

## Annex V.1.

### PROGRESS IN STRENGTHENING THE INTERNATIONAL FINANCIAL ARCHITECTURE

| <i>Proposal/action required</i>   | <i>Action taken and progress made as of December 1999</i>   | <i>Next steps</i>   |
|---|---|---|
| <b>I. Transparency and accountability</b>   |   |   |
| <b>A. IMF</b>   |   |   |
| Public Information Notices (PINs)   | Executive Board took decision on new policy agreed earlier.   | National authorities being actively encouraged to allow release of PINs following Article IV consultations.   |
| Release PINs following Article IV consultations   | PINs released for 80 per cent of Article IV consultations from January to August 1999. Lags shortened and number of modifications reduced.  | IMF Executive Board's next review of PIN policy planned for March 2000.   |
| Extend use of PINs to policy papers   | Since March 1999, PINs released for policy discussions on SDDS reserve data, heavily indebted poor country initiative modifications, transparency initiatives, and monetary and exchange rate of euro area.   |   |
| Article IV staff reports  | Executive Board took decision on 3 June 1999 to implement an 18-month pilot programme for the voluntary release of Article IV staff reports. By 15 September 1999, 45 members had volunteered to participate. As of 4 February 2000, 31 staff reports had been published or authorized for publication.   | National authorities are encouraged to volunteer for pilot programme.<br><br>IMF Executive Board to review experience with pilot project before the 2000 annual meeting. A progress report will be issued to the Executive Board for information shortly. |
| Use of Fund resources   | In June 1999, the Executive Board took the decision to release: (i) letters of intent, memoranda of economic and financial policies and policy framework papers; and (ii) Chairman's statement in cases of use of Fund resources, on the understanding that the question of release of PINs and reports concerning use of Fund resources would be reconsidered in October 1999. | IMF Executive Board to review policies next year. In addition, issues may be reviewed in the light of experience gained in transparency in other areas.   |
| (i) Publish Chairman's statements after Board discussions in use of Fund resources cases; (ii) publish letter of intent, memoranda of economic and financial policies and policy framework papers; and (iii) voluntary release of use of Fund resources staff reports | As of 4 February 2000, more than 47 sets of programme documents had been issued under the new policy. Others are in the process (and a few countries have released some but not all documents).   | National authorities are presumed to release letters of intent, memoranda of economic and financial policies and policy framework papers.   |
| Allow accelerated public access to IMF archives   | As of 9 September 1999, Executive Board implemented a new policy to shorten time limits from 30 to 5 years for access to Executive Board documents, and to 20 years for other archival documents.   | IMF Executive Board to review policy in two years, with a view to possible liberalization.  |

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## Annex V.1 (continued)

| <i>Proposal/action required</i>   | <i>Action taken and progress made as of December 1999</i>   | <i>Next steps</i>   |
|---|---|---|
| Enhanced systematic evaluation of IMF activities  | <p>A series of internal and external evaluations have been undertaken for Enhanced Structural Adjustment Facility supported programmes, and a preliminary assessment of IMF-supported programmes in Asia. IMF Executive Board took stock of the independent evaluation process towards the end of 1999.</p> <p>External evaluation of IMF surveillance and economic research activities was issued in July 1999 and discussed by Executive Board in September 1999.</p> | <p>The Board to consider proposals for an external review of the efficiency of IMF operating procedures in 2000.</p>  |
| <b>B. Private sector</b>  |   |   |
| Assess how operations of key financial market participants could be improved through, inter alia, greater disclosure requirements | <p>Financial Stability Forum working groups on highly leveraged institutions, offshore financial centres and capital flows have commenced work, and draft status reports have been prepared.</p>  | <p>National authorities and standard-setting bodies (BIS-based Committee, IAIS, IASC and IOSCO) to pursue ongoing work.</p> <p>Financial Stability Forum working groups to report in early 2000.</p>  |
| Highly leveraged institutions   | <p>Reports by BIS-based Committee and IOSCO (February 1999) cover standards for banks' financial relations with highly leveraged institutions.</p>  | <p>National authorities and standard-setting bodies to further develop and implement standards for banks' relations with highly leveraged institutions. Consideration of public data disclosure requirements for highly leveraged institutions.</p> |
| Assess appropriate supervisory regulatory structure and disclosure to markets   |   | <p>Financial Stability Forum working group preparing report on systemic issues associated with highly leveraged institutions and their impact on small and medium-sized markets. The report is expected to be ready in early 2000.</p>              |
| <b>II. Developing standards</b>   |   |   |
| <b>A. SDDS</b>  |   |   |
| Strengthen SDDS prescriptions for: (i) international reserves and related items; and (ii) external debt and debt service          | <p>The second review of SDDS was completed in December 1998 with a decision to introduce a separate data category for external debt. In March 1999, the Executive Board agreed to strengthen SDDS prescriptions and approved the Data Template on International Reserves and Foreign Liquidity. IMF staff consulted with compilers on the debt transition period and will report to the Executive Board by March 2000.</p>  | <p>IMF to carry out a third review of SDDS in March 2000.</p> <p>SDDS subscribers to adhere to revised standards for reserves by March 31, 2000.</p>  |

