioned survey of OEDs indicated that most teams routinely shared major policy questions and assumptions with the authorities at least a week prior to the Article IV Consultation mission. Seventy-seven percent of the respondents confirmed that country teams shared major policy questions a week ahead of the Article IV Consultation mission. Two area departments had 94 and 81 percent of respondents who reported having had timely exchanges with country teams; while the other three departments reached, at a minimum, 69 percent of respondents with favorable responses. This represents a significant improvement from previous years, when three departments got favorable responses from only 30 percent of respondents.

<p>MANAGEMENT ACTION 3:</p> <p>Mission chiefs will be tasked to better explain the rationale for Fund policy advice.</p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: Not indicated</p> <p>ORIGINAL TARGET DATE: Steps begin in 2013</p>
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60. The level of satisfaction of the OEDs with the engagement of country teams remains high, similar to previous years. While the survey does not ask a direct question about satisfaction with the explanation of the rationale for Fund policy advice, questions on the overall quality of engagement is a good proxy. Overall, 82 percent of respondents indicated that they were satisfied with the process, and 88 percent were satisfied with the substance of the relationship. This is broadly consistent with the results of all four previous annual surveys, with the isolated exception of a couple of departments that significantly lagged the average levels of satisfaction in the first year. In 2018, 91 percent of respondents were satisfied or very satisfied with country teams' engagement, higher than in 2016 (88 percent) but lower than in 2015 (93 percent). The high levels of approval on the substance of the engagement and the qualitative responses suggesting high appreciation on the frank exchanges of views serve as a good proxy for measuring the commitment of mission chiefs to better explain the rationale for the Fund's policy advice to enhance traction.

<p>MANAGEMENT ACTION 4:</p> <p>Enhance the use of cross-country examples by functional department economists.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: Not indicated</p> <p>ORIGINAL TARGET DATE: Steps begin in 2013</p>
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61. Staff have introduced several initiatives over the years that could result in better use of Fund cross-country knowledge. The 2018 ISR found that these initiatives are yet to materialize in terms

of significant changes to the use of cross-country knowledge in surveillance, relative to the 2014 TSR. With respect to recent efforts in this area, SPR has created and made available to country teams a tool that presents, for all member countries, a qualitative snapshot of current Fund policy advice, bottom line assessment of countries' cyclical and balance sheet positions, and countries' policy frameworks.

62. In parallel, the KMU is taking a more fundamental approach to knowledge access and sharing, which will also result in better leveraging of cross-country knowledge. The approach is to facilitate the search and sharing of knowledge through several initiatives, including standardizing the content profile of documents; facilitating tagging of documents; introducing a better document management system; enhancing the enterprise business vocabulary; introducing a more efficient search engine; revamping the Knowledge Exchange portal; and developing a Fund-wide text mining platform. In addition, the KMU is implementing initiatives more directly related to the objective of leveraging cross-country experiences, including developing—in partnership with ITD, SPR, and the iLab—an artificial-intelligence based cognitive search pilot that would tap the Fund's cross-country experience in policy advice; developing an expertise locator tool to search for experts within the Fund; and improving TA documents accessibility. The approach being taken by KMU fundamentally changes how the Fund shares knowledge and goes beyond the use of cross-country examples by functional department economists.

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

Many Directors did not support the development of medium-term strategic plans, which would introduce more bureaucratic processes. A number of Directors agreed on the need to develop incentives for staff to better act as a trusted advisor, while a few others were concerned about how such incentives might affect the independence of staff advice. A number of Directors emphasized the importance of lengthening staff country assignments, and a number of others called for increased staff diversity. ***The MIP envisaged six actions, three of which remained open after the Ninth PMR.***

MANAGEMENT ACTION 1:

Target three-year average tenure for country assignments to be monitored by HRD.

