

October 3, 2022
Approval: 10/11/22

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 20/16-1

9:30 a.m., February 10, 2020

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

Documents: SM/19/281, and Cor. 1, and Sup. 1; SM/19/282, and Sup. 1

Staff: Collins, IEO; Onyango, OIA; Kostial, SPR

Length: 1 hour and 56 minutes

Executive Board Attendance

K. Georgieva, Chair

Executive Directors

D. Mahlinza (AE)

Z. Jin (CC)

L. Levonian (CO)

R. Kaya (EC)

H. Beblawi (MI)

M. Mouminah (SA)

P. Inderbinen (SZ)

S. Riach (UK)

Alternate Executive Directors

F. Sylla (AF)

R. Morales (AG), Temporary

C. White (AP)

P. Fachada (BR)

A. Guerra (CE)

P. Rozan (FF)

K. Merk (GR)

N. Thiruvankadam (IN), Temporary

F. Spadafora (IT), Temporary

K. Harada (JA), Temporary

M. El Qorchi (MD)

R. Doornbosch (NE)

J. Sigurgeirsson (NO)

S. Potapov (RU), Temporary

K. Tan (ST)

P. Pollard (US), Temporary

H. Al-Atrash, Acting Secretary

O. Vongthieres, Summing Up Officer

L. Briamonte / E. Mannefred, Board Operations Officers

M. McKenzie, Verbatim Reporting Officer

Also Present

Asia and Pacific Department: E. Cerutti. European Department: H. Qu. Fiscal Affairs Department: A. Israr. Human Resources Department: A. Demba, R. Guimaraes Filho. Independent Evaluation Office: C. Collyns, L. de Las Casas Perez de Orueta, P. Loungani, R. Pedraglio Florez, C. Rustomjee, L. Stedman. Knowledge Management Unit: T. Alzona, K. Saulpaugh. Legal Department: C. Blair, N. Stetsenko. Office of Budget and Planning:

A. Schimmelpfennig. Office of Internal Audit and Inspection: B. Fosu, B. Lim, P. Murugan, N. Onyango. Strategy, Policy, and Review Department: P. Garcia Martinez, M. Gonzalez Miranda, Y. Jung, K. Kostial, M. Muhleisen, R. Turk. Statistics Department: J. Rodriguez Delgado, P. Tumbarello. Executive Director: A. Mahasandana (ST). Alternate Executive Director: S. Geadah (MI), L. Palei (RU), D. Ronicle (UK). Senior Advisors to Executive Directors: M. Choueiri (MI), P. Harvan (EC), M. Maida (AE), M. Sidi Bouna (AF), L. Smith (CO), G. Vasishtha (CO), C. Wehrle (SZ). Advisors to Executive Directors: A. Abdullahi (AE), M. Albert (FF), A. Arevalo Arroyo (CE), E. Boukpassi (AF), K. Carvalho da Silveira (AF), T. Chrimes (UK), H. Koh (GR), K. Kuretani (JA), I. Skrivere (NO), D. Susiandri (ST), S. Yoe (ST), J. Barroso (BR).

1. TENTH PERIODIC MONITORING REPORT ON THE STATUS OF MANAGEMENT IMPLEMENTATION PLANS IN RESPONSE TO BOARD ENDORSED IEO RECOMMENDATIONS; CATEGORIZATION OF OPEN ACTIONS IN MANAGEMENT IMPLEMENTATION PLANS

The staff representatives from the Independent Evaluation Office submitted the following statement:

The IEO welcomes these two reports and appreciates staff's diligent efforts in preparing them and presenting them to the Board. Together, the reports show a robust follow-up process to IEO evaluations in action, building on the recommendations made in 2018 by the third external evaluation of the IEO. This strong institutional process, as well as the serious commitment shown by staff, management and Board to implementing the process, has been instrumental for supporting the overall traction of recent IEO evaluations, and should now allow for cleaning up the backlog of off-track actions from earlier evaluations while reinforcing commitments in selected areas.

We are pleased that in the Tenth Periodic Monitoring Report (PMR), OIA has concluded that good progress has been made in implementing the two most recent Management Implementation Plans (MIPs) covered in the report—on IMF work on social protection and fragile states—and that the backlog of off-track items from older MIPs has been reduced from 32 to 24. We are also encouraged that good progress is being made in implementing the recently approved MIP not covered in the Tenth PMR related to the IMF financial surveillance evaluation, and that a head start has already been made in addressing Board-endorsed recommendations from the IMF advice on unconventional monetary policies evaluation, ahead of EVC discussion of the MIP on January 23.

We very much welcome staff's serious efforts to address the remaining backlog of off-track measures from early MIPs through a triage process proposed by the external evaluation last year, which was supported by the IEO and approved by the Board. Staff has consulted extensively with us as well as with Executive Directors during this process.

Our overall assessment is that the Categorization paper is now proposing a suitably pragmatic triage of the remaining off-track items, prioritizing some for reformulation while proposing others to be retired from the formal monitoring process—whether because the action items have been superseded by new initiatives, including by actions in more recent MIPs, or are being adequately monitored in other channels or have become outdated and are no longer seen as Fund priorities. In our view, the paper's proposed

categorization provides a solid basis for today's discussion. Doubtless, no one will be fully satisfied by all the specifics: we will all have some items that we would like to see reformulated rather than retired. But we would emphasize that prioritization is critical—it's better to focus the PMR process on selected items where efforts can be substantially reinforced rather than spread efforts too thinly—and to accept that some important issues can be adequately addressed in other channels.

It's also worth emphasizing that the IEO itself will continue to track and assess progress being made to address issues identified in our past evaluation reports. Our evaluation updates, typically prepared around ten years after an evaluation is discussed at the Board, have proven to be a useful tool to take a more in-depth look at issues and obstacles to progress than is possible in the PMR, which has to cover much wider ground. In this regard, a number of issues that raised concern at the EVC discussion last month on the categorization exercise—such as staff diversity and the quality of staff research and forecasting work—would be among issues covered in our evaluation updates that the IEO anticipates taking up in the years ahead.

Finally, with agreement at today's meeting on the proposed categorization of open actions, attention can shift to reformulating the open actions included in categories 2 and 3 in revised MIPs to be presented to the EVC within the next six months. We look forward to continuing to participate in this process in the usual way.

Mr. Mahlinza, Ms. Mannathoko and Mr. Garang submitted the following statement:

We thank staff for the Categorization of Open Actions report and the comprehensive Performance Monitoring Report (PMR). We appreciate the significant effort that have gone into this exercise. It is encouraging to see from the 10th PMR that the Fund's implementation record for Board-endorsed recommendations has improved for more recent IEO evaluations. We applaud the progress made so far on the Fund's work in Fragile and Conflict-affected States (FCS), on capacity development (CD) for FCS, on the statistics strategy, on forecast errors and analysis, and on the ongoing work to improve the quality of surveillance and programs. Our comments below focus on the performance monitoring report, and on the categorization paper.

The Tenth Performance Monitoring Report

We agree broadly with the PMR classification of actions that are shown as complete or open, and propose just two adjustments below:

On the establishment of an effective high-level FCS committee (paragraph 12), the corresponding IEO recommendation from the IMF and Fragile States (FCS) evaluation is about achieving better coordination of IMF work on FCS with other stakeholders. In this respect, we would appreciate some clarification on whether coordination of IMFC work with other stakeholders has improved.

On the action arising from the IEO evaluation of IMF and Social Protection, requiring ongoing senior staff participation in SPIAC (inter-institutional) meetings (paragraph 30); we see this as a recurring activity. Given that this activity is recorded as being implemented, we wonder if there is a way of ensuring that this activity continues to be implemented.

We welcome the growing number of SMART MIP actions in the PMRs. However, we wonder whether it would be possible in future for the PMR to have a simple summary reflecting progress against targets, as an annex.

Categorization of Open Actions in Management Implementation Plans

We support the proposed classification for MIP actions in categories 1 and 2, and the closing of 16 actions shown to be completed in category 1. Further, we support category 3 classifications and offer two suggestions. On category 4, we support dropping those actions that are repeated in new MIPs. For the rest of categories 4 and 5, we propose consideration of alternative measures to monitor implementation of actions.

Suggestions for category 3: For action 3.5 that requires staff “to inform authorities on Fund policy on treatment of confidential information,” we propose to require staff to report either in back to office reports or in staff reports. For action 3.6 that requires “adoption of new procedures to ensure the quality of working papers”, consideration could be given to peer reviews from reputable universities or institutes (two reviews) in addition to two internal (IMF) reviews. Staff views are welcome.

Categories 4 and 5: We support the retiring of actions that are repeated in new MIPs, while for the other actions in categories 4 and 5, we wonder whether alternatives, other than dropping the actions were explored. Staff comments are welcome.

The 5-year monitoring rule: It would appear that applying this rule as a remedy for category 4 actions, weakens the monitoring process. In a way, it allows items that have not been implemented to be retired. We would prefer that the rule be amended to require the retirement of actions after five years of operationalization in line with approved annual benchmarks. Actions that cannot be operationalized are by definition not SMART and would need to be reframed.

Long-term technical or cultural change: These actions in category 4 require continuous improvement. In our view, these actions could then be retired after an established process or a culture that ensures continuous improvement has been put in place. In the case of action 5.1 for example, which requires “continuous improvements in the analytical underpinnings of surveillance and program design”, significant and commendable improvements have been made as required by the MIP. If annual milestones were added to action 5.1 to reflect continuous improvements, then it would be clear that the 2019 milestone was achieved, while the long-term action remains ongoing.

Proposed decisions: Finally, we can go along with the proposed decisions, hoping that staff would ensure that areas needing further improvements in the PMR can be addressed.

Mr. Bevilaqua, Mr. Fachada and Mr. Antunes submitted the following statement:

We thank staff for the detailed reports and for the outreach to our office. We also thank the IEO for their written comments. This chair is a longstanding enthusiast of independent evaluation at the IMF; as such, we are particularly keen to see effective execution of Management Implementation Plans (MIPs), following IEO evaluations. We support the proposed decisions and call on staff and management to persist in the efforts to streamline the implementation of MIPs’ actions.

We welcome the new framework for the Periodic Monitoring Report (PMR), following the recommendations of the Kaberuka Report. We believe that a Board discussion, chaired by management, is key to give visibility and increase accountability of the evaluation process. The 10th PMR builds on the previous report and presents a balanced and candid assessment of the status of open actions. We are reassured to see that most actions are either implemented or on track. We are also encouraged by the fact that more recent MIPs face less implementation challenges than older MIPs, and we take this as a clear indication of institutional learning. Moreover, we take note of the substantial

increase in management actions covered in successive PMRs (Figure 3) and are mindful of the operational difficulties involved in the monitoring and implementation of these multiple actions.

Taking into account the necessity to prioritize the implementation of open actions whose impact is most valued, we welcome the proposed Categorization of Open Actions in Management Implementation Plans. We broadly agree with the triage methodology discussed by the Evaluation Committee (EVC) earlier last year, including the division of open actions into five categories according to the root cause of their implementation difficulties. We take positive note that most actions fall under category 1, being assessed as on track, and qualifying for continued PMR monitoring until completion. Furthermore, we endorse the strategy of reformulating actions on categories 2 and 3 according to SMART (Specific, Monitorable, Attainable, Relevant and Time-bound) principles. Finally, we agree that most actions classified under categories 4 and 5 should be retired in due course.

Despite our general support for this triage exercise, looking at specific actions we are not entirely convinced that the proposed categorization is the most adequate. In particular, we have concerns about reformulating action 2.2 on targeting three years average tenure for country assignments. In our view, the action remains relevant, is perfectly attainable, and the original formulation was clear enough. We stress that this is not only a matter of ensuring three-year tenures, but also of ensuring stability of engagement with country authorities over time and implementing best practices for the handover of country assignments, an issue that is treated in action 2.1. We highlight that some of our authorities continue to express their expectation about less frequent turnover of mission teams and continuity in bilateral engagement.

Furthermore, we are concerned with the proposed retirement of some key long-term actions whose implementation is highly valued by the membership. For instance, retiring action 4.3 on geographic and gender staff diversity may send the wrong message to underrepresented constituencies and to the external public, contradicting recent diversity efforts. We fully understand that monitoring of this action overlaps with monitoring also made in the context of the annual Board discussion on Diversity and Inclusion. However, given the importance of the issue, perhaps the PMR process could be maintained in parallel with the Diversity and Inclusion Report. Alternatively, the reformulation of this action according to SMART principles could be a sensible choice. We also believe that there is a good case for reframing and keeping action 5.2 on enhanced capacity development in fragile

states and vulnerable countries, although we are aware that the MIP for the evaluation on the IMF and Fragile States encompasses actions in this area. Again, given the possible misinterpretation that the retirement of this action can have internally and externally, its reformulation could be a different approach. Staff's comments on these issues would be welcome.

We are pleased that the process of categorization led to increased traction of IEO recommendations. Going forward, we expect that the backlog of actions facing implementation challenges will be progressively reduced, as actions in MIPs become more focused and aligned with SMART principles. Nevertheless, we underscore that the increasingly focused implementation process should not prevent the IMF from seeking ambitious, long-term technical and cultural changes as warranted.

Ms. Levonian, Mr. White, Mr. Weil and Ms. Park submitted the following joint statement:

An effective follow-up process is needed to empower IMF's external evaluation function and help the Board discharge its governance and oversight responsibilities. We thank staff for the comprehensive Periodic Monitoring Report and note that good progress has been made in many areas over the past year. While the Report is comprehensive, we think it could support the Board to take a more strategic approach through an assessment of the impact of slippages in the implementation of open management actions. We agree with the proposed categorization of open actions and welcome efforts to clear the backlog and focus attention on the most current and most pressing items.

The Periodic Monitoring Report

There is an opportunity to strengthen the Periodic Monitoring Report as a tool to promote accountability. In the third External Evaluation of the IEO (the 2018 Kaberuka report) the panel recommended that:

“(..) the Board take a direct role in holding management and staff accountable for timely and substantive implementation of MIPs; and that the PMRs should be tabled at formal Board meetings with management and staff present.”

This recommendation led to the decision to elevate the PMR to a formal Board discussion, and we appreciate the opportunity to discuss the PMR in this setting.

Building on the Kaberuka report's view of the Board's role in these matters, and noting that some actions in Category 1 ("on track") are nevertheless being implemented more slowly than originally planned, we request that management bring forward to the Board Evaluation Committee options for future Periodic Monitoring Reports to include, or be accompanied by, an assessment of the impact of slippage in the implementation of open management actions. The inclusion of such information would allow the Board to focus its review on the most material developments from year-to-year and thus promote greater accountability.

In Respect of Specific Open Actions:

Management is off to a good start having implemented 5 of 12 actions associated with the recent evaluation of the IMF and Fragile States. We look forward to the planned review of FCS engagement and to receiving a clearer understanding of how the HR Strategy will concretely incentivize experienced and high performing staff to take on such assignments.

We note the one-year slippage in the proposed delivery of the important guidance note on social spending, which seems excessive. Staff comments on the reasons for this would be welcome.

Implementation challenges associated with actions from older MIPs will largely be addressed through the categorization exercise. However, we would highlight that it has been 4 years since the evaluation of Data at the IMF, with very little progress in addressing management actions. We will be approaching the forthcoming Review of Data Provision to the Fund with these open actions top of mind.

Categorization of Open Actions

We support the proposed categorization as an important exercise to get actions back on track and to help management focus on priority actions. We stress, however, the need to carefully re-frame actions that are being maintained and to ensure the ongoing relevance of the recommendations that underlie actions to be retired. For actions proposed in categories 2 and 3 it will be crucial to reformulate these in a way that gains traction from management and staff. For actions proposed in categories 4 and 5, we are satisfied that the policy intent is not being retired. Some of the initiatives covered by these actions – particularly promoting regional, gender and skills diversity – are foundational to the Fund, and must continue to be addressed through the appropriate workstreams. Many require long term cultural change, or

significant lifts in technical capability, both of which are difficult and require sustained leadership at all levels of management.

We attach particular importance to the reformulation of actions on staff turnover and handover in country teams. The IEO's Evaluation of IMF Advice on Unconventional Monetary Policy found that frequent turnover of country assignments hampers the development of deep understanding of country circumstances and impedes the development of deep relationships necessary for Fund advice to have traction. Frequent staff turnover tends to disproportionately punish small states who may lack the institutional capacity and memory to manage change within the Fund. We welcome plans to take a broader perspective in reformulating the associated actions including considering the role of handover processes but stress that the tenure of the country team as well as the mission chief remains the single most important issue. So, in addition to ensuring adequate knowledge management, new actions in this area should also consider the importance of building deep relationships. We still see merit in considering the role of turnover in the CSR's analysis of traction. It will be important that the Board has the opportunity to engage on the reformulated actions to ensure that the substantive and long-standing concerns in this area are addressed.

Like staff, we view the categorization as a one-off exercise. Going forward, it is our shared responsibility to ensure that MIPs bring forward SMART actions that can be implemented. While we can envision a future scenario where changing circumstances make even SMART actions redundant – for example footnote 5 includes “implementation challenges” as a potential driver of future categorization – such decisions would need to be consistent with the framework approved by the Board Evaluation Committee.

Mr. Chodos and Mr. Morales submitted the following statement:

We thank staff for their useful reports and the outreach to our office. We also welcome the IEO's useful comments on the 10th Periodic Monitoring Report (PMR). The PMR presents a thorough assessment of the implementation of Board-Endorsed IEO Recommendations and will be discussed for the first time in a full Board Meeting. We believe that a Board discussion is more appropriate to ensure that the implementation of Board-endorsed IEO recommendations contributes effectively to enhancing good governance, transparency, and accountability in the Fund.

The well-structured “categorization” report addresses in an effective way a topic of high complexity. We agree with the “triage” as a useful

approach to handle the categorization of open actions. To ensure that this is a one-off exercise and to avoid recurrent problems with the measurement of implementation, efforts should be made to ensure that IEO recommendations are increasingly focused and precise. Moreover, the IEO should aim at providing a manageable number of recommendations, as appears to be the case for the two most recent IEO evaluations included in the 10th PMR.

It is essential that actions in response to IEO recommendations included in Management Action Plans (MIPs) comply with the SMART principles (specific, monitorable, attainable, relevant, and time-bound). This would prevent the emergence of a growing number of actions facing implementation challenges. Regarding the new MIPs to be issued within the next six months to reformulate about one third of the off-track actions, we would appreciate if staff could clarify whether the approach to be adopted would involve the issuance of one MIP or several MIPs addressing the different topics involved.

We find the 10th PMR quite helpful and informative, and we broadly agree with its assessment on the status of the different MIPs. Despite challenges faced by older MIPs, many of the actions in recent MIPs continue to make significant progress towards full implementation. In this regard, we notice the strong progress being made on the actions in response to the IEO evaluations on “The IMF and Social Protection” and “The IMF and Fragile States”. Notwithstanding this progress, a total of 46 actions remain open, of which 24 are facing implementation challenges.

The long-standing issue of the tenure for country assignments originated in 2013 in the context of the IEO Evaluation of The Role of the IMF as a Trusted Advisor. After seven years, decisive action is required to establish a minimum tenure in country assignments, to be monitored by HRD, to help strengthen continuity of the relationship between the Fund and member countries. We recognize, however, that allowing for a longer tenure in country assignments is a difficult issue that conflicts with other objectives, such as career development, promotion opportunities, staff mobility, and the need to preserve flexibility in the allocation of scarce resources. Moreover, especially for fragile states, safety considerations favor keeping the duration of some assignments significantly below the three-year average tenure target. Going forward, it is important that the CSR and the HR strategy come up with a workable reformulation of this action to provide a solution to this problem while paying due attention to conflicting career goals.

Like other Directors, we would favor the continuation of monitoring actions regarding raising regional and gender staff diversity and broadening the professional diversity of staff. Staff proposes to classify these actions in category 4 of the triage as seeking a long-term technical and cultural change, implying that it is not suitable for a binary “open-closed” classification. This would mean that, after five PMR cycles following MIP approval, Management could propose to retire them from the PMR. We would like to suggest an intermediate approach that would entail a reformulation of the corresponding actions. Moreover, the concept of professional diversity should be redefined to encompass not only the candidate’s educational background but also acquired experience that could be relevant to the job at hand. Staff comments on this issue would be welcome.

Mr. Doornbosch and Mr. Etkes submitted the following statement:

The Board discussion of the PMR and of the categorization of open actions are the pinnacle of years of good work by staff and the IEO, which is the Board’s main tool for oversight of the Fund’s work. Through its reports, the IEO contributes to support the Executive Board’s institutional governance, enhance the learning culture within the Fund and strengthen the Fund’s external credibility.

The framework for triage of open actions should not be used to avoid correcting the root causes of the increasing list of delayed or off-track actions. As stated in the 2018 External Evaluation of the IEO (Kaberuka report), the root causes of the lack of traction of IEO recommendations are three-fold: (i) the Board has not consistently demonstrated to management and the IEO the importance it attaches to independent evaluation; (ii) Management has not instilled the importance and value of the IEO’s work in the IMF’s senior staff, nor given incentives to shape desired behavior; (iii) the IEO has not engaged sufficiently with management and staff at each stage of the evaluation to ensure understanding of each other’s viewpoints. We feel that some steps to address these root causes were taken but more can be done.