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|---|--|--|
|   | <p>Procedures for monitoring observance of data standards were also established, to be reviewed by the Executive Board in March 2000.</p> <p>Operational guidelines for the reserve template were reviewed in October 1999.</p> <p>By end-December 1999, seven countries had started disseminating data on reserves in accordance with the template.</p> | <p>Others to consider subscribing to SDDS and take necessary steps to this end.</p> <p>Executive Board to set benchmarks for provision of international reserve data to IMF by members.</p> <p>Executive Board to review data standards to discuss a number of developments related to SDDS; including possible use as a criterion for minimum risk weighting for bank capital ratios under the revised Basle Accord and GDDS in March 2000.</p> <p>The Joint IMF/World Bank FSAP will evaluate the role of macroeconomic prudential indicators in surveillance exercises.</p> |
| <p>Consider inclusion of macro-prudential indicators of vulnerability in SDDS</p>   |  |  |
| <p><b>B. GDDS</b></p> <p>Approve and implement GDDS as framework for statistical development for countries not subscribing to SDDS.</p>             | <p>The Board approved GDDS in December 1997. By end-1999, seminars had been held in many regions of the world in which most potential GDDS clients participated. Metadata have been prepared for 13-14 countries.</p>  | <p>GDDS will move into its operational phase starting in 2000.</p>   |
| <p><b>C. Code of Good Practices on Fiscal Transparency</b></p> <p>Approval, endorsement and implementation of Code.</p>                             | <p>Code endorsed by Interim Committee in April 1998.</p> <p>Manual to assist implementation approved by the Board.</p> <p>Countries are being encouraged to make self-assessments of fiscal transparency. For this purpose, manual, questionnaire and self-evaluation are posted on web site. Ten countries have completed questionnaires.</p>           | <p>National authorities to aim at adhering to Code.</p> <p>IMF staff working on pilot assessments of fiscal transparency.</p>  |
| <p><b>D. Code of Good Practices on Transparency in Monetary and Financial Policies</b></p> <p>Approval, endorsement and implementation of Code.</p> | <p>Code finalized after incorporating comments received from public and other institutions and approved by the Executive Board on 9 July 1999; adopted by the Interim Committee in September 1999.</p>   | <p>IMF staff preparing, in cooperation with other international and national institutions, a supporting document to the Code to guide members in implementation.</p>   |

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## Annex V.1 (continued)

| <i>Proposal/action required</i>  | <i>Action taken and progress made as of December 1999</i>   | <i>Next steps</i>   |
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| <b>E. Banking supervision</b>  |   |   |
| Review 1988 Capital Accord to address gaps in existing standards   | The Basle Committee established a working group devoted to review of the 1988 Capital Accord. The Committee issued a consultative paper on a "New Capital Adequacy Framework".  | IMF and others to provide comments on new framework by March 2000.  |
| Identify areas where further work could help countries achieve compliance with the Basle Core Principles                         | In October 1999, the Basle Committee issued the Core Principles Methodology prepared by a working group, which included representatives of IMF and the World Bank, to assess implementation of the Basle Core Principles. IMF, independently and jointly with the World Bank, has undertaken several assessments of countries' compliance with the Core Principles. | IMF will continue, both independently and jointly with the World Bank, to assess countries' adherence to the Core Principles.   |
| <b>F. Other standards</b>  |   |   |
| Relevant standard-setting bodies to complete work on developing other standards relevant to the functioning of financial systems | Progress has been made in developing standards in the following areas: accounting, auditing, bankruptcy, corporate governance, insurance regulation, payment systems and securities market regulation.  | Relevant standard-setting bodies to continue work.  |
| <b>III. Surveillance</b>   |   |   |
| <b>A. Assessing international standards</b>  |   |   |
|  | First round of case studies prepared for Argentina, Australia and the United Kingdom, and released on IMF web site.   | IMF staff to continue experimenting with the modalities involved in preparing report on standards. Staff to conduct assessments for a range of countries. Comprehensive reports to be built up on a modular, standard-by-basis. World Bank to consider what role it can play in preparing assessments outside the Fund's core operational concerns. |
|  | Second round of case studies published for diverse group of countries: Bulgaria; Cameroon; Czech Republic; Hong Kong, China; Tunisia; Uganda; and Ukraine.  |   |
|  | Executive Board considered proposals on how to proceed based on experience from two rounds of experimental case studies and an outreach programme to private financial market participants and other standard-setting bodies.   | The experience will be further reviewed in mid-2000.  |
| <b>B. External evaluation of IMF surveillance</b>  |   |   |
|  | Review is completed and preliminary discussion is undertaken by Executive Board.  | Executive Board to return to issues during forthcoming internal review.   |