IMPLEMENTATION

CHALLENGE



ACCOUNTABLE: HRD


ORIGINAL TARGET DATE: Steps begin in 2013

63. Mission chief tenure remains below the target of three years. Data for desk economists' tenure are not as accurate as that for mission chiefs, as monitoring has been less systematic. Since 2013 average tenure for mission chiefs has remained unchanged at around 2.5 years, with variations across departments. As of the end of FY19, one area department had achieved the target tenure of three years; two other departments averaged about 2.5 years, and two had managed a little more than two years. As mentioned in previous PMRs, the target of an average of three years' tenure for country assignments is difficult to achieve without targeted mandates and incentives. However,

those incentives and mandates would likely conflict with other objectives, such as career development, promotion opportunities, staff mobility, and the need to preserve flexibility in the allocation of resources. Moreover, especially for fragile states, safety considerations favor keeping the duration of some assignments relatively shorter. The ongoing HR Strategy review is considering various tradeoffs, with detailed proposals expected in the forthcoming *Career Playbook* and *Career Paths and Mobility Framework*, which would provide further guidance on incentives and milestones.

<p>MANAGEMENT ACTION 2:</p> <p>Implement measures to raise the share of nationals from underrepresented regions among senior staff and set targets for representation of women at senior levels.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: HRD (with others)</p> <p>ORIGINAL TARGET DATE: Steps begin in 2013</p>
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64. The Executive Board discussed the 2019 Diversity and Inclusion Report in December 2019, following an informal briefing in May 2019. Overall, the Fund has progressed well against the management-level (B-level) gender benchmarks, achieving the 30 percent target for women and surpassing 25 percent for women in the Economist career stream. However, progress towards the B-level Under Represented Regions (URRs) benchmarks has been less robust. The share of URR staff at the B-level remains at 16.5 percent, against a cumulative benchmark of 21 percent. Despite the overall success in the B-level gender benchmarks, women from URRs account for 5.2 percent of B-level staff compared to 24.8 percent of women from the combined total from other regions. Currently, of the 5 area and 7 functional (economist) departments, 10 are headed by men; and in the entire history of the Fund, only 4 women, including the current Head of Research, have led these departments. Executive Directors welcomed the progress achieved over the last ten years regarding diversity and inclusion, but regretted the lack of progress in achieving some of the 2020 benchmarks, particularly for MENA+ and East Asia. They looked forward to discussing the 2025 benchmarks when they are formulated in 2020.

<p>MANAGEMENT ACTION 3:</p> <p>Emphasize and monitor the role of OED in liaison processes through an annual survey.</p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: Not indicated</p> <p>ORIGINAL TARGET DATE: Steps begin in 2013</p>
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65. The annual survey of the OEDs has become institutionalized as a mechanism to monitor whether country teams are engaging with Executive Directors and with country authorities as expected. As previously mentioned, the fourth survey of OEDs on the quality of the Fund's engagement with the membership was recently concluded. Over the past five years, the survey has been used to seek feedback on the staff's engagement with authorities prior to, during, and after Article IV surveillance missions. As an innovation in the fourth survey, relative to previous years, all constituencies provided feedback at the individual country level, helping to unveil more granular and precise insights. The response rate reached 80 percent of the membership in 2019, with a total of 152 countries providing individual country-level feedback. In all four surveys to date,

the level of satisfaction of the OEDs with the overall engagement of country teams has been over 80 percent. In several qualitative comments, OEDs have also made useful suggestions on how staff engagement and communication could be further strengthened. It is anticipated that the survey will continue on an annual basis.

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

Directors broadly endorsed this recommendation. ***One action in response to the recommendation remained open as of the Ninth PMR.***

<p>MANAGEMENT ACTION:</p> <p>Staff will be expected to inform the authorities of the Fund’s policy on the treatment of confidential information. At the same time, staff will be encouraged to have informal/brainstorming discussions with country authorities during the policy discussions.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: Not indicated</p> <p>ORIGINAL TARGET DATE: Steps begin in 2013</p>
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66. As indicated in the previous PMR, the guidelines for improved engagement with authorities issued by the FDMD in June 2013 include expectations on the treatment of confidential information, but there are no mechanisms for assessing the extent to which it is implemented. The legal framework for the treatment of confidential information and the expectations for staff’s approach to applying this framework in the context of surveillance, the use of Fund resources, and capacity development are summarized in an appendix to the updated (2014) Guidance Note on the Fund’s Transparency Policy (Appendix IX: Guidelines on Treatment of Confidential Information). However, there is no clear mechanism for measuring enforcement.

