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To: Members of the Evaluation Committee
(Mr. Majoro, Chair; Mr. Alkholifey, Mr. Andersen, Mr. Gibbs, Mr. Legg,
Mr. Mojarrad, Mr. Nogueira Batista, Mr. Virmani)

From: Alessandro Zanello, Committee Secretary

Subject: **Implementation Plan in Response to Board-Endorsed Recommendations
for the IEO Evaluation of IMF Performance in the Run-Up to the
Financial and Economic Crisis**

The attached revision to the paper on the Implementation Plan in Response to Board-Endorsed Recommendations for the IEO Evaluation of IMF Performance in the Run-Up to the Financial and Economic Crisis (EB/EVC/11/4, 3/29/11) will be taken up for discussion at a meeting of the Evaluation Committee to be held on **a date to be announced**.

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INTERNATIONAL MONETARY FUND

Implementation Plan in Response to Board-Endorsed Recommendations for the IEO Evaluation of IMF Performance in the Run-Up to the Financial and Economic Crisis

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Approved by Ranjit Teja

December 22, 2011

I. INTRODUCTION

1. **This paper presents a forward-looking management implementation plan (MIP) for the IEO evaluation.**¹ In addition to addressing the *specific* Board-endorsed IEO recommendations, the paper also tries to transcend a narrow interpretation by providing new implementation ideas where the Board saw merit in the IEO's general, if not specific, approach. For example, while the Board did not agree with the specific recommendation to create a risk-assessment unit, this paper takes a broader view and presents proposals to address the general concern of a lack of risk-focus in IMF surveillance.

2. **The paper also builds on the 2011 Triennial Surveillance Review (TSR).** The TSR presented a wide-ranging action plan setting out the future for IMF surveillance.² This MIP sets out where the TSR addresses the concerns raised by the IEO, but also considers additional steps that could be taken in response to the IEO recommendations. To recap, the TSR concluded that while pre-crisis surveillance suffered from a number of weaknesses, Fund advice during the crisis was generally timely and responsive. It also found that the crisis catalyzed important improvements in surveillance, but there remains scope for progress. The TSR argued that more could be done to promote: (i) interconnectedness, (ii) risk assessment, (iii) financial stability, (iv) external stability, and (v) the traction of surveillance. In response, the Managing Director proposed, and the Board agreed to, a surveillance action plan to make surveillance more effective, candid, and evenhanded. These

¹ *IEO Evaluation of IMF Performance in the Run-Up to the Financial and Economic Crisis* (SM/11/7), and *The Chairman's Summing Up – IEO Evaluation of IMF Performance in the Run-Up to the Financial and Economic Crisis*. (BUFF/11/21).

² *2011 Triennial Surveillance Review—Overview Paper* (SM/11/233), and *Managing Director's Statement on Strengthening Surveillance—2011 Triennial Surveillance Review* (BUFF/11/137). *2011 Triennial Surveillance Review, Report of the External Advisory Group* (SM/11/243).

ideas are incorporated in this MIP. Finally, this paper follows the IEO’s focus on financial sector surveillance, but as was discussed during the Board consideration of this report, other elements of surveillance are important—for instance, fiscal sustainability risks have become more prominent since the IEO report was finalized.

3. **This implementation plan also establishes robust monitoring mechanisms.** It moves beyond providing a comprehensive approach in responding to the Crisis Evaluation. As highlighted in the TSR, a mechanism of accountability is needed to ensure that those reforms undertaken are effective, and an update on where things stand on the surveillance agenda will be considered by the Board at the end of 2012. For those IEO recommendations not covered in the TSR, this plan suggests initiatives to address the concerns raised by the IEO. Progress on those issues will be monitored through future Periodic Monitoring Reports (PMRs). As with the TSR, this MIP will build on the Fund’s strengths and should improve surveillance—but it is only a starting point and progress will need to be closely followed.

II. IEO RECOMMENDATIONS AND BOARD REACTIONS

4. **During the Board discussion, Executive Directors “concurred with the general thrust of the IEO evaluation and recommendations.”** They “considered that the report provided a balanced assessment of the failure of Fund surveillance to adequately anticipate and warn about the global crisis, consistent with the Fund’s own reports that acknowledged these shortcomings.” Directors broadly agreed with the IEO findings on the factors that had contributed to the failure to identify risks and give clear warnings in the run up to the global financial crisis. At the same time, they noted that “the reform initiatives undertaken since the onset of the crisis—the early warning exercise, the vulnerability exercise for advanced economies, inputs into the G20 Mutual Assessment Process, integration of WEO-GFSR messages, mandatory financial stability assessments for systemic countries, and cross-country and spillover reports—will help enhance the candor and traction of surveillance.”

