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To: Members of the Executive Board

From: The Secretary

Subject: **Medium-Term Plans and Resource Estimates—Program Outlook Notes**

Attached for the information of the Executive Directors is a paper on medium-term plans and resource estimates—program outlook notes. This paper will serve as background for the meeting of the Committee on the Budget tentatively scheduled for Wednesday, January 5, 2000, and for the meeting of the Executive Board tentatively scheduled for Wednesday, January 12, 2000.

Mr. Wolde-Semait (ext. 34629) and Ms. Sachdev (ext. 37567) are available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

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INTERNATIONAL MONETARY FUND

Medium-Term Plans and Resource Estimates—Program Outlook Notes

Prepared by the Office of Budget and Planning

Approved by Ernst Conrad

December 28, 1999

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I. BACKGROUND

1. This paper responds to the request for additional information that was made in the Committee on the Budget meeting on December 9, 1999. Two papers were prepared for that meeting: "Medium-Term Plans and Resource Estimates" (EB/CB/99/6, 11/24/99) and "The Scope for Budget Savings in the Fund—Note on Selected Issues" (EB/CB/99/7, 11/24/99). These continue to serve as the basis for the discussion by the committee on the medium-term plans and resource estimates. This paper focuses on more detailed information on the individual program initiatives presented in EB/CB/99/6, including a summary description of the mission, goals, objectives, results, activities, resource assumptions, and resource estimates for individual programs. These Program Outlook Notes, or PONs, are based upon currently known information and are focussed on the broad planning and resource aspects of this work for the coming three-year period. In addition, further information is forthcoming on each department's work program in the background paper "Medium-Term Plans and Resource Estimates—Work Program by Department."

2. The PONs present the resource needs of the Fund on a cross-departmental basis for the major new activities that are proposed for the coming medium-term period. This approach was generally supported by the Committee on the Budget, and other Executive Directors, in the meeting on November 18, 1999. At that meeting, Directors discussed two papers on budgeting procedures: "A Fresh Look at Budgeting in the Fund" (EB/CB/99/4, 11/12/99) and "Review of Best Practices in Budgeting" (EB/CB/99/5, 11/12/99).

II. INTRODUCTION TO PROGRAM OUTLOOK NOTE

3. The Program Outlook Notes introduced in this paper describe a number of new initiatives. They provide essential information on programs in a concise and standardized format, including their resource requirements in the medium term. The PON is intended to become an instrument of planning and budgeting in that it links into the basic objectives of the Fund, enumerates the proposed activities, states the anticipated results, and quantifies outputs where possible. Specifically, the PON covers:

- Program overview, providing a summary of the background to, and the place of, the initiative in the Fund
- Mission Statements, defining the ultimate purpose of a program
- Program /Subprogram Goals, indicating desired results
- Objectives, which define specific, measurable targets to accomplish goals
- Results Measurements (expected results and results indicators)

- Sharing of Responsibilities/Cooperation with Other Organizations
- A list of Program/Subprogram Activities
- Estimates of Resource Needs (in terms of staff years).

4. The following major programs are covered in this paper:

- (i) PRSP/PRGF/HIPC Initiative¹
- (ii) Financial Sector Assessment Program
- (iii) International Standards and Codes with five subprograms: Coordination and Presentation of Fund Work on Standards and Codes, Data Standards, Fiscal Transparency, Codes of Good Practices on Transparency in Monetary and Financial Policies, and Banking Supervision.
- (iv) Enhanced Surveillance
- (v) Enhanced Technical Assistance
- (vi) Enhanced Media and Public Relations

III. PRSPs, PRGF, AND HIPC INITIATIVE

Program Overview

5. This program replaces the former ESAF and enhances the HIPC Initiative of the Fund and Bank. The mission statements for the PRSP/PRGF and the HIPC Initiative is presented in paragraph 7 below. As the activities outlined in this program would be carried out jointly with the World Bank, a more intensive collaboration between the two Bretton Woods Institutions and with other donors and a broad-based consultative process within government of recipient countries, their civil societies, and donors would be required at various stages of the PRSP/PRGF/HIPC Initiative process.

6. Following three years of intensive efforts to secure financing for this initiative, at the end of September 1999, agreement was reached on a financing package that will enable the Fund to contribute to the enhanced HIPC Initiative and to continue to lend on concessional terms to support sustainable growth and poverty reduction programs in its low-income

¹ These are acronyms, respectively, for Poverty Reduction Strategy Papers, Poverty Reduction and Growth Facility, and Heavily Indebted Poor Countries.

member countries. The agreed financing package, amounting to SDR 3.9 billion on an “as needed” basis, consists of bilateral contributions (SDR 1.5 billion “as needed”) by Fund members and contributions (SDR 2.4 billion “as needed”) by the Fund itself. The contributions by the Fund will mainly involve off-market transactions in gold up to 14 million ounces, which will require continuing efforts over the medium term to generate the needed resources for the PRGF and HIPC initiatives.

Mission Statement

7. PRSPs are outcome-oriented strategies to achieve sustained poverty reduction that are country-owned and are developed in an open, broad participatory process. Bank and Fund staff will help the country authorities to produce a poverty reduction strategy. Once a PRSP has been endorsed by both Boards, it would provide the basis for Bank and Fund concessional lending—in the case of the Fund, the PRGF—as well as debt relief under the HIPC Initiative.² The purpose of the PRGF, which will continue to evolve, is to support programs in low income countries that strengthen substantially and in a sustainable manner their balance of payments and foster durable growth, leading to higher living standards and a reduction in poverty.³ The HIPC Initiative seeks to achieve a permanent exit from unsustainable external debt for highly indebted poor countries with the resources freed up by debt relief intended for spending on poverty reduction.⁴ The Fund has been instrumental in generating the resources and coordinating the financing needed for the debt relief programs and will continue in this endeavor.

8. Goal One: Strategies for Sustained Poverty Reduction

Objectives

- Help authorities prepare country-owned Poverty Reduction Strategy Paper (PRSP) in collaboration with the World Bank to serve as a basis for Bank and IMF concessional lending as well as the HIPC Initiative.

² An elaboration of the PRSPs can be found in Poverty Reduction Strategy Papers—Operational Issues (SM/99/290; 12/10/99).

³ A fuller description of the operational issues related to the PRGF is presented in “Poverty Reduction and Growth Facility—Operational Issues” (SM/99/293; 12/13/99).

⁴ The policy paper on strengthening the HIPC Initiative is found in “HIPC Initiative—Strengthening the Link Between Debt Relief and Poverty Reduction” (EBS/99/168, 8/26/99). Also, see “Statement by the Managing Director on Reform of ESAFs and Poverty Reduction Strategies,” 9/13/99, “Communiqué of the Interim Committee,” (PR/99/46, 9/26/99), and “Transforming the Enhanced Structural Adjustment Facility—Proposed Decision” (EBS/99/193, 10/21/99).

- Help country authorities to integrate poverty reduction measures into a macroeconomic framework consistent with fostering faster, sustainable growth.
- Help authorities to develop broad-based participatory processes to enhance the design of anti-poverty measures and ensure their sustained implementation.
- Foster closer working relations with donors, especially strengthened Bank/Fund collaboration.

9. Goal Two: Strengthened Link between HIPC Debt Relief and Poverty Reduction

Objectives

- Make HIPC debt relief promote faster sustained growth with a lasting exit from over indebtedness.
- Provide debt relief linked to policies designed to make effective use of all available resources to promote poverty reduction and growth. This relies on the adoption and implementation of PRSPs.

10. Goal Three: Poverty Reduction and Growth Facility

Objectives

- Improve the effectiveness of the Fund's concessional lending to foster more rapid economic growth, poverty reduction, and a sustainable balance of payments.
- Improve ownership of PRGF-supported programs through linkage to PRSPs.
- Streamline conditionality and program monitoring through, inter alia, closer collaboration with World Bank; reduce documentation.

11. Goal Four: Investment of the PRGF and PRGF-HIPC Trusts Resources

Objectives

- Adopt a new investment approach by expanding choices of investment instruments with longer maturities and higher rates of return.
- Seek to achieve the highest risk-adjusted returns consistent with the investment authorities of the Trusts and the purposes for which the Trusts were established.
- Generate resources needed to finance the PRGF and enhance HIPC initiatives.

Sharing of Responsibilities/Cooperation

12. The PRSP and the HIPC Initiative are joint programs with the World Bank. The PRGF is the Fund's concessional lending window for low-income countries and such lending will stem from, and be consistent with, PRSPs prepared by borrowing countries and endorsed by the Boards of the Fund and World Bank, drawing on a joint staff assessment and focusing in their respective areas of responsibility. In these activities, the staffs of the Fund and Bank will cooperate closely and seek to present the authorities with a coherent overall view, focusing on their traditional areas of expertise.⁵

13. The Fund staff will take the lead in areas of its traditional mandate and responsibility, including, inter alia, promoting prudent macroeconomic policies; structural reforms in related areas, such as exchange rate and tax policy; and issues related to fiscal management, budget execution, fiscal transparency, and tax and customs administration.