We offer the following comments focusing on the triage mechanism, which affects long run and strategic processes. First, we believe that it is likely that the triage mechanism will be used in the future as some of the MIPs may fail or will be manifested as not SMART enough. Therefore, we encourage staff to review the need for a new categorization in about 5 years.

Second, we also suggest aspects for reformulation of the following actions:

The role of the Fund as a trusted advisor (2013): country assignment tenure - We find great importance in achieving longer tenures for country teams, including Mission Chiefs. We support the re-formulation of this action and suggest taking a holistic approach of continuity of country teams rather than individual members of the team. Specifically, a shorter turnover of MC would be acceptable if, for instance, a veteran senior economist stays on the country team and continues to cultivate relations with the authorities and their trust and avoid overall country team change in subsequent years. A turnover of a whole country team is not acceptable.

The role of the Fund as a trusted advisor (2013): Confidential Information - the authorities trust that their confidential data and views will not be shared or even published without explicit consent. We suggest that staff will inform the authorities when they share confidential information and that such confidential views and data could be deleted from reports under the transparency policy.

Research and the IMF (2012): Working papers—ensuring the quality of research is paramount to strengthening the reputation of the Fund. We support the reformulation and believe that commissioning reviews by IMF peers from other departments or by external scholars could strengthen the quality check. In addition, reviews by peers from another department could enhance horizontal learning in the Fund.

We also address to be-retired-two actions in the MIP “The role of the Fund as a trusted advisor (2013)”: 4.1 Early consultation with country authorities; 4.2 Share major policy assumptions ahead of the mission – Staff suggested retiring these actions as the PMR was unable to assess whether these actions were implemented and results from the 2019 OED survey. We believe these actions should be included in the new guidelines following CSR. Specifically, country teams should routinely send written outlines of the Article IV and draft SIPs ahead of the mission to allow the authorities to prepare materials and make relevant experts available. We have the impression that some county teams do informally share this information. Moreover, much of these outlines are included in the internal documents and do not require more than reformulation.

With regard to the PMR, we associate ourselves with Ms. Levonian and Mr. White’s request that management bring forward to the Board Evaluation Committee options for future Periodic Monitoring Reports to

include, or be accompanied by, an assessment of the impact of slippage in the implementation of open management actions.

Ms. Riach and Mr. Chrimes submitted the following statement:

We thank staff for the papers, which provide a useful summary of progress and future plans, and which document broadly positive progress since the ninth PMR.

While the total number of open actions has increased relative to the ninth PMR, it is encouraging that, of the 22 actions open and in progress, 15 are expected to be completed by the end of 2020. Nevertheless, with 24 actions open but facing implementation challenges – some of which have been stuck for years – an effective triage is necessary.

Accordingly, we strongly support the approach set out in the Categorization of Open Actions in Management Implementation Plans. Staff stress that this does not mean actions being rationalized (whether they are being ‘reformulated’ or ‘retired’) no longer matter; in many cases, the opposite is true. An exercise of this sort will always involve difficult decisions on specific topics, but the framework is helpful, and this set of papers provides useful additional detail and justification for the proposals. We believe the proposed triage is well-balanced.

Where actions are being proposed for retirement, the assessment provides explicit guidance about which workstream is taking forward the issues. This means Board members can pick up their concerns through these alternative channels. For example, there are several actions on diversity (in terms of gender, underrepresented regions and professional background) which we regard as extremely important and where further progress is needed – but the Accountability Framework, the HR Strategy and the 2025 Diversity Benchmark Working Group are all being used to push these objectives forward, and there are mechanisms for Board oversight outside the Management Implementation Plan actions.

Reformulation of actions which are not SMART is important and logical, and we support the proposals for this category. Significant progress has been made in recent reports to ensure that new IEO recommendations and MIP responses are fully SMART, but there is a backlog of older recommendations which do not meet this standard and must be addressed.

Reformulating actions for which the outcomes have not been achieved is more challenging. Handover in country teams and country assignment tenure are significant issues where the Fund must do better. The actions as cast meet SMART principles. Exactly how these actions (under staff's 'category 2') are reformulated will be crucial. We can accept staff's proposal to reconsider how to frame the actions to deliver the desired results, but stress that the underlying objectives still stand. We welcome the commitment that 'reformulated actions will be proposed for Board consideration within six months of the approval of the Categorization paper'. Nevertheless, we still see some merit in these actions being reformulated as part of the Comprehensive Surveillance Review, given its focus on traction, and would welcome staff views on this.

More generally, all ten of the IEO evaluations covered in this PMR remain pertinent. In particular, we welcome the progress implementing actions from the evaluation on fragile states. The Fund's ability to provide substantive, agile and tailored support to such states is crucial. The actions from the Management Implementation Plan are necessary building blocks for effective engagement. Continued progress against them will be important, but even a fully completed set of actions will not be sufficient for ensuring the IMF delivers as effectively as possible in fragile states. Similarly, while several actions from the evaluation on the IMF's role as a trusted advisor remain incomplete seven years on from, the overarching principles remain fundamental to the institution's effectiveness. Efforts will need to continue across the Fund, to be broader than simply completing the actions, and to evolve to be responsive to the changing challenges, contexts and needs of the membership.

Ms. Pollard, Ms. Crane and Mr. Grohovsky submitted the following statement:

Periodic Monitoring Report

We welcome the opportunity to discuss the PMR in the Board for the first time. We are satisfied with progress on the Management Implementation Plans for more recent evaluations and have only a few comments and questions.

Fragile States. We welcome the progress made to date on actions related to the Fragile States evaluation and look forward to the planned Board review of FCS engagement later this year. We regret that the commitment from management to meet with and provide guidance to the high-level, inter-departmental committee on FCS has not occurred even once, despite being put

forward as a semi-annual management engagement that would begin in 2018. This risks reinforcing a perception that FCS work is not highly valued by management. Can staff elaborate on whether the committee has identified issues that would benefit from management attention, and what type of ongoing engagement management intends to have with the committee, beyond the one meeting that is “expected shortly”? On country engagement strategies for fragile states, we have found the related annexes in the recent Haiti and Central African Republic staff papers to be extremely helpful in placing the IMF’s engagement in a broader political economy context.

Social Protection. We welcome that actions related to the Social Protection evaluation are proceeding broadly as planned, even if a few are taking somewhat longer to achieve. We appreciate the update on the Guidance Note on Social Protection, now expected by end-2020. Can staff share any initial thinking on the type of new diagnostic and policy tools that may be highlighted in that Guidance Note? We welcome the attention of COM and area departments to improve communication around the IMF’s role in social protection, in particular to be clearer about what the IMF can and cannot do given its mandate, resources and expertise. The management action in this area does not appear to be “SMART”, so what will OIA be looking for, specifically, in assessing whether there is sufficient progress by end 2020?

Applying a Risk Lens. We underscore the usefulness of applying a risk lens to the PMR, and echo Ms. Levonian in calling for future PMRs to include an assessment of the impact of slippage in the implementation of open management actions. We note that there will be a large number of open actions, even following the categorization exercise, with 15 actions slated for implementation by end-2020. In the context of a large agenda and limited resources, it is helpful to have a shared understanding of where delays would pose the most significant risks to the Fund.

Categorization Paper

We welcome the proposed categorization of open actions as a serious exercise by IMF staff to address long-outstanding management actions through a triage that will add specificity and incentives to some actions, while picking up others in ongoing workstreams. We underscore that management, staff and the Board need to make best efforts to ensure that this is a one-time occurrence. The IEO should focus on clear and reasonable recommendations in their evaluations and management should strive to make proposed actions “SMART”, with incentives for staff to implement the MIPS and be held to account for failure to do so. The Board also needs to play a strong role on

oversight. We are broadly supportive of the categorization recommended in the paper, and would like to offer comments on several items.

Mission Chief Tenure. We can agree to placing this item in the “reformulation” category, but caution staff against an approach that would lower the bar to allow the status quo to suffice. Instead, we would like to see a reformulation that takes a more holistic and nuanced approach. For example, this could mean adding data on tenure of country team members beyond the mission chief and considering whether a more granular approach (for example aimed at boosting mission chief tenure in country groupings suffering the most from mission chief turn-over) could better address the issue of continuity of relationships. Stronger knowledge exchange during handovers can also help, and should be promoted, but an approach that focuses only on improving handover is unlikely to be adequate.

Quality of Working Papers. As staff reformulates the action on the quality of working papers, we urge them to focus on creating a more robust review process which includes clear sign-off across relevant departments, and sufficient time to engage with other departments or ED offices if they raise issues with the paper. It is not enough to check a box that papers have been circulated for comment.

Knowledge Exchange. Several items, including the one on enhancing the use of cross-country examples, call for improved communication and interaction of staff across departments and will rely in part on stepped up efforts by the Knowledge Management Unit (KMU). More systematic knowledge exchange is vitally important, and the KMU can help, but staff should complement searches of the KMU’s centralized repositories and topical papers (which can take time to produce) with real-time conversations and meetings with colleagues working on similar issues.

Leveraging other Workstreams. We can agree to having other workstreams pick up on the very important challenges of increasing staff diversity and improving the IMF’s expertise on financial sector issues. These issues will require sustained attention from staff, management and the Board to achieve progress and we should not take our eye off the ball.

Mr. Beblawi and Ms. Choueiri submitted the following statement:

We thank the Office of Internal Audit (OIA) and the Strategy, Policy and Review Department for their work and for the outreach with our office. The two reports before us today show a robust follow-up process to IEO

evaluations in action, building on the recommendations made in 2018 by the third external evaluation of the IEO, as noted by the IEO. Like the IEO, we are also pleased that in the Tenth Periodic Monitoring Report (PMR), OIA has concluded that good progress has been made in implementing the two most recent Management Implementation Plans (MIPs) covered in the report and that the backlog of off-track items from older MIPs has been reduced from 32 to 24. We are generally supportive of staff proposals, with the following remarks on the Categorization paper.

Incentives in Categories 2 and 3. The Tenth PMR reviewed the implementation status of 62 MIP actions and considered 24 of these to be off-track. We agree that eight off-track actions that are not directly or fully tackled in other workstreams be moved to Categories 2 and 3 and thus would continue to benefit from follow-up through the PMR. The Specific, Monitorable, Attainable, Relevant and Time-bound (SMART) test would be applied in Categories 2 and 3, and we would appreciate it if staff could clarify how the related implementation incentives would be applied?

Regional diversity. The remaining 16 Actions are placed into Categories 4 and 5. Despite concerns raised by a number of Executive Directors at the Evaluation Committee meeting of December 10, 2019, we were surprised to see that staff proposes to maintain the action on regional diversity, namely raising the share of nationals from under-represented regions (URR), in Category 4. This means that the measure will be retired, as staff proposes to retire all actions in Category 4, since they have been monitored through five PMR cycles. It is not clear to us that the other work carried out at the Fund, including in the context of the Diversity and Inclusion report, is sufficient to address under-representation in some regions, notably MENA and East Asia. The 2019 Diversity and Inclusion Report acknowledged that the Fund is struggling, as has been the case for the last several years, to achieve the benchmarks for URRs, more specifically East Asia and MENA+. The report also recognizes that a basic projection, using a 5-year annual progress average, shows that all else being equal, we would still fall short at the end of FY 2025. Accordingly, a more proactive approach and a stronger commitment at all levels are needed toward meeting the URR benchmarks, including at the senior level, as we called for in the joint statement on the 2019 Diversity and Inclusion Report, that we issued with five other Executive Directors. We therefore strongly support maintaining this action in Category 2 or 3 so that PMRs continue to focus on it and to provide recommendations on ways to address it until tangible progress is made. As it is proposed that actions in Categories 2 and 3 would be reformulated within six months of the approval of the paper's proposed categorization, moving

regional diversity to one of these categories would provide an opportunity to address staff's concern that the action suffered from open-ended formulation and lacked benchmarks.

The Tenth PMR report includes a bracketed sentence in ¶64 reflecting the view of Executive Directors on the 2019 Diversity and Inclusion Report. We suggest that the sentence be updated to reflect the Summing-Up of the discussion, notably Directors' disappointment on the lack of progress in achieving regional diversity and their call for greater efforts to increase the share of staff from URRs, particularly MENA+ and East Asia.

Average tenure for country assignments. We note that only MCD achieved an average tenure of mission chiefs of three years in Fiscal Year 2019 and the country assignment tenure action is proposed for Category 2. It is essential that reformulation of this action keeps in mind the IEO's original recommendation, seeking to ensure the continuity of the relationship between the Fund and member countries. We look forward to concrete proposals in this regard in the HR Strategy.

We can support the proposed decision in SM/19/282, provided the Action on regional diversity is moved to Category 2 or 3.

We see merit in introducing a risk perspective in the PMR, and support Ms. Levonian's call for future PMRs to include an assessment of the impact of slippage in the implementation of open management actions.

Mr. Fanizza and Mr. Spadafora submitted the following statement:

We thank staff for a set of informative reports and welcome the first formal Board discussion of the 10th Periodic Monitoring Report (PMR). Overall, we are pleased that the improvements in the governance framework to follow up on IEO recommendations are bearing visible fruits, including in implementing the most recent Management Implementation Plans (MIPs), as recognized by the IEO. We broadly support the strategy to overcome the backlog of off-track measures from past MIPs. In particular, we agree that Category 4 and 5 actions can be retired and that eight actions (four of which relate to Fund's data) should be reformulated into "SMART actions" within 6 months and included in a new MIP. However, it remains unclear to us how the process of reformulating these actions will ensure their feasibility, effectiveness and resource-compatibility.

The key lesson to be learned from the triage exercise is that, in formulating its recommendations, the IEO should pay more attention to structural constraints and tradeoffs that may hinder their implementation. Therefore, we wonder if the SMART approach should also be applied in formulating the recommendations, in addition to the implementing actions, in order to better internalize these constraints and tradeoffs. Staff's comments are welcome.

We also wonder whether "smartization" should necessarily apply to all potential actions. For instance, actions proposing "technical or cultural change" can often be important, although progress may be hard to measure. Staff's comments are welcome.

We share the IEO's view that it can provide a complementary contribution to the monitoring process, including through evaluations updates and the related in-depth analyses.

Finally, with regard to the PMR we associate ourselves with Ms. Levonian's and Mr. White's request that management bring forward to the Board Evaluation Committee options for future Periodic Monitoring Reports to include, or be accompanied by, an assessment of the impact of slippage in the implementation of open management actions.

Ms. Mahasandana, Mr. Tan, Mr. Abenoja, Mr. Srisongkram and Ms. Susiandri submitted the following statement:

We thank staff for the comprehensive Tenth Periodic Monitoring Report (PMR) as well as their extensive work on the categorization of open actions in Management Implementation Plans (MIPs). We support the work on both the stock-taking of action plans and the proposed triage of open actions to facilitate a more effective review of progress and better tailored remedies for Board-endorsed IEO recommendations. We also note positively that the improvements in the follow-up process has translated to faster implementation and fewer "off-track" actions, which will complement and support the ongoing efforts to clear up the backlogs. We broadly support staff's proposal and would like to underscore a few areas for further action.

General Remarks on the Tenth PMR and the Proposed Categorization of Open Actions in MIPs:

The Tenth PMR provides a comprehensive assessment of the implementation progress of 62 actions covering 10 MIPs as well as a useful

foundation for further improvement. We are pleased that significant progress has been made in implementing the IEO recommendations, particularly for the recent MIPs approved after 2015. This positive development is premised on staff's efforts to design better action plans in MIPs by applying SMART (Specific, Monitorable, Attainable, Relevant, and Time-bound) principles more consistently. Thus, we encourage staff to continue to apply these principles diligently in overcoming the significant challenges that remain in the implementation phase as well as avoiding the recurrence of backlogs. We commend the completion of 16 actions and urge staff to step up efforts to complete the other 22 "on-track" actions given that several of them are delayed beyond their original target implementation dates. We support the proposed triage approach for the remaining 24 "off-track" actions with serious implementation challenges. Like Ms. Levonian and Mr. White, we encourage staff to accompany future PMR with an assessment of the impact of slippages in the implementation of MIPs as this will allow the Board to focus on areas that pose the most material risks.

The work on the categorization of open actions in MIPs is an important starting point to clear the backlog but further work remains to be done. We fully support this process and underscore that it should be a one-off exercise. The triage exercise requires careful judgement and we appreciate staff's comprehensive assessment of the categorization outcomes in the report. Given the large number of open actions to be monitored in future PMRs, the trade-off between coverage and resource implications needs to be carefully considered. To this end, we share IEO's view that prioritization is critical for the success of this exercise. In striking the right balance, we emphasize that the guiding principle for this exercise should not be to retire actions with the aim of clearing up backlogs but rather to find alternative ways to achieve the intended objectives of Board-endorsed recommendations. In this regard, the reformulation of open actions in groups 2 and 3 should ensure that the original IEO recommendations will be effectively addressed, and that new actions replacing those that fall under groups 4 and 5 must maintain the spirit of the old recommendations. The CSR and FSAP Review are good examples in this regard as they are new workstreams that supersede some of the "off-track" actions, with mandates that are well-aligned to the IEO's recommendations related to the role of the Fund as a trusted advisor to member countries. To take this forward, we call on staff to consciously strive to consider and incorporate Board-endorsed recommendations into new and ongoing workstreams as appropriate so that they can be implemented on a more holistic and timely manner. Staff's comments are welcome on institutionalizing such a mindset into its existing work processes as part of the ongoing efforts toward implementing MIPs.

Comments on Specific Action Plans:

We encourage staff to reinvigorate actions to strengthen the continuity of the relationship between the Fund and member countries as this is crucial to ensure that the Fund can play its role as a Trusted Advisor effectively. We are concerned by the implementation challenges faced by the plan to target a three-year tenure for country assignments due to staff career development constraints and other HR objectives. While there is a formal process to monitor the tenure of mission chiefs under the Accountability Framework Scorecard, the turnover data for desk economists is less reliable and has not been consistently used to monitor tenures. We believe that monitoring the tenure of both the mission chief as well as desk economists is of utmost importance. Frequent changes in the country team's composition combined with gaps in the handover process will impact the quality of Fund engagement with its member countries. We support staff's proposal to reformulate this action plan to better address the multi-faceted/structural constraints that have emerged in the implementation phase and look forward to further updates on the progress in redesigning the new action plan that is relevant and attainable.

We reiterate our strong commitment toward the Fund's goal to become a more diverse, gender equal, open, and inclusive workplace. In this vein, we are interested in the measures to raise the share of nationals from underrepresented regions (URR) among senior staff and set a target for representation of woman at senior levels. This MIP was designed in accordance with the IEO recommendation to strengthen the continuity of the relationship between the Fund and member countries in the context of the role of the Fund as a Trusted Advisor. The associated action plan is proposed to be classified under category 4, which means that it will be retired after five years of monitoring in the PMR despite the lack of progress to date. Specifically, the Diversity and Inclusion Report 2019 indicated that the progress toward achieving the 2020 diversity has been uneven and some of the URR benchmarks targeted for 2020 are unachievable. Moreover, the Fund would still fall short of the diversity benchmarks in 2025, unless there is a significant change in the current strategy for URRs. These reinforce the need to further strengthen the Fund's workstream to improve diversity, including regional diversity, to improve the share of staff from URR. Given staff's proposal to retire the MIP on URR from the PMR and monitor it under the Diversity Scorecard instead, we invite staff's comments on the implications of this change, including the effectiveness of the Diversity Scorecard and the Diversity and Inclusion Report.

We emphasize the importance of the action plan to introduce measures to fully embed macro-financial analysis in Article IV surveillance as it will improve the quality of IMF surveillance that benefit member countries. We note that staff proposes to retire this action, as well as other MIPs given an overlap with other workstreams, notably the CSR and FSAP Review. While this is an appropriate approach, we underscore the need to ensure this MIP as well as others that will be retired in relation to the CSR and FSAP Review (i.e. MIPs 5.7, 5.8, 5.9, 5.10) are adequately taken up in these two review processes.

Mr. Palei and Mr. Potapov submitted the following statement:

We thank staff for the opportunity to discuss the Categorization of Open Actions report and the Tenth Periodic Monitoring report (PMR). We agree that important progress has been achieved in addressing the issues raised by the IEO and in implementing recommendations from the ten Management Implementation Plans (MIPs) accepted by the Board. We also welcome staff's efforts to address the backlog of off-track actions. We expect the triage categorization to be instrumental in better specification and prioritization of the MIPs going forward.

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We broadly share the OIA's assessment of the status of the management actions. Of the 62 actions for which implementation progress is assessed in the PMR, 16 were implemented during the past year. It is also encouraging that the rate of implementation of actions from the new MIPs continues to outpace that of older actions. These developments point to the growing effectiveness of the MIPs with a rising share of SMART actions.

Despite the important progress, more than half of the remaining open actions face implementation challenges. A number of actions are also delayed beyond their original target implementation dates. This situation creates risks for the Fund in key business areas as it was emphasized in the recent Risk Reports. While the triage exercise can help address the backlog problem in the PMR monitoring by dropping 16 off-track actions, the challenge to complete the Board-approved IEO recommendations and achieve the original objectives remains to be addressed. Like other Directors, we believe that the PMR framework can be further strengthened by incorporating a comprehensive risk assessment of policy delays and slippages. Staff's comments would be appreciated.