5. **The Evaluation made five general recommendations,** each followed by more specific recommendations on how they could be implemented. The five general recommendations were:

- Create an environment that encourages candor and diverse/dissenting views;
- Strengthen incentives to “speak truth to power”;
- Better integrate financial sector issues into macroeconomic assessments;
- Overcome silo behavior and mentality; and
- Deliver clear, consistent messages to the membership on the global outlook and risks.

6. **In the Board discussion, Directors expressed a range of views on the appropriateness and suitability of the IEO’s specific recommendations.** They underscored that further analysis and discussion were warranted in some areas to make the

specific recommendations actionable within competing work program priorities and budgetary constraints. They also suggested considering other responses to complement the IEO's general recommendations. Finally, Directors emphasized that issues of internal culture and institutional values should be tackled directly in following-up on the IEO report.

III. Implementation Plan

A. Create an environment that encourages candor and diverse/dissenting views

IEO Recommendation: *“Create a risk assessment unit that reports directly to Management, with the purpose of developing risk scenarios for the systemically important countries and analyzing tail risks for the global economy.”*

7. **Actions will be taken to ensure an in-depth discussion of risks, alongside a well-designed central forecast.** While in the Board discussion of the IEO report Directors did not support the recommendation to create a new risk assessment unit given overlap with other recent initiatives, the TSR looked more broadly at ways to address the problem. It concluded that, despite some progress, further strengthening risk assessments and recognizing transmission channels and linkages are imperative if the Fund is to play a more effective role as systemic risk advisor, globally and at the country level. The Action Plan for the TSR argued that processes must be improved to bring about a greater focus on risks. In particular, policy discussions and advice to members weigh the need to insure against potential risks and consider mitigation policies, should risks materialize. To this end, attention to risks must be further stepped-up, with analysis deepened to better identify vulnerabilities, and transmission channels. Three specific actions were agreed in the context of the TSR, that also get to the heart of the IEO's concern:

- Starting with the April 2012 issue, WEOs will pay greater attention to risks around the baseline;
- The review process is being modified to ensure that relevant analyses and findings from the vulnerability and early warning exercises, the WEO, the Fiscal Monitor, and the GFSR will be taken up in policy discussions with country authorities. The tools underlying multilateral surveillance will be disseminated to area departments to support this effort; and
- The upcoming revised surveillance guidance note will stress the need for an explicit discussion of risks in Article IV consultations. This could be supported by risk assessment matrices in Article IV reports akin to those used in financial sector stability assessments.

IEO Recommendations: *“Change the insular culture of the IMF through broadening the professional diversity of the staff, in particular by hiring more financial sector experts, analysts with financial markets experience, and economists with policy-making backgrounds.”* And *“Strengthen financial sector expertise in the IMF by updating the staff's*

knowledge through training and by hiring experienced market participants in both the Monetary and Capital Markets Departments (MCM) and area departments.”

8. **Efforts will continue to broaden the professional diversity of staff, including their educational background and skill mix.** These measures will sharpen the staff’s skills, provide greater cross country experience, and also improve the credibility and traction of the Fund’s advice. In this regard, steps have been taken to:

- Recruit a higher proportion of midcareer economists with substantial policy experience (72 percent in 2010, up from 59 percent in 2005);
- Hire more staff with financial sector experience as well as experts with fiscal and debt policy skills, doubling the number of hires with such skills in recent years; and
- Increase support for training and secondments, which are allowing staff to sharpen their knowledge of financial markets.

Progress is ongoing, and updates will be provided to the Board on an annual basis by the Human Resources Department (HRD). The next such update is expected in July 2012. Separately, and recognizing that there are no quick remedies to changing an organization’s culture, efforts have been made to improve other aspects of diversity—e.g., gender, nationality and educational background—to address the groupthink highlighted by the IEO.