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

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

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



In response to four recommendations in the IEO evaluation, the MIP envisaged seven actions, of which two remained open after the 9th PMR. Since then, one action has been implemented. The remaining action has faced implementation challenges for several years now.

IEO Recommendation: Researchers should be allowed to explore issues without preconceived conclusions or messages.

This recommendation was within the context of the broader recommendation to promote openness to alternative perspectives. Directors considered worrisome the finding that there is a widely held perception that IMF research is message-driven, or that policy conclusions do not always follow from the analysis. While recognizing that research produced by the IMF will inevitably carry policy messages.... they considered it critical for the credibility of the institution that the conclusions of in-house research are not biased by the IMF’s position... In this context, many Directors underlined the importance of addressing concerns about the internal culture and institutional values—identified in previous IEO evaluations...” ***The MIP envisaged one action, which remained open after the Ninth PMR.***

<p>MANAGEMENT ACTION: A statement of workplace values to be published should emphasize, among other things, that staff should contribute their ideas to the work program of departments, even if these are not in line with the Fund’s “groupthink.”</p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: Not indicated ORIGINAL TARGET DATE: Not indicated</p>
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67. A statement of workplace values that embraces an intellectually open atmosphere and welcomes diverse views was published in the summer of 2012. The statement, which is aimed at promoting openness to varied perspectives, was to partly address external perceptions that Fund research was message-driven and some staff perceptions that their research policy conclusions needed to be aligned with the Fund’s official views. The statement of workplace values was one of several initiatives aimed at changing institutional culture on openness to alternative perspectives. Therefore, while the action was implemented in form, it was kept open in order to observe outcomes through staff survey results, including for related actions covering leadership, management training, mobility, accountability, and innovations to the Fund’s research products.

68. In 2016, management provided further clarification through revised guidelines for staff discussion notes (SDNs) to better align this publication with institutional and communication priorities and distinguish it from other unencumbered staff research. With the updated guidelines, SDNs provide a mechanism to advance new and cutting-edge analytical and research ideas and to convey important messages supporting the Fund’s institutional objectives. They, however, exclude examinations or conclusions of the institution’s stance on specific policy issues. SDNs are limited to about 12 per year, are designed to match institutional and communication priorities and timelines and are associated with high-profile messaging events involving management (e.g., speeches, conferences). Through working papers, staff are allowed to explore issues without preconceived conclusions or messages, subject only to efficiency and quality considerations. In 2015, as part of institutional streamlining measures, Fund management introduced a requirement for all staff research to be included in an ongoing research project list (ORPL). The list is primarily to identify synergies, reduce overlap, and foster the alignment of departments’ research with their strategic goals. The management of the ORPL has now transitioned from COM to KMU, having reached a steady state.

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

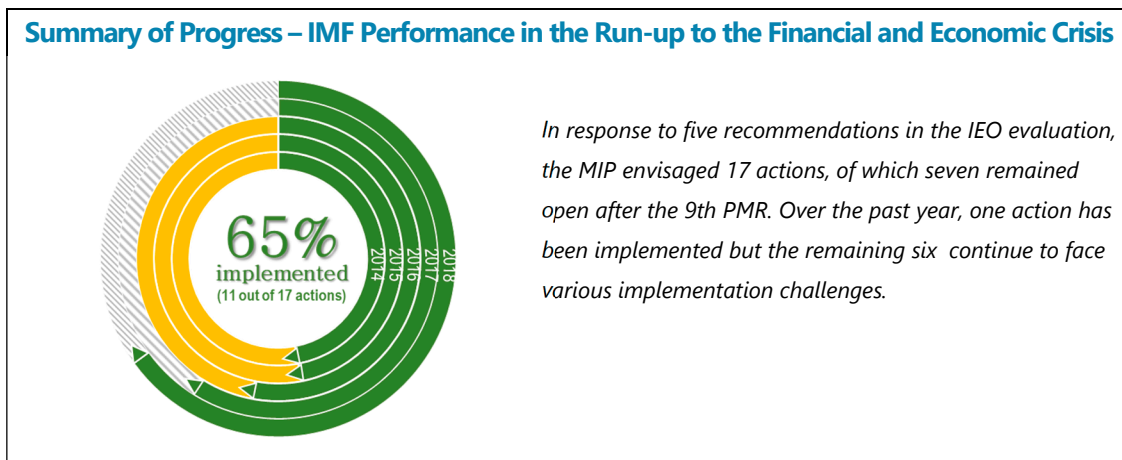
The MIP envisaged two actions, one of which remained open after the Ninth PMR.