On the specific management actions, we note that the OIA has changed the status of the action aimed at enhancing knowledge management in the Fund from “open” to “implemented”. We agree that some progress has been made in strengthening the knowledge management system. The Knowledge Management Unit (KMU) was created and it has already made important advances in content availability and taxonomy improvements. The Board is informed on the progress in this area on a regular basis. At the same time, further substantial efforts are required to overhaul and better organize high-value topical information in a consistent and systematic way. It is especially important in the context of dissemination of best practices for the Fund’s core areas and since topics like social spending, income inequality, climate change, or gender have become more prominent and macro-critical for many member countries. The KMU is also expected to play a more active role in superseding the management actions that are proposed to be dropped from the PMR. While we broadly agree with the OIA assessment in the context of the PMR, the work to further promote knowledge management is far from being complete. It remains among the key priorities for the Fund.

Another concern is associated with limited access by the Board, authorities, and other interested parties to the Fund’s knowledge. Despite many requests by Directors, the Board still does not have access to the Knowledge Exchange topics, as well as many useful tools and databases. These limitations and constraints make it difficult for the Board to assess the progress and fulfill its strategic role.

As one of the proposals under the ongoing Comprehensive Surveillance Review, the Board will consider the proposal to create Centers of Expertise, which may help better understand potential implications of various emerging topics. Over the past several years, our expectation was that the KMU would empower many knowledge hubs, presumably with the similar tasks to those to be tackled by the Centers of Expertise. Unfortunately, given the lack of access for the Board to the topical areas of the Knowledge Exchange, we have little information about actual developments in this area. In order to be able to improve knowledge exchange and timely dissemination of best practices using available limited resources, the Board needs comprehensive analysis of the experience accumulated so far.

Categorization of Open Actions in Management Implementation Plans

Given the need to address the longstanding backlog problem, we can go along with the proposed categorization of open actions according to the root cause of their implementation difficulties. We strongly believe that the

trriage should be a major improvement in strengthening specificity of actions and incentives for their implementation. At the same time, we share concerns of many Directors about several actions included in categories 4 and 5.

We can support the strategy of reformulating actions in categories 2 and 3 in line with the SMART principles, but stress that the underlying objectives should be effectively tackled. On action 2.2 on targeting a three-year average tenure in country assignments, could staff elaborate on the tradeoffs in achieving this very specific objective? Do staff believe that ensuring longer tenure of the country team as well as the mission chief remains a relevant priority for the Fund?

In relation to categories 4 and 5, we would highlight that a dedicated workstream subject to the Board oversight that provides for regular monitoring and reporting should be in place for the off-track actions to be excluded from the PMR monitoring. Through these mechanisms, the Board should have the capacity to gauge how the Fund is addressing the related issues. In this context, we believe that explicit references to the dedicated workstreams for each action subject to the retirement from the PMR should be clearly highlighted in the summing up.

Most actions in categories 4 and 5 are supposed to be superseded by the ongoing work on the Comprehensive Surveillance Review, the FSAP Review, the HR Strategy, as well as the new MIPs for the IEO's two recent evaluations. At this stage, it is difficult to predict the final outcomes of these workstreams and how these outcomes will support the objectives of the IEO's recommendations. Against this background, we feel that the categorization exercise could have been postponed until the completion of the key dedicated workstreams. Could staff elaborate on possible risks that the actions in categories 4 and 5 will not be comprehensively picked up in the envisioned workstreams? Can staff also comment on the envisaged mechanism to maintain accountability and promote incentives for these off-track actions?

Finally, we share concerns about the proposed retirement of action 4.3 on geographic and gender staff diversity. Staff argue that monitoring of this action overlaps with the annual Board discussion of the Diversity and Inclusion Report. However, given limited progress and in light of the new risks associated with the CCBR, we tend to agree with those who call for additional incentives and specifics in this area. Could staff elaborate on their proposal to drop this action from the PMR? Did staff weigh possible pros and cons of the reformulation of this action in line with the approach applied for categories 2 and 3?

Mr. Raghani, Mr. N'Sonde and Mr. Carvalho da Silveira submitted the following statement:

We thank staff for the comprehensive set of reports on the Periodic Monitoring Report (PMR) and the Categorization of Open Actions in Management Implementation Plans.

Progress on the implementation of the actions envisaged under Management Implementation Plans (MIPs) seem broadly positive, notably regarding newer ones, but implementation challenges persist. This PMR confirms once again that improvements to follow-up process are yielding results, and IEO evaluations continue to play a key role in strengthening the learning culture and improving the work of the Fund. In particular, we are glad to note that the IMF is making strides in its efforts towards deeper engagement with macro-critical issues such as social protection as well as countries in fragile and conflict-affected situation. Notwithstanding, we note that 46 out of 62 actions assessed in this PMR remain open, of which 24 – mostly related to data, forecast, role of the Fund as trust advisor and run-up to the financial crisis- face implementation challenges.

We welcome the proposals made by staff to address the backlog actions with implementation challenges. The introduction of triage framework will be helpful in reformulating and bringing back on-track 8 actions under category 2 and 3. In this context, it is important to ensure that these actions, like all actions in new MIPs, are aligned with the SMART approach and rigorously follow all the appropriate reformulation steps, notably Evaluation Committee (EVC) reviews, Board endorsement and follow-up in the PMR. We stress that the reformulation of the target 3-year average tenure for country assignments should not only be consistent with IEO recommendations but also support efforts to reduce rotation pressures and turnover within country teams, which is essential to strengthen Fund's relationship with members. Therefore, we look forward to a more detailed proposal in the upcoming Career Playbook and Career Paths and Mobility Framework.

We have strong reservations on the proposal to retire from PMR monitoring the action associated to diversity at the Fund. We acknowledge that some progress has been made on diversity thus far and take note of the efforts envisaged to continue to monitor progress through the inclusion of 2025 diversity benchmarks in departments' accountability framework. However, given that the 2019 Diversity and Inclusion Report pointed to limited progress in achieving regional diversity and emphasized the need for

greater efforts to increase the share of staff from underrepresented regions (URRs), particularly MENA+ and East Asia, we do not support the proposal to retire this action from the PMR. This would send a negative signal of the Fund's commitment to diversity and inclusion. Consideration could be given to placing this action on diversity under category 2 so that it could benefit from follow-up through the PMR.

The proposal to retire some of the actions related to macro-financial surveillance, under category 5, should be considered after the 2020 Comprehensive Surveillance Review (CSR). We understand that there are a number of relevant actions which are being superseded by supreme workstream. At the same time, however, many of the issues covered by these actions, notably measures to fully embed macro-financial analysis in Article IV surveillance and intensify efforts to draw cross-country lessons from FSAPs, are expected to be discussed and addressed in the upcoming 2020 CSR. Therefore, we see merit in waiting for the completion of the CSR to ensure these important actions are fully addressed before reformulating or potentially retiring them from the PMR.

Looking ahead, we encourage staff to view this categorization proposal as a one-off exercise. This should be viewed as an exceptional measure to not only cope with off-track actions, but also enhance traction of IEO recommendations including formulation and implementation of MIP actions, which should help prevent new backlogs in the future. That said, could staff comment on whether consideration is being given to alternative solutions other than the current “one-off exercise”?

Mr. Merk and Ms. Koh submitted the following statement:

We thank staff for this rich and informative set of reports. We welcome the proposals to clear the backlog of open actions in Management Implementation Plans (MIPs) in Response to IEO Recommendations and support the proposed decision on page 29. In addition, we offer the following comments on the Categorization of Open Actions in MIPs:

We appreciate the progress made since the last PMR – specifically the completion of 8 additional actions, reducing the number of off-track actions to 24. Although, the overall progress continues to be uneven. Moreover, it is encouraging to find that the establishment of an MIP governance standard framework has recently improved the implementation of IEO recommendations, thus, most off-track actions belong to relatively “old” MIPs as outlined in fig. 1 on page 8.

The identified actions in category 2 are of high relevance, and its implementation is described to be hindered “by weak incentives”. As the report does not yet precisely describe this, could staff please elaborate how incentives are generally foreseen to be strengthened, e.g. by additional resources or rather other “soft” aspects?

It is disappointing to learn that an effective knowledge-sharing process by country teams is lagging behind and remains a cornerstone for the development not only of accurate forecasts. Improvement in this regard is of special relevance as forecasting inaccuracies pose a main risk to the Fund’s core tasks and thus its credibility and reputation, as also discussed in the Risk Report 2019. In our view, the knowledge-sharing process is an issue, which could be tackled without major obstacles and even on short notice. Since the “pain points” are strongest around technical handover of file structures and data, there seems to be room for improvements by setting internal standards and structures. Staff comments are welcome.

In the same vein, the PMR observes little progress in achieving a three-year tenure in country assignments. While we note the envisaged procedures to enhance the process by the forthcoming Career Playbook and Mobility Framework and Career Paths for Economists, we are wondering about the comprehensive procedures and the substantial time needed for such changes. Staff comments are welcome. We agree that major work streams have been established to tackle the issues in category 4. Therefore, we would propose to provide an option to close the PMR work streams on these topics even earlier than after five PMR cycles, e.g. after one year during which potential handover activities could be conducted. This would increase efficiency and avoid duplicative work, as described in paragraph 33.

The application of a multi-country macro-econometric forecasting model is expected to be too complex and time-consuming. Why was this not foreseeable at the time, when the IEO Recommendation was presented in 2014? What were the relevant factors that it took about 5 years to come to this conclusion?

The implementation of the recommended action seems hard to reach while maintaining efficiency. However, the relevance of the underlying issue persists. Instead of sticking with the set recommendation, could it be useful to overhaul the recommended action to reshape its focus on the underlying deficiencies? For example, a re-categorization to e.g. category 2 could avoid an immediate retiring and the central matter would remain on the agenda.

Looking at the explanation to include actions in Category 5, we learn about the reasons: “because of their relevance, they have been superseded by broader workstreams and more recent MIPs.” Is there any safeguarding against repetition in coming MIPs? What could be done that MIP actions are not superseded by workstreams? More in general, what about the credibility MIP framework caused by the elimination of envisaged measures?

Tenth Periodic Monitoring Report:

We value the update on progress with recommended actions provided in the Tenth Periodic Monitoring Report and support the proposed decision on page 52. We associate ourselves with Ms. Levonian’s request that management brings forward to the Board Evaluation Committee options for future Periodic Monitoring Reports to include, or be accompanied by, an assessment of the impact of slippage in the implementation of open management actions.

Furthermore, we would like to comment as follows:

The faster pace in tackling relevant actions contained in recent MIPs is much appreciated. The improved formulation of actions enhances the ability to follow-up on actions and traction in general. While this development is generally much supported, the speed of completion of items should not be the only criterion when setting the recommendation and should not deter from setting recommendations, which require longer-term changes.

We regret the slow implementation of management actions regarding the item “Behind the Scenes with Data at the IMF (2016)”. Directing focused efforts towards these actions would be much supported, especially in the light of quick advances in data management technologies and the growing importance of data. Sequenced reviews of Data Provision to the Fund for Surveillance Purposes, and integration of separate data management frameworks is appreciated.

The pilot process with top-down guidance for medium-term forecasts in the spirit of short-term forecasts is too resource-intensive and thus, is categorized in order to be retired (see Categorization of Open Actions in MIPs, para. 53). However, in the light of sustained forecast errors, we would appreciate further consideration of the underlying issue, before the recommended action is retired. While a precise implementation of the action seems unfeasible, a reformulation of the action in a broader sense could

support a valuable development of forecasting techniques. Especially in light of fast-advancing data processing techniques, progress does not appear out of reach. Staff comments are welcome.

Mr. Jin submitted the following statement:

We thank staff for the comprehensive Tenth Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) and the useful categorization of open actions in MIPs. We also appreciate the IEO's insightful comments on these two reports. The PMR has been a useful tracking and accountability tool for the Evaluation Committee (EVC) and the Board, and encourage staff to continue refining this reporting exercise to maximize its impact.

We welcome the faster pace observed in the implementation of actions in more recent MIPs, with 75 percent of the implemented actions relating to those MIPs approved after 2015. The remaining actions in recent MIPs also seem to be on track to full implementation. We encourage staff to keep up this momentum and continue to make the MIPs more SMART. As for open actions, we note that some are delayed due to other competing work priorities. The balancing of different priorities requires strong cooperation and coordination across departments and workstreams. In doing so, it is important to keep the Board periodically informed of latest developments, including the rationale of any change in priority. Actions that have been off-track for long should be reported to the Board in a timely manner along with their remedial measures.

Going forward, we believe engagement with the Board should be further enhanced. We appreciate staff's outreach to the Executive Offices before EVC meetings, which helps facilitate a thorough and detailed discussion. That said, we believe more could be done to further enhance the engagement, for example, through greater Board involvement in the drafting process of staff guidelines.

We welcome staff's pragmatic approach to categorizing open actions. While the primary goal remains to avoid emergence of overdue actions, we believe this categorization can be a useful tool in case implementation challenges arise in the future. We also wonder if a mechanism could be introduced to trigger a review of an action should it become off-track for a specified period of time. Besides, it is also important to focus on whether IEO recommendations themselves have been effective in achieving their stated objectives and avoid a box-ticking approach in assessing progress.

We understand that many issues are not amenable to quick resolution and will require many years of sustained efforts. Some of them may require additional attention from management and staff. That said, we note that rising the share of nationals from under-represented regions (URR) is proposed to be included in Category 4, and will be retired after five PMRs. We are not fully convinced that the other work carried out at the Fund, including in the context of the Diversity and Inclusion report can sufficiently address under-representation in some regions, most notably in East Asia and Middle East and North Africa+ (MENA+). While we take comfort from the fact that staff diversity would be among the issues in the forthcoming IEO evaluation updates, we understand that there will not be any MIP in response to these updates. In our view, more focused efforts are needed to meet the URR benchmarks; and therefore, support maintaining this objective in category 2 or 3 so that the issue can continue to receive due attention until tangible progress is made.

Mr. Kaya, Mr. Just and Mr. Harvan submitted the following statement:

We thank staff for the two reports, as well as the outreach. We appreciate the effort in addressing off-track actions, accelerating the implementation of open actions, and enhancing credibility of the Management Implementation Plans (MIPs).

We welcome the progress in the tenth Periodic Monitoring Report (PMR), delivering an effective tool to monitor agreed actions and the progress made, while keeping the Board engaged and focused. The link to the budget should be strengthened in the PMR by identifying existing resource allocations for individual actions. We would appreciate more clarity in tracking actions slippages compared to original target dates.

We broadly concur with the proposed categorization of open actions under Categories 1 to 3, and offer several comments on Categories 4 and 5. The discussion builds on the SMART approach to the formulation of actions. We note the current discussion's positive effect on the categorization of open actions in MIPs on eight previously off-track actions. While the SMART approach is beneficial to improve the implementation of open actions, solely focusing on a binary, open-ended classification may be shortsighted. The Fund is a very complex and rich organization with often deep-rooted challenges which the IEO should continue to address, and non-binary MIPs are useful reminders for management and the Board to advance cultural institutional change.

On Category 4 off-track actions, we underscore the importance of management's continuous and concerted efforts in effectuating change. The Fund praises itself for its comparative advantage in spillover or cross-country analysis, as well as interconnectedness, but regularly falls short of expectations. We do not share staff's view that substantial progress has been made. We welcome that the Comprehensive Surveillance Review (CSR) will focus on these topics, and we agree "that better leveraging cross-country policy experiences will help make Fund policy advice more persuasive, and seek to enhance the discussion on cross-cutting issues." However, this does not strike us as a sufficiently satisfactory justification to retire 4.6. given continued vagueness. One small step which could also be formulated in line with SMART is to ensure that mission teams from the neighboring countries or regions exchange views on domestic developments and cross-border challenges.

We support retaining or at least reformulating the action on average tenure for country assignments, which are essential for building relationships with country authorities, and ensuring relevant advice and a deeper understanding of country-specific factors. We encourage the careful monitoring of tenure for country assignments by area departments following the adoption of the HR reforms.

We broadly agree with most of the off-track actions in Category 5. The mid-term meetings on the CSR and the Financial Sector Assessment Program Review have generated many comments, though concrete actions have not yet been formulated. We would appreciate if the next PMR were to assess whether the retired actions have indeed been firmly addressed by currently ongoing comprehensive workstreams.

We would like to reiterate our point on the need to retain the action on error forecasts. We observe perpetual pessimism for some countries in the European region. The PMR concludes that the planned external evaluation of IMF forecasts by experts has been significantly delayed from the target date of 2015, while countries publish annual reports on errors in budgetary forecasts in line with the Fund's Public Financial Management recommendations. Understanding differences in outturn is a useful starting point to avoid systematic bias in growth assumptions with spillovers to for example, in fiscal advice. Since the Fund's forecasts can have a real impact in many countries of the membership, we strongly believe that more progress is needed on this front, and the action should be re-classified from Category 5 to Category 4.

Mr. Tanaka, Mr. Harada and Mr. Kuretani submitted the following statement:

We thank staff for the set of reports. It is crucial to have the framework that Independent Evaluation Office (IEO) recommendations are formed into Management Implementation Plans (MIPs) and continued to be follow-up in Periodic Monitoring Report (PMR) with Board endorsement. We can support the proposal of the tenth PMR and the Categorization of open actions in MIPs. Having said that, we encourage staff to keep action plans in MIP specific, measurable, attainable, relevant, and timely (SMART) going forward. Furthermore, we would like to raise the following points for future improvements of the PMR framework.

Progress of old action plans even “reformulated” or “retired” should be visible and trackable under the framework of the PMR. We believe that the PMR should play a role of bird-eye view with regards to the important issues for the organization in relation to the IEO recommendations. In this context, the concept “retired” does not seem to fit to the essential role of the PMR. Especially, it is not convincing that URR and diversity issues, which are crucial issues for the Fund, are treated as “retired”. In this regard, we cannot avoid having a fundamental question what the PMR role is. As we mentioned at the board evaluation committee meeting, some important issues like diversity should be maintained and not treated as “retired” in the PMR.

The framework of PMR should be managed in more efficient and systematic manner. While we sympathize the staff’s hard work on the Categorization paper for one-off triage, it seems resource-intensive exercise. While we understand the difficulties in categorizing the open actions and reducing the numbers, limited resources should be allocated to implement actions since implementation itself is the purpose of the PMR. It is undesirable but possible to have the similar situation in the future that off-track action plans will not be feasible for a long term and difficult to be handled in PMR. We encourage staff to improve the PMR framework in order to make the MIP actions visible and trackable in less resource-intensive manner. The staff’s comments are welcome on this point.

We also associate ourselves with Ms. Levonian and Mr. White’s request that management bring forward to the Board Evaluation Committee options for future Periodic Monitoring Reports to include, or be accompanied by, an assessment of the impact of slippage in the implementation of open management actions.

Mr. Buisse, Mr. Rozan and Ms. Albert submitted the following statement:

We thank staff for their thorough work on the status of management implementation plans, as well as for addressing the backlog of open management actions and we support the proposed triage exercise. This one-off operation is a very useful exercise to streamline and prioritize all the actions. We also appreciated the use of the SMART methodology and the staff engagement with Board members, with several prior discussions ahead of the Board. The reduction of the number of off-track actions from 32 to 24 will help to have more traction on the most relevant ones. We agree that several of the actions will be best taken up in the relevant workstreams such as the Comprehensive surveillance review and FSAP reviews.

This being said, this triage exercise should not pull focus away from the many challenges that require long term cultural shift within this institution, and which will require continued management and board attention as part of the different workstreams. In this regard we welcome the progress regarding MIPs arise from the recent IEO evaluations about Fragile countries and social protection, and we will follow closely the evolution of the MIPs on these areas. We will also continue to examine carefully the reformulations about staff diversity as well as regarding the handover of country assignments, and the three-year average tenure for the country assignments. We agree with staff recommendations and would like to add the following comments:

Regarding social protection, we strongly support the strategic framework published in 2019. We are looking forward to seeing an ambitious guidance note, as this will be essential to ensure that social protection challenges are appropriately and evenhandedly dealt with in surveillance and program contexts. However, we somewhat regret that the guidance note is planned for the end of 2020, given the importance of these issues. Could staff develop the reasons for this long delay between the strategic framework and the guidance note? A key question that was not answered in the strategic framework was how staff would evaluate the adequacy of social spending. The guidance note should provide clearer guidelines and develop tools to ensure that staff can assess whether social spending levels are sufficient to achieve key goals in terms of poverty reduction and growth inclusiveness. Special attention should also be dedicated to how staff formulate its recommendations or program conditionalities regarding the reduction of energy subsidies. Appropriate sequencing with social spending measures to ensure that these reforms do not negatively impact the poorest households is key. Moreover, we see a large room to improve the dissemination of data on social spending, poverty and inequality in Fund's works. We also encourage

further collaboration with the World Bank and other relevant developing partners.