9. **Recommendations to enhance career development opportunities for A14 staff will be folded into the staff survey action plan (more below).** These measures will help address problems of insularity and limited mobility, and increase the potential of both general economists and specialists. A working group has been established by Management to consider ways to enhance their opportunities. The group’s recommendations cover reforms that would support career development for financial sector experts, including broadening promotion criteria for A15/B1 to improve career progression for staff engaged in advisory and technical services; enriching job content, visibility, and opportunities for cross-department collaboration; and enhancing internal and external mobility opportunities.

IEO Recommendation: *“Ensure that Summings Up of Board discussions better reflect areas of significant disagreement and minority views.”*

10. **To enhance the candor of Board communications, efforts will be made to appropriately reflect minority views in Summings Up.**³ The approach taken in the

³ For background on the origins, purposes, and processes of summings up, see *Improving the Summing Up Process* (EB/APC/09/3, 6/2/2009).

preparation of Summings Up for country matters differs from that for the Summings Up for policy matters. For country Summings Up, the aim is to deliver to country authorities focused policy messages that convey the sense of the Board meeting. For policy meetings, by contrast, the convention is for the Summings Up to reflect a range of views to help pave the way for consensus and operational guidance. A Working Group of Executive Directors, supported by staff and perhaps an external consultant, will be established to clarify the purposes of Summings up, including the appropriate presentation of minority views. The intention is to deliver a report with recommendations in the coming months and seek the Board’s endorsement on any proposed changes.

11. **Further in this direction, and as part of reforms in Board practices, the variety of Directors’ views are highlighted ahead of Board discussions.** Specifically, the document entitled *Main Themes in Grays* now casts a sharp light on “Issues for discussions” (in the case of country matters) or “Remaining Diverging Views” (in the case of policy matters). With factual questions answered in writing ahead of meetings, Board discussions are generally better framed for a substantive consideration of key issues—and, as importantly, for an explicit airing of minority views during the meetings.

IEO Recommendation: *“Actively seek alternative or dissenting views by involving eminent outside analysts on a regular basis in Board and/or Management discussions.”*

12. **External views are being sought in policy papers, when appropriate.** The TSR suggested increasing the use of external views in Board and/or Management discussions. Ideas floated in the TSR included undertaking external ex-post assessments of Fund surveillance in systemic countries, covering surveillance over a number of years, conducted independently or in the context of future TSRs. The TSR also raised the idea of having more debate in Article IV consultations by referring to minority views in staff reports and seeking external views on concluding statements/reports (e.g., by facilitating web debates). While the Board did not see scope for moving further in this direction at this time, alternative views have also been sought for policy discussions. For example, external experts provided both independent reports and independent checks on staff for the TSR. Several of these experts presented their views on keys issues covered by the review, and their reports were provided to the Board in full. Additional external input through an External Advisory Group also provided an independent check on staff analysis and recommendations. The upcoming Review of Conditionality also uses external advisors to comment on staff analysis.

B. Strengthen incentives to “speak truth to power”

IEO Recommendation: *“Management should encourage staff to ask probing questions and challenge Management’s views and those of country authorities.”*

13. **Improving the candor, quality, coverage, and evenhandedness of IMF surveillance is essential for increasing traction.** The TSR found that while views on candor

are mixed, surveillance may be erring excessively on the side of caution. One element of speaking truth to power that is of particular relevance to this IEO evaluation came from the surveys undertaken for the TSR. Specifically, while surveys did not find strong evidence of pressure from members on mission chiefs to temper their positions, a few mission chiefs did report instances of pressure from large advanced and emerging economies.

14. **Measures will be taken to increase the candor of surveillance.** As described above, the TSR raised the idea of encouraging more debate in Article IVs but it also emphasized the IMF's role to raise relevant, and at times difficult, issues to ensure the candor of IMF surveillance. One aspect of speaking truth to power is not to drop references to policy advice that may not have been implemented - the TSR noted that a lack of follow-up to past recommendations could be symptomatic of a wider problem (e.g., lack of candor or consistency in policy advice). The review process will therefore now ensure that country papers report on the implementation of past advice given in Article IVs and key FSAP recommendations.