<p>MANAGEMENT ACTION: Adopt new procedures to ensure the quality of working papers.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: Not indicated ORIGINAL TARGET DATE: Not indicated</p>
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69. New guidelines for research quality were introduced in 2012, but there is no process for measuring compliance with those guidelines, and there is no easy way to assess whether the quality of working papers has increased as a result of those new guidelines. The guidelines broadly indicate that departments continue to assume responsibility for their own working papers, and that departments would nominate a senior staff responsible for ensuring that a process is in place to ensure quality and for holding those senior staff accountable. While all departments appear to have a senior staff involved in the decisions on working papers, interviews with the staff anecdotally suggest that strict adherence to the procedures are not always observed. In any case, assessing whether current practices have led to an increase in the quality of working papers is beyond the scope of the PMR.

J. IMF Performance in the Run-Up to the Financial and Economic Crisis (2011)

The IEO report on the Run-Up to the Financial and Economic Crisis noted that the Fund provided few clear warnings of the build-up of vulnerabilities and risks in the global financial system. In particular, the report found that surveillance paid insufficient attention to risks of contagion and spillovers from the crisis in advanced economies. Some of the risks that subsequently materialized were identified in various staff papers, but only in general terms and without an assessment of the scale or urgency of the problems. The Fund's ability to correctly identify the mounting risks was hindered by group-think, intellectual capture, inadequate analytical approaches, lack of incentives to work across units and raise contrarian views, and a review process that did not "connect the dots". The 2014 TSR, and related actions by management, sought to address many of the issues identified in the IEO report.



IEO Recommendation: Change the insular culture of the IMF through broadening the professional diversity of the staff, in particular by hiring more financial sector experts, analysts with financial markets experience, and economists with policy making backgrounds.

This was under the broader recommendation to create an environment that encourages candor and diverse/dissenting views. Directors supported the recommendation to broaden the diversity of staff, including their educational background and skill mix. They welcomed ongoing efforts to hire financial sector experts and to manage their career progression once in the Fund. **The MIP envisaged one action, which remained open after the Ninth PMR.**

MANAGEMENT ACTION:

Efforts will continue to broaden the professional diversity of staff, including their educational background and skill mix. HRD will provide regular reports to the Board on progress.

IMPLEMENTATION

CHALLENGE



ACCOUNTABLE: HRD (with others)

ORIGINAL TARGET DATE: Not indicated

70. Efforts to broaden the professional diversity of staff has continued, but progress has been uneven. In the last five years, the number of mid-career fungible economists hired has ranged from a high of 33 in FY 2015 to a low of 19 in FY 2016. Overall, recruitment was down by 15 percent in CY2018, due to tighter hiring space resulting mainly from lower separations. Recruitment of economists in general was down by a similar percentage, but recruitment of mid-career economists fell by 22 percent, to the lowest level in ten years. In terms of skill mix, the recruitment of midcareer economists in CY2018 was broadly evenly split between specialists and fungible economists. Over the past three years alone, MCM has hired more than 250 financial sector specialists. Regarding educational background, the recruitment outreach was broadened to more universities, and the timing of international recruitment missions was further aligned to the EP hiring cycle. Partly reflecting this effort, the share of Ph.D. graduates from US and UK universities declined to under 53 percent for the EP 2018 and 2019 cohorts, showing increased diversity.

71. HRD has informed the Board about these and other diversity-related developments in the context of the *Staff Recruitment and Retention Experience in CY2018 (March 2019)*, the *2019 Diversity and Inclusion Update (May 2019)* and the *2019 Diversity and Inclusion Report (November 2019)*. Going forward, the strategy to address diversity issues—regarding educational and professional background as well as gender and underrepresented regions—seeks to leverage the expected high rate of retirements over the next 10 years through proactive mid-term workforce planning, deliberate succession planning, talent reviews, and a comprehensive skills and competencies inventory.