We welcome the actions implemented regarding Fragile States and encourage staff to implement the remaining open actions as soon as possible. It is critically important for the Fund to continue to tailor the IMF engagement on FCS countries through its programs, capacity development and surveillance, as to further integrate these three dimensions with one another. Given capacity constraints in these countries, there is real added value to enhance the Fund's coherence in this regard. We welcome the new Country engagement strategies and the recent informal briefing on the implementation of the IEO recommendation on effective mechanism to better coordinate the work by the Fund and other stakeholders. We would like to highlight the importance of this coordination, and also between IMF departments as well as with the World Bank and to ensure a coherent approach of the FCS while respecting their specificities. We understand that staff retired the action regarding CD in FCS and vulnerable countries as it has been superseded by various workstreams but still would like to highlight the importance of this issue. We are looking forward to seeing the finalization of the guidance note and a clear and effective HR policy to incentivize staff to work on FCS countries by the end of the year.

We note staff proposal to retire the action regarding regional and gender diversity as it is addressed in other workstreams, given the fact that this requires a long-term cultural change. We would like to underscore our disappointment that results are lagging, and consider the current approach insufficient. Broader diversity, not only regarding the nationality but also the education and the work experience gathered, are critical to ensure that IMF remains a top benchmark institution and has the ability to provide the best policy recommendations. Diversity of educational background, in particular, should be fully taken up in the HRD diversity workstream, and we think the current approach would deserve more ambition.

We share the concerns expressed by several chairs regarding the lack of progress on the three years mission chief tenure and the best practices regarding handovers. The importance of promoting knowledge and information-sharing practices is instrumental for the functioning of the institution and a productive relationship with authorities. We will carefully look at the reformulations of the future actions in these areas.

We generally share staff's view on the other MIPs. We however note that most of the actions regarding Fund's data are still open, as several have

seen their target date postponed and most have been characterized with implementation challenges. We welcome the progress in this complex issue but note that of the five actions which remain open regarding IMF forecasts, four faces implementation challenges. Regarding enhancement of the quality of the Working Papers, does staff already have a view on what could be a measurable deliverable?

Finally, we will carefully examine the future reformulations of the MIPs and especially encourage staff to formulate concrete and effective deliverables, in order to ensure improved traction.

Mr. Guerra and Ms. Arevalo Arroyo submitted the following statement:

We thank staff for the comprehensive reports and for the consultative process with Executive Directors. We also thank the Independent Evaluation Office (IEO) for their comments. We believe that independent evaluation of the IMF's work and effective implementation of actions derived from the evaluation recommendations are crucial to keep the Fund fulfilling its mandate effectively. We welcome the progress shown in the tenth Periodic Monitoring Report (PMR) and the categorization efforts to address the backlog of off-track actions having implementation challenges. We support the proposed decisions and will provide some comments for emphasis.

Tenth Periodic Monitoring Report

We are pleased to see that the Tenth PMR shows satisfactory progress in the implementation of management actions, particularly regarding the most recent Management Implementation Plans (MIPs). Considerable advancement was achieved since the last PMR. Moreover, it is encouraging that many of the remaining open actions are likely to be completed during 2020, so we expect that substantial progress will be reflected in the next report. What other factors does staff consider having enhanced the effectiveness of implementation, besides the formulation of recent actions under the SMART principles?

The Tenth PMR provides a good overview of how evolution of the governance framework has allowed embedding institutional learning in the implementation process and enhanced traction. The evolution of the governance framework has permitted a better design of proposed MIPs with fewer implementation challenges and increased rigor in monitoring and reporting, with involvement of the Office of Internal Audit (OIA). In addition, we welcome that the PMR has been elevated to a formal Board discussion, as

recommended by the Kaberuka report. This will contribute to enhance oversight and accountability, as well as advance traction. We agree with the IEO that this effort represents a robust follow-up process to the evaluations.

Going forward, while the SMART principles have contributed to more effective implementation, the formulation of actions should also take into consideration the flat budget and minimize overburdening the staff's workload. While being mindful of the real flat budget, the actions approved by the Board should have necessary resources to be effectively implemented in the proposed timeframe. It is noted in several MIPs that no additional budgetary resources are required for implementation. Nevertheless, we notice that several actions under Category 1 have been further delayed because departments considered other priorities to be more prominent. In this regard, delays due to lack of resources should be exceptional. If additional priorities restrict implementation, these should be discussed through the budgetary process. Does the OIA believe the current budgetary process to be the adequate framework for the implementation of MIPs? Additionally, the formulation of some actions implies an increase in staff's workload during a prolonged period. In this regard, actions should be designed and implemented being mindful of minimizing the potential overburden for staff.

Categorization of Open Actions in Management Implementations Plans

We fully support the strategy to undertake a triage of the backlog of open actions in MIPs responding to recommendations of the IEO. We acknowledge the effort by staff to put forward a thorough and comprehensive strategy to address this outstanding issue. We also agree with the IEO that prioritization of the actions is critical in order to focus efforts effectively. We can support the proposed decision on the categorization. However, we would like staff to reconsider the categorization of one set of actions as explained below.

While we support this strategy, we believe the biggest challenge for staff, the IEO and the Board will be the reformulation of actions in categories 2 and 3 in order to make them SMART. While we consider the six months objective ambitious, we support this timeframe. Even after the recategorization process, a considerable amount of open actions will remain to be implemented. Does staff have any update on the possible timeline to bring these proposals to the Board? How will reformulated actions be prioritized? It will be important to present the proposals with the budgetary implications for effective implementation of the reformulated actions.

On the Reformulation of Actions:

Regional and Gender Diversity – We would like staff to reconsider bringing action 4.3 to categories 2 or 3. In this regard, we join Mr. Beblawi and Ms. Choueiri’s call. We understand that there has been increased awareness, deeper efforts, and clear commitments towards enhancing geographic and gender diversity in staff. Because of its importance, sending the message that this objective will be retired might be counterproductive. Furthermore, specific actions can be reformulated to advance the goals of the initial IEO recommendation. Finally, and related to these general objectives, we fully support Mr. Bevilaqua, Mr. Fachada, and Mr. Antunes view that the focus on implementation and SMART actions should not restrict the IMF from seeking ambitious, long-term technical and cultural changes as warranted.

Country assignment tenure: While we understand the challenges to ensure longer tenures, we believe this is fundamental for a productive relationship between the Fund and the membership. Reformulation should keep this in mind, in line with the IEO recommendation. As Ms. Pollard, Ms. Crane and Mr. Grohovsky, we believe that the reformulation approach should be more holistic and nuanced and consider specific approaches to country groups that have been the most affected by constant mission-chief and team turnover.

Working papers – Safeguarding research quality is fundamental for the Fund’s reputation. While we understand that measuring quality is not straightforward and is beyond scope, strengthening accountability and compliance with the guidelines could be helpful to ensure a robust revision process. Interdepartmental reviews could contribute to this end. In the case of WPs on a specific country or with country references, it does not suffice only to notify the relevant ED(s) but it also needs to allow for proper engagement and discussion.

Mr. Sigurgeirsson and Ms. Skrivere submitted the following statement:

We thank staff for the comprehensive reports and their work on this important topic. We support the proposed decisions and offer some additional comments on the Tenth Periodic Monitoring Report (PMR) and the accompanying categorization paper below.

On the Periodic Monitoring Report

While we note that the statistics appear unfavorable, we welcome the progress made on implementing management actions and, at the same time, we see some room for strengthening the PMR. All outstanding open actions are important, and a delay in implementing some actions might pose equal or greater risks to the Fund than slippages in other areas. In this regard, we associate ourselves with Ms. Levonian and Mr. White's request that management bring forward to the Board Evaluation Committee options for future Periodic Monitoring Reports to include, or be accompanied by, an assessment of the impact of slippage in the implementation of open management actions.

On the Categorization of Open Actions

We see the proposed framework for the categorization of actions facing implementation challenges as a sensible and balanced approach. On categories 2 and 3, we stress the importance of careful reformulation to ensure that the new actions are better aligned with SMART principles and include relevant incentives and accountability mechanisms, while at the same time do not lose the spirit and the underlying objectives of the original actions. On categories 4 and 5, we support the actions proposed for retirement. Nevertheless, we stress that many of these issues are central for the Fund's work, and in this regard, we appreciate the detailed explanations of other Fund workstreams that will continue to address these issues.

In the work ahead, a collective effort by the IEO, management, staff, and the Board will be needed to ensure that such a categorization is a one-time event. In particular, new actions in future MIPs need to be well-aligned with SMART principles and should include appropriate incentives and accountability mechanisms for staff to implement them within the expected timeframe.

Mr. Inderbinen and Ms. Wehrle submitted the following statement:

We welcome the Tenth Periodic Monitoring Report (PMR) and the Categorization of Open Actions in Management Implementation Plans (MIPs). We believe that the formal Board consideration of both reports is a core element of a strong follow-up process of IEO evaluations. Such evaluations and their recommendations are key to triggering positive changes within the Fund to ensure that the institution adequately and effectively addresses key issues and concerns of the membership. We welcome the fact

that improved follow-up processes have led to a speedier implementation of newer actions and that the categorization exercise itself has led to increased traction on previously off-track actions. We broadly support the proposed categorization of open actions, especially given the need to better prioritize, avoid duplication, and improve actionability. We have the following remarks for emphasis:

We stress the need to establish best practices for the handover of country assignments. Good handovers can help save time and resources both for staff and the authorities. Effective handovers can help the mission teams better understand country specificities, thus improving traction and bolstering the Fund's role as a trusted advisor. They also have the potential to increase the value-added and focus of the engagement with the authorities. We welcome the survey of area departments on the main "pain-points" in the handover process. Has staff considered supplementing such a survey with feedback from the membership on their experience with changing mission teams? We also see merit in integrating handovers and the quality of knowledge exchange as key elements of performance reviews.

We see merit in avoiding excessive mission team turnover and support a target three-year average tenure for country assignments. Tenure is key to establishing trust between the mission team and the authorities. Ensuring sufficiently long tenures for Fragile and Conflict-affected States would seem particularly important, given the significant benefits of longer-term engagement in such countries. We see a need to better monitor average tenure in mission teams across all seniority levels, as this could greatly help devise appropriate strategies and incentives to increase the average tenure. We thus urge the staff to improve and report data on desk economist tenure in the context of the upcoming HR Strategy review.

On the quality of working papers, we see the need to ensure that clear review and quality control processes are implemented. High quality research is key to bolstering the Fund's reputation. Although we are aware that IMF Working Papers do not necessarily represent the views of the institution or its members, we see merit in ensuring that the analytical and methodological foundations of such papers are sound and conform to best practice. We see merit in making sure that appropriate inter- and intra-departmental review processes are in place, that staff accountability is strengthened, and that concerned parties have sufficient time to provide their feedback. This also applies to other outputs, including departmental papers.

Given the numerous initiatives aimed at increasing diversity, we agree to retiring the action from PMR monitoring. We nonetheless would again like to stress the need to revise the definition of Under-Represented Regions to help enhance diversity further. Greater granularity within regions would be valuable, as individual countries might be underrepresented within an overrepresented region. For instance, the Caucasus and Central Asian countries remain sparingly represented in Fund staff, but they are not part of an Under-Represented Region. We would also support expanding the number of dimensions used to assess diversity to include educational background, linguistic and other specific skills, as well as professional background.

Mr. El Qorchi submitted the following statement:

We thank staff for their work and outreach which was helpful in clarifying a number of technical issues. We welcome the opportunity to discuss the Tenth Periodic Monitoring Report (PMR) prepared by OIA and the Categorization of Open Actions in Management Implementation Plans prepared by SPR. We consider that both papers will further contribute to increase the traction of IEO recommendations and improve the governance and monitoring framework set by the Board for their follow-up. We also thank the IEO for its contribution.

Tenth Periodic Monitoring Report (PMR)

We thank the OIA for an excellent PMR and welcome the progress being made in the implementation of several key management actions set in the MIPs under review. We particularly welcome the strong progress in advancing the IEO recommendations related to Social Protection and Fragile States.

We note, however, that many actions remain open, mostly from older PIMs, and reflect the fact that they may involve fundamental changes to institutional culture and practices. Similarly, a number of actions are being delayed beyond their original target implementation dates, sometimes for more than twelve months.

Against this background, and taking into account the improvements in recent MIPs, with clear indications about the timeline for the implementation of management actions and about the accountable Departments, we expect OIA to be more diligent in future PMRs, which will now be more limited after the triage of backlog of open actions in MIPs. To this end, we would like to make the following suggestions:

First, when an action is being delayed beyond its original target implementation date, OIA should offer more detailed information on the reasons behind such delay, particularly when it exceeds six months.

Second, to reinforce Departments' accountability with regard to timely implementation, we encourage OIA to include in the PMR a Table/Figure detailing the stock of actions with implementation challenge by Department. Such presentation would provide a better indication on Departments' diligence and performance in implementing outstanding actions.

Third, now that the PMR is discussed by the Board, consideration should be given to link the PMR to the Work Program of the Executive Board and we therefore invite management and staff to indicate in future Work programs how the outstanding actions will be advanced.

Finally, the Tenth PMR includes a bracketed sentence in ¶64 on Executive Directors' views on the 2019 Diversity and Inclusion Report. The sentence needs to be updated to reflect the Summing-Up of the Board discussion, notably by adding Directors' "disappointment in the lack of progress in achieving regional diversity" and their "emphasis on the need for greater efforts to increase the share of staff from URRs, particularly MENA+ and East Asia."

Categorization of Open Actions in Management Implementation Plans

We welcome the first implementation, within the Tenth PMR, of the agreed framework for addressing open management actions and note with satisfaction that it has already contributed to improving the traction of IEO recommendations. We agree that the proposed framework would be a one-off exercise, following recent improvements in MIPs with the introduction of the SMART principles.

We broadly support the proposed categorization of the long standing IEO recommendations falling under Category 1-2-3, and 5. We take note of the proposal to retire from more regular and accountability-oriented reviews 6 long standing IEO recommendations falling under Category 4. We are concerned that out of the six, three are related to diversity, in particular action 4.3 to raise the share of nationals from under-represented regions at senior levels. We consider that such action remains relevant and, therefore, needs to continue to be monitored under successive PMRs, along the lines of the flexibility detailed in footnote 19 of SM/19/282. In this regard, we agree with

the point made by Mr. Beblawi and Ms. Choueiri that the other work carried out at the Fund, including in the context of the Diversity and Inclusion report, is not sufficient to address under-representation in some regions, notably MENA and East Asia. We therefore support their suggestion to include this action in category 2 or 3. We consider that such approach will be helpful in reformulating the regional diversity benchmarks to better align them with the Smart principles. To conclude, we can support the proposed decision in SM/19/282, provided that action 4.3 on regional diversity is moved to Category 2 or 3.

Mr. Bhalla and Mr. Natarajan submitted the following statement:

We thank the staff for the detailed and comprehensive periodic monitoring report (PMR) on the status of management implementation plans (MIP). We take note of the progress made in 62 actions which were assessed, out of which 16 were implemented and 46 remain open. 24 actions face implementation challenges which requires keen analysis for further course of action. The categorization paper accompanying the PMR provides a broad framework to address this issue.

We recognize that PMR serves as a vital mechanism to assist the board to monitor and review progress of the implementation of its decisions. Taking note of the increasing number of management actions in successive PMRs, we commend the improved pace of implementation. Broadly agreeing with the suggestions in the report, we stress on certain key areas of action and improvement in evaluation.

From the evaluation of the progress made in MIPs considered in the tenth PMR, in the context of Fragile and Conflict-affected States (FCS), we note that the high-level interdepartmental committee on fund engagement is yet to meet the management. We urge the committee for timely meetings with the management. Further, there is a requirement of timely review of financial obligations of countries to the Fund and review of the overdue financial obligations. Could the staff provide the underlying factors which are beyond the control of the staff for the delay in review of overdue financial obligations and what measures are taken to expedite the review?

We welcome the efforts in capacity building in FCS, particularly for monetary and financial policies. Further, there is challenge in having talented manpower in these countries which is essential to enhancing the quality of output and outcome. The HR strategy and management action should expeditiously address this challenge. It is noteworthy that the Fund has

stepped up its attention in the area of social protection. But issues like strengthening surveillance and attuning to local conditions must be addressed to enhance outcome in social sector. The guidance note covering sectoral background notes for education, health, pensions and social assistance can be of great support to country teams.

Fund should continue with its Data Standards initiative to promote publication of data, new technologies for data provision and dealing with variety of data management issues. We recognize the progress made in mainstreaming macro financial analysis and the current work on addressing unevenness in quality and coverage of financial issues in Article IV. We take note of the IEO evaluation of IMF forecasts, and the observation on the tendency for over-prediction of GDP growth in WEO during recession or crisis. In this context, actions like forecasting review tool and starting a pilot process for forecasting with medium term approach requires to be expedited.

Diversity of educational and professional background and other categories has witnessed progress though in an uneven manner. We also encourage review and update of access to financial sector tools, simplifying and streamlining existing analytical tools and promote cross-country lessons from previous financial sectoral assessment programs (FSAP).

We understand the requirement for a robust framework for categorization of backlog actions facing serious implementation challenges. We agree that grouping them into five categories has increased the traction and can help in effective conclusion of these actions.

In the context of most off-track items being old MIPs, we are intrigued by the observation that they often face multiple design weakness and likely to have been superseded by other work streams with passage of time. Could the staff highlight the key design weakness in these MIPs and an assessment of lessons learnt from them and modifications or improvements made in new MIPs?

Mr. Mouminah, Mr. Alkhareif, Mr. Keshava and Mr. AlHafedh submitted the following statement:

We thank staff for the papers and outreach and welcome the first formal Board engagement on the Tenth Periodic Monitoring Report (PMR). We also thank the IEO for the significant contributions it has made over the past years in enhancing the learning culture within the Fund. We also appreciate the IEO's overall positive assessment of the categorization of open

actions in Management Implementation Plans (MIPs). We are broadly satisfied by the progress made in the implementation of many key actions set in previous MIPs and support the proposed decisions.

On the Tenth PMR:

We are encouraged that more recent MIPs are better formulated and implemented relative to older MIPs. Indeed, this is due to efforts made in recent MIPs to better align with the SMART principles. At the same time, we note that some actions in Category 1 (“on track”) are being implemented slowly. In this context, we echo comments by Ms. Levonian, Mr. White, Mr. Weil, and Ms. Park that management should bring to the Evaluation Committee options for future PMRs to include, or be accompanied by, an assessment of the impact of slippage in the implementation of open management actions.

We welcome the progress on the actions related to the MIP on the IMF and Fragile States (2018). Here, we are comforted by the efforts to step-up the Fund’s engagement with fragile states, and welcome the measures to tailor financial support and conditionality as well as efforts to incentivize staff to work on fragile states. We also look forward to the Board paper on the review of FCS engagement later this year.

We note the progress made on the actions related to the MIP on the IMF and Social Protection (2017). In this context, we encourage further strengthening of the Fund’s engagement by making it more systematic and effective in surveillance and Fund-supported programs. At the same time, we underscore the importance of continued close collaboration with the World Bank and other relevant institutions. We also encourage continued efforts to set realistic expectations about what the Fund can and cannot do given its mandate, resources, and expertise.

We note the uneven progress in addressing MIP actions from the evaluation of Data at the IMF. In this regard, we appreciate efforts to promote active strategic engagement at the country level, including for fragile states, as stated in many of the open actions. However, slow progress on iData and other STA actions may delay the Fund’s ability to meet the membership’s expectation of improved engagement. Here, we underscore the importance of making faster and more agile progress on these actions, since they will form the core that will enable better coordination of Fund surveillance, TA, and policy advice. Additionally, it is fair to assume that handover challenges of mission chiefs and country teams could be reduced significantly if the Fund

developed appropriate technology platforms, which are dependent on solid and strong data management frameworks.

On the Categorization of Open Actions in MIPs:

We are encouraged by the careful categorization of open actions to address the backlog and improve traction. We also take positive note that the framework to follow up on IEO recommendations has evolved, benefiting from external evaluations. Going forward, we urge focused efforts by management to implement the reformulated backlogs of open actions by their expected completion dates, with minimal slippages. In this regard, we note that a large number of actions in the PMR are set to be delivered by end-2020, which we assume to have been well-planned to ensure timely delivery. We welcome staff comments on the assessment that went into setting those deliverables dates.

We stress that the categorization objectives should be communicated carefully internally and with the authorities. Since the main objective is streamlining the Board's accountability tools, we are in-line with "retiring" of actions that indicate duplication or irrelevance. Staff comments are welcome on communication risks.

We can go along with the streamlining of the Board's follow-up on the diversity and inclusion actions as we are comforted by staff's assurances that they remain a priority. In this regard, we welcome the commitment to improved accountability between Heads of Departments and management in the context of the Diversity Scorecard Accountability Framework and 2025 benchmarks. Could staff further elaborate on the improvements envisaged in the organization's accountability framework for the D&I benchmarks?

The Chair made the following statement:

We are going to discuss the Tenth Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office (IEO) Recommendations; and also, the Categorization of Open Actions in Management Implementation Plans.

It is my first time to chair a Board meeting on Independent Evaluation Office-related matters. As I said in the past, I take very seriously the work of our Independent Evaluation Office.

I want to flag the important work of the Independent Evaluation Office on matters like fragile states, social spending. Our engagement on data research has been, in my view, truly incredibly helpful to the institution.

For full disclosure, in our pre-Board meeting, I asked staff how they see working with the Independent Evaluation Office and the role of the IEO, and staff was very complimentary of the value that brings.

