

INTERNATIONAL MONETARY FUND

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

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In consultation with other Departments

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I. OVERVIEW

1. **Periodic Monitoring Reports (PMRs) update the status on Management Implementation Plans (MIPs) in response to IEO recommendations endorsed by the Executive Board.**¹ The third PMR, which was discussed by the Board Evaluation Committee (EVC) in December 2009, concluded that all key performance benchmarks related to the MIPs covered in that report had either been met or were on track for timely completion, that no new remedial actions were proposed, and that there were no outstanding performance benchmarks to be reviewed in the next PMR.² In their assessment to the Executive Board, the EVC did, however, ask for follow up in future PMRs on two specific issues—the Monitoring of Fund Arrangements (MONA) database and staff mobility.³ Therefore, this fourth report updates work on these two outstanding issues and informs on other progress since the third one through end-2010, namely on the [Implementation Plan](#) in response to Board-endorsed recommendations arising from the IEO Evaluation of [IMF Involvement in International Trade Policy Issues](#).^{4,5}

II. SUMMARY OF IMPLEMENTATION STATUS

2. **The implementation status of the main performance benchmarks are reported below.** Section A describes progress on the key benchmarks for the implementation plan regarding the IMF's involvement in international trade policy issues, while the EVC's request for a progress update on the MONA database and staff mobility are covered in Section B.

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

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

³ The assessment by the EVC is reflected in [Third Periodic Monitoring Report on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations—Assessment by the Evaluation Committee to the Executive Board](#). For example, the next *Triennial Surveillance Review*, which is expected to be completed in September 2011, will review progress on integration of macroeconomic and financial surveillance, the 2007 Surveillance Decision, and Fund exchange rate assessments—issues specifically cited in the EVC assessment.

⁴ The Board discussed the IEO evaluation in June 2009, and agreed to the MIP in December 2009.

⁵ The Executive Board also discussed the IEO Evaluation of [IMF Interactions with Member Countries](#) in December 2009, and agreed to the [Implementation Plan in Response to Board-Endorsed Recommendations Arising from the IEO Evaluation of IMF Interactions with Member Countries](#) and [supplement](#) in December 2010. Given the short time since that MIP was agreed, this PMR does not report on the status of implementation.

A. The IMF's Involvement in International Trade Policy Issues

3. The implementation of key performance benchmarks related to the IEO Evaluation of the *IMF's Involvement in International Trade Policy Issues* were either met, or are on track for timely completion.⁶

- Guidance on financial services and preferential trade agreements (PTAs) were developed by staff and issued to the Board for information.⁷
- Reflecting the views of Directors that trade restricting measures should be avoided during Fund-supported programs, and that trade liberalization should be promoted where necessary, the new reference notes include guidance for staff on designing effective trade reforms and assessing progress in trade liberalization for occasions when attention to trade reform is appropriate. Staff observance of this guidance would be examined in the five-yearly reviews of trade policy (first one expected in 2014).
- Coverage of cross-cutting trade policy issues were included in the Fund's surveillance vehicles, for example in Chapter 4 of the September 2010 *World Economic Outlook*. More trade-related multilateral surveillance material was also prepared on a standalone basis, including two Staff Position Notes in April and September 2010.⁸
- Since the discussion of the MIP, trade policy work continued to be carried out by staff economists able to work effectively on both trade policy and broader macroeconomic issues, which helped to integrate trade policy into the Fund's broader work.
- Action was taken on several fronts to ensure that staff has ready access to timely and relevant summary trade policy information regarding goods trade, PTAs, and financial services. One example is the Fund-wide availability of the Global Trade Atlas (containing up to date, detailed bilateral monthly trade statistics). There was also continued close cooperation between IMF staff and those of the World Bank, WTO, and others on information and data sharing.
- Regular meetings continued between senior staff of the WTO and World Bank, as well as other relevant multilateral organization. Examples include that: (i) staff up to B4 level visited the WTO, met the WTO management team, and made a formal presentation to the WTO Committee on Trade in Financial Services, (ii) Fund staff presented to WTO staff and country delegations on the macroeconomic aspects of protectionism, (iii) staff gave

⁶ Details are provided in Appendix Table A.1.

⁷ See [Reference Note on Trade in Financial Services](#) (September 2010), and [Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency](#) (October 2010).