IEO Recommendation: Management should encourage staff to ask questions and challenge Management’s views and those of country authorities. Well-founded analysis should be supported by Management and the Board even when the diagnosis might not be shared by country

This was under the broader recommendation to strengthen incentives to “speak truth to power.” Directors agreed that incentives needed to be strengthened to ensure the Fund “speaks truth to power,” while noting that this was an exceedingly difficult issue for any international agency. ***The MIP envisaged two actions, both of which remained open after the Ninth PMR.***

MANAGEMENT ACTION 1:

Staff will report on the traction of past advice.

IMPLEMENTATION

CHALLENGE




ACCOUNTABLE: Not indicated

ORIGINAL TARGET DATE: Not indicated

72. The majority of Article IV staff reports discuss the traction of past advice, but the extent of coverage of the discussion varies. Staff are expected to include a brief assessment of the authorities’ response to the policy recommendations on the key issues raised in previous Article IV consultations, highlighting changes in staff advice and acknowledging, where relevant, if the authorities have successfully implemented policies that differed from staff advice. A review of a

broad sample of Article IV staff reports issued in late 2018 and early 2019 found that about 85 percent of them included easily identifiable—in a box or an annex—discussions on the traction of past advice. However, those discussions did not highlight changes in staff advice or successful implementation of other policies.

<p>MANAGEMENT ACTION 2: Staff will exchange views with the authorities on key issues for discussion prior to Article IV missions, but without compromising the IMF’s capacity – and obligation – to raise relevant, and at times, difficult issues.</p>	<p>IMPLEMENTED</p> 	<p>ACCOUNTABLE: Not indicated ORIGINAL TARGET DATE: Not indicated</p>
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73. As previously mentioned, the survey of OEDs indicated that most teams routinely share major policy questions and assumptions with the authorities prior to the Article IV Consultation mission. Overall, 82 percent of respondents indicated that they were satisfied with the process for consultation, and 88 percent were satisfied with the substance of the relationship. As previously indicated, in 2018, 91 percent of respondents were satisfied or very satisfied with country teams’ engagement, consistent with prior periods and a positive testament to the quality of engagement on key issues.

IEO Recommendation: Continue to strengthen the FSAPs and address the problems ... which limited its effectiveness in the run-up to the crisis.

This was under the broader recommendation to better integrate financial sector issues into macroeconomic assessments. In the absence of sufficient support from Executive Directors for increasing the frequency of mandatory FSAPs for systemic economies, the MIP proposed alternative modalities. **Five actions were envisaged, three of which remained open after the Ninth PMR.**

<p>MANAGEMENT ACTION 1: Coverage of financial issues in Article IVs will be strengthened by stepped-up training and dissemination of vetted tools and good practices, as well as cross-country thematic studies.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: Not indicated ORIGINAL TARGET DATE: Not indicated</p>
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74. Participants in ICD training events on financial issues increased in FY 2018-19 by more than 30 percent. Overall, the total number of economists that attended Structured Curriculum (SC) events in finance reached 122 in FY2019, compared to 103 in the previous year. Similarly, 371 economists attended non-SC events on financial issues in FY2019, compared to 265 in the previous year. The SC reflects a minimum set of core concepts deemed important for the work of A11–A14 economists.

ICD continues to update the financial sector curriculum as the needs evolve. In addition, workshops and case studies in the SC courses are continuously updated to reflect methodological advances, data availability, and changes in the finance industry. Staff also continue to benefit from hands-on experience through the ongoing initiative to mainstream of macrofinancial surveillance.

75. MCM, RES, and SPR have continued to review and update access to financial sector tools over the years. As explained in the Ninth PMR, MCM makes available to staff a large number of quantitative tools, guidance notes, and other background material to support financial surveillance efforts. More recently, the major focus has been to promote the use of the Growth-at-Risk framework, which provides an estimation of the likelihood and severity of a future sharp economic slowdown using information from current financial prices and aggregates. In 2018, MCM in collaboration with ITD developed a user-friendly tool to implement Growth-at-Risk analysis. Subsequently, MCM staff issued a working paper explaining the framework, providing practical advice on how to conduct the analysis, drawing lessons from country case studies, and discussing the tool. In addition, MCM has conducted several seminars for area departments on the use of the Grow-at-Risk framework.