I think the constructive dialogue between staff and the office is also echoed in Mr. Collins's comments. This is precisely what we want. We want a critical independent evaluator, but also one that seeks improvement in the quality of our work.

So, we have a large backlog of off-track actions. The good news is that they are mostly from MIPs that are over five years old. In other words, in the past, we were less clear around how we take these actions forward than we are in the newer generation of MIPs. We think that the categorization exercise, in that sense, is very timely. It would help us to speed up actions and sort out how we deal with the different categories, as identified.

It is a strategic exercise. Many of you mentioned that in your gray statements. While I fully understand that not all of you are satisfied entirely with the approach we have taken with categorization, you actually see this as the right way forward.

As Mr. Collins so clearly said it in his comments, it is better to focus the PMR process on selected items, where efforts can be substantially reinforced. I believe the compromise we found is one that will serve us well.

In this context, I want to give you one reassurance. We have, unfortunately, chosen not the best possible term, talking about the "retiring" of actions that are highly relevant from PMR monitoring. So, I want to issue, from the chair, a correction.

What we mean is: properly placing these actions so we do not duplicate efforts and we concentrate on achieving impact. For example, if we are talking about HR matters, this is fully integrated in our HR Strategy and the actions we take there; in other words, to align them with work streams in a more effective and impactful manner.

In that sense, if there are any concerns that you might not be able to engage, I want to alleviate these concerns. We will certainly have an appropriate placement of actions that will allow you to fully engage with the major work streams that we follow up.

I also want to reassure you that this is a one-off exercise. We have no intention whatsoever to pile up slow-moving actions and come again to you. As I said at the beginning, what gave me comfort was that the recent MIPs do not have the problem of off-track and significant delays.

Let me finish with two issues that were very topical for many of you. The first one is geographic and gender diversity. I care very deeply about the Fund looking like, acting like, being like the world we represent. In that sense, diversity matters tremendously to the quality of our work. I am in agreement with you, that while we have made progress, we are not quite where we should be. And in that sense, since there was clearly a preference to continue tracking diversity also under the PMR, we are accepting that request. We will, however, also emphasize diversity in other work streams where this is appropriate. We will continue to monitor under the PMR for another five reporting cycles. In other words, while I am still here, that will be on the agenda.

Second, on your call for the PMR to include an assessment of the impact of slippage in the implementation of open management actions, we agree that it is a good way to strengthen future PMRs by including such assessments. So the Office of Independent Evaluation will work with the Office of Risk Management (ORM) and Strategy, Policy, and Review Department (SPR) and consult with the Independent Evaluation Office to bring to the Board Evaluation Committee a proposal on how to do that. So I suggest we do not try to resolve how to do it today, but we are making a commitment to work thoroughly and come back to the Board Evaluation Committee.

With this, I would like to turn to staff to make clarifying remarks. We will start with Ms. Onyango.

The Director of the Office of Internal Audit and Inspection (Ms. Onyango), in response to questions and comments from Executive Directors, made the following statement:¹

Since being instituted in 2007, the Periodic Monitoring Report has been reporting on the state of implementation of actions to address the Board-endorsed IEO recommendations, as the Managing Director has indicated. This is the Tenth PMR, and it is our fifth having taken over the preparation of the PMRs from SPR back in 2014.

Previous PMRs were discussed with the Board Evaluation Committee, so this Tenth PMR is the first one that is being discussed at the Board level,

¹ Prior to the Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to these minutes.

following a recommendation that was made by the third external evaluation of the IEO in 2018.

Like the Managing Director, this is also my first discussion the PMR at the full Board discussion.

Let me start by saying that OIA has been extremely pleased with the significant increase in the level of engagement we have seen from all departments. I must say that this is one of the first things that I got involved in when I joined two years ago, and I have already seen a significant improvement in the level of engagement. Staff have been extremely responsive in providing information for us to assess the implementation progress, and we are grateful for that.

I must single out SPR, Ms. Kostial, as well as Ms. Gonzalez in SPR, in particular, for their immense support and collaboration with OIA in preparing the PMR and the categorization paper. We fully support the categorization paper by SPR, which is also being discussed today, as it provides a golden opportunity for the PMR to focus more sharply on those actions that the institution deems to be of high priority and lend themselves to clearer measurement and increased accountability.

I would also like to thank Directors for the several suggestions in gray statements on improving the usability and effectiveness of the PMR. We are pleased to learn that all of you support the assessment of the implementation progress in the PMR. We have provided responses to the questions that you asked, but there are two comments that I just want to touch on briefly, the first relating to the impact of slippages in the implementation of open items. This is something that several Directors raised in relation to future PMRs.

As OIA, I can assure you that we see significant benefits in some of form of assessment and prioritization. This is actually common practice in the audit industry, where audit issues are rated according to their risks or impacts to the institution. Clearly, resources will then be allocated accordingly. Unfortunately, the PMR does not always easily lend itself to the same approach, but it is possible to adopt that principles.

Given OIA's limited role in this process--and our role is really to independently assess the progress of the management actions and then draft the PMR--we will take into account the views and suggestions of many stakeholders, but we would also encourage SPR and the others involved to do the same.

As the Managing Director has indicated, we will work under management's guidance jointly with SPR and ORM and in consultation with the IEO to bring some proposals to the Evaluation Committee of the Board.

The second comment from your gray statements that I would like to comment on is the request to update paragraph 64 in the PMR to better reflect the Summing Up of the Board discussion on the Diversity and Inclusion Report in December 2019. Specifically, you would like us to reflect that, and I quote: “Directors were disappointed with the lack of progress in achieving regional diversity and called for greater efforts to increase the share of staff from underrepresented regions, particularly Middle East and North Africa (MENA) and East Asia. We plan to issue a correction to the PMR soon after this meeting and prior to its publication.

With that, I would just like to say thank you again for your support. We would be happy to address any questions that you may have. I will hand it over to Ms. Kostial, who will talk about the categorization paper.

The Deputy Director of the Strategy, Policy, and Review Department (Ms. Kostial), in response to questions and comments from Executive Directors, made the following statement:

Ms. Onyango ends with a thank you, and I actually want to start with a big thank you. The categorization paper was not an easy paper to do, and I really thank you for the time you have made. We have engaged with metal Offices of Executive Directors. Also, thank you for the discussions at the EVC. I really think that your feedback has helped a lot in putting this paper together and in finding what staff thinks is a really good compromise.

What I would like to talk about is really the way forward, and I see two components there. One is the way forward in taking on some of the “to-be retired” actions in the Comprehensive Surveillance Review (CSR) and the Financial Sector Assessment Program (FSAP). I believe that is an indication of the success of the traction of the IEO because the recommendations that the IEO made are being taken forward in these critical documents.

I will give you just one example: cross-country work. That is being taken forward in the CSR because the CSR is going to look into spillovers, and the CSR is also going to look into the overarching issues that are across a whole host of countries.

And I want to talk more about the traction of the IEO. For the FSAP Review, you are aware that there is the evaluation of financial surveillance. That is a big input. Also, now for the CSR--and I believe you will be seeing that evaluation in March--there will be a short evaluation on the Bank-Fund collaboration, and that has an input into the CSR. And, in these important reviews like the CSR, FSAP Review, HR Strategy, the Board can provide guidance and help us prioritize the issues by taking a holistic view. We have had a lot of engagements with you in conceptualizing the CSR, whether

informally at the iLab or formally here at the Board. There will be more of these engagements so that we have the strategic direction of the CSR. Then, of course, there will be a major follow-up in the CSR. Again, this is where the Board can provide guidance on the output and the outcomes of these big reviews.

The second component going forward is the eight actions that we propose to be reformulated. And there, we plan to come back to you by the summer. We plan to have just one management implementation plan. A lot of Directors, in their gray statements, already had a lot of interesting suggestions on how we can take things forward, and we will definitely take those under consideration.

Let me just talk about two actions because they got quite a lot of attention in the gray statements; the mission chief tenure and the hand-over procedures. These two issues are closely intertwined.

On the mission chief tenure, I want to reassure you that this is not about walking away from tenure. We understand very well that tenure is critical in having a strong relationship with the authorities and in gaining traction. What we want to do is to look into that in a more holistic way. I think some of you already had good examples of how we can take this forward because it is a mix of the team that is important in terms of tenure. You also might have everybody on a three-year tenure, and everybody is leaving at the same time. That does not make sense. So, we want to look into that. We want to look at it also in the context of career progression.

As you know, in the CSR, one of the big topics that we will be looking into is traction. We want to see what we can learn from the CSR on traction and then use that in formulating the actions. I think that will work well because the CSR is supposed to be completed before we come back to you on the management plan.

And then, of course, the hand-over procedures. We have been struggling with that. We are now working with pilots. The Asia and Pacific Department has a pilot on better hand-over procedures. This pilot will be important for us to reformulate the actions.

The Director of the Independent Evaluation Office (Mr. Collens), in response to questions and comments from Executive Directors, made the following statement:

Thank you very much, Chair. I appreciate the chance to make a few remarks at this meeting. I already circulated a brief statement, so I can be brief.

I very much welcome the hard work put in by staff and the commitment in preparing the two papers that are being discussed today. I also

very much appreciate the very constructive engagement by Executive Directors in the process to get us here today, including in the Evaluation Committee and in all the gray statements that have been circulated. I also very much welcome the fact that for the first time, indeed, as Ms. Onyango said, this is going to be discussed at the Board with the Managing Director in the chair. That is a very important step that really shows the full commitment of this institution to maximizing the effectiveness and the impact of independent evaluation here at the Fund.

In particular, I am very pleased that I think excellent progress is being made in terms of addressing the backlog of off-track actions that have been identified in the PMR over a number of years, both through an acceleration of the pace of implementation that is identified in the PMR, which shows that we are on the right track in terms of our recent efforts to make sure that our implementation plans are specific, measurable, attainable, relevant, and time-bound (SMART), but also a willingness to prioritize in dealing with the other actions that remain off track that may be superseded by other work streams. I think prioritization is really critical to effective evaluation, as the Managing Director remarked at the beginning. The IEO is small, but I believe we can actually have a big impact by being strategic and focusing on key issues. I appreciate that the categorization process very much goes in that direction.

I will make two comments about the IEO's role in the follow-up process that I think are relevant.

First, a number of Directors, in their gray statements, commented that it is also important for the IEO to make sure that our recommendations are SMART. Certainly, I hear that point. Although at the same time, I acknowledge the point that it is also important that we do not try to micromanage staff and management, and avoid being too precise about exactly how the problems must be solved.

The approach that we have taken in our recent evaluations has been to provide a broad recommendation set out as a goal, like to deepen monetary policy expertise or to make the allocation of FSAP resources more dynamic and risk-based; but at the same time, we also have provided suggestions about more concrete, more specific measures that could be taken to achieve these broad goals. This gives the Board a chance to decide whether to endorse the broad goal that we are suggesting but also to comment on the specific concrete suggestions that we have made. This gives the basis for staff, in drawing up an implementation plan, to have plenty of leeway to fit the implementation plan with broader institutional priorities, constraints, and trade-offs.

Secondly, I believe the IEO could also play a constructive role in the follow-up process. We do prepare evaluation updates 10 years after an evaluation. This allows us to take a deeper dive into some of the issues that are raised by evaluations. That is possible in the context of the PMR. In fact, there are a couple of evaluation updates that are now coming onto our agenda in the next year or so that will actually look into a number of issues that are of particular concern to the Board. For example, do an update of the evaluations of the Fund's relations with members and the Fund's role as a trusted advisor. Those updates will be an opportunity to look into issues of diversity and hand-over and mission continuity.

Similarly, we are also contemplating an update of past evaluations on research and forecasting, which is another area where many of you have raised concerns. We will be able to look into issues like the adequacy of quality control and the potential for biases in forecasted techniques. We will continue to be fully committed to the follow-up processes, as key to making sure that our work has an impact.

Ms. Levonian made the following statement:

I just want to say that I very much appreciated the Chair's opening remarks at the beginning. I also want to thank Ms. Kostial from SPR and Ms. Onyango from OIA for the constructive engagement before today's meeting and also for your opening remarks and Mr. Collyns's comments as well. All of these opening remarks really provide a lot of comfort to this very important issue.

The richness of the reports and the gray statements issued by colleagues is a clear validation of the Kaberuka report's recommendation to hold this discussion as a formal Board meeting. We issued a gray statement with Mr. White. I only want to emphasize three points.

First, on the categorization, we see this as a very valuable exercise to help senior management focus on concrete and feasible priority actions. It is understandably a challenging and delicate process to retire--I know we are not going to use that word anymore--actions, even in this context, and I very much welcome your opening remarks in this respect, especially staff and skills diversity.

From our perspective, SPR has made it clear that they are not proposing to retire the policy intent behind these open actions. As everybody has said this morning, they will be addressed elsewhere appropriately. I believe SPR's proposal to manage the concerns raised by colleagues in this area is a very reasonable way forward.

Second, on the actions to be reformulated, as was mentioned again at the opening--and this is such an important issue that I just cannot help but to stress again--we would stress that it is those small and vulnerable members who are least able to manage change that seem to suffer from the most staff turnover and transition. For example, we have been without a mission chief for Belize for a number of months. Also, just last week, there was a change of another mission chief with under two years of service. That is the mission chief for The Bahamas, and that is after the hurricane as well. This is on top of the many other short-tenured mission chiefs in my constituency. This is just not fair for those that have the least absorptive capacity and where we are trying to improve traction and change our reputation. This is an important issue. I just wanted to emphasize that it is crucial for the relationship with the membership to get the reformulation of this related action right and to do it quickly.

Thirdly, on the request we made in relation to the PMR, which many colleagues supported; our request for the PMR to include an assessment of implementation slippage comes from a desire to see the Board engage as meaningfully as possible in this valuable accountability exercise. We were pleased to hear that everybody seems to think this is a good idea. We look forward to engaging at an appropriate time on the way forward, but I would also implore you to do that as quickly as possible.

Mr. Guerra made the following statement:

We thank the Office of Internal Audit for the high quality and comprehensive report and SPR for the efficient and diligent work for the recategorization proposal that has already started to yield results. We issued a comprehensive gray statement, so I will focus my intervention on three points.

First, the design and implementation process for MIPs should be careful to not overburden the staff. The IMF is running at near full capacity. Given the real flat budget context, we cannot expect any additional resources. Without a doubt, the IMF should persist with the self-improving process. However, we can expect that, as the IEO continues to provide excellent--and I point--excellent recommendations, more MIPs will follow, which will produce an additional vintage of actions.

In the short term, the implementation of a record number of actions will take place while we are in the process of finishing important reviews and getting the Big 5 projects in place. So, while we like ambition in the agenda of implementations of MIPs, we have to be mindful of risks of bad implementation because of an overburden process for staff.

In the medium term, the actions in the MIPs will have an additional and more structural effect in the workload. Around one-quarter of the actions

in Category 1 can be classified as a continuous nature. For instance, committees: two additional committees, for example, for the SPR Director to attend in this bunch, additional procedures for Article IV or the creation of advisory groups. So, HR would have an important role in following these more structural changes. In a nutshell, actions should not only be SMART, but designed not to structurally overburden the work of staff. More importantly, in this conjuncture, actions should be adequately funded, and that is the responsibility of this Board.

Second, we also support the call by many chairs for an option for providing a high-level assessment impact for the slippages in the implementation of open management actions in future PMRs. This should be done in an effective way so as to not deviate the main focus of MIPs, that of securing the implementation of actions. Also, along the lines expressed by Ms. Pollard, this should serve as a prioritization exercise so that the resources are adequately distributed. The key word is “prioritization.”

Third, and final, on regional and gender diversity, we welcome that staff reconsidered to retain this action on the monitoring for an additional period of five reporting cycles. Maintaining this action represents an important statement by the Fund to show a continued commitment to working on regional and gender diversity objectives.

Mr. Tan made the following statement:

Thank you, Madam Chair. We appreciate your opening remarks, particularly on the importance of the IEO’s work. We also thank staff for the tremendous efforts underpinning the two reports. As noted by staff, the follow-up process to the IEO evaluations has come a long way, and the reports mark the culmination of this evolution over the years. Given the significance to promoting strong governance and accountability within the Fund and, also importantly, traction for the IEO recommendations, it is not lost on us that the full Board is discussing the report formally for the first time.

Further to our gray statement, we have two additional points to make as part of the observation that this exercise bears broad lessons for the overarching effort by the Fund to keep pace with the fast-changing environment and serve the evolving needs of the membership.

On the first point, Directors have highlighted the need to prioritize and take difficult decisions, based on a shared understanding of what is the most pressing and where delays may pose the greatest risk. At times like this, when it is impossible to do everything, we cannot agree more with these comments. On that note, we welcome staff’s clarification to work toward a high-level assessment of the impact of slippages in future PMRs.

Taking a step back, the reality of resource constraints and competing priorities goes well beyond the MIPs, and reminds this chair to reiterate our call to staff to apply the same discipline more rigorously and coherently to other processes as well, such as the Work Program and budgetary discussions, into new and ongoing work streams, with the aim of better understanding and differentiating between what is truly important and what is urgent and in strengthening the implementation of the Fund's priorities and its mandate.

In the same vein, the second point relates to Directors' call to better align the design of MIPs with the SMART principles. While a mechanistic application will not work for all situations, the longstanding backlog of off-track actions has lent an emphasis to these principles. Together, in practice, staff response and Directors' comments on framing SMARTer recommendations without being overly restrictive or, in Mr. Collyns's words, not to micromanage, make practical sense, where not all principles may be equally relevant at all times.

With that in mind, we see benefits to also going beyond the scope of IEO evaluations and MIPs and to institutionalize more consciously into the Fund's work processes the same SMART mindset, where applicable, together with a closer eye for root causes that may hinder implementation, as well as incentives to promote uptake, as noted by some Directors.

Before concluding, we would also like to touch quickly on the latest proposal to retain the open actions on regional and gender diversity, as well as action 3.6 on the quality of working papers.

First, on diversity, at a broader level, we see a link to the issue on the implementation of open actions that may fall under the scope of other work streams, such as the CSR and HR Strategy. On that, we take positive note of staff's clarification that the process of embedding IEO recommendations into the Fund's work streams has strengthened over time, while the IEO has also strived to time its evaluations to feed into major work streams. Nevertheless, the comments thus far suggest further work in progress, including putting in place a more holistic and efficient monitoring and reporting mechanism that would enable the Board to oversee and connect the dots between the policy objectives of the IEO recommendations and that of other major work streams. In the meantime, we can support retaining the actions on the PMR monitoring for another five cycles, as proposed, given the importance of this issue.

Lastly, on the working papers, we would like to echo comments from Ms. Pollard, Mr. Doornbosch, Mr. Guerra, and Mr. Inderbinen on ensuring robust quality controls and proper engagement with relevant parties, as recent experience, including with respect to the paper's call to its external parties, has continued to heighten the reputational risks to the Fund and member countries in the event of misperceptions of the Fund's views.

Mr. Merk made the following statement:

We appreciate the progress made since the last PMR, specifically the completion of additional actions and reducing the number of off-track actions. More importantly, lessons from previous PMRs have been incorporated in the Tenth PMR, which will reduce the probability that a large backlog will occur again.

We have issued a gray statement with some detailed comments, including on the three-year tenure of mission chiefs, which, as Ms. Levonian pointed out, is an issue that needs to be addressed. Altogether, staff has brought forward a proposal which, in our view, addresses the backlog of actions in an efficient and adequate manner. We thus support the proposals both on the categorization of open actions as well as on the Tenth PMR.

Mr. Fachada made the following statement:

I would like to just raise three issues.

First, I am very pleased to see the new framework for PMRs working in practice for the first time, in line with the recommendations of the Kaberuka report. I am also pleased that you, Madam Managing Director, are chairing this meeting, showing your personal commitment to the evaluation process at the Fund, as you alluded to at the beginning of this session. This PMR represents a clear institutional evolution in relation to previous reports and the fact that more recent MIPs face less implementation challenges than all other MIPs should also be considered a clear indication of institutional progress.

Second, regarding the triage exercise itself, we broadly agree with the methodology endorsed by the EVC last year, including the five categories identified by staff to classify open actions. Nevertheless, like many colleagues, we have specific concerns. For instance, as Ms. Kostial just mentioned earlier and Ms. Levonian articulated with some concrete examples, we highlight the importance of ensuring the continuity of country teams. This is not only a matter of writing in stone a fixed number of tenure years for mission chiefs; instead, the Fund should strive to keep consistency and stability of engagement with country authorities over time. The reformulation of the associated actions in the upcoming MIP in the summer must take this into account.

Third, I would like to support the proposals that have been made by my colleagues. I agree with Ms. Levonian, Mr. White, and many others, that it is useful to assess the impact of slippages in implementation of open actions in future PMRs. I thank staff for the openness to develop and implement such

an assessment. I also join a number of Directors who expressed their views about the action on staff diversity. We are glad to see the consensus around staff's reframed proposal of keeping the monitoring of the actions for five more years.

Finally, let me finish by thanking, again, the Managing Director for chairing this meeting and staff for the hard work and for seeking to build consensus. We cannot expect total agreement in such a comprehensive exercise. In any case, we are reassured by Mr. Collins's comments that the IEO will continue to track and assess progress on the key issues identified in past evaluation reports in each 10-year evaluation update.