14. The Bank staff will take the lead in advising the authorities in the design of poverty reduction strategies, including the necessary diagnostic work; sectoral strategies; reforms that assure efficient and responsive institutions; provision of social safety nets; enhancement of the effectiveness of public expenditure; and structural reforms such as privatization and regulatory reform. Many areas will be shared between the two staffs, such as the establishment of an environment conducive to private sector growth and employment creation, trade liberalization, and financial sector development. The Bank staff will help the authorities to cost and prioritize these measures so they may be integrated into a viable macroeconomic framework. The Fund staff will not attempt to supplement or substitute for Bank work in poverty analysis or the development of social policies.

15. Bank staff have indicated that the incremental expenses associated with PRSP work are quite large.⁶ The initial estimate for the incremental staff cost to the Bank Group is about \$13 million (or the equivalent of an increase of 51 staff years) for FY 2001.

List of Activities

- Assisting the authorities to develop a broad-based participatory process to help design and monitor a poverty reduction strategy. This will enhance country-ownership and sustained implementation of the strategy.

⁵ The basic framework for collaboration and guidance on areas of responsibilities was set out in "Report of the Managing Director and the President on Bank-Fund Collaboration" (SM/98/226, 9/4/98).

⁶ See "Poverty Reduction Strategy Papers—Internal Guidance Note" (FO/DIS/99/174, 12/13/99).

- Helping the authorities to develop a poverty reduction strategy with outcome indicators.
- Analyzing of the causes of poverty and impediments to more rapid sustained economic growth. Identification of measures that would allow the poor to benefit more fully from, and to participate in, such growth. Public actions—in the social, structural and institutional areas—to help reduce poverty will be critical elements of this strategy as poverty is multidimensional.
- Developing the necessary quality, coverage, and timeliness of key data, including possible final and intermediate indicators. Work on social data will fall to the World Bank, and UN agencies.
- Helping to design macroeconomic frameworks that take into account poverty reduction programs that have been fully costed drawing on the work of the authorities and key development partners, such as the World Bank, regional multilateral development banks (MDBs), and bilateral donor agencies.
- Engaging in an iterative process to ensure consistency between macroeconomic, structural, and social policies, and goals of poverty reduction.
- Encouraging participation by civil society and other groups, in particular representatives of the poor, donors and international financial institutions, and increased national ownership.
- Strengthening accountability, transparency of public budgeting and expenditure management. Heightened focus on governance issues over a broad area.
- Coordinating work program, policy recommendations, and efforts to mobilize international support including financial and technical assistance, with the World Bank and other organizations.
- Preparing debt sustainability analyses (DSAs) with country authorities and the World Bank.
- Identifying key policy actions to be achieved by floating completion points and helping countries to implement these actions in a timely manner.
- Preparing Board documents and ongoing monitoring of economic developments, including performance criteria and benchmarks, under the PRGF-supported program

- Continuing extensive work related to the financing of the PRGF-HIPC Trust, including drawing up and administering new bilateral agreements for loans and contributions to the PRGF and PRGF-HIPC Trust and related operational work.
- Undertaking new work related to the investment of the assets of the PRGF and PRGF-HIPC Trusts to achieve the highest risk-adjusted returns consistent with the investment authorities of the Trusts and the purposes for which the Trusts were established.

Intermediate Results Measures

Expected Results	Results Indicators
PRSPs	Smooth, quick transition from PFPs to interim PRSPs. Development of full-fledged PRSPs within two years as country circumstances permit.
PRGF	Enhanced country ownership of PRGF-supported programs; strengthened program implementation; faster growth; improvements in various poverty indicators.
HIPC Decision Points	As many cases as possible by end-2000.

Major Expected Outcomes

- Macroeconomic stability and sustainability.
- Poverty reduction through more rapid, sustainable growth in which the poor participate.
- Transparency, accountability, and improved budget management.
- Fewer program interruptions owing to greater country ownership.

Inputs and Resource Implications

16. To implement the increasing poverty focus as expeditiously as possible will have a significant impact on the work of the Fund, carrying major implications for resources in the affected departments. A brief listing of the new work areas follows. The resource implications can only be estimated in the aggregate and tentatively. As the joint Bank/Fund paper makes clear, the institutions and the countries have embarked on an approach that requires considerable learning by doing. The resource estimates will need to be refined as time goes by and experience is gained.

17. Assisting in the preparation of PRSPs is likely to be both time consuming and resource intensive. The following are expected:

- **Additional mission work:** The amount and nature of work involved make it likely that preparation of PRSPs will necessitate additional missions to countries using, or expected to use, PRGF resources. Missions are likely to be longer, and include more travel within countries. At least one additional mission per year appears likely to most PRGF-eligible countries, although more missions might be needed to help prepare the first PRSP. In addition, it is proposed that the Fund staff would participate in preparing PRSPs in countries borrowing concessionally from the Bank, even if these countries were not expected to receive assistance under the PRGF.
- **Coordination with World Bank:** Ongoing coordination will need to be close, including for country teams, policy departments, and management. One or more of the internal briefing memoranda for PRSP missions would be prepared jointly by Fund and Bank staff, as would the staff assessment of the PRSP. Experience with the HIPC Initiative shows that such joint work is a highly effective means of ensuring close communication, airing issues, and resolving differences, but that this has been costly in terms of staff and management time.
- **Additional demands on resident representatives:** The consultation process required to prepare and monitor the PRSP will be intensive, and presentation of Fund views will likely need to extend well beyond mission work. Resident representatives will be required to take an active role. At least one resident representative would be needed for most PRSP countries, and some countries with active PRGF-supported programs are likely to require two.⁷
- **Technical assistance:** A substantial effort to provide Fund technical assistance in fiscal management and transparency will be needed. Technical assistance in the financial sector, debt management, and statistics will also likely be required.

18. Beyond work directly linked to preparing country PRSPs, PRGF-supported programs, and HIPC papers, a substantial effort has begun to improve coordination with the World Bank, including by the establishment of a joint working group on PRSP issues.

19. The internal discussion and review process will benefit from a fuller exchange of views from all departments—areas departments and regions as well as functional departments and central units—to enhance country specific analysis and policy recommendations but also to share experiences, particularly in this learning-by-doing phase.

⁷ As of end-November 1999, there were Fund resident representatives in 24 of the 31 countries with PRGF-supported programs, and in 44 of the 80 PRGF-eligible countries.

Basic research on the interactions between macroeconomic and poverty is vital. Furthermore, substantial efforts will be needed to explain Fund policies in external fora. As we have learned, the costs can be high if the Fund is not seen or heard at various conferences, seminars, and meetings where poverty, HIPC, PRGF and related issues are discussed. Fund staff, especially mission chiefs, will require additional training to acquire the public relations skills needed to be persuasive in the open participatory process.

20. The staff has proposed (SM/99/293) various changes to conditionality and documents to streamline procedures. To tighten the focus and efficiency of conditionality, the PRSP or accompanying documents could identify, for each policy measure, whether the Fund or Bank would take primary responsibility for supporting the government's policy formulation and for monitoring. A presumption exists that PRGF letters of intent and policy memoranda would cover understandings only in those areas where the Fund was primarily responsible (and in these areas conditionality would be used parsimoniously). Conditionality in areas of Bank responsibility would be reported in Fund staff reports, in summary form, as part of a statement of Bank staff views. This framework for complementary program monitoring and conditionality represents a departure from current practices and experience will need to be assessed in the context of reviews of the PRGF. The documentation for PRGF arrangements could be streamlined along the concrete lines proposed in paragraph 37 of SM/99/293. These savings would primarily reduce work required to present documents to the Board or shift work to the Bank. It is not possible at this stage to quantify with any precision these resource savings, although some adjustment to the total incremental staff requirement has been made on a judgmental basis.

21. The above work will have important implications for staffing, travel costs, and support costs (e.g., office space, computers, and software, such as DebtPro). While Fund area department mission chiefs and desk economists have often covered more than one country, such a practice will not be practical in PRGF-eligible countries, owing to the complexities of the participatory process associated with the PRSP and the heightened collaboration required with a broader array of government ministries, the World Bank, MDBs, and other donor agencies. Even after HIPC cases reach their decision points, the staff will need to continue to work closely with these countries to help them reach completion point expeditiously. Thereafter, Fund involvement is expected to continue, as poverty reduction is a long-term process. Since the PRGF is an ongoing facility, country activity is expected to be maintained at the level experienced in the past. PRSP work would likely be somewhat higher than PRGF activity, reflecting IDA operations.

22. The planned activities under the PRSP, enhanced HIPC Initiative, and the PRGF would have implications for the staffing and dollar budgets of the Fund and the World Bank:

- The activities outlined above, which would be carried out jointly by the Bank and the Fund, would require considerable additional time, as more intensive collaboration would be required for preparation of a PRSP than for a policy framework paper (PFP). The PRSP would also be used for a wider range of countries (all IDA borrowers).