IEO Recommendation: *“Conduct regular IMF-wide self assessments to look at the health and functioning of the organization.”*

15. **A Fund-wide action plan in response to the recent staff survey was rolled-out in October 2011.** The plan was developed by HRD in consultation with departments and the Staff Association Committee. More than 2,000 staff participated in the survey in December 2010 and January 2011, a response rate of over 70 percent. The survey yielded results that were very positive, and also identified opportunities for improvement in the areas of career development, performance management, and staff empowerment. For example, less than half of respondents felt that the Fund was effective in identifying the best staff for promotion, managing poor performance, and creating an environment in which staff can challenge traditional ways of doing things and contribute ideas to their full potential. The action plan addresses these challenges through a range of measures, many of which are already in train, including: the implementation of an accountability framework for managing departmental performance on people and budget outcomes; a more structured approach to facilitate internal mobility, and the extension of options for external mobility; significant investment in leadership development and managerial training; and a strengthening of performance management. It is intended that a full staff survey will be conducted every two years, and a mini-survey focusing on opportunities for improvement in the interim years.

16. **Regular self-assessments, with input from both authorities and external stakeholders, will take place.** In the Board discussion, Directors supported further progress in this area, and this in fact has increasingly been the case in recent years in both strategic and policy reviews (the Fund's Mandate, medium-term strategy, and surveillance and conditionality reviews). The forthcoming IEO evaluation of self-assessment systems will provide a further opportunity to review progress.

C. Better integrate financial sector issues into macroeconomic assessments

IEO Recommendations: *“Continue to strengthen the FSAP and address the problems... which limited its effectiveness in the run-up to the crisis.” And “Strengthen financial sector expertise in the IMF by updating the staff’s knowledge through training and by hiring experienced market participants....Missions to G20 economies and other financial centers should include experienced financial experts.”*

17. **More will be done to integrate financial stability assessments in bilateral and multilateral surveillance.** Background studies for the TSR noted that stakeholders see the Fund as having a unique role to play in the promotion of global financial stability. The TSR made a number of recommendations to buttress the Fund’s role by increasing the effectiveness of financial sector surveillance. The TSR also concluded that the integration of FSAPs in Article IVs remains insufficient. And, while the introduction of mandatory FSAPs for 25 systemic economies represents progress, their frequency—every five years—is low when compared with the pace of financial developments.

18. **With insufficient Board support for increasing the frequency of mandatory FSAPs for systemic economies, alternative modalities will be pursued.** A financial expert will be assigned to each Article IV team involving systemically important financial sectors. As highlighted above, efforts will continue to broaden the professional diversity of staff, including their educational background and skill mix, with more staff being hired with financial sector experience. Additional resources will be mobilized for the systemically important countries as well as others as needed (e.g., in case of mounting financial vulnerabilities). Coverage of financial issues in Article IVs will be further strengthened by (i) stepped-up training and dissemination of vetted tools (e.g., stress-tests) and good practices, including on LIC-specific issues, so that they can be effectively used by country teams and (ii) cross-country thematic studies (e.g., on interconnectedness and financial deepening). Staff will also intensify efforts to draw cross-country lessons from FSAPs. For example, a paper on *Stress Testing: Toolkit and Best Practices* will focus on stress-testing banks, drawing on the knowledge accumulated through the FSAP. To guide all of the efforts listed above, staff is preparing a strategic plan for financial sector surveillance, which will be discussed by the Board in March 2012. This will cover the objectives of financial sector surveillance, and work on identifying vulnerabilities and risks, transmission channels such as macro-financial linkages, and policy responses including macro-prudential policies.

D. Overcome silo behavior and mentality

IEO Recommendations: *“Management should clarify the rules and responsibilities for the internal review process, in particular for connecting the dots... bringing cross-country experience to bear, and having policy consistency across countries/regions on cross-cutting issues... establish interdepartmental collaboration at an earlier stage of the Article IV process.”*

19. **New measures will ensure the demand for cross-country experience among staff is met.** At the same time, there is a need to be cognizant of the demand for mission team stability, as identified in earlier IEO evaluations. Reforms have recently been announced to ensure that an appropriate balance is struck. Going forward, three years will be about the minimum for an assignment, at five years staff members will be encouraged to look for assignments outside their department, and if they are unable to do this by seven years there will be centralized support. The scheme will start with A-level economists and be extended to other staff based on this experience. HRD, with the support of the Technology and General Resources Department (TGS), has also put in place a system to monitor mission chief and team tenure, the results of which will be shared with the Board as a part of briefings on strategic personnel issues. Finally, Management will take a number of specific measures to make progress on cross-departmental collaboration, and has sent a clear message about the value the organization places on it. One recent innovation has been the practice of convening interdepartmental meetings at the outset of each important policy Board paper to make sure all relevant views and workstreams are brought to bear early in the process.