76. The recent IEO evaluation on the IMF Financial Surveillance recommended, among other actions, streamlining and simplifying existing analytical tools to make them more user-friendly so as to facilitate their use by FSAP and Article IV teams. The MIP on this IEO evaluation is addressing this recommendation.

<p>MANAGEMENT ACTION 2: Intensify efforts to draw cross-country lessons from FSAPs.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: Not indicated ORIGINAL TARGET DATE: Not indicated</p>
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77. MCM has continued to facilitate and promote the use of cross-country lessons from previous FSAPs. For instance, in terms of external publications, the October 2018 GFSR discussed regulatory reform in a large number of countries over the ten years following the global financial crisis and explained the role that FSAPs played in the process. Also, over the last few years the Fund has published FSAP documents for a group of European countries and for the Euro Area, covering cross-cutting issues on low interest rate and low profitability of financial institutions. The 2018 FSAP on Euro Area Policies not only distilled cross-country information, but also served as a reference point for the subsequent FSAPs for Euro Area member countries. In terms of internal resources, MCM makes available to Fund staff (i) a knowledge exchange (KE) site on stress testing and guidance notes on the treatment of cross-cutting issues such as how to set monetary policy response in stress test scenarios for the economies with limited policy space; (ii) FSAP assessment guidance notes (AGN), which guide mission chiefs on what to do in FSAPs; (iii) the MCM quantitative methods gateway, with tools for quantitative analysis in FSAPs; and (iv) the MCM Risk Assessment Database. In terms of coordination of FSAP work, in the case of Nordic countries, MCM has made efforts to properly cover cross-cutting themes by scheduling national FSAPs close to each other (Denmark in 2014, Norway in 2015 followed by Finland and Sweden in 2016) and assigning

overlapping team members. In the forthcoming Nordic FSAPs, the teams are expected to cover cross-cutting issues such as AML/CFT. Also, when a new topic relevant for financial surveillance emerges (e.g., macroprudential policy in early 2010s, cyber risk, fintech, climate change more recently), respective functional divisions in MCM help direct how to cover these topics in country FSAPs. Some of the new topics are covered on a pilot basis by sending the same experts. The MIP on the IEO evaluation on IMF Financial Surveillance provides additional steps in this area.

<p>MANAGEMENT ACTION 3:</p> <p>Continue to broaden the professional diversity of staff, including their educational background and skill mix, and to hire more staff with financial sector experience.</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: HRD (with others)</p> <p>ORIGINAL TARGET DATE: Not indicated</p>
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78. See Paragraphs 70-71.

IEO Recommendation: Management should clarify the rules and responsibilities for the internal review process, in particular for “connecting the dots.”

This was under the broader recommendation to overcome silo behavior and mentality. Directors stressed that, while more could be done to foster cross-departmental collaboration, recent initiatives, such as the new internal review process, should be given time before changes are considered. ***The MIP envisaged two actions, one of which remained open after the Ninth PMR.***

<p>MANAGEMENT ACTION:</p> <p>Better analyze linkages and spillovers across sectors and countries, as well as bring more cross-country experience to bear (as included in the 2011 TSR).</p>	<p>IMPLEMENTATION CHALLENGE</p> 	<p>ACCOUNTABLE: Not indicated</p> <p>ORIGINAL TARGET DATE: Not indicated</p>
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79. The analysis and discussion of linkages and spillovers has continued to make progress.

The 2018 ISR concluded that staff had made significant progress in analytical tools and in the coverage of global risks and spillovers in the flagship reports and inward spillovers in Article IV consultations. However, the work on outward spillovers was not consistently finding its way into Article IV reports. Since then, the internal Spillover Task Force has ramped up efforts to better identify near-term policy issues and organize analytical projects. Looking forward, Fund work on spillovers is expected to figure prominently in the 2020 CSR. Among other topics, the CSR will likely take stock of potential new sources and channels for contagion and spillover and whether the Fund has the right data, tools, and processes to continue to effectively identify, preempt, and mitigate spillovers.

Proposed Decision

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

The Board reviewed the implementation status of Management Actions in Response to Board-Endorsed IEO Recommendations and endorsed the assessment of their implementation progress as proposed in the Tenth Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office (IEO) Recommendations (SM/19/281).