- The consultative process with broader elements of the government and with the civil society and other groups will lengthen missions, require more frequent missions, and increase the size of missions. It will also increase the workload on resident representatives.
- External relations activities will be more intense because the Fund staff will be required to explain its policy positions with respect to individual borrowing countries and to its general PRGF/HIPC policies to donor countries.
- Overall, the various stages of the PRSP/PRGF/HIPC Initiative are expected to be highly time- and, hence, staff resource-intensive activities.
- As has been noted in the joint Bank-Fund paper on the PRSP, relevant low-income countries, donors, and the Bank/Fund staff will be involved in a process of learning-by-doing and there is no fixed idea of the "ideal" poverty strategy or participatory process. Indeed, a period of experimentation by countries is welcome to develop PRSPs in line with the general principles that have been put forward. This new approach, the inherent difficulties of the policy challenges facing these countries, and the recognition lag within the staff imply necessitate that estimates of incremental resource requirements must be viewed as tentative and subject to revision, most likely in an upward direction.
- Additional work related to the investment of resources of the PRGF and PRGF-HIPC Trusts, which will include: (i) monitoring and evaluating the performance of the assets of the Trust; (ii) supervising and evaluating the performance of external investment managers; (iii) reviewing procedures for the safekeeping and valuation of the assets of the Trusts; and (iv) assessing the continued appropriateness of investment policies and performance objectives.

Resource Estimates

23. Net additional resources proposed for the new PRGF and enhanced HIPC Initiative, including direct and support needs, are estimated to be 64 staff years over the coming three-year period. Of these, 30 staff years are needed in FY 2000 plus another 26 staff years are needed for FY 2001. These estimates include provisions for additional resident representatives in major countries, as well as a small allocation for technical assistance. The immediate needs for this program are relatively high because of the acceleration and enhancement of the HIPC Initiative. Due to the ambitious targets for this Initiative, management is proposing a supplementary budget primarily to meet the need for up to 30 staff, their travel, and other expenses in the current financial year. Executive Directors recall that management has already authorized three departments to proceed with hiring these staff, temporarily using accumulated vacancy time. Table 1 shows estimates of resource requirements. The comparable resource estimates for the Fund and the Bank are presented in the figure on page 13.

Table 1. PRSPs, PRGF, and HIPC Initiative: Estimates and Assumptions of Additional Resources

Overview: Program time (in staff years)		
	Medium-Term FY 2001- FY 2003	First Year FY 2001
Total	64	56
<i>Of which:</i> Time at headquarters	22 - 24	18 - 20
Time in the field	22 - 24	18 - 20
Resident representatives	7 - 11	6 - 10
Technical assistance	2	2
Support time	7	8
Number of active countries (average per year)		
	Medium-Term FY 2001- FY 2003	First Year FY 2001
Total number of active PRGF countries 1/	37	24
Number of active HIPC 2/	37	24
Number of active PRGF/PRSP, excluding HIPC case	24	33
Workload (per country) 3/		
	HIPC/PRGF/PRSP	PRGF/PRSP
Staffing of initial missions	3 - 4 Fund staff 2 - 3 weeks in field	3 - 4 Fund staff 2 - 3 weeks in field
Staffing of follow-up missions 4/	1 - 2 Fund staff 1 - 2 weeks in field	1 - 2 Fund staff 1 - 2 weeks in field
Work at headquarters before and after mission	2 - 3 Fund staff 2 - 8 weeks each staff	2 - 3 Fund staff 2 - 6 weeks each staff
Direct mission related resource needs per country (staff years) 5/	0.5 - 1.0	0.4 - 0.8

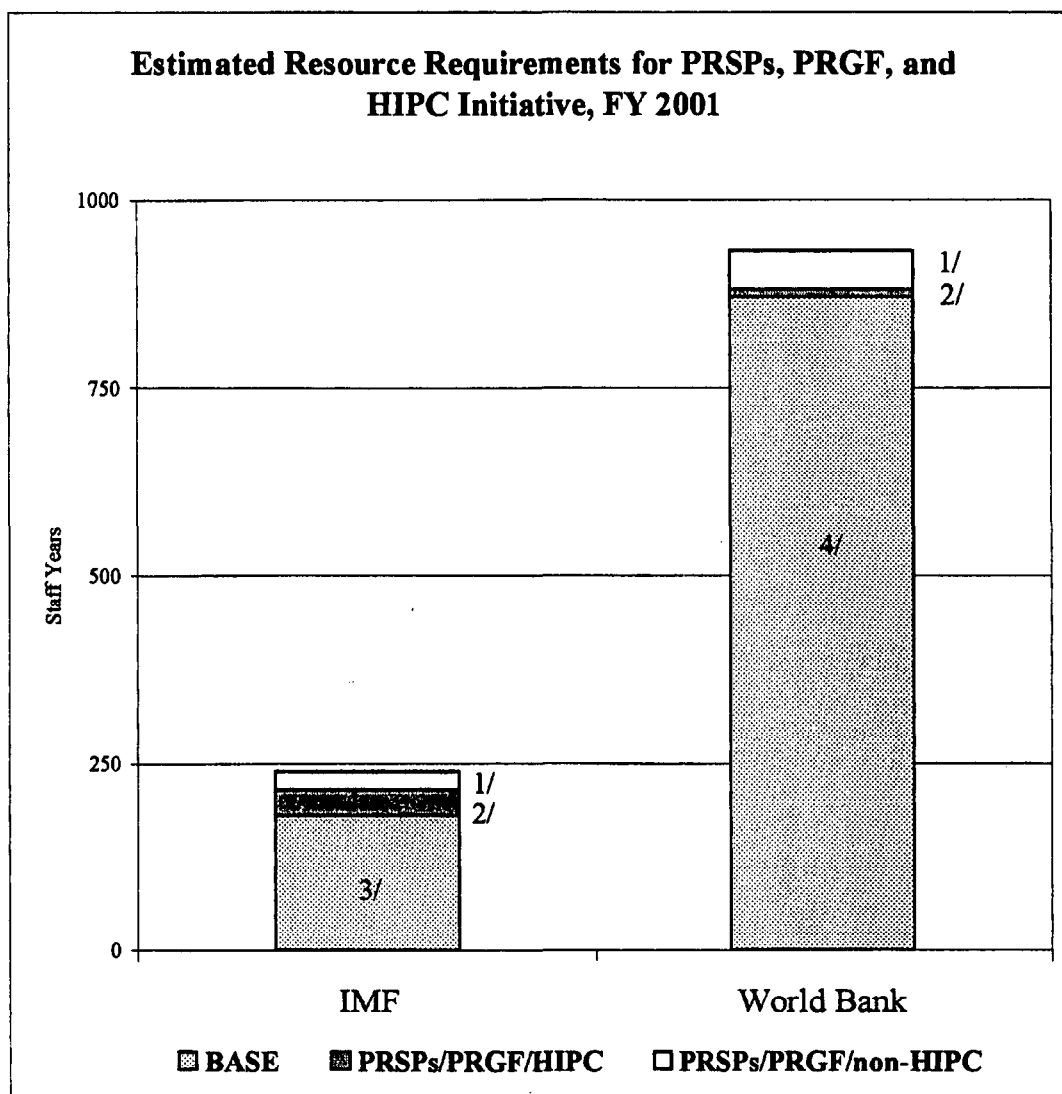
1/ Total PRGF eligible countries are 80, but they are not all expected to be active at the same time.

2/ Excludes Liberia, Somalia and Sudan.

3/ This work will be in joint collaboration with the World Bank. The World Bank resource requirements are not included in these estimates. The low end of the range is for countries for which previous relevant work has been done or which because of their size or structure require less work.

4/ There could be multiple secondary or follow-up missions before completion of the PRSP. In some cases, this may be Fund participation in World Bank missions.

5/ For the average case. Measured in activity time. To arrive at above program time, non-activity time (leave, training, etc) and support time, related resident representative time and technical assistance need to be added.



Sources: IMF, Budget Reporting System; World Bank, Budget Reports and Internal Guidance note on PRSP; and staff estimates.

1/ For the IMF, estimated additional resources for non-HIPC/PRGF/PRSP work are about 40 percent of the total estimated additional resource requirements. For the World Bank, additional resources for non-HIPC/PRSP country work are about \$12.9 million. Dollar budgets are converted to staff year estimates based on about 4 person years per million dollars. This incremental estimate may prove too conservative as it covers only about 40 countries that were viewed as early cases, excluding more than 30 countries that might come on board later.

2/ For the IMF, additional resources for HIPC/PRGF/PRSP countries are for mission work, HIPC documents, and collaboration and review for expanded work under the enhanced HIPC initiative. In subsequent years, the proportion of HIPC related work would decline compared to PRSP work, which is expected to increase. There are about 80 PRGF eligible countries, of which about 70 would be considered program/intensive. For the World Bank, estimated additional resources (\$2.4 million) cover only the central HIPC unit.

3/ Staff years spent on UFR work for 72 countries in FY 1999. These countries comprise 57 current or projected ESAF countries, and 15 other active IDA countries.

