

What Constitutes a Trusted Advisor? Perceptions from Key Stakeholders

A Country Authority's View

The effectiveness of the IMF as a trusted advisor to governments depends critically on its credibility, relevance, and legitimacy. As an international organization providing advice to sovereign states, the IMF cannot rely solely on formal rules to ensure that its advice is listened to and acted upon. Governments face domestic political, legal, and economic constraints, and will be more willing to accept the IMF's advice if it is viewed as credible and relevant to their needs, and if the advice is viewed as carrying the weight of the international community.

Credibility—Among authorities, it is not uncommon to hear the view that the IMF's advice is theoretically sound, but does not always take into account country-specific circumstances or the political or economic constraints faced by the authorities. To address this, mission teams should comprise not only well-qualified technical experts as they do now, but also staff who have experience in policymaking, who are able to appreciate the trade-offs that authorities have to make. This will enable the IMF to provide practical advice to help authorities make trade-offs in a way that is sound and sustainable. Importantly, to be a trusted advisor to governments, the IMF should consider how to enhance its credibility as a confidential sounding board to authorities. This may mean placing greater emphasis on the confidentiality of the discussions between the IMF and authorities when balancing between the need for transparency and confidentiality.

Relevance—For the IMF to be a trusted advisor, it has to provide advice that “adds value” and is relevant to the authorities. A key asset that the IMF has in this regard is its ability to look across its near-universal membership to understand spillover effects and linkages between countries and regions. Its ability to provide early warning of potential spillovers from outside the country will be of relevance and value to authorities. The IMF's advice, however, must continue to be rooted in the bilateral Article IV process. It is these bilateral

discussions that enable the IMF to understand the potential outward spillovers from a country's policies as well as the impact of inward spillovers. The bilateral Article IV process allows the IMF to bring its understanding of cross-border linkages to bear on a country's policies and economic situation.

Legitimacy—To be a trusted advisor, the IMF's advice has to be seen as the product of an impartial assessment of the country. The advice must be the outcome of a process that is evenhanded and representative of the views of the international community. At its core, the legitimacy of the IMF's advice is tied to the legitimacy of the IMF itself. For its advice to carry the weight of the international community, the IMF has to be viewed as an organization in which decision-making on policy and surveillance is taken by organs of the IMF in accordance with rules that allow for decisions to be made based on internationally-agreed norms, not simply reflecting the views of only the biggest economies.

An Executive Board Member's View

To assess the risks and rewards of uncertain scenarios, or the pros and cons of policy decisions, a country authority might seek the advice of a trusted member of staff or Management. In this setting, trust implies intimate acquaintance with the circumstances, history, and background of the authority and the country. The result of this dialogue and exchange of views can help build up a new consciousness about the trade-offs involved and help with decision-making, by discovering new angles and unveiling associations that were not apparent beforehand. This often implies a high degree of confidentiality—the discussion will need to be kept private.

Alternatively, the authority seeking advice might look for professional expertise, so as to resolve appropriately a well-defined and narrow issue. In this environment, trust is more precisely defined than in the previous case, yet has similarities. Trust will exist if

the advisor is perceived by the individual to have the required expertise and knowledge. The advice should be clear of the suspicion of conflicts of interest, and confidentiality remains critical.

The core work of the Fund is surveillance, technical assistance, and lending. In the context of technical assistance and lending, the provision of advice by the Fund is more akin to the second setting, e.g., professional advice on specific matters. Trust in the Fund's advice relies, therefore, on its technical expertise and the perception of independence and absence of conflict of interest. The latter also implies evenhanded lending policies by the Fund, including an unbiased approach and lack of discrimination, through the application of ad hoc exceptions to Fund policies. In this case, the trust is basically in the institution.

Surveillance is somewhat different and more complex. The voluntary act of engaging in a collective endeavor, such as the Fund's various surveillance processes, can be understood as having the purpose of achieving a greater good through collective action. Given that bilateral surveillance has a bearing on the obligations of the members, to view it as trusted advice members have to trust that the degree to which they are asked to exercise these obligations is firmly rooted in the principle that the greater good is the objective. Thus, legitimacy in the Fund's governance is at the cornerstone of the trust in surveillance advice, and trust is more in the institution than the individual.

But what about the first type of advice, where authorities may be interested in opinions on more sensitive and complex issues, such as the impact and trade-offs of various prospective policy options? These discussions entail a higher level of individual trust (rather than institutional trust) and confidentiality, which will be heavily influenced by the relationship between the authorities and specific IMF staff. More intimate acquaintance with the circumstances of the country is paramount. This type of trusted advice will be completely demand-driven and highly dependent on personalities—on both sides. It can take place in the context of any interaction with the Fund: lending, technical assistance, surveillance, or other channels. These are the “unofficial channels of advice,” which might be among the most highly valued by the authorities, but the most difficult to institutionalize.