Mr. Mahlinza made the following statement:

Thank you, Chair, and thank you very much for your opening remarks. We welcome the Tenth PMR and the categorization of open actions in management implementation plans. We also want to thank staff for the detailed reports and the responses to our questions, as well as the comments this morning by the OIA and SPR.

We are greatly pleased by the improvements and the implementation of Board-endorsed IEO recommendations over the years. In particular, we welcome the improvement in the Fund's work on fragile and conflict-affected states, capacity development, and broader surveillance.

On the Tenth PMR, we are pleased to note that recent MIPs tend to face less implementation challenges than older ones, reflecting a clear indication of institutional learning and increased traction.

On the categorization of open actions in MIPs, we support the categorization. We made specific comments on Categories 4 and 5. However, we welcome the compromise on the actions with respect to gender and regional diversity. We are also pleased with your assurances, Madam Chair, on the tenure of mission chiefs.

We also support the point made by Ms. Levonian and Mr. White, for future PMRs to include or be accompanied by an assessment of the impact of slippages. We welcome your responses, Chair, for how to tackle this going forward.

Finally, we associate ourselves with Mr. Bevilaqua, Mr. Fachada, and Mr. Antunes that a focused implementation of SMART actions should not restrict the IMF from seeking ambitious, long-term technical and cultural changes going forward.

Mr. Sylla made the following statement:

We have to say that much progress has been made on the Kaberuka reports, who used to be my former boss, so I am very proud to say his name here.

We have issued a gray statement, wherein we clearly expressed our views and reservations, so we will limit ourselves to the following three points for emphasis.

First, we welcome the progress on the implementation of actions envisaged under management implementation plans, notably, regarding the newer one. This PMR confirms once again that improvements to the follow-up processes are yielding results, and the IEO evaluation continues to play a key role in strengthening the learning culture and improving the work of the Fund.

Notwithstanding, we note that 46 out of 62 actions assessed in this PMR remain open, 24 of which are facing implementation challenges.

Like Ms. Levonian and Mr. White, we see merit in strengthening the PMR with the inclusion of an assessment of implementation slippages of open actions. We, therefore, look forward to staff's proposal and a discussion on the options for assessing the impact of slippages at the Evaluation Committee.

Second, while we broadly appreciate the proposed triage to address the backlog of off-track actions, we believe there is a strong case for retaining the action on diversity in the PMR. We appreciate your word of correction this morning, but still, we wanted to reiterate our view on this issue.

The 2019 Diversity and Inclusion Report was clear: Progress in achieving regional diversity has been limited, and there is a need for a greater effort to increase the share of staff from underrepresented regions, particularly MENA Plus and East Asia. In this context, we appreciate staff's intention to reach a compromise and to revise the proposal on actions related to diversity.

We are willing to go along with maintaining the action in Category 4 and extending the monitoring for the period of five years in the PMR. This would represent a strong signal of the Fund's commitment to diversity and inclusion.

Finally, the action related to macro-financial surveillance under Category 5 should be considered after the 2020 CSR, given that many of the issues covered by these actions are expected to be discussed and addressed in the upcoming 2020 CSR. Like Mr. Palei and Mr. Potapov, we see merit in waiting for the completion of the CSR to ensure these important actions are

fully addressed before reformulating or potentially retiring--although you have corrected that--them from the PMR.

Mr. Doornbosch made the following statement:

This has been a very useful exercise, the categorization of open actions in combination with the PMR. I know it is supposed to be a one-off; but given the success, I am not excluding the possibility this might come back. I also see some need for triage in other areas, and maybe you are available to--

Let me support two remarks made by Ms. Levonian and others.

First, it is, indeed, very useful to have an assessment of the impact of slippages on the implementation. I think the risk-based approach would be a valuable addition.

The second one is on the mission chief tenure. Ms. Levonian laid this out very clearly. I just want to add one remark on this. It is not the first time that we have discussed it, and we are going to discuss it again in some months. So, the question is, of course, why do we need to discuss this so many times? Often when we discuss it, the answer is complicated because there are many different considerations that come into play. So, my response would be, it is not that complicated. For example, if you accept a tenure as a mission chief, it means you cannot be promoted in the next three years. And that is a hard fact maybe. Of course, there are exceptions possible, we all know; but now it is more of a rule than an exception, I would think. We should also not overcomplicate this and just establish some clear guidance and stick to it.

Mr. Rozan made the following statement:

We thank staff for the very intensive engagement we had over the past few months, both with OIA, IEO, and SPR on this issue in the EVC but also bilaterally. We are broadly very satisfied with the result that we got. It is a very useful triage and PMR exercise. So, thank you very much.

I just want to make three general comments. The first one would be to say that many actions that we have in the documents require cultural changes and organizational changes that require work over the long haul. This is a slow process, but we need to take into account very important dimensions of social protection in fragile countries, as we said, going forward. We need to define more concrete and pragmatic ways to increase awareness among the staff on this issue. This will require a sustained effort by management going forward.

Second, we share with many other chairs the need to better address regional diversity. We would like to be sure that this remains a high priority

for the HR Strategy. I am very happy with what I am hearing on the requalification of this action in the process.

Beyond regional diversity, I would like to underline that diversity is not only a matter of geography but also of work background and educational background. Diversified representation helps to avoid uniform thinking, and it will provide the Fund with enough flexibility to adapt to new topics and to be able to think out of the box. This was a point that we raised earlier in January or December on diversity benchmarks, and we hope that this could be further looked into.

Finally, we would like to reiterate our view regarding the importance of good knowledge transmission. This is a point on the tenure of mission chiefs, so I will not talk too much about that. It is particularly important for mission teams on LICs and on fragile countries. And I completely agree that we need to make sure this is a badge of honor and this is a push for career progression, that someone stayed long and stuck to a certain country context and gained experience from it and gave the best advice possible.

Mr. Beblawi made the following statement:

Thank you, Madam Chair, for your introductory remarks. We thank the Office of Internal Audit and the Strategy, Policy, and Review Department for their work and for the outreach with our office.

The two reports before us today show a robust follow-up process to the IEO evaluation. As indicated in our gray statement, we are generally supportive of the staff's proposals.

We appreciate the staff's consideration of our concerns and those of many other chairs regarding the action on regional and gender diversity. We can support the proposal to retain the action under Category 4. Considering that the PMR will continue monitoring for another five monitoring cycles, such monitoring will help assess progress in other work carried out by the Fund, including in the context of Diversity and Inclusion Reports in addressing underrepresentation in some regions, notably MENA and East Asia. In light of the new proposal on the action on regional and gender diversity, we can support the revised proposed decision.

We see merit in introducing a risk perspective in the PMR and appreciate your comments in this regard, Managing Director.

Mr. El Qorchi made the following statement:

As I indicated in our gray statement, I appreciate the progress being made in the implementation of several key management actions set in the MIP

and the review. Many actions remain open, however, mostly from older MIPs and reflect the fact that they may involve fundamental changes to institutional culture and practices.

Similarly, a number of actions are being delayed beyond their original target implementation date, sometimes for more than 12 months. In this regard, I welcome the implementation of the agreed framework for addressing open management actions and note with satisfaction that it has already contributed to improving the traction of the IEO recommendations.

Let me take this opportunity to thank staff and management for their understanding and willingness to address the concerns expressed by many Directors with regard to regional diversity by agreeing to maintain the relevant actions under Category 4 and to monitor progress for another five years.

Against this background, and with the understanding that a triage of the backlog of open actions is a one-off exercise, I expect OIA to be more diligent and rigorous in future PMRs so as to assist the Board in discharging its governance and oversight responsibilities by alerting us to delays. I look forward to the implementation of the suggestions made by Directors, including on how to better assess the impact of slippages in the implementation of open-management actions.

Mr. Morales made the following statement:

We welcome the improvement of the Fund's implementation record for Board-endorsed recommendations. Looking forward, we expect a further streamlining of MIPs' actions and their execution.

We reiterate our appreciation for bringing the discussion of the Periodic Monitoring Report to the Executive Board, following the recommendations of the Kaberuka report.

The Tenth PMR presents a thorough assessment of MIPs' actions with clear progress, relative to past assessments and less implementation challenges for recent MIPs. In particular, we find it encouraging that 5 out of 12 actions related to the recent evaluation of the IMF on fragile states have been implemented.

However, we note the slow implementation of management actions regarding some areas; for example, behind the scenes with data at the IMF, and encourage focusing efforts toward these actions, as suggested by Mr. Merk and Ms. Koh in their gray statement.

We agree with the triage approach and a one-off classification of open actions into five categories. We find it reassuring that most actions fall under Category 1. We concur with staff that actions on Categories 2 and 3 should be reformulated against SMART principles. However, we agree with Ms. Levonian and Mr. White regarding need to reframe actions to be maintained and ensure that the underlying recommendations behind actions to be retired remain relevant.

In this regard, we welcome the reconsideration of the action on regional and gender diversity in response to Directors' initial comments. Retaining this priority action under PMR monitoring for an additional period of five PMR reporting cycles seems appropriate to build on the efforts by dedicated work streams in the Fund, contributing to strengthen diversity at the Fund.

Finally, we welcome OIA's intention to work with ORM and SPR, in consultation with the IEO and under management's guidance, to bring to the Board Evaluation Committee proposals for providing a high-level assessment of the impact of slippages in the implementation of open management actions in future PMRs.

Ms. Pollard made the following statement:

As we noted in our gray statement, we support the categorization of the open MIPs, but I think we need to think about how to prevent a repeated accumulation of unimplemented MIPs. And here, I would say that it is more than just having SMART actions; they also need to be focused and concise. I take Mr. Guerra's point this morning, that we do operate under budget constraints, and we need not to overburden staff. So, we should focus the MIPs on a small number of critical actions. In this sense, this is the idea of prioritization, but that should be done initially so that we do not have a laundry list of MIPs.

It is also important that staff recognize the importance of the implementation. And here, I appreciate your presence at the Board, Managing Director, because I think that sends an important signal to staff. I believe making these annual PMRs formal Board meetings will also help.

I appreciate your clarification this morning that we are not retiring the actions in Category 5; but I would say that, in many ways, we are mainstreaming them. You can see this through the creation of the annual Diversity Report.

In the case of addressing forecast errors--I know some chairs were concerned about having that in Category 5--I think both the CSR and the Review of Conditionality address having more realistic forecasts. Also, in the

Debt Sustainability Analysis, there is a focus on realistic forecasts. If we think about them that way, in many ways, we have been successful in implementing these, even though there is no specific goal or way of saying we have achieved our goal.

On fragile states, we asked a question about management's limited engagement with the interdepartmental committee on fragile states that is noted in the PMR and appreciate the written answer, which indicates there are a number of issues where management's attention would be helpful, including: staffing, country engagement strategies, and communication. So we welcome that management will be meeting with the committee for the first time in the near future, and encourage the prioritization of attending periodic meetings of this committee to improve the IMF's work on fragile states.

Finally, on the issue of mission chief tenure, I support what Ms. Levonian has said. I will point out that we are not talking about mandating that every mission chief stays for three years. This is an average. So, while Ms. Levonian gave examples of very short tenure, I will note that this will be the seventh year that the U.S. has the same mission chief. So if you are looking at an average, that means there can be a lot of less than three. Yet, still, even in the Western Hemisphere, we are not at a three-year average tenure, which to me indicates something must be wrong. I would also argue that that long tenure is much more needed in countries like the Caribbean countries, rather than in the U.S., where developing that relationship, yes, is important but is not nearly as important in smaller countries.

Mr. Kaya made the following statement:

We see the categorization as a useful exercise. The revised SMART approach and management's engagement should avoid a backlog in implementation. At the same time, we see the Fund's challenges as complex, and the IEO recommendations should not be constrained by the pragmatic approach taken in tracking implementation.

I wanted to emphasize about the assessment of the impact of slippage, but we welcomed your remarks about that. Thank you very much. This would focus the Board's attention on other areas with a risk of off-track actions.

We agree with Mr. Doornbosch, in his gray statement, that the revised guidelines for Article IV surveillance, following the Comprehensive Surveillance Review, should be more open on sharing useful information, such as the written outlines of Article IV reports and draft selected issues papers.

Mr. Inderbinen made the following statement:

We very much welcome discussing this topic in the format today. We would also like to thank staff for the outreach to our office. We were very encouraged by the comments on the good collaboration between SPR, OIA, and the IEO this morning.

I can be brief, as I wanted to make some comments on the issues that have been raised already, particularly regarding the avoidance of excessive mission chief turnover. So there, Madam Chair, we welcome very much the focus that you are giving this and the follow-up that you have ensured that you will be giving this.

I do share Mr. Doornbosch's comment, that while we hear that there are complexities involved in ensuring an average tenure of mission chiefs that is not too short, it does not seem that complicated to implement. We are looking forward to engaging on the new MIP. We also note that, as stated by Mr. Fachada and his colleagues in their gray statement, that the original formulation of the target was quite clear, and it seems it is more the incentivization to reach that target that poses difficulties.

While there are trade-offs that are involved, we would encourage staff not to see the outcome of the tenure of the mission chiefs, or the mission teams, the country teams as a residual in allocating staff resources but to retain the goal that should be achieved and to work around this goal, for the reasons that have been emphasized, including the importance of ensuring sufficiently long tenures for fragile and conflict-affected states.

And here, we are also assigning additional responsibilities to mission chiefs since the review that we had on the capacity development review some time ago, where mission chiefs are having a more important say in allocating the resources of technical assistance. This, again, I think underlines the importance of a good relationship there.

Similarly, on the hand-over of country assignments, there, as well, we will be looking forward to the new MIP on this. And for the reasons we state in our gray statement, good hand-over is important in terms of saving time and resources and understanding country specificities, and also, lastly, to improve traction. So there again, we would encourage some robust follow-up on that.

Lastly, Chair, like others, we were concerned with the retirement of the action on diversity, and we agree on retaining this action. A point here that we would nonetheless like to reiterate is the granularity within regions. So one can have individual countries that are underrepresented. They might not be if one looks at the region, as it is formulated now, and the Caucasus and Central Asia would be one example here.

Finally, like others, we do really see the importance of avoiding that excessive delays or slippages have repercussions on the Fund's credibility and reputation. So there again, we welcome the follow-up that you envisage on the slippages.

Mr. White made the following statement:

We very much welcome having this discussion on the PMR at the full Board. We think that is a very important evolution. We particularly appreciate your chairing of this meeting. We think that sends a strong signal of leadership and the need to lead change, including the kind of long-term change, technical and cultural change that Mr. Rozan identified as important.

We also thank staff for the two excellent reports and the IEO. The categorization exercise, in particular, I think was a difficult exercise, but a valuable one, and it was done well. I very much liked the IEO's words in the note, that it was "diligent, robust, and suitably pragmatic." So I think it has got us to a good place for decision making.

We very much welcome the response to the point that many Directors made on slippages and the value of looking at and prioritizing slippages. I think the objective there, from our perspective, is to help staff and to help the Board focus on what matters most. I believe Mr. Guerra's points there on prioritization were very well made.

I would also like to touch on tenure, and I will be echoing Ms. Levonian somewhat here. We, too, think that small states are hit disproportionately hard when there is a lot of turnover in country teams. And Ms. Levonian's point, that that is not fair, is an important point.

I, too, have an example. In one of our small states, over the past decade, there have been eight Article IV missions over 10 years. The mission teams have been led by five different mission chiefs, and there have been five entire turnovers of teams across those eight Article IVs. And that is very costly for small countries with limited capacity who find it hard to engage.

As the work on reformulating that objective goes forward, it is really important to keep the underlying objectives in mind. From our perspective, that is ensuring that staff teams have enough continuity to do two things, to develop the deep understanding of country circumstances and--and this is the one where tenure is most important, I think--and build relationships with country authorities. Hand-over is important, and the composition of the rest of the team is important. They all help, but nothing replaces the personal relationship between the mission chief and the authorities through time.

Just one final point, which is, whilst we had got ourselves comfortable with the retiring of the diversity action point, largely because we see strong leadership on the diversity issues in other work streams, we also very much welcome its reinstatement. We think that is a strong and powerful signal to keep it front and center in the agenda.

Mr. Jin made the following statement:

We have already issued a gray statement, and I would like to emphasize two points.

First, regarding maintaining the action on regional and gender diversity, we welcome staff's revised proposal and Madam Chair's emphasis in your opening remarks, which is to extend the monitoring of the action in the PMR for five years. We hope more focused efforts can be made to achieve more tangible progress in this area. We also look forward to the IEO's evaluation update on this issue.

Second, we see merit in assessing the impact of slippage in the implementation of open management actions. Meanwhile, the view of the Board itself regarding the priority of the open actions could also be an essential input. That said, a survey could be helpful to better understand the Board's view on this issue.

Mr. Natarajan made the following statement:

The committee meetings, as I mentioned, have helped us to reflect on this observation over this period of time, and a sharp point of observation, as we can see in this proceeding itself.

At the outset, we recognize the improvement in the pace of implementation of management actions, as can be seen in the statistics that have been given and also support the categorization of various implementation that is pending. Having said that, like our colleagues, there are certain points we would like to comment and emphasize.

One is that, for the monitoring purpose, this SMART way of monitoring is certainly welcome. There are certain categories in which we can see the open items. Particularly, open items with implementation challenges are fairly large. Some of them were mentioned already. Other areas, like data, the IMF is something where we find a lot of open, with challenges. There are two key inputs in which we function. One is human resources, and the other is data. So, I would like to draw attention also on openness as well as to those with implementation challenges at a broad level. Of course, we can go into details at your level.

The second is what has been already mentioned by most of the colleagues is the mission chiefs. Certainly, we appreciate the sort of--we can be ambitious in achieving a quicker improvement, but the reality is, also, we can appreciate it is slightly challenging when we are particularly dealing with the HR issues.

One way we can look at this, how to make incremental improvements. At least we can look at periodically how much the averages can be improved, though average is not the only thing department-wise and, particularly, country-wise. So how we make incremental improvements can be a way of challenging ourselves periodically and see how much we are improving because these reports come, certainly frequently, but those reviews can be more frequent and help us to--

Another way of looking at this is to look at the countries as well, less than one year, two years, and how we improve them. It is a managerial approach, but it certainly can help us with that. The other end is large tenures. So how do we take care of those with the very least, including the current long vacancies?

Mr. Mouminah made the following statement:

I will be very brief, since we had many comprehensive engagements on this topic before leading to this Board meeting.

First, I want to thank you for not using the word “retired” anymore. This is something we highlighted in our gray statement. We believe it misleads and miscommunicates the objectives, so this is really highly appreciated.

A second point on social protection. We wanted to welcome the progress that has been done but also to reemphasize on working closely with the World Bank, which has been leading the work on this topic, and we can learn a lot from them.

The third is on welcoming maintaining the action on regional and gender diversity. Let me clarify a bit. I am a believer in streamlining and in action taking, rather than only putting the same items in different reports and continuously talking about it without taking a clear action and move the needle, especially under a real flat budget, as has been mentioned by Mr. Guerra and Ms. Pollard.

It is important to make notable progress, actions, and impacts more than have many different platforms, follow-ups, and reporting. I look forward to more engagement on this and having an ambitious target for underrepresented regions, especially for MENA and East Asia, specifically,

also on senior level of staff. This will only be achieved by senior management. If there is a will, there is always a way. Again, I look forward to more tangible and more engagement on this topic. We thank you for maintaining it in this report.

Mr. Spadafora made the following statement:

I would like to point out two issues.

On the actions in Categories 4 and 5, which are being removed, many of them pertain to actions which are being transferred to the CSR and FSAP reviews. So in a way, this is kind of shifting the burden, with taking care of these actions. We have SPR here at the Board. We do not have the Monetary and Capital Markets Department (MCM), but it will be important for departments to internalize the outcomes of today's discussion in order to follow up properly on this.

The second point is, many of the off-track actions come from three IEO evaluations on IMF and crises. Probably this is a coincidence or maybe it is an indication that the crises are very consequential events which imply soul searching. There can be some resistance to change. So I am not sure--probably, it is a combination of factors. But it is important probably that the new governance framework for follow-up for IEO evaluations, recommendations, this probably could help avoid that, in these critical moments, the Fund is not learning sufficiently from weaknesses in the past.

Mr. Potapov made the following statement:

We issued a comprehensive gray statement, so I will limit my comments to a few brief points.

First, we welcome the intention to be SMARTer in both MIPs and the IEO recommendations. That said, we should avoid the situation when the IEO recommendations and MIPs would become too technical, focusing on small issues. It is paramount to strike the right balance between a simple mechanical implementation process and necessary deep dives in the IMF's current practices that may require significant operational and cultural changes.

In line with the comment that was made by Mr. Fanizza and Mr. Spadafora on the IEO recommendation to make them SMARTer, we also feel that we may need to revisit the Terms of Reference of the IEO.

Reformulating actions that require better incentives is a challenge. Most actions in Categories 2 and 3 are accompanied by guidelines and other implementation mechanisms but did not achieve their intended purpose. We are concerned that the root causes for the delays are not clear yet, and staff

plans to examine possible structural bottlenecks and pinpoints in a relatively ambitious short timeline, just for six months. How realistic is the envisioned timeline? And could staff also elaborate on the challenges from the hard budget constraints for the timely implementation of the IEO recommendations?