4/ Staff years spent on Country Programs for 72 countries in FY 1999. These countries comprise 57 current or projected ESAF countries, and 15 other active IDA countries. Includes work on some policy papers that will be streamlined (Country Assistance Strategy, Poverty Assessments), as well as some that will be discontinued (Policy Framework Paper). Converted to staffing estimates from \$137.4 million direct cost.

IV. FINANCIAL SECTOR ASSESSMENT PROGRAM (FSAP)⁸

Program Overview

24. The main goal of this program is the preparation and delivery of the Financial System Stability Assessments (FSSAs) which are the Fund's component in the Financial Sector Assessment Program (FSAP) to be undertaken jointly with the World Bank. Under the FSAP, the Fund and the World Bank will jointly undertake in-depth assessments of member countries' financial systems in order to identify vulnerabilities, strengths and risks, assess the observance of relevant standards and codes and design appropriate policy responses in a timely manner with the aim of reducing the likelihood and severity of financial crises and cross border contagion.

25. The program, will be undertaken in the context of Article IV surveillance and will provide a vehicle for linking the Fund's financial sector work to: Article IV consultations; the design of policy and structural benchmarks in UFR programs; assessments of observance and implementation of internationally accepted standards, codes, and good practices; and Technical Consultations (TCs), Technical Cooperation Action Plans (TCAPs), and other technical assistance activities. In particular, the assessment of standards, codes and good practices in the financial sector is an integral part of FSAP/FSSA work and is undertaken in the broader context of assessing financial system strengths, weaknesses, risks and reform (development) needs.

26. The FSSAs are presented to the Fund Executive Board as part of each member country's Article IV consultation discussions. Summarized assessment of the standards, codes and good practices, Reports on the Observance of Standards (ROSC modules) are an integral part of the FSSA report that is disclosed to the Executive Board at the time of the Article IV consultation discussion. The selection of the standards that are assessed in the context of the FSAP/FSSAs is based on the member country's circumstances. The rationale to undertake the assessment of standards, codes and good practices relevant to the financial system in the context of the FSAP/FSSAs is based on the experience to date under the pilot FSAP which shows that a comprehensive assessment of implementation and observance of standards in the financial system is facilitated if it is undertaken as part of a broader

⁸The FSSA is the Fund's component of a joint-program with the World Bank designed as the Financial Sector Assessment Program (FSAP). The FSAP/FSSA was welcomed by the G-7 Ministers in the Köln summit of June 1999 as contributing toward strengthening the international financial architecture, and they urged the Bank and the Fund to step up their collaborative efforts in this area. Also, the Finance Ministers and Central Bank Governors of the G-20 committed, during their recent meeting in Berlin (December 15-16, 1999, to efforts to reduce vulnerabilities to global financial crises and identified the completion of FSSA by the IMF with the cooperation of the of the World Bank as a priority area among these efforts.

assessment of vulnerabilities, risks, and development reform needs. Therefore, when assessing the resource needs for the FSAP/FSSAs, the resource requirements derived from the assessment of standards, codes and good practices (an integral part of the FSAP/FSSA work) should be taken into account.

27. Under the pilot, 4 FSAPs have been undertaken and 9 more are planned in the second half of FY 2000. Preliminary experience suggests that because of the burden placed on national authorities from the wide range of financial sector issues to be assessed, an early identification of the issues of primary importance for an individual country would be helpful. However, the coverage should not be too narrowly defined as inter-sector linkages mean that fragilities in one area may have implications in other parts of the financial system. Details of the experience with the FSAP pilot are described in SM/99/226, September 13, 1999 including supplement 1), and another progress report is scheduled to be presented for discussion of the Executive Board in March 2000. The experience gained by staff from the pilot so far in FY 2000 provided the basis for formulating costs estimates under the FSAP program.

28. Another goal of this program is the development of macroprudential indicators (MPIs) which are defined broadly as indicators of the health and stability of financial systems. From MAE's perspective, the work ties in closely with the FSAP/FSSA project, as MPIs are one of the key inputs to FSAP/FSSAs.

29. Responsibilities under the program and costs are shared between the World Bank and the Fund. The Financial Sector Liaison Committee (FSLC) coordinates the respective activities of the two organizations, and sector assessments will be carried out by joint Bank-Fund missions. The planned activities under the purview of the Fund would require 36 staff years for the three-year period (FY 2001-FY 2003) of which 25 staff years would be needed for FY 2001.

Mission Statement⁹

30. To help member countries assess the stability of the financial sector to achieve sound and efficient financial systems consistent with economic stability and growth through the collaborative efforts of the Fund and the World Bank. This joint effort is a response to calls by the international community for a well-structured mechanism to identify vulnerabilities and deal with potential financial system weakness and thereby reduce the likelihood of, and possibly prevent crises and cross-border contagion.

⁹This is a component of MAE's broader mission statement.

31. Goal One: Strengthening Financial Sectors

Objectives

32. Recognizing the linkage between financial sector soundness and macroeconomic stability, as demonstrated by the experience from past financial crises, including in emerging economies, the program aims at:

- Reducing the potential for systemic financial crises and contagion through the development of instruments for timely detection of emerging problems, and the design of appropriate policy responses, in the context of Article IV Surveillance.
- Providing a vehicle for linking Fund financial sector work to: Article IV consultations; the design of policy and structural benchmarks in UFR programs; assessments of observance and implementation of internationally accepted standards, codes, and good practices; and TCs and TCAPs and other technical assistance activities.
- Developing, with the World Bank, a common dialogue with national authorities and thereby identifying key priorities for coordinated financial sector development, and improving the design and delivery of technical assistance aimed at strengthening financial sectors.
- Developing supportive analytical frameworks, macroprudential indicators, and databases suitable for the early detection of financial sector problems, the assessment of financial sector conditions, and cross-country comparative studies.

Standards of Performance

- In the first year following the pilot, about 25–30 FSAP/FSSAs should be undertaken, with an emphasis on countries which are of regional importance. By the end of three years after the pilot, FSAP/FSSAs should be undertaken at a rate that would enable the large majority of member countries to be assessed once in a five-year period.
- Within two years of an FSAP/FSSA exercise, a country should have resolved, or at least made major progress towards resolving, the major vulnerabilities which have been identified, including, if requested, with TA from the Fund, the World Bank, or from other providers.
- There should be a reduced incidence of systemic financial sector problems in member countries.
- There should be general acceptance among national authorities that the FSAP/FSSA is effective in helping to identify vulnerabilities and formulate corrective action plans.

Sharing of Responsibilities/Cooperation

33. As a joint World Bank-Fund program under the Financial Sector Assessment Program, responsibilities are shared between the two organizations and their respective work coordinated by a liaison committee (the Bank-Fund Financial Sector Liaison Committee). The Fund and the Bank will jointly undertake in-depth assessments of member countries' financial systems in order to identify vulnerabilities and design appropriate policy responses in a timely manner, and thereby reduce the likelihood of and severity of financial crises and cross border contagion. The Fund's share of costs of this joint program with the Bank would be slightly greater than half as it has been agreed that the Fund is solely responsible for undertaking the assessments in countries that are not covered by the Bank's lending program, including G-10 countries. Missions will also include experts from cooperating central banks, national supervisory and financial agencies, and standard-setting bodies. Further details are given in the tasks indicated below.

List of Activities

- Over the three-year period following the pilot, increase the annual number of country assessments under the FSAP/FSSA to a level that would enable coverage of virtually all IMF member countries in a five-year period. Full FSAP/FSSAs may be needed for about 100 member countries (industrial, systematically important emerging market countries, and other large member countries). The remaining member countries would require more limited assessments or follow-up in the context of Article IV Consultations. This would imply a steady state of about 25 full assessments and about 20 more limited ones per year.¹⁰
- The Bank-Fund Financial Sector Liaison Committee will coordinate the selection of countries and the order in which countries should be assessed, based on the priorities of national authorities, Fund area departments and the Bank regions, as well as resource constraints.
- Assessments will be carried out by joint Bank-Fund missions, with work responsibilities and costs shared approximately equally (with the exception that missions to countries that are not covered by the Bank's lending program will in all cases be led by the Fund but supported by the World Bank in their areas of expertise, e.g., securities). Missions will include experts from cooperating central banks, supervisory and financial agencies, as well as international financial institutions and standard setting bodies, as necessary.
- The missions will prepare FSAP reports which will identify: the key strengths and weaknesses in financial systems, including resilience to macroeconomic shocks;

¹⁰ In any one year, it is expected that there would be 20-25 full assessments, and 15-20 more limited assessments.

appropriate policy responses to address priority areas of reform; and technical assistance needs.

- To the degree that such issues are relevant, FSAP/FSSA exercises will assess observance and implementation of internationally accepted standards, codes, and good practices, including the Basel Core Principles, transparency practices in monetary and financial policies, as well as other relevant standards.
- FSAP reports will be discussed with the authorities in the context of Article IV Consultations. Following such discussions, MAE will prepare an overall FSSA report which will form part of the Article IV documentation for the Fund's Board.¹¹ The FSSA will focus on the linkages between financial system developments and macroeconomic conditions in the context of Fund surveillance. This would also contribute to program design, contingency planning and technical assistance design and prioritization.