A Mission Chief's View

Direct experience in the field points to three requirements that Fund staff must fulfill to build a trusted advisor role. These are: to demonstrate a nuanced interpretation of confidentiality; to find ways of triggering

discussions that are creative in terms of “thinking outside the box;” and to bring to the table reliable insights. The challenge, in other words, is to be discreet, to be stimulating, and (reasonably often) to be right. Clearly, the credibility of such a role for the mission team is indissoluble from the entire relationship with the Fund.

A nuanced interpretation of *confidentiality* is indispensable, and there are more layers to this than sometimes perceived. There are some discussions that work well—and work only—under the Chatham House Rule (nondisclosure of specific institutions and officials). There are other occasions, indeed, when authorities may be thinking out loud, and care should be taken not to present as “official views” ideas floated in this way. There is also an issue of what might be termed “internal confidentiality:” officials will think outside the box more readily if they are not quoted to other parts of the authorities (or their own hierarchy) in a damaging manner. This said, some realism is needed about the limits of trust, especially in a program relationship: authorities are not about to serve up armor-piercing ammunition that can be used against their own negotiating positions.

Country authorities value mission teams playing the role of catalyst in triggering discussions that are creative in terms of “*thinking outside the box*.” There are various ways of seeking to achieve this, including “seminar” sessions during a mission. Overly directive questionnaires are seen as inadvertently closing down areas for discussion; and teams can easily be perceived as adopting a forensic style of investigation that prompts formalistic or defensive responses.

It is obvious perhaps, but a crucial ingredient of a trusted role—perhaps the most crucial—is simply to be right, and *to be right in ways that make new connections or draw on relevant experience* in other countries or regions. One of the most telling criticisms of IMF work is that quite frequently the authorities did not feel that the IMF had connected the dots in more imaginative and forward-looking ways than they had achieved themselves—especially as regards cross-border spillovers and domestic macro-financial linkages. At times in the past, a trusted surveillance role could be built on conservative fiscal assessments: in today's more complex macro-financial world, that is no longer enough.

This critique immediately highlights the basic truth that *the trusted advisor role of the mission team is not viable in abstraction from trust in the surveillance approach of the Fund as an institution*, on which the mission team can draw. The trusted advisor role requires a high degree of trust in the value and evenhandedness of policy assessments across regions and

countries, including in spillover analysis. This remains an area in need of strengthening.

A Resident Representative's View

Resident representatives are in a privileged position to establish a trust-based relationship with country authorities. The presence in the field and the more frequent interactions with the authorities provide the basis for resident representatives to work on the emotional elements that underpin a trusted advisor relationship. They can dedicate more time to listening to the authorities' views, even acting as a sounding board for ideas being developed, and to explaining the Fund's policy recommendations and their rationale. At the same time, the sense of "informality" that develops over time with regular contacts provides the resident representative with the opportunity to show some intellectual independence and develop empathy towards the authorities' concerns.

Taking advantage of this privileged position requires support from headquarters. The resident representative needs to be empowered by the mission chief to be a legitimate and respected interlocutor with the authorities and other stakeholders in the country, including the press. The resident representative also needs to be kept abreast of the current thinking at headquarters on the country-specific issues as well as of Fund policies relevant for the country. Support on technical issues is also key, since even the best qualified resident representative is unlikely to have deep expertise in all fields.

Success in becoming a trusted advisor is a balancing act between being perceived as a helpful fair broker by the authorities while being perceived as team player by headquarters. In developing the relationship with the authorities it must be clear that the resident representative's allegiance is to the Fund. At the same time, the resident representative should strive to be helpful to the authorities in their relation with the Fund by assisting them to identify policies and areas of cooperation that are not evident to them. The resident representative should also assist the authorities by bringing to the attention of the country team and technical assistance advisors considerations that are not easily grasped from reading the press or analysts' reports. On the other hand, the resident representative should coordinate closely with the mission chief his/her interactions with the authorities. There must be a clear understanding on what are the policy recommendations, the official messages, and the ultimate objective of the interactions with the authorities (especially in program cases).

Participation in public forums represents one of the main challenges to the balancing act, especially when the authorities' policies are at odds with Fund policy recommendations. The relation with the authorities can be irreparably damaged if the "trusted advisor" is perceived as adding his/her voices to the authorities' critics. At the same time, one of the main objectives of outreach activities is for the resident representative to present and explain the Fund's stance on policy issues.