⁸ See [Trade and the Crisis: Protect or Recover](#) (April 2010), and [Reaching the MDGs: An Action Plan for Trade](#) (September 2010).

outreach seminars on IMF LIC facilities reforms to WTO LIC delegations; (iv) WTO senior staff attended the GFSR discussion (a first), continued to attend WEO discussions, and met Fund staff from several departments; and the WTO's expert on trade in financial services came to the Fund for a couple of multi-day visits.

B. Progress on Specific Issues Highlighted by the EVC from the Third PMR

4. In their discussion of the third PMR, the EVC asked for updates in subsequent PMRs on two specific issues, the MONA database and staff mobility.

- The third PMR reported that the MONA database had been launched on the Fund's external web site in January 2009, and was updated in October 2009 to include a more up-to-date economic classification of structural conditions. Directors suggested that more work could be done on the system to track goals and strategies and its links to conditions. Since then, work has begun on the 2011 Conditionality Review, which is utilizing the MONA database to assess how well program conditions have been linked to program goals. As a part of conducting that review, staff will assess whether any further changes to the MONA database are needed.
- Striking a balance between mission team stability on the one hand and staff career development needs and department flexibility on the other remains a challenge. Going forward, departments have agreed on a reporting system for monitoring staff tenure so that the Board will have better information on whether an appropriate balance is being struck. The infrastructure for ongoing monitoring will be developed and maintained by HRD in close collaboration with TGS. Updates on progress will be provided to the Board annually through this report. To provide a baseline, the average time that mission chiefs and economists have been in their current positions in the five area departments and SPR was calculated (based on tenure at end-2010) and is shown in the table below. *The figures in the table show the tenure of the current incumbents and not the average time a staff member spends in a country assignment, which would be longer. For example, if all economists served exactly 24 months on a mission team and start dates were distributed uniformly over time, the table would show an average tenure of 12 months even though the average duration of an assignment would be 24 months.*

Table 1: Average Staff Tenure on Country Assignment

Department	Average Tenure on Country Assignment (In Months)	
	Mission Chief (for SPR, Senior Reviewer)	Economist
AFR	14	14
APD	11	11
EUR	17	13
MCD	17	14
WHD	16	17
SPR	15	11

III. CONCLUSIONS

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

Proposed Decision

The Executive Board supports the conclusions in Paragraph 5 of the Fourth Periodic Monitoring Report on the Implementation of Board-Endorsed IEO Recommendations.

Table A.1. Status of Implementation Plan in Response to Board-Endorsed Recommendations on Trade

IEO RECOMMENDATIONS	BOARD RESPONSE	FOLLOW-UP PLAN	IMPLEMENTATION STATUS
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, which would help to define the parameters of trade work in ways that best support the Fund’s broader mission.”</p> <p>“Most Directors considered it advisable to establish guidance on the approach to Preferential Trade Agreements (PTAs) where there are issues of spillovers or significant macroeconomic effects”.</p> <p>“In particular, they noted the benefits from guidance on the approach to trade in financial services that stresses the links between trade in financial services, the regulatory environment, and capital account liberalization”.</p>	<p>A1. Five-yearly reviews of Fund work on trade policy will be conducted. As the IEO Evaluation covers much the same ground as staff reviews, an early review of trade policy by staff would be duplicative. Taking the IEO Evaluation as the starting point for the cycle, the first five-yearly review would be expected in 2014.</p> <p>A2. Staff guidance on trade in financial services and PTAs will be developed and issued to the Board for information by July 2010. A review of the content and implementation of this and other guidance on trade policy would be considered by the Executive Board in the context of the 2014 Board reviews of trade policy in the Fund.</p>	<p>Guidance on financial services and preferential trade agreements (PTAs) have been developed by staff and issued to the Board for information (see <i>Reference Note on Trade in Financial Services</i>, September 2010, and <i>Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency</i>, October 2010).</p>