34. Goal Two: Developing Macprudential Indicators

Objectives

35. MAE is currently undertaking jointly with STA a project to explore the development of so-called MPIs—defined broadly as indicators of the health and stability of financial systems—and their inclusion in the Special Data Dissemination Standard (SDDS). From MAE's perspective, the work ties in closely with the FSAP/FSSA project, as MPIs are one of the key inputs to FSAP/FSSAs.

Standards of Performance

- Production of a Board paper which identifies a set of indicators that can be used to assess financial system health and stability.
- Identify and obtain Board support for a sub-set of MPIs that might in due course be included in the SDDS or some other dissemination vehicle.
- Define a set of indicators for use in FSAP/FSSA work.
- Survey of national supervisors, compilers and users of MPIs to further ascertain availability, and to examine compilation issues and national practices regarding dissemination.

¹¹The Bank will similarly prepare separate reports for its Board focussing on issues specifically relevant to the Bank.

List of Activities

- Substantial work has been undertaken in FY 2000 to assess the state of play with regard to the development of MPIs, and issues relating to compilation and dissemination.¹² A paper has been prepared for discussion by the Board in January 2000 summarizing the work to date and proposing further work in this area.
- In FY 2001, it is intended to undertake a survey of national supervisors, compilers and users of MPIs to further ascertain availability, to examine compilation issues and national practices regarding dissemination.
- Based on the survey, as well as practical experience gained during the FSAP/FSSA pilot, it is intended to refine the set of MPIs which have been identified for use in the FSAP/FSSA, and for possible inclusion in the SDDS or some other dissemination vehicle.

Resource Estimates

36. Net additional resources proposed by departments for the FSAP/FSSA initiative and macroprudential indicators, including direct and support needs, total 36 staff years over the coming three-year period. Of these, 25 staff years are proposed for FY 2001. The World Bank, as it will be covering about half of the country work, except for the countries not covered by the Bank's program, is expected to devote comparable dollar denominated resources for this work. It should be noted that staff resources for the assessments of observance of Basel Core Principles on effective bank supervision and the Code of Good Practice on Transparency in Monetary and Financial Policies, which are typically and integral part of the FSAP, are not included in the numbers set out in Table 2.¹³ Work on standards is described in Chapter V.

37. It is expected that, on average, the staffing resources needed for FSAP work in member countries will be shared equally by both the Fund and the World Bank. For the countries where the World Bank is not involved, i.e., countries not covered by the Bank's programs and where the Fund will lead, the expertise and participation of the World Bank in areas such as securities, insurance, and private pension plans will be utilized. Staff from the two institutions will equally head FSAP missions with the institution which is not heading serving as the deputy head. Missions will include experts from cooperating central banks,

¹² This included the Fund hosting a consultative meeting of central banks, national supervisors, statistical and other government agencies, academics, and the private sector, to address these issues in September 1999.

¹³ Total resources needed for FSAP include assessment of standards and codes, which are covered in the program note on International Standards and Codes.

supervisory and financial agencies, and other international financial institutions and standard setting bodies such as the Basel Committee, IOSCO, IAIS, and OECD. FSAP missions will normally precede Article IV consultation missions, with some countries requiring two or three visits, depending on the specific areas covered. Area department staff will be part of FSAP missions and FSAP mission staff will join the ensuing Article IV mission to discuss the FSAP findings.

38. On the basis of preliminary experience gained from the pilot FSSA work, a medium to small country may require about 1 staff year, whereas a large country will utilize 1.3 staff years. Full FSSA missions will normally be of 2 to 3 week duration and the Fund may involve 2 to 4 staff plus 4 to 6 experts, depending on the country. Time at headquarters includes between 3 to 4 weeks of preparatory work and 4 to 8 weeks for report writing, review, and clearance.

39. Table 2 provides estimates and assumptions of resource requirements for this initiative.

Table 2. FSAP: Estimates and Assumptions of Resources

Overview: Program time (in staff years)		
	Medium-Term <u>FY 2001 - FY 2003</u>	First Year <u>FY 2001</u>
Total 1/	36	25
Of which: Time at headquarters	22	15
Time in the field	10	7
Support time	4	3
Number of Countries (per year)		
	Medium-Term <u>FY 2001 - FY 2003</u>	First Year <u>FY 2001</u>
Total	45	30
Full FSAP/FSSA	25	25
Limited FSAP/FSSA	20	5
Workload (per country)		
	<u>Full FSSA</u>	<u>Limited FSSA</u>
Staffing of primary mission 2/	6 - 10 Fund staff and experts 2 - 3 weeks	2 - 3 Fund staff and experts 2 - 3 weeks
Staffing of secondary mission 3/	2 - 3 Fund staff 1 - 2 weeks	1 - 2 Fund staff 1 - 2 weeks
Work at headquarters before and after mission	2 - 3 Fund staff 7 - 12 weeks each staff	2 - 3 Fund staff 6 - 8 weeks each staff
Resource needs per country (staff years) 4/ 5/	0.8 - 1.3	0.6 - 0.8

1/ MAE work on FSAP/FSSA and MPI is included in this estimate, although in most cases an MAE mission would work on standards and codes issues as well. The MAE resources for standards and codes are indicated in the standards and codes PON. Estimates exclude the equivalent of 4-5 net additional short-term experts needed in FY 2001, which will be dollar based.

2/ World Bank staff will also be included in these missions, typically 1 - 2 WB staff for industrial countries and in the range of 6 - 10 World Bank staff for other countries. Workload estimates include short-term experts excluded from the staffing estimates.

3/ There could be 1 to 2 such secondary or follow-up missions.

4/ Assumes one primary and one secondary mission. Low estimate is for limited FSAP in a non-industrial country. High estimate is a full FSAP in an industrial country. Does not include extreme cases that could arise on both sides of range.

5/ For the average case. Measured in activity time. To arrive at above program time, non-activity time (leave, training, etc.) and support time, related resident representative time and technical assistance need to be added.

V. INTERNATIONAL STANDARDS AND CODES

Program Overview

40. This program seeks to strengthen the international financial architecture by promoting international standards and codes of good practices to strengthen the international financial system as an integral part of surveillance and Fund-supported programs. The ultimate goal of the Fund's work on standards is to improve the accountability of policy makers and ultimately economic performance. The program builds on five interrelated subprograms: (i) Coordination and Presentation of Fund Work on Standards and Codes; (ii) Data Dissemination; (iii) Transparency of Fiscal Policies; (iv) Code of Good Practices on Transparency in Monetary and Financial Policies; and (v) Banking Supervision. The principal goals as embodied in each of these subprograms include coordination of Fund work on standards and codes, promoting the availability of economic and financial data to the public, providing a framework for developing statistical systems for countries, improving fiscal transparency practices, promoting transparency in monetary and financial policies, as well as promoting core principles for effective banking supervision to help strengthen national financial systems:

41. Assessments of observance and the implementation of standards will be carried out under a range of Fund activities, including Article IV consultations, technical assistance (TA) missions, the FSAP as well as stand-alone assessments, and will be presented in the form of ROSCs.¹⁴ The Fund will also collaborate with the World Bank under the Financial Sector (FSAP) and other standard-setting organizations. The program requires effective cooperation among various departments in the Fund and close cooperation with other organizations.

Mission Statement

42. Developing, promoting and monitoring international standards and codes of good practice in the Fund's areas of direct operational focus is expected to contribute to

¹⁴ A pilot program to prepare ROSCs, which took place in 1999, provided Fund Staff with the opportunity to explore the practical and conceptual issues associated with preparing ROSCs and has confirmed these cost estimates. During the year through November, eight full ROSCs were completed as well as three ROSC modules—two on fiscal transparency and one on data dissemination. The experience gained by staff in preparing these reports provided the basis for determining the cost estimates contained in this program outlook note. Briefly, experience showed that one ROSC module required on average between 8-12 staff weeks to prepare (excluding support staff time), depending on the complexity of each case (see "International Standards and Fund Surveillance—Progress and Issues—Resource Costs of Preparation of Reports on the Implementation of Standards and Codes," EBS/99/158, Supplement 4, 8/30/99). More recent experience on five new modules which are near completion has confirmed the cost estimates.

strengthening the international financial system and improving policy making and economic performance in member countries. Consequently, work to develop standards and codes, promote their implementation and assess their observance, has become an integral part of Fund surveillance, Fund technical assistance and program design. The objective is to assist countries in identifying areas where practices can be improved and in setting priorities and implementing agreed improvements in data, fiscal, monetary and banking practices. The preparation of ROSCs entails compiling work already undertaken in this general context into a country reference document with a common format.

Subprogram: Coordination and Presentation of Fund Work on Standards and Codes

43. **Goal:** To assist in the implementation and observance of internationally accepted standards and codes by members in the areas of data dissemination, fiscal transparency, monetary and financial policy transparency, and banking supervision. The implementation and assessment of these standards is conducted primarily under instruments highlighted in the individual sub-programs listed later. ROSCs would provide the common presentation framework for assessments produced as a by-product of these other instruments.¹⁵

Objectives

- Raise awareness about importance of observing standards and codes of good practice in contributing to strengthened international financial system.
- Develop modalities of undertaking and presenting assessments of the extent to which standards are observed.