In relation to Categories 4 and 5, most actions here are supposed to be picked up by the ongoing work on the Comprehensive Surveillance Review, the FSAP Review, and the HR Strategy. At this stage, it is difficult to predict the final outcomes of these work streams and how these outcomes will support the objectives of the IEO recommendations.

Against this background, we expressed a view in our gray statement that the categorization exercise could have been postponed until the completion of the key dedicated work streams. In this context, we thank you, Madam Chair, for your reassurances and commitments that all actions in these categories will be continued and the word “retirement” means to work more ambitious and creatively.

My last point is on the difficulties to find interconnections between different work streams. An example is the current work to strengthen knowledge management at the Fund. One of the proposals under the CSR is to create centers of expertise. Over the past several years, our expectation was that the Knowledge Management Unit would empower many knowledge hubs, perhaps with a similar task to those to be tackled by the centers of expertise. Unfortunately, given the lack of access for the Board to the topical areas of the knowledge exchange, we have little information about actual developments in this area. We kindly request you to consider the issue of access policy for the Board to knowledge management at the Fund.

Ms. Riach made the following statement:

As others have said, we very much welcome the very high level of engagement with staff ahead of the meeting, both bilaterally and through the EVC, and particularly welcome how responsive staff has been in taking on the concerns raised by the Board. These are potentially difficult issues and difficult processes, and I believe the fact that we have heard so much consensus and support for the proposals on the table today really reflects the responsiveness from staff.

We issued a gray statement, and I agree with very much of the comments that we have heard this morning, so I can be brief.

We support the triage process and the fact that the process, itself, seems to have had a positive impact on achieving some of the outstanding actions. We also welcome the very real progress that we have seen in recent

years in making both the IEO recommendations and the management implementation plans SMARTer, easier to implement, and easier to follow up.

On the issue of mission chief tenure, I agree really with all the comments that have been made and, particularly, Mr. Doornbosch's point that this does not need to be that complicated. The only thing I maybe do not agree with is Ms. Pollard's comment that we are not asking for a minimum of three years. I think we should be asking for a minimum of three years, unless there are really exceptional circumstances. And when three years does not work because of wider team dynamics, for example, then I think the assumption should be that you go longer than three years, rather than shorter.

Often in these cases, we are balancing the career aspirations and ambitions of individuals with the needs of the institution and the member states. I recognize the importance of those career aspirations, and I think through the HR Strategy, we are looking at a much broader approach to how we can support staff to develop successful careers. But in that context, I do not think we should be afraid to say that in some circumstances, the needs of the institution and our member states should come first. I think the examples given by Ms. Levonian and Mr. White today demonstrate that this is simply not good enough and, as they said, is not fair.

On the issue of the consideration of options to assess the impacts of slippages for the next PMR, we note staff's willingness to consider this. We always welcome additional input and particularly from the OIA, but I would caution against any additional process which is overly burdensome. The PMR is already a fairly bureaucratic process, and I would prefer to see any additional input to be as light touch and as flexible as possible.

The Director of the Office of Internal Audit and Inspection (Ms. Onyango), in response to further questions and comments from Executive Directors, made the following additional statement:

Thank you very much for those helpful contributions, which we appreciate. I will just make brief comments on a number of items that I think would be under the purview of what I can control.

One of the things is, we have talked a lot about Categories 2 to 5; but, really, all of these started off in Category 1. So this is the place that we need to place focus, particularly--and I take the comments that are related to monitoring progress, even on the on-track items, before they become off track.

The other aspect is just making sure that the reasons given for delays are really acceptable. Over and above just the regular, I just do not have the capacity or the time, particularly insofar as where they are impactful, it is

important that we prioritize. So I take onboard all the comments around prioritization, around practicality, and making sure that we are not doing things just for the sake of it.

But I did want to point out, for those of you who had looked at the Ninth PMR and then now looked at the Tenth, you will notice that there is a slight difference in the dates. OIA has given indicative dates of where we think the dates are either slipping or are revised from what the original dates were.

To do that, we do challenge staff. We do challenge the departments, the relevant departments. And we really look for some sort of corroboration that provides some evidence that revised date is achievable. So do pay attention to the proposals made by OIA on a revised date.

I appreciate that, whereas the date itself does not necessarily give you the detail, I take onboard the points that were made around having an additional table which could provide a little more information, some supplementary information to explain, especially where the dates are quite far apart, and more so because they will result in further slippages.

And then lastly, the issue of prioritization, as has been suggested and as we had indicated, we will definitely go back to the drawing board and come back to the EVC with some practical proposals on that.

The Deputy Director of the Strategy, Policy, and Review Department (Ms. Kostial), in response to further questions and comments from Executive Directors, made the following additional statement:

Thank you very much again for the discussion. I really am encouraged by the spirit of our discussions here. We are all in this together. We have the IEO, which starts this out. We have then SPR and you are not seeing all the other implementing departments of these actions. We have OIA, which checks up on us. And then of course, we have management, and we have you. So I think that really reflects the very good discussion we have been having over time. It is about not to stand still, see what the challenges are, and adjust them, as needed. I really hope that today we are turning a page on these off-track actions and that we can go forward from that.

Thanks also again for your feedback here now at the Board, and we will be taking all of that into account when reformulating the actions.

A couple of specific issues, one on our work on macro-financial, and why should we wait until the CSR is done? And there, clearly, the whole idea of having the CSR and the FSAP Review at the same time is to better integrate the macro-financial in Fund surveillance. And I am having here a

copy of the CSR midpoint note that you have been discussing. One of the big items here is really how to integrate better the FSAP work into surveillance. This is precisely what we are doing. So I do not think this will fall through the cracks. On the contrary, this is an important topic to take forward.

I also appreciate the discussions here, and I will ensure that my colleagues who are working on the CSR and the FSAP are very well aware of that.

Just a short word on knowledge management. We are aware that at this point, the Board does not have access to this, but I am assured that this is work in progress. The modernization projects, in particular the integrated digital workplace and the improvements to get access rights, will help deliver a better experience so that also the Board will have some more access to these interesting documents.

Mr. Guerra made the point of not to overburden staff. We see now that the number of management actions has increased. To some extent, I think that is to be expected because before we had these very broad actions, very aspirational, and they are being replaced by a series or a package of actions. I think that makes sense. But it is still something to think about. We clearly do not want to walk away from the big actions that see cultural change. We want to have small milestones, small steps toward that. So that is something to think about, in particular with the new MIPs coming to you.

Can we give you the MIP in six months? Yes, we can. We are actually mandated through a decision to come back to you within six months. But I expect also that, with some of you, we will have some discussions, particularly on the issue of tenure.

The last question was on the budget. As you know, in the MIPs, when we have the actions, we work closely with OBP and then have an accompanying table to the MIP that lays out action X is going to cost Y. So we take that into account, to the extent that that is possible.

The Chair made the following statement:

Thank you very much for the clarifications. We are now moving to the closing part of this very useful Board discussion. I want to thank you for being so frank and clear in what matters to you and the countries you represent the most. We will take that back with staff with the same sense of clarity, of purpose.

I think it was Ms. Riach who brought it up: Who do we serve, the aspirations of staff or the countries of our membership? Of course, we want to combine those two. Highly motivated staff is highly performing staff. But we

sure have to put the horse in front of the cart. Actually, I can tell you, from my interactions with staff, a majority of staff actually see it in this way. It is for us, as management, to make sure that the incentives are in place and the organization is in place that allows us to make that clear purpose serving our membership, the overwhelming objective for us at the Fund.

The proposed decision on the Tenth Period Monitoring Report on the Status of Management Implementation Plans in Response to the Board-Endorsed IEO Recommendations appears on page 52 of SM/19/281. Unless I hear from you otherwise, I propose that this decision is approved.

The revised proposed decision on the Categorization of Open Actions in Management Implementation Plans is on page 2 to 3 of SM/19/282, Supplement 1. This is where we made a correction. Are there any amendments to what is proposed there? Are there any further amendments? If not, this decision is approved.

It is proposed that the papers be published and that they be published together with the press release, if that is agreeable with the Board. In the spirit of transparency, I think we should do it.

We do not have any other business for today. Therefore, this meeting is adjourned.

The following summing up was issued:

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

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

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

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

Directors agreed, or could go along, with the proposal to remove from PMR monitoring actions that involve long-term technical or cultural change (Category 4) and actions that have been superseded by broader workstreams or recent MIPs (Category 5), with some caveats and reservations. Directors stressed that most of these actions remain highly relevant for the Fund, and looked forward to further progress in their implementation through principal workstreams that are subject to robust Board oversight, notably the ongoing comprehensive surveillance review (CSR), the review of the Financial Sector Assessment Program, and the human resources strategy. They appreciated that the paper specifies the linkages between each action and follow-up workstream. Directors emphasized that progress in delivering the desired outcome should be monitored regularly in the context of the appropriate workstreams, although a few Directors continued to see the benefit of monitoring certain actions through the PMR. A few Directors would have preferred deferring the categorization of these actions until after the completion of the CSR, and a few saw scope to reformulate some of the actions in Category 4 to make them SMART rather than removing them altogether from PMR monitoring.

Directors underscored that staff diversity remains a priority for the Fund, including regional, gender, and professional diversity. They recognized that efforts in this area are being enhanced through departmental action plans

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

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

The Executive Board took the following decisions:

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

The Board reviewed the implementation status of Management Actions in Response to Board-Endorsed IEO Recommendations and endorsed the assessment of their implementation progress as proposed in the Tenth Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office (IEO) Recommendations (SM/19/281). (SM/19/281, 12/20/19)

Decision No. 16655-(20/16), adopted
February 10, 2020

Categorization of Open Actions in Management Implementation Plans

(i) In application of *Decision 16490-(19/18)* on the *Framework to Address Open Management Actions in Response to Board-Endorsed IEO Recommendations* (hereinafter, ***Triage Framework***), the Board endorsed the

proposed classification of the outstanding actions, as proposed in *Categorization of Open Actions in Management Implementation Plans* (SM/19/282) under Categories 1–5 envisaged under the *Triage Framework*.

(ii) Accordingly:

- Thirty-eight of the outstanding actions have been assessed as “on-track” in *Tenth Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed Independent Evaluation Office (IEO) Recommendations* (SM/19/282) and falling under Category 1 envisaged by the *Triage Framework*. These actions are further listed in the Annex 2 of SM/19/282 (Categorization Paper).
- Eight of the outstanding actions have been assessed as being “off-track” and falling under Categories 2-3 of the *Triage Framework*. These actions are identified in Sections B and C of SM/19/282 (Categorization Paper) and will be reformulated, in line with the *Triage Framework*. The proposed revisions to these actions will be implemented through one or more Management Actions Plans, as needed. The MIP(s), prepared in line with the Decision No. 15877-(15/95), will be presented to the Board’s Evaluation Committee no later than six months from the date of approval of this decision.
- Six of the outstanding actions have been assessed as being “off-track” and falling under Category 4 the *Triage Framework*. These actions are identified in Section D of SM/19/282 (Categorization Paper) and originated from the MIPs endorsed by the Board in 2012 and 2013. Five out of six actions have met the five-year PMR reporting requirement and have been substituted by other implementation workstreams and monitoring mechanisms. Such actions will be retired from PMR monitoring going forward. For one action in Category 4 (action 4.3, on regional and gender diversity) annual monitoring through the PMR will be extended for five additional PMR cycles, to help provide additional progress on regional and gender diversity objectives.
- Ten of the outstanding actions have been assessed as being “off-track” and falling under Category 5 of the *Triage Framework*. These actions are identified in Section E of SM/19/282 (Categorization Paper) and assessed to be superseded by new workstreams. Further monitoring of such actions through the PMR is considered redundant and the actions will be retired. (SM/19/282, Sup. 1, 02/07/20)

Decision No. 16656-(20/16), adopted
February 10, 2020

APPROVAL: October 11, 2022

CEDA OGADA
Secretary

Annex

The staff circulated the following written answers, in response to technical and factual questions from Executive Directors, prior to the Executive Board meeting:

PMRs and Monitoring Effectiveness of Implementation

1. *We believe that the PMR framework can be further strengthened by incorporating a comprehensive risk assessment of policy delays and slippages. Staff's comments would be appreciated.*

- As suggested by a number of Executive Directors, an assessment of the impact of slippages in the implementation of open management actions could strengthen future PMRs and better assist the Board discharge its governance and oversight responsibilities.
- There have been recent efforts in this regard. First, beginning with the Ninth PMR, there has been an effort to explicitly identify actions facing implementation challenges. This supported the Triage framework approved by the Board in March 2019 and the current categorization exercise. Second, the Tenth PMR has also introduced a new concept of OIA's assessment of expected implementation dates (compared with original target dates), with the goal of providing more information to Executive Directors to determine whether any further anticipated delays are reasonable/acceptable.
- Under management guidance and consulting with the IEO, OIA will be working with ORM and SPR to bring to the Board Evaluation Committee proposals on feasible approaches and options for providing a high-level assessment of the impact of slippages in the implementation of open management actions in future PMRs. The endorsed approach would then be submitted to the Board for LOT approval prior to the Eleventh PMR, which would apply this approach.

2. *What other factors does staff consider to have enhanced the effectiveness of implementation, besides the formulation of recent actions under the SMART principles?*

- Several factors have supported increased effectiveness of MIPs. As suggested in Box 2 in the Categorization Paper, the governance framework to follow up on IEO recommendations has been strengthened over time in various dimensions. These have involved, first, an increased focus on the quality of the MIPs, including greater attention to ensuring the presence of SMART actions. Second, oversight has improved substantively over time, and this has facilitated helpful discussions by the Board (particularly at the EVC) on the MIPs. Third, the monitoring and reporting mechanisms have also been substantially strengthened over time, gaining on rigor and clarity. OIA's role in preparing the PMR and playing an advisory role has been critical in supporting this increase in quality and absorptions of lessons learned in the monitoring process. Finally, strong collaboration with the IEO has also helped better shape the MIPs to address their recommendations.

3. *Does the OIA believe the current budgetary process to be the adequate framework for the implementation of MIPs?*

- The current MIP process provides for departments to calculate the resource needs for implementation. For each action, implementing departments work with OBP to assess their possible resources needs. That said, not all constraints or competing priorities can be factored into the MIP discussions as changes might need to be implemented over time. Such changes would be then taken up in the context of the Fund's medium-term budget discussions.

4. *We encourage staff to improve the PMR framework in order to make the MIP actions visible and trackable in less resource-intensive manner. The staff's comments are welcome on this point.*

- The PMR is a monitoring mechanism of the implementation status of actions in MIPs. To the extent that such actions better embed the SMART (specific, monitorable, attainable, relevant and timebound) principles, the PMR will be able to become more effective and fulfill its mandate at a lower cost.

5. *We welcome the growing number of SMART MIP actions in the PMRs. However, we wonder whether it would be possible in future for the PMR to have a simple summary reflecting progress against targets, as an annex.*

- OIA will explore the possibility of including a summary table of all actions and current status in a supplement to future PMRs. This information is currently maintained on OIA's website for internal use, rather than external publication. These summaries report on status and due date for each action but do not include detailed metrics or benchmarks, as the current MIP framework does not provide such metrics.

SMART Actions

6. *The key lesson to be learned from the triage exercise is that, in formulating its recommendations, the IEO should pay more attention to structural constraints and tradeoffs that may hinder their implementation. Therefore, we wonder if the SMART approach should also be applied in formulating the recommendations, in addition to the implementing actions, in order to better internalize these constraints and tradeoffs. Staff's comments are welcome.*

- The Third External Evaluation of the IEO (2018 Kaberuka Report) recommended for the IEO to make its own recommendations SMARTer. That said, there inevitably is a need for balancing an IEO recommendation between being concrete and being sufficiently high-level to provide staff and management flexibility to design and implement the recommendations consistent with broader institutional objectives and constraints.

7. *We wonder whether “smartization” should necessarily apply to all potential actions. For instance, actions proposing “technical or cultural change” can often be important, although progress may be hard to measure. Staff’s comments are welcome.*

- The Kaberuka Report and the Board-endorsed Framework for Following Up on IEO Recommendations made a strong case for making actions SMART as this facilitates both implementation and follow up. For reforms involving cultural change, newer MIPs do not have continuous “high-level” actions that are not SMART, and instead seek to rely on actions that provide a clear, measurable path toward achieving the needed change.

8. *The Specific, Monitorable, Attainable, Relevant and Time-bound (SMART) test would be applied in Categories 2 and 3, and we would appreciate it if staff could clarify how the related implementation incentives would be applied?*

- The various MIP actions proposed for reformulation in categories 2 and 3 correspond to a broad range of issues and will need to be tackled individually if incentive-related issues are to be tackled effectively. This will require undertaking a comprehensive diagnosis of the various factors that have hindered incentives and then to propose a measure (or set of measures) to address them. These measures will need to be part of the reformulated actions that will be proposed to the EVC within six months of the endorsement of the Categorization Paper.

9. *The identified actions in category 2 are of high relevance, and its implementation is described to be hindered “by weak incentives.” As the report does not yet precisely describe this, could staff please elaborate how incentives are generally foreseen to be strengthened, e.g. by additional resources or rather other “soft” aspects?*

- Reformulating actions that require better incentives is a challenge. Actions in Categories 2 and 3 sometimes were accompanied by guidelines and other implementation mechanisms, but did not achieve their intended purpose. This means that when reformulating, staff will need to (i) look at the root causes why the actions were not implemented by comprehensively diagnosing structural bottlenecks as well as so-called “pain points” that need to be tackled; and (ii) design actions in a way to overcome these bottlenecks and pain points to ensure that the thrust of the IEO recommendation is met. In general, staff has not observed that these bottlenecks are associated with resource issues.

10. *We believe the biggest challenge for staff, the IEO and the Board will be the reformulation of actions in categories 2 and 3 in order to make them SMART. While we consider the six months objective ambitious, we support this timeframe. Even after the recategorization process, a considerable amount of open actions will remain to be implemented. Does staff have any update on the possible timeline to bring these proposals to the Board? How will reformulated actions be prioritized?*

- The Framework for MIPs mandates that the MIP to reformulate actions in categories 2 and 3 are brought for consideration to the Board’s Evaluation Committee within six months of the Categorization Paper being endorsed by the Board. We thus expect to send for EVC

consideration an MIP addressing all to-be-reformulated actions by the Summer. As these actions pertain to various implementing departments, we do not see a need for prioritization as they can be addressed in parallel.

11. *Regarding enhancement of the quality of the Working Papers, does staff already have a view on what could be a measurable deliverable? For action 3.6 that requires “adoption of new procedures to ensure the quality of working papers”, consideration could be given to peer reviews from reputable universities or institutes (two reviews) in addition to two internal (IMF) reviews. Staff views are welcome.*

- Staff at this point does not have a concrete deliverable in mind. That said, reformulating the action will need to carefully balance the nature of informal working papers with the need for potentially resource-intensive quality control. A possible action in that regard would be for departments to post their procedures for approving working papers to strengthen accountability of the staff who approve working papers, thus enhancing quality control. External peer review for working papers could be resource-intensive and, to our knowledge, it is not standard practice in most other institutions. We will weigh in more fully on these issues when preparing the reformulation of this action.

12. *For action 3.5 that requires staff “to inform authorities on Fund policy on treatment of confidential information,” we propose to require staff to report either in back to office reports or in staff reports.*

- We will submit reformulated actions within six months of the Board endorsement of the Categorization Paper to the Board’s Evaluation Committee for consideration. We take note of this suggestion; at the same time, we would like to note that this matter should be approached as an operational issue to support building the relationship of trusted advisor, and hence see less promise in a focus on reporting through official or internal documents.
- The issue confronted in the past was that there are challenges to effectively measure if/when this occurs as needed (as not every mission may require a discussion of confidential matters). Thus, one alternative being considered for reformulating this action (as per ¶28 in the Categorization Paper), would be to share clearly written communication with the authorities on the treatment of confidential information and on the Transparency Policy). In addition, staff is considering utilizing the annual Survey of the Offices of the Executive Directors (OEDs) to assess the member’s degree of satisfaction with the handling of confidential information.

Forecasts

13. *The application of a multi-country macro-econometric forecasting model is expected to be too complex and time-consuming. Why was this not foreseeable at the time, when the IEO Recommendation was presented in 2014? What were the relevant factors that it took about 5 years to come to this conclusion? The implementation of the recommended action seems hard to reach while maintaining efficiency. However, the relevance of the underlying issue persists. Instead of sticking with the set recommendation, could it be useful to overhaul the recommended action to reshape its focus on the*

underlying deficiencies? In the light of sustained forecast errors, we would appreciate further consideration of the underlying issue, before the recommended action is retired. Especially in light of fast-advancing data processing techniques, progress does not appear out of reach. Staff comments are welcome.