B. Trade policy in Fund-supported programs

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

<p>“Trade policy—particularly involving PTAs—should be addressed periodically in multilateral and regional surveillance.”</p>	<p>“Surveillance should discuss macro-critical trade policy issues, for all countries, while ensuring evenhandedness in trade policy advice. In this context, most Directors also saw scope for multilateral surveillance to pay greater attention to the global effects of trade policies in systemically important countries.” “[Directors] also agreed that trade policy should be addressed periodically in multilateral and regional surveillance vehicles, such as the <i>World Economic Outlook (WEO)</i>, <i>Regional Economic Outlooks (REOs)</i>, and, on financing issues, the <i>Global Financial Stability Report (GFSR)</i>.”</p>	<p>C1. Relevant trade-related topics would be covered in standalone papers and through collaboration between staff working on trade policy and departments responsible for WEOs, REOs, and GFSRs as appropriate. The Executive Board guidance on macro-critical trade policy issues and evenhandedness in trade policy advice will be incorporated into general trade policy guidance notes and its applicability to bilateral surveillance as well as multilateral and regional surveillance will be emphasized (see B1 above).</p>	<p>Trade policy staff have increased the coverage of cross-cutting trade policy issues in the Fund’s surveillance vehicles, for example in Chapter 4 of the September 2010 WEO. More trade-related multilateral surveillance material has also been prepared on a standalone basis, including two Staff Position Notes in April and September 2010.</p> <p><i>The Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency</i> highlights the need for greater emphasis in multilateral surveillance on the global effects of trade policies in systemically important countries and, for all countries, for bilateral surveillance to tackle macro-critical trade policy issues, while ensuring evenhandedness in advice.</p>
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D. Staffing-related issues			
<p>“...a small but critical mass of trade policy expertise must be built....” “...a division solely devoted to trade issues is needed....”</p>	<p>“Directors agreed with the IEO Evaluation on the need for a critical mass of trade policy expertise within the Fund. Most, however, did not consider that this required re-introducing a separate Trade Policy Division, while recognizing that this matter would have to be decided by management.”</p>	<p>D1. The Fund staff should attract and develop trade policy expertise while balancing the need for economist staff to work on macroeconomic issues and in country teams. Such a balance would also position staff working on trade policy well to integrate their expertise into the broader Fund work and keep open options for successful Fund careers. Maintaining trade policy expertise in a division with broader responsibilities may help to facilitate the latter goal.</p>	<p>Since the discussion of the Management Implementation Plan, trade policy work has continued to be carried out by staff economists able to work effectively on both trade policy and broader macroeconomic issues, which has helped to integrate trade policy into the Fund’s broader work.</p>
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>	<p>The recent <i>Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency</i> provides a detailed account of information sources available to Fund staff that are useful in trade policy work.</p> <p>Action has been taken on several fronts to ensure that staff has ready access to timely and relevant summary trade policy information regarding goods trade, PTAs, and financial services. One example is the Fund-wide availability of the Global Trade Atlas (containing up to date, detailed bilateral monthly trade statistics). There has also been continued close cooperation between IMF staff and those of the World Bank, WTO, and others on information and data sharing.</p> <p>Staff have continued to actively engage with</p>

			<p>the WTO and others on the ongoing trade policy monitoring exercises. For example, trade policy staff presented and discussed their work on the protectionist response to the crisis to a variety of external interlocutors, including the WTO and the World Bank.</p>
F. Institutional cooperation			
<p>“To spearhead such cooperation, Management and a small number of senior staff need to commit to regular and formal meetings—for example, once a year—with counterparts in other key international organizations involved with trade.... IMF management should report to the Committee on Liaison with the World Bank and other International Organizations and/or the Executive Board/IMFC on proceedings of these meetings and plans for staff level coordination.”</p>	<p>“Directors welcomed the IEO’s finding that institutional cooperation with the WTO and the World Bank on trade has evolved and should be strengthened further...” “[Directors]...agreed that occasional meetings on trade with counterparts in other multilateral economic institutions would—if focused and well-designed—bring important benefits. Directors suggested that such meetings might be most effective at staff levels and be used to set an agenda for and follow up on practical issues of common importance to the institutions.”</p>	<p>F1. Occasional meetings on trade among senior staff of the IMF, World Bank, and WTO, and possibly other multilateral economic institutions will continue, and Fund staff will seek to focus these interactions on issues relevant to the Fund in general and current Fund concerns that are shared with the appropriate institutions. Whenever possible, these could be organized on the margins of other international meetings.</p>	<p>As detailed above, regular meetings have continued between senior staff of the WTO and World Bank, as well as other relevant multilateral organizations.</p>