Sharing of Responsibilities/Cooperation

44. The Fund has primary responsibility to promote standards and codes of good practices within its mandate. However, it will work in close collaboration with the World Bank and other standard-setting bodies to promote, implement, and assess observance of standards in the areas of data dissemination and banking supervision, as well as codes of good practices in transparency on fiscal, and monetary and financial policies.

List of Activities

- Coordinate presentation of assessments carried out under subprograms as ROSCs.

¹⁵ There is no explicit budget cost allocated to publication of reports on standards and codes. In the event that assessments of standards are published, it is assumed that this will take place in electronic form; any hard copies will be treated in a fashion analogous to country reports (i.e., purchased from the Publication Services Section).

- Undertake outreach program to promote awareness of ROSCs among international agencies, civil society, and the international financial community.
- Encourage other standard-setting agencies to continue developing standards in their areas of responsibility and to develop assessment methodologies.

Results Measurement

Program Activity	Results Indicators
Outreach	Seminars and discussions with national authorities, standard-setting bodies and private sector; internet dissemination of reports; press reports.
Assessment	ROSCs produced and published by IMF and member countries.

Subprogram: Data Standards

45. **Goal One:** Promote the availability to the public of timely and comprehensive economic and financial statistics for the pursuit of sound macroeconomic policies and improved functioning of financial markets through adoption of and adherence to the Special Data Dissemination Standard (SDDS).

Objectives

- Promote awareness of the SDDS and of the information on data dissemination practices contained on the Dissemination Standards Bulletin Board (DSBB).
- Strengthen the SDDS, as required, to meet the challenges posed by the globalization of financial markets.
- Foster the use of the SDDS as the standard for assessing data dissemination practices of countries active in, or seeking access to, international capital markets.

46. **Goal Two:** Through the General Data Dissemination System (GDDS), provide a framework that countries which are not in a position to subscribe to the SDDS can use for developing their statistical systems and improving data quality and data dissemination practices.

Objectives

- Promote awareness of the GDDS.
- Encourage adoption by member countries of the GDDS as a framework for developing their statistical systems.

Results Measurement

Program Activity	Results Indicators
Outreach	DSBB usage. Participation in seminars and Conferences.
Assessment	SDDS subscribers being monitored. GDDS participants tracked.
Technical assistance/implementation	SDDS subscribers assisted in implementing new requirements on reserves and external debt. Potential subscribers assisted in assessing practices against the SDDS. Countries assisted in participation GDDS. SDDS subscribers in observance. New GDDS participants.

List of Activities

- Work with other organizations to promote the SDDS and the GDDS as standards for best practice.
- Participate in seminars and conferences on data transparency that have implications for the Fund's data dissemination standards.
- Oversee use of Fund's data dissemination standards in other international fora.
- Monitor subscribers' adherence to the SDDS through the DSBB and links to national web sites containing actual data. Track progress in implementing statistical development plans under the GDDS.
- Prepare ROSCs using the SDDS or the GDDS, as appropriate, as the norm for data dissemination practices.

- Assist SDDS subscribers in implementing the strengthened reserves data category and in work on the introduction of a new data category on external debt.
- Assist potential subscribers in assessing their data dissemination practices against the SDDS to ascertain their readiness to subscribe.
- Assist potential GDDS participants in documenting statistics and statistical practices and in developing comprehensive plans to improve data with technical assistance and documented guidance.
- Disseminate countries metadata (SDDS and GDDS) and information on plans for improvement of their statistical systems (GDDS) on the DSBB.
- Maintain the currentness of SDDS and GDDS information on the DSBB and the links to national web sites.
- Implement improvements in the functionality of the DSBB to increase its value to users and improve the marketing of the DSBB through various media.
- In collaboration with area departments, carry out an agreed schedule of data dissemination assessments.

Subprogram: Fiscal Transparency

47. **Goal:** To promote fiscal transparency by encouraging member countries to review and improve fiscal transparency practices against the requirements of the *Code of Good Practices on Fiscal Transparency—Declaration on Principles*.

Objectives

- Promote awareness of the fiscal transparency code.
- Encourage assessment of fiscal management practices against the code by member countries.
- Assist countries seeking to identify areas where fiscal transparency can be improved.
- Assist countries in setting priorities and implementing improvements in fiscal transparency.

List of Activities

- Outreach program and seminars to promote awareness of the code and cooperation among international agencies, civil society, and the international community to help implement the code.
- Provide advice to countries undertaking self-assessments of fiscal transparency and initiate their own plans for improving transparency.
- In collaboration with area departments, carry out an agreed schedule of assessments of transparency in fiscal policies. Such assessments may take place as part of technical assistance, Fund-supported programs, ROSCs, or Article IV consultations.
- Provide technical assistance, where feasible in conjunction with other TA providers, to help countries improve fiscal transparency.

Results Measurement:

Program Activity	Results Indicators
Outreach	Seminars held; papers produced.
Assessment	Self-assessments completed; ROSCs completed. Additional assessments completed as part of technical assistance, Fund-supported programs.
Technical assistance/implementation	TA resources applied to fiscal transparency; improvements in fiscal transparency

Subprogram: Code of Good Practices on Transparency in Monetary and Financial Policies

48. **Goal:** To promote transparency in monetary and financial policies, and thus enhance the efficiency of markets, by encouraging member countries to review and improve monetary and financial policy disclosure against practices of the *Code of Good Practices on Transparency in Monetary and Financial Policies*.

Objectives

- Promote awareness of the monetary and financial transparency code.
- Encourage assessment of monetary and financial policy disclosure practices against the code by member countries.

- Assist countries to identify areas where monetary and financial policy transparency can be improved.
- Assist countries to set priorities and implement agreed improvements in monetary and financial policy transparency.

List of Activities

- Outreach program and seminars to promote awareness of the code and cooperation among international agencies, civil society, and the international community to help implement the code.
- Develop supporting document to the Code in consultation with members and international agencies.
- Provide advice and assistance to countries on how to implement the monetary and financial transparency code and on how to carry out assessment of the code.
- In conjunction with area departments develop a schedule of assessment of transparency in monetary and financial policies (which will mainly be undertaken under the FSAP, technical assistance activities as well as in the context of Article IV consultations) which would provide the basis for the preparation of ROSCs in this area.
- Develop data base on member transparency practices.
- Provide technical assistance, where feasible in conjunction with other TA providers, to help countries improve monetary and financial policy transparency.

Results Measurement

Program Activity	Results Indicators
Outreach	Regional consultation meetings and seminars held; papers produced.
Assessment	Self-assessments completed; assessments in the context of FSSAs completed; ROSCs completed.
Technical assistance/implementation	TA resources applied to monetary and financial transparency assessments; indicators of improvement in monetary and financial transparency.

Subprogram: Banking Supervision

49. **Goal:** Promote the implementation of Basel Core Principles for Effective Banking Supervision in cooperation with the appropriate institutions to help strengthen national banking systems.

Objectives

- Enhance public support for a strong and effective system of banking supervision, and public understanding of steps needed to achieve that end.
- Encourage countries to understand and address weaknesses in their systems of banking supervision through carrying out Core Principles assessments, including the development of a prioritized action plan to achieve compliance.
- Improve methods for assessing the compliance of banking supervisory agencies, and for monitoring developments relating to their compliance.

List of Activities:

- Carry out an agreed schedule of Core Principles assessments. Such assessments will be effected as part of the FSAP/FSSAs, technical assistance activities, Article IV consultations and Fund-supported programs. These assessments will serve as a basis for the preparations of ROSCs in this area.
- Provide technical assistance, where feasible in conjunction with other TA providers, to help countries achieve compliance with the Core Principles.
- In cooperation with appropriate institutions, including the Basel Committee for Banking Supervision, assist in efforts to improve systems for assessing and monitoring compliance with the Core Principles, as well as in efforts to improve the Core Principles themselves.

Results Measurement:

Program Activity	Results Indicators
Assessment	Self-assessments completed at the request of the Basel Committee; additional assessments carried out primarily by teams from the Fund, the Bank or both organizations.
Outreach	Assist competent authorities in providing seminars and papers on topic.
Technical assistance/implementation	TA resources applied to achieving compliance with the Core Principles.

Resource Estimates

50. Net additional resources proposed by departments for work pertaining to international standards and codes, including direct and support needs, total 45 staff years over the coming three-year period. Of these, 40 staff years are needed in FY 2001. This estimate is based on a proposed work program during which time ROSC modules in areas (ii)-(v) above would be prepared for all members over a five year cycle. This translates into approximately 144 modules annually.

