

ANNEX 5

New IMF Initiatives That Could Strengthen the Fund's Trusted Advisor Role

The Fund's frameworks for surveillance and management are evolving. The following briefly reviews some of the institution's newest initiatives most closely related to strengthening its role as a trusted advisor.¹ Some aspects of these initiatives directly address several of the key problematic issues identified by this evaluation.

Response to the 2010 Staff Survey

Fifteen areas were identified for action, and nine working groups were launched to tackle the "first wave" of issues. Among the proposed changes are:

- *Accountability framework*: aims to publish departmental scorecards Fund-wide to increase transparency and support alignment with corporate objectives.
- *Managing performance*: includes strengthening the support for supervisors in performance management to achieve sustainable behavioral change.
- *Internal mobility*: includes lengthening the minimum tenure of economists on a country assignment to three-year average.
- *Statement of workplace values*
- *Leadership development*: develops a framework for managerial and leadership skills to support a more open work environment that encourages and makes use of the creativity of staff at all levels across the organization.

In 2013, additional working groups are to be set up to deal with "second wave" measures, which include, among others, a 360-degree assessment of managers and developing a learning strategy.

¹This is not intended to be an exhaustive list of reform efforts, but rather highlights those aspects most closely related to enhancing the trusted advisor role.

Statement of Workplace Values

Launched by the Managing Director in July 2012, this statement is intended to summarize the values that should guide the Fund's work, many of which are clearly related to the Fund's prospective role as a trusted advisor. In particular, the statement notes that Fund staff "are guided by the core values of integrity, respect, impartiality, and honesty." Among the goals are "an intellectually open atmosphere that seeks diverse views to develop the best solutions," "the highest quality policy advice, tailored to national circumstances and to global needs, delivered in an evenhanded manner," and "a committed, responsive, and candid partner in making and implementing economic policy."

Working Group on Increasing the Effectiveness of Staff in the Field

The group looked at eight past reviews of operational effectiveness overseas and followed up on the recommendations that had not been implemented. It identified areas in which improvements had not been made, such as selection, training, and management of resident representatives. Among the recommendations were: strengthening training and preparation, focusing on effective outreach; better advance planning, having whenever possible at least six months to prepare; raising the bar on qualifications: selection of resident representatives with the right balance of skills and experience, focusing more on relevant skills such as strong outreach, interpersonal, language, and diplomatic skills; and strengthening departmental management of resident representatives, including by applying substantive and specific terms of references as well as job standards.

Statement by the Managing Director on the Management Implementation Plan for the IEO Evaluation of the IMF’s Performance in the Run-Up to the Crisis

The statement focused on two aspects of the Fund’s institutional culture:

- *Breaking down silos:* the statement recognized scope for more departmental collaboration and accountability around a set of institutional priorities.
- *Promoting diverse views and candor:* the statement noted that (i) there is a need to access alternative perspectives outside and inside the institution to avoid “groupthink”; (ii) the staff is expected to be candid with country authorities, while staying tactful in public. Errors will be corrected and the management team would stand behind staff in all other cases; and (iii) staff surveys on two-year cycles will be conducted to understand if these efforts are working and to detect problem areas.

The Integrated Surveillance Decision (ISD)

The ISD defines the scope of surveillance and makes Article IV consultations a vehicle for both bilateral and multilateral surveillance. It confirms the key pillars of effective surveillance: the importance of dialogue and persuasion; clarity and candor in the assessment and advice of relevant economic developments, prospects, and policies of members; an environment of frank and open dialogue and mutual trust with each member; and evenhandedness by affording similar treatment to members in similar relevant circumstances. Analyses of global risks and policy spillovers from the Fund’s multilateral surveillance products, along with the internal review process, would play a key role in selecting topics for Article IV consultations. Under the ISD, the staff is also encouraged to exchange views on such topics with the authorities at an early stage of a consultation cycle, ensuring that Article IV discussions are not overburdened.

2012 Guidance Note for Article IV Consultations

The guidance note highlights the following five operational priorities for surveillance:

- Interconnections
- Risk assessment
- Financial stability
- Balance of payments stability
- Traction

It enumerates qualities essential for effective surveillance:

- *Collaboration:* surveillance is a collaborative process, based primarily on dialogue with country authorities and other stakeholders, and persuasion.
- *Candor:* effective dialogue requires candor, both in discussions with the authorities and in staff reports, including about risks.
- *Evenhandedness and regard to country circumstances:* surveillance must be evenhanded, whether economies are large or small, advanced or developing, and should pay due regard to countries’ specific circumstances.
- *Practicality:* the staff’s advice should be practical. It should be specific and take into account the authorities’ implementation capacity.
- *Forward-looking:* staff reports and discussions should take a medium-term view, including a discussion of medium-term objectives and planned policies, especially possible policy responses to the most relevant contingencies.
- *Multilateral perspective:* Article IV consultations should discuss spillovers, as provided by the ISD and draw from experience in other countries.
- *Selectivity:* staff should not view this guidance as a prescriptive list—reports should be focused and selective, except for certain issues that must routinely be covered.
- *Timeliness:* to ensure that Article IV staff reports are up-to-date when discussed at the Board and subsequently published, staff should strive to

minimize the time from the end of the discussions with the authorities to the Board discussion.

- *Follow-up:* to promote the candor and effectiveness of surveillance, country papers should follow up on past advice given in Article IV consultations and key FSAP recommendations and report on their implementation.

Macroprudential Policy (MaPP) Work Program

The Fund's Monetary and Capital Markets Department (MCM) has been developing a work program to help the Fund become the leading authority in the area of macroprudential policy. The objective is to establish operational principles for consistent advice to member countries. The program will attempt to leverage expertise and support the cross-fertilization of work within this rapidly evolving area of research. Among the mechanisms to promote knowledge management

and collaboration are an Interdepartmental Working Group on Macroprudential Policy, a Macroprudential Policy Database, and an external Advisory Group on the Development of the Macroprudential Policy Framework.

Financial Surveillance Strategy

The financial surveillance strategy, broadly endorsed by the Board, proposes an ambitious and comprehensive three-pronged strategy to strengthen the Fund's financial surveillance:

- Strengthen the analytical underpinnings of macro-financial risk assessments and policy advice;
- Upgrade the instruments and products of financial surveillance to foster an integrated policy response to risks; and
- Engage more actively with stakeholders in order to improve the traction and impact of financial surveillance.