

INTERNATIONAL MONETARY FUND

**Implementation Plan in Response to Board-Endorsed Recommendations Arising from the IEO Evaluation of IMF Involvement in International Trade Policy Issues**

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**I. INTRODUCTION**

1. **This paper fulfils the requirement of a forward-looking implementation plan for Board-endorsed recommendations of the IEO Evaluation of IMF Involvement in International Trade Policy Issues (“the Evaluation”).<sup>1</sup>**
2. **The Evaluation and the Executive Board’s conclusions provide impetus to re-prioritizing the Fund’s trade policy work.** Table 1 sets out the Evaluation’s specific recommendations, Directors’ responses to them, and the proposals for implementation within this framework.
3. **Directors called for recommendations to be implemented within the existing resource envelope—including by achieving closer and more effective cooperation with the WTO—and this implementation plan therefore does not provide detailed costing of individual items.** The additional costs of developing guidance notes and refocused collaboration with other organizations are modest, and they represent a partial redirection of the work of current trade policy staff rather than wholly new activities (e.g., Fund staff conducted major reviews of trade policy in 2001 and early 2005 and already meet periodically with counterparts in other international organizations). Some of this reorientation will be accommodated through greater prioritization of country review work on trade policy, in line with the summing up’s suggestion for greater prioritization to address resource requirements. Finally, the overlap and interaction between some of the implementation plan proposals makes it difficult to separate the costs of individual items.

**II. IMPLEMENTATION PLAN**

4. **The proposed implementation plan is separated into six areas.** These are: (a) reviews of the Fund’s Work on Trade and guidance to staff; (b) multilateral, regional, and

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<sup>1</sup> [IEO Evaluation of IMF Involvement in International Trade Policy Issues](#) and [IEO Evaluation of IMF Involvement in International Trade Policy Issues](#).

bilateral surveillance; (c) trade policy issues in Fund-supported programs; (d) staffing-related issues; (e) trade policy information; and (f) institutional cooperation.

- a. **Reviews of the Fund's Work on Trade and additional guidance to staff.** The follow-up plan proposes five-yearly reviews of Fund work on trade, beginning in 2014. Prior to that, guidance on financial services and preferential trade agreements (PTAs) would be developed by staff and issued to the Board for information.
- b. **Trade policy issues in Fund-supported programs.** Most Directors welcomed the scaling back of trade policy conditionality. Going forward, Directors called for avoiding the use of trade-restricting measures during Fund-supported programs. However, trade liberalization should be promoted where necessary for program objectives. The implementation plan proposes that SPR revise the guidance on trade policy to reflect these views.
- c. **Multilateral, regional, and bilateral surveillance.** Directors called for more frequent coverage of cross-cutting trade policy issues in the Fund's multilateral and regional surveillance vehicles. The follow-up plan proposes that trade policy staff prepare such material on a standalone basis or in collaboration with the departments responsible for the WEO, REOs, and the GFSR as appropriate. Directors called for the coverage of macro-critical trade policy issues, for all countries, and evenhandedness in trade policy advice in surveillance more generally.
- d. **Staffing-related issues.** The Evaluation called for a small but "critical mass" of trade policy expertise to be built and a division solely devoted to trade issues. Directors agreed with the need for expertise, but considered that the question of a separate trade policy division was best left to management. The implementation plan proposes that trade policy work continue to be carried out by staff economists able to work effectively on both trade policy and broader macroeconomic issues. Such a balance of skills could be maintained through a mix of recruitment of staff with the relevant skills and on-the-job training, and help to integrate trade policy into the Fund's broader work.
- e. **Trade policy information.** The Evaluation emphasized the need for staff to have ready access to timely and relevant summary trade policy information regarding goods trade, PTAs, and financial services. Directors agreed on the need to develop such access, while encouraging staff to examine various approaches to securing and disseminating this information within the Fund. The implementation plan proposes to emphasize the existing availability of tariff information and to discuss within staff and with the World Bank, WTO, and others the scope for enhanced information and data sharing.
- f. **Institutional cooperation.** The Evaluation noted the benefits of close cooperation with the WTO and other international institutions for policy coherence and the efficiency of staff work. Directors welcomed the IEO's finding that institutional cooperation with the WTO and the World Bank has

evolved and should be strengthened further and agreed that occasional meetings on trade with counterparts in other multilateral economic institutions could bring important benefits. In this context, the implementation plan proposes regular meetings be initiated among senior staff of the IMF, World Bank, WTO, and perhaps the OECD and UNCTAD.

**5. Directors' feedback on this implementation plan would be welcome.**

**Table 1. IEO Trade Evaluation: Recommendations, Board Response, and Proposed Follow-Up**

IEO Recommendations	Executive Directors' Responses	Proposed Follow-Up
A. Reviews of the Fund's Work on Trade and Guidance to Staff		
<p>“The Board should commit to periodic re-evaluation of its guidance on objectives of, approaches to, and modalities of staff work on trade policies. Regular reviews of guidance should be undertaken in the context of assessments of current global trends in trade and trade policy.”</p> <p>“The Board should establish guidance on the role and approach of the IMF in PTAs.”</p> <p>“The Board should establish guidance on the role and approach of the IMF in trade in financial services.”</p>	<p>“Most Directors supported the IEO's recommendation on the need for periodic Board review of guidance on trade policies...in line with the cycle for other policy reviews, these might be done at five-year intervals.”</p> <p>“Most Directors ... noted the benefits from guidance on the approach to trade in financial services that stresses the links between trade in financial services, the regulatory environment, and capital account liberalization ...Most Directors considered it advisable to establish guidance on the approach to PTAs where there are issues of spillovers or significant macroeconomic effects.”</p>	<p>A1. Five-yearly reviews of Fund work on trade policy will be conducted. As the IEO Evaluation covers much the same ground as staff reviews, an early review of trade policy by staff would be duplicative. Taking the IEO Evaluation as the starting point for the cycle, the first five-yearly review would be expected in 2014.</p> <p>A2. Staff guidance on trade in financial services and PTAs will be developed and issued to the Board for information by July 2010. A review of the content and implementation of this and other guidance on trade policy would be considered by the Executive Board in the context of the 2014 Board reviews of trade policy in the Fund.</p>