51. About two thirds of the direct work on this initiative is headquarters-based, while the remainder covers time in the field. In addition to the assessment work, the program includes resources devoted to review and coordination among Fund departments as well as cooperation with outside organizations, particularly the World Bank. An interdepartmental task force (TAMS) has been established to facilitate coordination and planning within the Fund. With respect to work in the field, the number, size and duration of missions, as well as the number of countries serviced, determine the workload and the magnitude of staff time. The number of reports, additional staff years required per report, and total estimates of resource needs for each major component of this initiative are presented in Table 3.

Table 3. International Standards and Codes: Estimates and Assumptions of Additional Resources

Overview: Program time (in staff years)		
	Medium-Term <u>FY 2001- FY 2003</u>	First Year <u>FY 2001</u>
Total 1/ 2/ 3/	45	40
Of which: Time at headquarters	26	20
Time in the field	11	10
Technical assistance	4	4
Support time	4	6
Number of countries/modules (per year)		
	Medium-Term <u>FY 2001- FY 2003</u>	First Year <u>FY 2001</u>
Number of full reports	36	30
Number of modules	144	120
Workload (per country)		
Mission per module 4/ (Four modules per report)	2 - 4 Fund staff and experts 2 - 2.5 weeks in the field	
Work at headquarters before and after mission	2 - 3 Fund staff 1 - 2 weeks each staff	
Staff years per full report - high estimate 5/	1.2	
Staff years per full report - low estimate 5/	0.8	

1/ Includes additional resources for development of standards. Estimates exclude the equivalent of 15 staff years in net additional short-term expert resources needed over the coming three-year period which will be dollar based. Of these, the equivalent of 7 staff years are needed in FY 2001. Estimates exclude the equivalent of 6-7 net additional short-term experts needed in FY 2001, which will be dollar based.

2/ MAE work on standards and codes (including assessments of observance and implementation of Basel Core Principles for Effective Banking Supervision and the Code of Good Practices on Transparency in Monetary and Financial Policies), in most cases takes place in the context of FSAP/FSSAs. The MAE resource requirements for the FSSA component (excluding the assessment of standards) are indicated in the FSSA PON.

3/ Comprises staff from the respective functional departments, supplemented in some cases by staff from the area departments.

4/ Workload estimates include short-term experts exc experts excluded from the staffing estimates.

5/ Based on EBS/99/158. For the average case measured in activity time. To arrive at program time, non-activity time (e.g. leave, training, etc.) and support time, related Resident Representative and TA need to be added.

VI. ENHANCED SURVEILLANCE

Program Overview

52. This program aims to further enhance the effectiveness of Fund surveillance. The principal goals of the program are to: (i) strengthen the analytical underpinning of bilateral surveillance; (ii) enhance regional and multilateral surveillance; and (iii) enhance surveillance over international capital markets. This program and its progress will be guided by the Fund's internal review process, the biennial review of surveillance, and the external reviews of surveillance and research.

Mission Statement

53. To enhance the Fund's oversight of the international monetary and financial system through the improved compilation and analysis of information about member countries' economic situations, policies, and prospects so as to provide policy advice to member countries and improve policy coordination and cooperation among them.

54. In line with: (i) the guidance received from the Executive Board and the International Monetary and Financial Committee; (ii) the lessons learned from post-Asian crisis analysis; and (iii) recommendations made in the context of the external evaluation of surveillance and research, increased attention will be devoted to strengthening Fund surveillance. This will be done by focusing more resources on capital account and financial sector issues, vulnerability analysis, cross-country comparisons, and on obtaining private sector views to inform Fund surveillance.

55. Goal One: Strengthening the Analytical underpinning of bilateral surveillance

Objectives

- Continue steps to provide more ongoing surveillance including by experimenting with electronic communication where possible.
- Continue work to strengthen and maintain high standards for the quality of Fund macroeconomic analysis of member countries, including more extensive (cross-country) and intensive analysis of exchange rate arrangements and policies.
- Bring spillover and regional issues more fully into bilateral surveillance.

56. Goal Two: Enhancing regional and multilateral surveillance

Objectives

- Bring contagion issues more completely into regional surveillance.

- Give greater attention to international aspects of members' macroeconomic policies including for the financial sector and capital account issues.
- Seek ways to improve links between bilateral and multilateral surveillance through more cross-country analysis of country experiences in dealing with similar problems.

57. Goal Three: Enhancing surveillance over international capital markets.

Objectives

- Enhance and deepen research on a wide variety of topics, including financial market contagion, capital flows, and monitoring systems for detecting financial market vulnerabilities.
- Greater monitoring of financial markets and more interaction with private market participants to inform the Fund's surveillance.
- Strengthen and deepen vulnerability assessments with a view to assisting national authorities in identifying and addressing at an early stage vulnerability to both internal and external shocks.

Results Measurement

58. The Fund's internal review process, the biennial review of surveillance, and measures to assess results would be further developed in order to gauge in qualitative, and in some cases quantitative, terms the success of efforts to strengthen surveillance.

List of Activities

Bilateral and regional surveillance

- Among surveillance countries, many countries will continue to require increased attention, in light of their importance, not only for the region but also for the global economy.
- Increased attention to cross-country policies issues of the euro area and of the European Union (EU) countries.
- A greater regional focus in the approach to surveillance of transition countries in Central and Eastern Europe, with particular attention to their efforts to join the EU and the EMU.
- In the context of the Caribbean Initiative, Fund relations with this region will be strengthened. The proposals under the Caribbean Initiative approved by management call

for the expansion of regional surveillance and preparation of a regional paper—Caribbean Economic Outlook—on a regular basis (at least annually and possibly biannually), and intensification of the dialogue with regional organizations.

- Work on international reserves and external debt drawing in part from the strengthening of the SDDS and data provision to the Fund.

Surveillance over international capital markets and related research

59. The focus will be on enhancing and deepening research on a wide variety of topics, including exchange rate arrangements, the causes, prevention, and management of financial and foreign exchange market crises, the role of incentives in strengthening financial market discipline (especially as regards highly leveraged institutions), institutional changes that alter the dynamic adjustments of banking and financial systems to alterations in market participants views, enhanced monitoring of financial markets, enhancement of the analysis of private market financing to emerging market economies, and exploring better means to involve the private sector in crisis prevention and resolution.

Assessing external vulnerabilities/drawing on the private sector

60. Increased attention will be paid to the assessment of external vulnerabilities in order to forestall or mitigate the effects of foreign exchange and financial market crises and finding ways to better draw on private sector views to inform surveillance.

Resource Estimates

61. Net additional resources proposed by area and functional departments for surveillance-related program work total 29 staff years over the coming three-year period. Of these, 15 staff years are needed in FY 2001. These resources are required to: (i) enhance surveillance, particularly cross-country analysis and regional surveillance; (ii) strengthen research activities including surveillance over international capital markets; and (iii) continue the focus on strengthening the assessment of countries' vulnerability to crises.

Table 4 provides supporting information by major activity.

Table 4. Enhanced Surveillance: Estimates of Additional Resources 1/		
	Medium-Term FY 2001–FY 2003	First Year FY 2001
Program time in staff years		
Bilateral and regional surveillance		
Asia region	2	1
Euro region / EMU	3	1
Caribbean region	1	1
Statistics and related	5	0
Policy development, evaluation and other	6	3
Research (including International Capital Markets)	6	4
Assessment of External Vulnerabilities/ Involvement of the private sector	3	2
Subtotal (Direct)	26	12
Plus: Support	3	3
Total	29	15
1/ The estimated total resource cost of the Fund's existing surveillance program is 642 staff years or \$133 million ("Administrative and Capital Budgets for FY 2000," EBAP/99/135, 3/31/99). It is projected that during FY 2001, 166 countries will be on a 12-month surveillance cycle, and 20 countries will be on 18-24 month cycle.		

VII. ENHANCED TECHNICAL ASSISTANCE

Program Overview

62. This program aims at enhancing the effectiveness of the Fund's technical assistance program. To this end, it seeks fuller integration of technical assistance with an individual country's overall policy framework, greater involvement of national authorities in project formulation and implementation, and closer linkage of technical assistance with work on standards and codes of transparency, as well as enhanced coordination with other technical assistance providers. The principal goals of the program consist of (i) Improving planning and coordination of technical assistance resources among member countries and prioritization of resource allocation to various areas; (ii) Enhancing the effectiveness of technical assistance delivery; and (iii) Enhancing the Fund's training program for officials of member countries.

63. The program envisages enhanced collaboration with other multilateral organizations and bilateral agencies. In this regard, TCs and TCAPs will be prepared in collaboration with other organizations and member countries. The range and types of partnerships with other organizations are expected to expand in the light of the new capacity-building demands arising from the enhanced HIPC/PRGF Initiatives and the work on transparency, standards and codes.

Mission Statement

64. To enhance the effectiveness of the Fund's technical assistance program, taking into account the views expressed at the June 1999 Board meeting on the subject. In particular efforts will be directed towards:

- Fuller integration of technical assistance with a country's overall policy framework.
- Greater involvement of national authorities in project identification, formulation and implementation.
- Closer linkage of technical assistance with work on standards and codes of transparency.
- Enhanced coordination with other technical assistance providers, as well as greater dissemination of information on Fund's technical assistance activities.
- More systematic and rigorous follow-up, monitoring, and evaluation of TA.
- Expansion in the training offered by the Fund for officials of member countries.