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## Annex V.1 (continued)

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| <b>IV. Vulnerability assessment</b>  |   |   |
| <b>A. Comprehensive reporting on capital account</b>   |   |   |
| Develop mechanisms for better assessing capital flows and external vulnerability   | <p>IMF staff have expanded reporting to Executive Board on financial market developments, and published reports on international capital market developments.</p> <p>Enhanced creditor-side data on external debt and internal system for disseminating detailed BIS data came online on Internet in March 1999. Work is ongoing to increase timeliness and quality of creditor-based data.</p> <p>Technical assistance is provided by IMF to members in improving data and monitoring systems.</p> | <p>IMF staff to continue work to implement detailed recommendations of task force.</p> <p>Efforts to strengthen data systems on external debt and reserves and further public dissemination of data (see SDDS) to be continued by national authorities.</p> <p>IMF to collaborate with international organizations to widen coverage of creditor data systems and to shorten publication lags.</p> <p>Financial Stability Forum expected to prepare report on short-term capital flows in early 2000.</p> |
| <b>B. High-frequency debt monitoring</b>   |   |   |
| Develop systems to monitor short-term private debt on a high frequency basis   | Systems to monitor inter-bank lines have been or are being established in Argentina, Brazil, Ecuador, Indonesia, Mexico, the Philippines, Republic of Korea, Thailand and Turkey. Other systems continue to be developed and upgraded.  | Encourage other borrowers to implement systems. IMF to provide technical assistance as requested.   |
| Improved debt assessment and management by countries   |   |   |
| Avoid excessive levels of short-term debt; maintain adequate reserves; limit use of put options in emerging market debt instruments; avoid rigid or inflexible debt structures; promote greater debtor-risk sharing so that debt-service burden adjusts with borrower's capacity to service debt, as appropriate |   |   |
| <b>C. Data provision to IMF</b>  |   |   |
| Reach agreement on minimum standard for reporting of reserves and related items  | Executive Board reached an agreement on minimum standards required for data reported by countries. IMF staff are developing a detailed reporting table based on SDDS reserves template. IMF Executive Board considered a paper on a minimum standard for reporting of reserves to IMF in November 1999.   | IMF Executive Board to continue to prepare papers in 2000 on data provision by members to IMF.  |

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**Annex V.1** (continued)

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|--|---|---|
| <b>D. Early warning systems</b>  |   |   |
| Develop and test empirical models to help predict balance-of-payments crises   | IMF staff have developed and implemented, on an experimental basis, prototype enhanced models to predict crises for its internal use. Forecasts from these and existing private sector models have been presented to the Executive Board.   | IMF staff to continue to use and assess performance of existing models and develop possible improvements. Results to be periodically presented to Executive Board, consistent with concerns regarding confidentiality and the uncertainty of the forecasts. |
| <b>V. Strengthening financial systems</b>  |   |   |
| <b>A. Financial market supervision and development</b>   |   |   |
| Strengthen focus of IMF surveillance on vulnerabilities in financial sector. Enhanced technical assistance on a wide range of financial sector areas | Financial Sector Liaison Committee (FSLC) was established in 1998 to enhance collaboration between the World Bank and IMF. FSLC has initiated action to enhance coordination and effectiveness of work programmes, and to develop guidelines.<br><br>Joint IMF-World Bank FSAP initiated. | FSLC will continue to coordinate the work of IMF and the World Bank in this area.<br><br>Pilot programme of FSAPs begun. Experience with FSAP under pilot programme will be reviewed by IMF Executive Board in early 2000.                                  |

**Source:** IMF, *Statement and Report of the Managing Director to the Interim Committee on Progress in Strengthening the Architecture of the International Financial System* (Washington DC, September 1999), Annex, available at <<http://www.imf.org/external/np/exr/facts/arch.htm>> (12 January 2000), plus updated information provided by the staff of BIS and IMF.