20. **Efforts will be made to enhance the Fund’s ability to ‘connect the dots’.** The TSR concluded that the propagation of the crisis and subsequent tensions underlined the case to increase analysis on linkages and spillovers. A number of specific actions will now be taken forward that address the concerns raised in the IEO report on this issue. They include: upcoming WEOs will cast the chapter on regional developments around policy spillovers and interactions across countries in different regions; spillover reports will be continued next year for the systemic five economies with the agreement of the relevant members; spillovers and cross-country experiences will be given more coverage, as appropriate, in Article IVs, with the support of the review process; and the aim will be to have Article IV consultations for interconnected countries discussed by the Board in clusters.

E. Deliver a clear, consistent message on the global outlook and risks

IEO Recommendation: *Ensure that the assessment of the global economy is consistent and comprehensive, taking a stance on a central scenario with clear specifications of risks and vulnerabilities around this scenario. This assessment should be transmitted to the membership in a clear fashion.*

21. **The creation of the Consolidated Multilateral Surveillance Report (CMSR) directly addresses the IEO’s recommendation.** In the Board discussion, Directors emphasized the need for the WEO, the GFSR, and the Fiscal Monitor to deliver a consistent message. The TSR found that while the Fund’s multilateral products are valued, there is a risk that key policy messages are diffused. The TSR also highlighted that the volume of

multilateral surveillance output raises risks of overlap, inconsistency, excessive segmentation of messages, and inefficient work practices. On the other hand, TSR survey results suggested that different surveillance vehicles, including Regional Economic Outlooks (REOs), are held in high regard by diverse stakeholders. The CMSR will distill the key messages from the WEO, the GFSR, the Fiscal Monitor, and other surveillance products, and has the potential to increase traction and strengthen the intra-institution dialogue on key issues and policies. It follows the TSR's conclusion that drawing top-line messages for senior policymakers is important for ensuring consistency and coherence of the Fund's messages. Finally, as described above, starting with the next issue, WEOs will pay greater attention to risks around the baseline.

F. Internal culture and institutional values

22. **During the Board discussion, Directors stressed that progress is needed on issues of internal culture and institutional values**, although not addressed directly in the IEO report. Clearly there are no quick remedies in this area. Taken together, the measures outlined in the TSR, and in this MIP, go some way in providing a comprehensive commitment to tackle these issues. Furthermore, as described in detail above, IMF Management has announced a series of reforms covering leadership, management training, mobility, and accountability. The Fund will invest in building a better understanding of the importance of diversity, and there will be a statement of workplace values agreed by September 2012 for employees emphasizing the need for an enhanced focus on people management and diversity.⁴

23. **The statement of workplace values will provide guidance as to the desired cultural and behavioral changes and encourage staff to adapt behavior accordingly.** It is proposed that the statement should emphasize:

- The mandate for managers and supervisors to achieve top-quality output through top-quality people management and staff development;
- An encouragement for all staff to contribute their ideas to the work program of departments, even if these are not in line with the Fund's "group think";
- Readiness for continued learning and growth of experience through an array of diverse roles throughout a Fund career;
- Readiness for mobility, both inside the Fund and vis-à-vis the outside, including Resident Representative positions;
- Measured risk taking; and

⁴ See Town Hall Presentation by the Deputy Managing Director to the Staff, 19th October 2011.

- Team work, tact, and understanding in interactions with colleagues, recognizing the wide range of cultural differences that exist within the Fund.

24. **Further measures can also be taken to improve the learning culture of the Fund.**

These issues will be explored in the context of the IEO's forthcoming report on self evaluation systems at the Fund. But, as a first step, and to enhance the ability to monitor the implementation status of Board-endorsed IEO recommendations, future PMRs will contain a comprehensive analysis of the status of all such recommendations.⁵ This will begin with the Fifth PMR, due in early 2012.