- As noted in the PMR, RES invested significant resources on the multi-country macro-econometric model. As a small part of a large model development project, RES investigated the possibility of using the large global model under development to help G-20 country teams improve their medium-term WEO forecasts. Given the size of the model, the resulting solution times, and the complexity of the coordination problem amongst desks, the pilot project revealed that it would not be feasible within the window available for generating WEO forecasts. Following a period of work in which expected results were not achieved, the 8th, 9th and 10th PMRs have consistently reported that the model was not cost-effective.
- RES has continued to work on global macroeconomic models, which have grown to play an important role in the WEO forecasting process. First, the Global Projection Model (GPM) is used to generate a model-based, globally consistent forecast in close coordination with area department teams that is used to help inform their WEO submissions. This forecast is done quarterly, covers a 2-year horizon, and is completed and presented well before desks' final WEO submissions. In addition, the Research department's other large global models are used regularly to prepare analysis that is circulated to desks to help inform their WEO forecasts. For example, model-based estimates of the impact of trade tensions were regularly circulated to aid desks in preparing their WEO forecasts.
- The quality of WEO forecasts has improved. The external expert report assessing such quality was finished in late 2018. RES has written a paper with the main results (also adding an extra year to the analysis). This will be presented to management in early March and a working paper will be issued shortly after. The analysis shows that accuracy has improved, and bias has declined for the majority of countries, although medium-term forecasts continue to show upward bias (optimistic growth projections). The WEO team looks at these forecasts as well as their internal consistency and engages with desks to discuss the realism of their assumptions. The work of the afore-mentioned GPM team and the interdepartmental taskforce meetings each forecast round have been very helpful in this area.
- More generally, staff continues to improve its tools for forecasting Fund-wide. For example, the new models used in the Vulnerability Exercise by SPR show better predictive power and ability to uncover complex relationship in the data. These models use state-of-the-art machine learning methodologies (ML) and expand the scope and cross-country coverage of risk assessment. They assess the risk of external crises (sharp exchange rate movements or sudden stops to capital flows), financial crises, fiscal pressures, and sharp growth slowdowns for the entire membership. ML not only performs better than older techniques in out-of-sample prediction, but also captures more complex interactions in the data and non-linearities. This provides valuable insights into how domestic vulnerabilities could interact with global and political factors to trigger a crisis. To uncover results, an innovative communication toolkit has been developed to summarize the evolution and distribution of risks and identify their drivers, and identify countries with similar risk profiles.

Fragile States

14. *Can staff elaborate on whether the FCS committee has identified issues that would benefit from management attention, and what type of ongoing engagement management intends to have with the committee, beyond the one meeting that is “expected shortly”?*

- The Committee made proposals to management on FCS staffing issues, and the new HR strategy is expected to improve the Fund’s ability to serve all members: a service requirement has been introduced for A15 promotion of a minimum of one LIC/FCS country assignment (or equivalent CD experience) in an operational context that involves the member country.
- The other strategic priorities of the Committee (country engagement strategies (CES), CD customization, and communication) are also advancing via various channels (CES pilots, CD strategy, etc.). Going forward, the Committee plans to engage with management further, including on CES, and on strengthening communication.

15. *There is a requirement of timely review of financial obligations of countries to the Fund and review of the overdue financial obligations. Could the staff provide the underlying factors which are beyond the control of the staff for the delay in review of overdue financial obligations and what measures are taken to expedite the review?*

- Sudan, which accounts for the bulk of the overdue obligations (80 percent), continues to be faced with severe economic imbalances and the challenges of a difficult political transition: near-term prospects for moving toward a comprehensive debt restructuring, including settlement of arrears to the Fund, are poor. The review of overdue financial obligations of Sudan was delayed in light of security risks and the unsettled political situation. Somalia was last discussed at an informal Board briefing in May 2019 (see EBS/19/48).

16. *On the establishment of an effective high-level FCS committee (paragraph 12), the corresponding IEO recommendation from the IMF and Fragile States (FCS) evaluation is about achieving better coordination of IMF work on FCS with other stakeholders. In this respect, we would appreciate some clarification on whether coordination of IMFC work with other stakeholders has improved.*

- The IMFC endorsed the statement of the Managing Director on October 13, 2018.
- In response to the second recommendation by the IEO evaluation on FCS (to establish an effective institutional mechanism to better coordinate the work by the Fund and other stakeholders), staff committed in the MIP to act as contact points for expanded engagement with external stakeholders including the WB, OECD, and G7. In that respect, staff has stepped up its engagement with the following institutions: the WB Fragility, Conflict and Violence (FCV) group, the OECD International Conflict and Fragility Network (INCAF), the UN, and the NYU Center on International Cooperation and the Center for Global Development.

17. *We believe that there is a good case for reframing and keeping action 5.2 on enhanced capacity development in fragile states and vulnerable countries, although we are aware that the MIP for the evaluation on the IMF and Fragile States encompasses actions in this area. Again, given the possible misinterpretation that the retirement of this action can have internally and externally, its reformulation could be a different approach. Staff's comments on these issues would be welcome.*

- In light of the Managing Director's statement on the Role of Fund Engagement in Fragile and Conflict-Affected States of October 4, 2018, we are not concerned about any possible misinterpretation about the retirement of this action. In her statement, the Managing Director sought "endorsement by the IMF membership of an ambitious package of interlinked actions to further strengthen the effectiveness of our engagement and to underline the importance of our work in FCS." She further noted that "The IMF is a global institution with a responsibility to address the risks and fragilities that threaten economic stability in each member, to the best of its ability. In addition, supporting countries in fragile and conflict situations (FCS) is an international priority that affects all Fund members, including through rising migration, forced displacement, trafficking, and terrorism." The IMFC communiqué at the 2019 Annual Meeting made a reference to this statement.
- The new MIP on FCS has greater reach than the original action and hence provides a case in which action 5.2 has been superseded. In particular, in contrast to the accountability for Action 5.2 in the 2017 MIP that was confined to the Statistics Department, the 2018 MIP elevated this action to devoting greater and broader attention to FCS by entrusting it to ICD in consultation with functional and area departments. Support for FCS is an explicit priority in the Fund's CD Strategy, which identified FCS among the narrow set of "growth areas" and for which an increase in CD spending as a share of overall resources is targeted. The new capacity development framework to help build institutional and human capacity in FCS focuses on increased interaction with country authorities and donors in key areas, providing more hands-on training to FCS officials, strengthening links between capacity building and Fund surveillance/program activities, and deploying some long-term experts.
- As background, in FY2019, the Fund delivered 21.5 percent of its CD to FCS. Ten FCS (Côte d'Ivoire, D.R. Congo, Gambia, Guinea, Liberia, Madagascar, Malawi, Myanmar, Sierra Leone, and Somalia) were amongst the top 30 recipients of Fund CD over FY2015-19. Online training courses significantly extended the reach of IMF training to FCS. Whereas spending on FCS excluding CD decreased by 1 percent in FY2019, it is estimated to grow by 7-8 percent in FY2020.

Social Protection

18. *On the action arising from the IEO evaluation of IMF and Social Protection, requiring ongoing senior staff participation in SPIAC (inter-institutional) meetings (paragraph 30); we see this as a recurring activity. Given that this activity is recorded as being implemented, we wonder if there is a way of ensuring that this activity continues to be implemented.*

- FAD has been formally designated as the hub for strengthening engagement between the Fund and external institutions around issues involving the area of social protection. A senior staff in FAD has been specifically tasked with participation and coordination with SPIAC-B. FAD staff now participate in SPIAC-B meetings on a routine basis and are making important contributions. At the next meeting in New York in April 2020, FAD staff will be making a presentation on progress in operationalizing the social spending strategy.

19. *We note the one-year slippage in the proposed delivery of the important guidance note on social spending, which seems excessive. Staff comments on the reasons for this would be welcome. We somewhat regret that the guidance note is planned for the end of 2020, given the importance of these issues. Could staff develop the reasons for this long delay between the strategic framework and the guidance note?*

- In working on the guidance note, staff felt that dedicated Sectoral Background Papers on different components of social spending (pensions, social safety nets, education, health) are a better way to go in order to provide sufficiently granular guidance to staff in support of their increased engagement on these policy issues. The guidance note will then provide an integrated summary of these papers. In addition, significant resources have been allocated up front to strengthening our process for reviewing country papers, undertaking external and internal outreach (including seminars to departments), and strengthening collaboration with development partners (ILO, UNICEF, World Bank). Staff believes that these background papers and the stepped-up consultation process will provide substantial value-added to the guidance note.

20. *We appreciate the update on the guidance note on Social Protection, now expected by end-2020. Can staff share any initial thinking on the type of new diagnostic and policy tools that may be highlighted in that guidance note?*

- Staff are working on two diagnostic and policy tools. On pensions, staff are developing a tool that enables staff to look at spending projections over the long term and to identify the fiscal implications of alternative policy options including changing retirement ages, reducing benefit generosity, and changing contribution levels. On social safety nets, staff are developing a tool to help country teams undertake a diagnostic of the strength of their social safety net system. Both tools will be supported by sectoral background papers (see response to previous question) that set out the framework for evaluating pension and social safety net systems and IMF policy advice in these areas.

21. *We welcome the attention of COM and area departments to improve communication around the IMF's role in social protection, in particular to be clearer about what the IMF can and cannot do given its mandate, resources and expertise. The management action in this area does not appear to be "SMART", so what will OIA be looking for, specifically, in assessing whether there is sufficient progress by end 2020?*

- In addition to the high-level communication strategy included in the Strategy for IMF Engagement on Social Spending, COM has developed a detailed internal plan outlining strategic focus areas, key messages, target audiences, media outreach, digital and social media, third-party validators, and a list of outreach activities, etc. OIA plans to assess progress in these areas. Most importantly, OIA will be reviewing the consistent development of country communication plans in instances where social spending issues are deemed to be macro-critical.

Diversity

22. *The concept of professional diversity should be redefined to encompass not only the candidate's educational background but also acquired experience that could be relevant to the job at hand. Staff comments on this issue would be welcome.*

- The Fund does not currently have a formal definition of professional or educational diversity, with the terms meaning different things to different people. Having said that, acquired experience is factored in throughout the recruitment processes and eventually in the staff member's competitiveness and suitability for internal jobs when applying and being selected for assignments. The new Human Capital Management (HCM) system will also better capture data on skills and experiences, and staffing and other decisions are expected to leverage such data and information.

23. *We invite staff's comments on the implications of this change, including the effectiveness of the Diversity Scorecard and the Diversity and Inclusion Report.*

- The Diversity Scorecards and the Diversity and Inclusion Report are effective in providing a comprehensive overview of trends and challenges in the area of Diversity and Inclusion. The Report also contains detailed and comprehensive proposals to address the challenges identified, as we have seen from the progress on Diversity and Inclusion within the Fund.

24. *Could staff further elaborate on the improvements envisaged in the organization's accountability framework for the D&I benchmarks.*

- The Accountability Framework is expected to be revamped with the adoption of the new HCM system (Workday) and the availability of more data. HRD is also looking more systematically at data on assignments and promotions for different groups or staff, as presented in the last Diversity and Inclusion Report. Some of this data are expected to be incorporated in the Accountability Framework and have already been proposed to be included in departmental action plans on Diversity and Inclusion. Any changes to

benchmarks approved by management further to the work of the 2025 Diversity Benchmarks Working Group will also be incorporated.

Tenure of Country Assignments and Handover by Country Teams

25. *On action 2.2 on targeting a three-year average tenure in country assignments, could staff elaborate on the tradeoffs in achieving this very specific objective? Do staff believe that ensuring longer tenure of the country team as well as the mission chief remains a relevant priority for the Fund? The PMR observes little progress in achieving a three-year tenure in country assignments. While we note the envisaged procedures to enhance the process by the forthcoming Career Playbook and Mobility Framework and Career Paths for Economists, we are wondering about the comprehensive procedures and the substantial time needed for such changes. Staff comments are welcome.*

- Staff recognizes that tenure and continuity of country assignments represent a key factor to support traction. However, the trade-offs and constraints faced so far suggest that effectively and appropriately tackling this issue will require a thorough diagnosis and a comprehensive solution. As per the Framework to Address Open Management Actions in Response to Board-endorsed IEO Recommendations, we will be submitting the proposed reformulation for the action on this matter within six months of the Board endorsement of the Categorization Paper to the Board's Evaluation Committee for consideration; this will give the opportunity to discuss the alternatives more fully.
- A number of trade-offs and structural bottlenecks seems to play a role, and reformulating this action will require a comprehensive diagnosis if these are going to be effectively addressed. Among those identified so far, one can note the need to keep a balance between the traction benefits of staff mobility (and the broader experience acquired from rotation) and the traction from longer tenures on one job; there are also tradeoffs when strong performing young staff (such as senior economists) that are seasoned and nearly ready for promotion that lead missions get promotion opportunities. Tradeoffs also arise in the case of FCS countries, where staff involvement is very intense, and where long tenures may not be advisable.
- As background, HRD believes that having tenure guidelines is important to help ensure some degree of continuity in our bilateral engagement with country authorities. The Mobility Framework approved by management reflects the importance of such guidelines as we are keeping the 3-5-7 rule as well as a minimum of 2 years in a department. In addition, HRD's focus on metrics reflects the importance on closely monitoring country tenures on assignments for multiple purposes. Robust handover and knowledge transfer practices are also important complements to help leverage technology and knowledge management practices to bolsters our effectiveness as a trusted advisor.
- With respect to the Career Playbook and Mobility Framework, these will start being implemented this year; the changes have been announced to staff and communication efforts will continue, along with changes in the Staff Handbook.

26. *The knowledge-sharing process is an issue, which could be tackled without major obstacles and even on short notice. Since the “pain points” are strongest around technical handover of file structures and data, there seems to be room for improvements by setting internal standards and structures. Staff comments are welcome. We welcome the survey of area departments on the main “pain-points” in the handover process. Has staff considered supplementing such a survey with feedback from the membership on their experience with changing mission teams?*

- Efforts to improve the knowledge sharing process at the time of handover have started. For instance, APD has developed and rolled out “handover templates” for mission chiefs, economists, research assistants, and coordinators. KMU is assisting with the assessment of the experience with these templates ahead of the reformulation of actions to improve the handover process. However, a high-quality handover process is not costless—in terms of staff time or travel resources. The KMU internal survey of experience with handover asked whether teams have received any feedback from the respective authorities on the process. Even though a smaller subset of staff answered that question, 2/3 of the positive comments from the authorities involved a mission chief transition associated with a joint handover mission or some type of overlap/shadowing period.
- The various pain points observed in the survey will be holistically considered throughout the reformulation process of action 2.2, to ensure appropriate guidance, tools, and incentives are available to facilitate a smooth handover.

New MIPs and Reformulation of Actions

27. *Regarding the new MIPs to be issued within the next six months to reformulate about one third of the off-track actions, we would appreciate if staff could clarify whether the approach to be adopted would involve the issuance of one MIP or several MIPs addressing the different topics involved.*

- The Framework is flexible enough to allow for one single MIP or various MIPs containing all the reformulated actions. Staff hopes to minimize the number of MIPs in this exercise to reduce the work burden, including for the Board.

28. *Categories 4 and 5: We support the retiring of actions that are repeated in new MIPs, while for the other actions in categories 4 and 5, we wonder whether alternatives, other than dropping the actions were explored. Staff comments are welcome.*

- The triage exercise indeed involved the need to weigh in the pros and cons of placing the off-track actions into four categories. As noted in the Categorization Paper, several off-track actions suffer from multiple simultaneous deficiencies (not being SMART, sometimes also missing incentives and/or being of a continuous nature) and are also likely to be superseded by events since they are relatively old. Therefore, a judgment call had to be made on which actions needed to be reformulated since there were so granular that there was no other major workstream that could explicitly absorb them, while broader actions that are clearly integrated into other workstreams could be justified to be retired under categories 4 and 5.

Integration with Main Workstreams

29. *We welcome the commitment that ‘reformulated actions will be proposed for Board consideration within six months of the approval of the Categorization paper’. Nevertheless, we still see some merit in these actions being reformulated as part of the Comprehensive Surveillance Review, given its focus on traction, and would welcome staff views on this.*

- We acknowledge the Board’s concerns about the link between country team turnover and traction. The CSR is focused on strengthening the traction of Fund advice and will provide broad strategic guidance on how to do so. The Board will have an opportunity to review the final CSR proposals (including on traction) in detail, and the specific guidelines and actions that follow from the CSR (whether contained in the revised Surveillance Guidance note or as part of a HR Strategy-related initiative) will, in this respect, reflect the Board’s feedback. Concrete proposals for reformulating the action to be submitted to the EVC within six months of the approval of the Categorization paper would of course consider this process as it evolves.

30. *We call on staff to consciously strive to consider and incorporate Board-endorsed recommendations into new and ongoing workstreams as appropriate so that they can be implemented on a more holistic and timely manner. Staff’s comments are welcome on institutionalizing such a mindset into its existing work processes as part of the ongoing efforts toward implementing MIPs.*

- Effectively embedding the Board-endorsed recommendations from the IEO into the Fund’s major workstreams is an ongoing process that has strengthened over time. More recently, appropriately timed IEO evaluations seek to feed its lessons into major workstreams—as it happened, for example, with the evaluation on the IMF and Financial Surveillance, which has fed into the FSAP Review and CSR, or the forthcoming shorter evaluation on Bank-Fund Collaboration on Macro-structural Issues, which is providing helpful inputs for the CSR. In addition, and as needed, the preparation of MIPs is led by stakeholders who are leading these workstreams, to enhance consistency.

31. *Could staff elaborate on possible risks that the actions in categories 4 and 5 will not be comprehensively picked up in the envisioned workstreams? Can staff also comment on the envisaged mechanism to maintain accountability and promote incentives for these off-track actions?*

- A number of the proposed actions will be superseded directly by the 2020 CSR and FSAP Review. These major workstreams carry important institutional priorities. Thus, the fact that retired actions may have been superseded by such workstreams strongly suggests that the high-level objectives from the IEO recommendations are being absorbed.
- It is also worthwhile noting that the IEO has strived to time its evaluations in a manner that could allow feeding its lessons into major workstream processes, including the CSR and the FSAP Review (for instance, with the ongoing shorter evaluation on Bank-Fund Collaboration on Macrostructural Issues, and the evaluation on the IMF Financial

Surveillance). Actions in new MIPs are generally SMARTer and better aligned with other processes to ensure that they support (rather than being overtaken by) other workstreams.

- Efforts include, for example, complementary proposals in both the CSR and FSAP Review to more deeply embed macro-financial surveillance into Article IV reports and strengthen cross-country learning, supported by improved training and hiring practices. Importantly, the Board will have various opportunities to consider and weigh in these proposals –including through various milestones in their preparation process, as well as in their formal follow up.

32. *Looking at the explanation to include actions in Category 5, we learn about the reasons: “because of their relevance, they have been superseded by broader workstreams and more recent MIPs.” Is there any safeguarding against repetition in coming MIPs? What could be done that MIP actions are not superseded by workstreams? More in general, what about the credibility MIP framework caused by the elimination of envisaged measures?*

- The main reason for such a repetition is that the actions in MIPs that were superseded were related to IEO evaluations that were over 5 years old and thus had been taken up by new workstreams that meet the associated IEO recommendations in spirit. Actions in new MIPs have been formulated as SMART and we therefore do not expect a repeat of this situation (i.e., the categorization exercise is expected to be one-off). See also the response to the previous question.

33. *In the context of most off-track items being old MIPs, we are intrigued by the observation that they often face multiple design weakness and likely to have been superseded by other work streams with passage of time. Could the staff highlight the key design weakness in these MIPs and an assessment of lessons learnt from them and modifications or improvements made in new MIPs?*

- As noted in Box 2 of the Categorization paper, the governance framework for MIPs has gradually evolved through time, and become more systematic and rigorous. Earlier MIPs (spanning 2014-15) did not benefit from structured guidelines and a monitoring process. As a result, old MIPs tend to include a greater number of actions that are highly aspirational but not SMART, and their implementation is harder to measure. As they lingered, they were often superseded by other work streams.

34. *We note that a large number of actions in the PMR are set to be delivered by end-2020, which we assume to have been well-planned to ensure timely delivery. We welcome staff comments on the assessment that went into setting those deliverables dates?*

- Many of these actions correspond mostly to recent (2018-19) MIPs, where the focus is on SMART actions with deliverables in the near and medium term. The delivery date for each action were carefully considered by the implementing department in the context of all of their deliverables under the MIPs, so that they are realistic and feasible.

35. *We stress that the categorization objectives should be communicated carefully internally and with the authorities. Since the main objective is streamlining the Board's accountability tools, we are in-line with "retiring" of actions that indicate duplication or irrelevance. Staff comments are welcome on communication risks.*

- The categorization paper is clear in that most to-be-retired actions remain highly relevant for the Fund. As such, they are not retired from the institution's agenda. Rather, because they are highly relevant, they are addressed through dedicated and principal workstreams subject to robust Board oversight. We therefore believe these communication risks are mitigated since the Fund has shown that it addresses these issues heads-on.

One-off Exercise

36. *Could staff comment on whether consideration is being given to alternative solutions other than the current "one-off exercise"?*

- The Board-approved Framework to Address Open Management Actions in Response to Board-Endorsed IEO Recommendations outlines on how to deal with off-track actions. In particular, it envisages a one-off exercise to identify the root causes of the implementation challenges for each off-track action and provides guidance on how to tailor remedial measures.
- Staff believes that our efforts to ensure SMART MIPs will minimize the need for similar exercises. That said, it is impossible to completely preempt the need for a future triage as unforeseen circumstances could lead to a reconsideration of some of the actions. In this case, the Framework will remain a helpful tool.