65. **Goal One:** Improved planning and coordination of technical assistance resources among member countries and prioritization of resource allocation to various areas.

Objectives

- Approval by the Board of a Fund policy statement on technical assistance (January 2000).
- Revised policy on Technical Assistance Country Contributions in place (March 2000).
- Six full-fledged TCAPs prepared presenting country needs in a medium-term framework (by end-CY 2000).
- Approximately 16-20 Technical Consultations completed as part of Article IV consultations (by end-CY 2000).
- Enhanced collaboration with other multilateral and bilateral providers of technical assistance particularly in relation to the rising capacity-building needs of PRGF/HIPC eligible countries (joint collaboration in place in at least three countries by end-FY 2000, and a further three to six in FY 2001).

66. Goal Two: Enhancing the effectiveness of technical assistance delivery.

Objectives

- Enhanced transparency on the operational guidelines of the individual technical assistance providing departments covering technical assistance management, implementation, backstopping, and monitoring, particularly those identified as requiring attention during the Board discussion (August 2000).
- Methodologies in place for more systematic evaluation of technical assistance (August 2000).
- Enhanced visibility of technical assistance in the work of the Fund (continuous).

67. Goal Three: Enhancing the Fund's training program for officials from member countries.

Objectives

- Increase the number of courses offered both at headquarters and overseas to train more officials in a cost-effective manner through the utilization of new technologies and the expansion of regional training institutes.
- Redirect training toward topics of current policy interest such as banking and financial sector issues.

Results Measurement

Expected Results	Results Indicators
Better coordination of TA work programs within the Fund and between the Fund and other agencies	Enhanced satisfaction expressed by recipients and Board with quality relevance and timeliness of TA.
Greater involvement in the planning and implementation of TA by the recipients	Internal consensus that the new policies and procedures are contributing positively to the delivery of higher quality TA.
Visible improvements in the impact and capacity building results of TA	Emergence of measurable indicators of performance.

Sharing of Responsibilities/Cooperation

68. This program envisages enhanced collaboration with other multilateral and bilateral agencies that are responsible for providing technical assistance to improve planning and coordination of resources among member countries. Joint efforts with other providers of technical assistance are also expected, particularly with respect to the capacity-building needs of PRGF/HIPC eligible countries in FY 2000 and FY 2001. TCs and TCAPs will be prepared in collaboration with other organizations and member countries.

List of Activities

- Implementation, monitoring, and reporting on the pilot phase of Technical Consultations for approximately 18 countries.
- Pilot project for experimentation with TCAPs for approximately 6 countries/regions.
- Inter-departmental TAC subcommittees on:
 - (i) TA policy
 - (ii) Operational guidelines for TA
 - (iii) TA evaluation
 - (iv) The Annual Report for TA activities
 - (v) TCP/TCAPs
 - (vi) Other TA policy and procedural issues.

- Preparation of technical assistance policy statement and progress reports for consideration by management and the Executive Board, including those mentioned in the Work Program.
- Expansion of the range and the types of technical assistance partnerships with other agencies in the light of the new capacity-building demands, arising from the enhanced HIPC/PRGF programs and the work on transparency, codes, etc.
- Creation of a public website for the Fund's technical assistance activities.
- Expansion of the Fund's training program for member country officials by utilizing distance learning and other technologies and by increasing the amount of training offered through regional training institutes and joint training programs in collaboration with member countries and other organizations.
- Adaptation of the curricula of training programs for country officials to enhance the coverage of topics of current policy interest, such as banking and financial sector issues.

Resource Estimates

69. Net additional resources proposed for this initiative, including direct and support needs, total 21 staff years for technical assistance over the medium-term period including economics training. Of these, 19 staff years are needed for FY 2001. Net additional resources of 6 staff years are proposed for economics training in FY 2001, while further expansion is envisioned in the medium-term. These resources have been requested to enhance TA in conjunction with the OIA review for evaluation, follow-up work, dissemination, and for establishing a stronger link between TA and surveillance through TCs and TCAPs. The training resources have been requested to expand the Fund's training program for officials from member countries. These estimates are shown by major categories in Table 5.

Table 5. Enhanced Technical Assistance: Estimates of Additional Resources 1/		
	Medium-Term FY 2001–FY 2003	First Year FY 2001
Program time in staff years		
Monetary and Financial Activities	3	3
Fiscal Activities	3	3
Statistical Activities	2	2
Policy Development, Legal and Other	4	3
Economics Training 2/	6	6
Subtotal (Direct)	18	17
Support	3	2
Total	21	19
1/ This does not include additional resources required for the provision of technical assistance associated with new demands for work on PRGF/HIPC, FSSAs, International Standards and Codes.		
2/ Excludes further expansion in the medium term.		

VIII. ENHANCED MEDIA AND PUBLIC RELATIONS

Program Overview

70. This program aims to strengthen the Fund's external communications and to support the continuing trend toward increased Fund openness and transparency. The claim for additional resources also addresses resource constraints that have built up as a result of the growth in demand for, and the limited growth in resources devoted to, these activities in recent years. The program has been guided by the reports of external consultants who reviewed the Fund's external relations activities and the work needed to improve the public's understanding of the Fund's work. The program also aims to promote a more active dialogue with the private financial sector and to improve the flow of information within the Fund, so as to facilitate better informed decisions.

Mission Statement

71. To promote public understanding of and support for the Fund and its policies, and to help the Fund gain full information promptly about global developments relevant to its work. To this end, the program seeks to help the Fund communicate effectively with the media, legislatures, organizations of civil society, the private financial sector and the general public, and to improve the Fund's communications channels through innovative and creative means.

72. **Goal One: Strengthening the Fund's external communications to enhance public understanding of, and support for, the Fund's work.**

Objectives

- Improving the Fund's communications with the media, member countries' legislatures, and civil society.
- Developing further the Fund's external website, including through the establishment of a website section, and making IMF publications more accessible to a broader readership.
- Fully involving staff in area and functional departments and its regional and UN offices in the Fund's external communications, including through media training.

73. **Goal Two: Promoting dialogue with the private financial sector.**

Objective

- Closer and more regular communication with the financial sector, especially institutions active in emerging markets.

74. **Goal Three: Better informed decisions by Fund staff and management.**

Objective

- Improving the flow of information into and within the Fund.

Results Measurement

Expected Results	Results Indicators
Greater public understanding of and support for the work of the Fund.	Number and nature of public statements of journalists, political leaders, and other influential persons relating to the Fund; Number and nature of communications received from outside organizations and the public relating to the Fund; other evidence of support for the Fund and its role.
Better and prompter knowledge within the IMF of current global developments relevant to its work.	Better informed decisions and action by Fund management and staff.

Sharing of Responsibilities/Cooperation

75. The planned activities under this program are in response to the need to improve the Fund's communications with the media, legislatures, organizations of civil society, the private financial sector, and the general public. Closer collaboration with a broad range of institutions, including the World Bank, is envisaged to enhance public understanding of the role of the Fund and to obtain more support for its policies.

List of Activities

- Coordinating the Fund's external communications with the public, including by supporting and advising management and staff on all aspects of public affairs.
- Organizing and contributing to the public dissemination of Fund work through contacts with the media, other non-official groups, and national legislatures, and through the Fund's external website and publishing program.
- Contributing to the prompt flow of information into and within the Fund on relevant global developments and how they are being reported and represented.
- Ensuring effective dialogue and communications with the private financial sector.

Resource Estimates

76. The demand for net additional resources derives not only from the need to strengthen the Fund's external communications, but also to support the continuing trend toward increased Fund openness and transparency, and address the resource constraints that have resulted from the limited growth in resources devoted to these activities in recent years. It has also been guided by management and by consultants' reports, the findings of which have

been broadly endorsed by management and conveyed to Executive Directors. Twenty additional staff years for direct and support needs are requested over the three-year period. Of these, 17 staff years are needed in FY 2001.

Table 6 summarizes these requests and selected activity indicators.

Table 6. Enhanced Media and Public Relations: Estimates of Additional Resources		
	Medium-Term FY 2001–FY 2003	First Year FY 2001
Program time in staff years		
PRGF and enhanced HIPC Initiative	1	1
Media activities		
Management support and writing	3	3
Internal news distribution	1	1
Media relations	3	2
Field /satellite office activity		
Public affairs, including website development	3	3
IMF Center and Bookstore	3	2
Publications	4	3
Subtotal (Direct)	18	15
Support	2	2
Total	20	17
Estimates –Selected Indicators of Activity (per year)		
Number of additional press seminars and briefings	10-15	7-10
Number of additional items posted on external IMF website	500-800	200-250
Number of additional speeches, op eds., and articles for management	60-70	40-50
Number of additional briefings for public, NGOs, etc.	50-60	20-30
Number of visitors to IMF Center	25-30,000	15-20,000
Number of additional titles published	150-160	80-90
Increase in publications revenue	\$500,000-600,000	\$250,000-300,000