IV. RESOURCE IMPLICATIONS

25. **As discussed in the TSR Action Plan, the resource implications of these measures to improve IMF surveillance can be contained.** Some entail a shift in emphasis and focus—for example towards risk analysis and away from issues of lesser relevance to economic and financial stability assessments (translating, for instance, into fewer working papers on non-core topics)—without measurable costs. Other initiatives—spillover reports, publishing multilaterally-consistent external balance assessments, the CMSR, and increased financial expert involvement—will entail some additional cost. The preliminary estimate of the net additional resources needed for future years (above what is already factored in the current medium-term budget) is \$3.2 million for those measures coming out of the TSR. The 2013 budget discussion will be able to identify savings to cover the additional resource implications. The costs of other initiatives discussed in this Plan—including those on summings up, self assessments, hiring practices, diversity, staff tenure, and cross-departmental collaboration—will need to be assessed in the context of the medium-term budget discussions, with possible offsetting cost savings found by re-prioritization as needed.

⁵ Taking the [First Periodic Monitoring Report](#), which summarizes all previous IEO recommendations, as a baseline, the Fifth report will cover the implementation status of all subsequent Board-endorsed recommendations. This responds to the request from many stakeholders for a mechanism to monitor the implementation of recommendations from earlier IEO evaluations.

Table 1. IEO Evaluation of the IMF’s Performance in the Run-Up to the Financial and Economic Crisis: Recommendations, Board Response, and Proposed Follow-Up

IEO Recommendations	Executive Directors’ Responses	Follow-Up Plan—Key Points
Create an environment that encourages candor and diverse/dissenting views		
<p>1. Actively seek alternative or dissenting views by involving eminent outside analysts on a regular basis in Board and/or Management discussions.</p>	<p>“Directors generally agreed that more should be done to seek alternative or dissenting views, and a number of Directors were of the view that direct interactions between the Board and eminent outside analysts could be enhanced.”</p>	<p>The TSR made extensive use of external views. At this time there is little appetite in the Board to make this a more regular aspect of Board and/or Management discussions.</p>
<p>2. Create a risk assessment unit that reports directly to Management, with the purpose of developing risk scenarios for the systemically important countries and analyzing tail risks for the global economy.</p>	<p>“A number of Directors did not support the IEO’s recommendation to create a new risk assessment unit, given the overlap with other recent initiatives, but instead encouraged enhanced outreach to disseminate risk assessments under the early warning exercise.”</p>	<p>The TSR concluded that more needed to be done to ensure an in-depth discussion of risks, alongside a well-designed central forecast, and as a result:</p> <ul style="list-style-type: none"> -WEOs will pay greater attention to risks around the baseline; -Analyses and findings from multilateral products will be taken up in policy discussions with country authorities; -More explicit discussion of risks and matrices in Article IV’s.
<p>3. Change the insular culture of the IMF through broadening the professional diversity of the staff, in particular by hiring more financial sector experts, analysts with financial markets experience, and economists with policy making backgrounds.</p>	<p>“Directors supported the recommendation to broaden the diversity of staff, including their educational background and skill mix. They welcomed ongoing efforts to hire financial sector experts and to manage their career progression once in the Fund.”</p>	<p>Significant efforts will continue to broaden the professional diversity of staff, including their educational background and skill mix. HRD will provide regular reports to the Board on progress.</p>

<p>4. Ensure that Summings Up of Board discussions better reflect areas of significant disagreement and minority views.</p>	<p>“Many Directors...noted the value of having more granular Summings Up of Board discussions to reflect important minority views, without losing track of the objective of building consensus.”</p>	<p>A Working Group of Executive Directors, supported by staff and perhaps an external consultant, will clarify the purposes of summings up, including the appropriate presentation of minority views.</p>
<p>5. Encourage the staff to be more candid about the “known unknowns,” to be more ready to challenge their preconceptions, and to frankly disclose the limitations of data and technical tools underlying its analysis.</p>	<p>...</p>	<p>The MIP describes a number of initiatives to address the Fund’s institutional culture.</p>