B. Trade policy in Fund-supported programs		
<p>“The IMF must engage on [trade policy] issues with borrowing countries through a strong advisory role” to help them resist protectionist pressures, ensure adequate trade finance, influence decisions within PTAs, and reform trade policies to reduce business costs.</p>	<p>“Most Directors welcomed the scaling back of conditionality on trade policy in Fund supported programs. They suggested that trade-related conditionality should continue to be macro-critical and take into account country-specific circumstances, as in other policy areas. Directors underscored that, guided by the Fund’s Article I, the emphasis should be on avoiding the resort to trade restricting measures. Trade liberalization should be promoted actively where necessary for program objectives.”</p>	<p>B1. Relevant general guidance notes, in particular the 1999 "Guidelines on Implementing Trade Policy Reforms" will be updated and revised by July 2010. This guidance would clearly distinguish between Board-endorsed guidance and other information such as best practices, to the extent that both were covered in a single document. All such guidance notes would be issued to the Executive Board for information upon completion. Their content and implementation would be expected to be covered in the five-yearly Executive Board reviews of trade policy (see A1 above).</p>
C. Multilateral, regional, and bilateral surveillance		
<p>“Trade policy—particularly involving PTAs—should be addressed periodically in multilateral and regional surveillance.”</p>	<p>“Surveillance should discuss macro-critical trade policy issues, for all countries, while ensuring evenhandedness in trade policy advice. In this context, most Directors also saw scope for multilateral surveillance to pay greater attention to the global effects of trade policies in systemically important countries.” “[Directors] also agreed that trade policy should be addressed periodically in multilateral and regional surveillance vehicles, such as the World Economic Outlook, Regional Economic Outlooks, and, on financing issues, the Global Financial Stability Report.”</p>	<p>C1. Relevant trade-related topics would be covered in standalone papers and through collaboration between staff working on trade policy and departments responsible for WEO, REOs, and GFSRs as appropriate. The Executive Board guidance on macro-critical trade policy issues and evenhandedness in trade policy advice will be incorporated into general trade policy guidance notes and its applicability to bilateral surveillance as well as multilateral and regional surveillance will be emphasized (see B1 above).</p>

D. Staffing-related issues		
<p>“...a small but critical mass of trade policy expertise must be built....”</p> <p>“...a division solely devoted to trade issues is needed....”</p>	<p>“Directors agreed with the IEO Evaluation on the need for a critical mass of trade policy expertise within the Fund. Most, however, did not consider that this required re-introducing a separate Trade Policy Division, while recognizing that this matter would have to be decided by management.”</p>	<p>D1. The Fund staff should attract and develop trade policy expertise while balancing the need for economist staff to work on macroeconomic issues and in country teams. Such a balance would also position staff working on trade policy well to integrate their expertise into the broader Fund work and keep open options for successful Fund careers. Maintaining trade policy expertise in a division with broader responsibilities may help to facilitate the latter goal.</p>
E. Trade policy information		
<p>Fund staff need data and measures of trade protection.... IMF staff should work with other organizations to improve data and tools regarding PTAs and financial services.</p>	<p>“Directors concurred with the IEO on the importance of up-to-date summary trade policy information within the Fund, but encouraged staff to examine efficient alternative approaches to securing and internally disseminating this information, and encouraged reliance on data provided by the WTO and World Bank.”</p>	<p>E1. Trade policy staff will prepare a guidance note for Fund staff on the availability and use of tariff and other trade policy information from existing databases by July 2010 (See also B1 above).</p> <p>E2. Fund trade policy staff will also explore possibilities for enhanced information sharing on trade policy information with the WTO Secretariat, World Bank staff, and other potential interlocutors. Staff will engage actively with WTO and others on the ongoing trade policy monitoring exercises.</p>
F. Institutional cooperation		
<p>“To spearhead such cooperation, Management and a small number of senior staff need to commit to regular and formal meetings—for example, once a year— with counterparts in other key international organizations involved with trade.... IMF management should report to the Committee on Liaison with the World Bank and other International Organizations and/or the Executive Board/IMFC on proceedings of these meetings and plans for staff level coordination.”</p>	<p>“Directors welcomed the IEO’s finding that institutional cooperation with the WTO and the World Bank on trade has evolved and should be strengthened further....”</p> <p>“[Directors]...agreed that occasional meetings on trade with counterparts in other multilateral economic institutions would—if focused and well-designed—bring important benefits. Directors suggested that such meetings might be most effective at staff levels and be used to set an agenda for and follow up on practical issues of common importance to the institutions.”</p>	<p>F1. Occasional meetings on trade among senior staff of the IMF, World Bank, and WTO, and possibly other multilateral economic institutions will continue, and Fund staff will seek to focus these interactions on issues relevant to the Fund in general and current Fund concerns that are shared with the appropriate institutions. Whenever possible, these could be organized on the margins of other international meetings.</p>