<p>Strengthen incentives to “speak truth to power”</p>		
<p>1. Management should encourage staff to ask probing questions and challenge Management’s views and those of country authorities. Well-founded analysis should be supported by Management and the Board even when the diagnosis might not be shared by country authorities.... Clarify the roles and responsibilities of Board members and Management in ensuring that staff is not unduly constrained by political considerations when conducting surveillance.</p>	<p>“Directors agreed that incentives needed to be strengthened to ensure the Fund “speaks truth to power,” while noting that this was an exceedingly difficult issue for any international agency. Directors looked forward to the upcoming <i>Triennial Surveillance Review</i>, which will examine the promotion of effective surveillance.”</p>	<p>The TSR discussed a number of measures that would increase the candor of surveillance, including:</p> <ul style="list-style-type: none"> -Reporting on the traction of past advice; -A commitment that staff will exchange views with authorities on key issues for discussion prior to Article IV missions, but without compromising the IMF’s capacity—and obligation—to raise relevant, and at times difficult, issues
<p>2. Conduct regular IMF-wide self-assessments to look at the health and functioning of the organization.</p>	<p>“Directors supported the proposal for the IMF to continue to conduct regular self assessments with input from both authorities and external stakeholders.”</p>	<p>The 2011 staff survey, which was hosted by an external survey consultant, identified key themes and areas of concern among staff. Based on the findings, departments have worked with Management to develop action plans. Regular self-assessments, with input from both authorities and external stakeholders, will continue also in the context of strategic and policy reviews.</p>

<p>3. In order to promote more effective bilateral surveillance, consideration must be given to the possibility of issuing staff reports without the need for Board endorsement. This could be followed by a peer review process structured to give surveillance greater traction.</p>		<p>This proposal did not receive any support from the Board.</p>
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Better integrate financial sector issues into macroeconomic assessments		
<p>1. It is necessary...to ensure that the coverage, periodicity, and participation in the mandatory financial stability assessments reflect new developments in the rapidly changing financial markets and institutions...The Board should also revisit the possibility of conducting mandatory financial stability assessments every three years...continue to strengthen the FSAP...strengthen its ability to regularly monitor, assess, and warn about stability in global and systemic financial markets and institutions.</p>	<p>“Directors welcomed the IEO’s positive appraisal of the recent changes to the FSAP, and felt it would be useful to have further discussion of possible enhancements.”</p>	<p>In the absence of sufficient support for increasing the frequency of mandatory FSAPs for systemic economies, alternative modalities will now be pursued. These include:</p> <ul style="list-style-type: none"> -Coverage of financial issues in Article IVs will be further strengthened by stepped-up training and dissemination of vetted tools and good practices, as well as cross-country thematic studies -Intensified efforts to draw cross-country lessons from FSAPs.
<p>2. Strengthen financial sector expertise in the IMF by updating the staff’s knowledge through training and by hiring experienced market participants...Missions to G20 economies and other financial centers should include experienced financial experts.</p>	<p>“[Directors] welcomed ongoing efforts to hire financial sector experts...some Directors also emphasized the need to continue increasing MCM engagement in Article IV consultations for systemic cases.”</p>	<p>A financial expert will now be assigned to each Article IV team involving systemically important financial sectors.</p> <p>Efforts will continue to broaden the professional diversity of staff, including their educational background and skill mix, with more staff being hired with financial sector experience.</p>

Overcome silo behavior and mentality		
<p>1. Management should clarify the rules and responsibilities for the internal review process, in particular for “connecting the dots.” It should hold the corresponding units and senior staff responsible for integrating multilateral and bilateral surveillance, taking account of alternative views, bringing cross-country experience to bear, and having policy consistency across countries/regions on cross-cutting issues... establish interdepartmental collaboration at an earlier stage of the Article IV process and of the development of themes and ideas for multilateral surveillance documents, [and] ensure that substantive differences in departments’ views are addressed as they arise.</p>	<p>“Directors stressed that, while more could be done to foster cross-departmental collaboration, recent initiatives, such as the new internal review process, should be given time before changes are considered.”</p>	<p>The TSR made a number of recommendations to better analyze linkages and spillovers across sectors and countries, as well as bringing more cross-country experience to bear.</p> <p>Specific measures will be taken to make progress on cross-departmental collaboration, promote diversity of views and of staff, and address mobility issues.</p>

Deliver a clear, consistent message to the membership on the global outlook and risks		
<p>1. Ensure that the assessment of the global economy is consistent and comprehensive, taking a stance on a central scenario with clear specifications of risks and vulnerabilities around this scenario. This assessment should be transmitted to the membership in a clear fashion.</p>	<p>“Directors... considered it crucial that the analyses of the WEO, GFSR, and the Fiscal Monitor deliver a consistent message.”</p>	<p>The recent creation of the Consolidated Multilateral Surveillance Report, distilling the key messages from the WEO, GFSR, Fiscal Monitor, and other surveillance products.</p> <p>Starting with the next issue, WEOs will pay greater attention to risks around the baseline</p>