

III. Changes to the IMF's Mission Process and the Impact on Provision of Advice

Prepared by Thomas Reichmann

Contents	Page
I. Introduction	45
II. Changes to the Mission Process and Procedures	45
A. Consultation Procedures	46
B. Staff Reports.....	46
C. Board Procedures	47
D. Budgetary Savings	48
III. Evidence from Surveys and Interviews	50
IV. Conclusion.....	52
Tables	
1. Average Mission Length FY 2004–11	48
Figures	
1. Article IV Consultation Missions – Average Length	49
2. Article IV Consultation Missions – Average Size.....	49
3. Article IV Consultation Missions – Staff/Days in the Field	50
4. Mission Chiefs Views on Dialogue with the Authorities	51
5. Mission Chiefs Views on the Reporting Process.....	51
References.....	53

I. INTRODUCTION

1. **This background study examines how changes that the IMF made to its mission process and procedures may have affected the opportunities for dialogue and building trust relationships with country authorities.** Much of the IMF's advice is provided during staff missions for the consultations under Article IV or for discussions on programs to be supported by Fund resources. The practices and rules relating to such missions, particularly Article IV consultations, have a bearing on the staff's ability to fulfill the role of a trusted advisor; especially since developing trust—an essential element for the effectiveness of the advice—requires a minimum degree of contact between staff and authorities so as to allow them to get to know each other and gauge the motivation and quality of their discourse. This note examines some of the changes to the mission process, and its associated procedures, that have occurred during the past eight years or so, seeking to ascertain the degree to which they have affected the frequency and duration of such contacts and thus may inadvertently have had consequences for the IMF's role as a trusted advisor.
2. **The Fund has made changes in recent years to the length of missions, the number of staff on these missions as well as the opportunities available to mission chiefs to engage senior authorities.** Some of these changes were prompted by the desire to enhance certain aspects of the mission process or of the operations of the Executive Board, but in many cases they were the result of the quest to increase the efficiency and cost effectiveness of IMF activities. This more or less continuous preoccupation with limiting the cost of IMF operations and trimming non-essential activities was greatly accelerated after the publication of the Fund's Medium-Term Strategy in September 2005 and the initiatives that were taken to implement its recommendations.
3. **The surveys and interviews conducted for the IEO's evaluation of "*The role of the IMF as Trusted Advisor*" (RITA) uncovered concerns by both authorities and staff that some of the changes to mission process and procedures may have negatively affected the provision of IMF advice.** There is a feeling that the opportunities for dialogue and for developing a relationship of trust have been curtailed by these changes. Being the result of a process of cost cutting and simplification of procedures, reversing some of these changes is bound to imply some trade-off between opening space for the provision of advice and the speed and simplicity of operations. Mostly, however, such a reversal will carry some additional costs, which would need to be weighed against present budgetary realities and stated objectives in this area.

II. CHANGES TO THE MISSION PROCESS AND PROCEDURES

4. **Changes to the mission process and procedures were made as part of the IMF's refocusing of priorities through the Medium-Term Strategy exercise.** The Medium-Term Strategy document was based on the premise that the profound changes in world circumstances that had occurred around the turn of the century "...required an updated

interpretation of the Fund's mandate as the steward of international financial cooperation and stability. Without new focus and carefully chosen priorities, the institution risked being pulled in too many directions and losing its relevance to large part of the membership." The Managing Director's report on implementing the strategy (IMF, 2006a) acknowledged "the importance of tough and independent policy advice" (paragraph 2), and presented a number of proposals to advance the new medium-term strategy that also had implications for the provision of such advice. Many of the report's proposals were implemented directly by Management, but others were ultimately submitted for Board approval in the paper "Implementing Streamlining" (IMF, 2006b). Of relevance for the present note are the proposals to streamline consultation procedures, sharpen the focus of staff reports, and enhance the efficiency of Board procedures.

A. Consultation Procedures

5. **The proposals relating to consultations argued for streamlining the Article IV consultation procedures (IMF, 2006a)**, indicating specifically that "Strong engagement with country authorities need not translate into procedures that imply repetitive, pro forma reporting to the Board. It is possible to carry out Article IV surveillance for a number of countries with lighter procedures—smaller teams, shorter missions, and brief reports cast around the final statement—every other year."

6. **The proposal to loosen up the consultation cycle found its present form with the Decision on Article IV Consultation Cycles adopted by the Board in September 2010 (IMF, 2010).** According to this decision, countries that are granted a Fund arrangement or a PSI are automatically placed on a 24-month cycle, joining other non-program countries that meet certain criteria (such as not being of systemic importance, not being perceived to be at risk, etc.). By December 2011, close to half of the membership (including eleven non-program countries) was on the 24-month cycle.

7. **The effect of this decision on non-program countries is clear: the opportunities to meet face to face with staff, discuss issues and seek advice were cut in half, unless the missing mission was replaced by a staff visit.** Similarly for program countries, some impairment of the Fund's advisory role is bound to happen. Consultations that occur during a program provide an opportunity to move away from discussions just on targets and benchmarks, and to pay attention instead to issues of medium- and longer term strategy.

B. Staff Reports

8. **The length of staff reports on consultations, was to be cut by 10–30 percent, "while striking a balance between brevity and adequate treatment of issues and allowing for necessary differentiation," while the number of Selected Economic Issues papers and Statistical Appendices was to be reduced.** A guidance memorandum from the First Deputy Managing Director (IMF, 2006d) specified maximum word limits for each category of staff report. This proposal may have had an only limited effect on the advisory

capability of missions; but in-as-much as space considerations limited the number of topics that could be reported, it may have had a dampening effect on the missions' willingness to respond to new issues raised by the authorities.

C. Board Procedures

9. **Finally, concerning Board Procedures, it was recommended that “For some cases, Article IV consultations can be concluded within 30 days...” and that “The lag between Article IV missions and Board consideration should be lowered to at most 60 days (except PRGF countries), with 14-day Board circulation” (IMF, 2006b).** In view of strong opposition by a majority of Directors, the traditional 3-week circulation period was subsequently reinstated and in the end a maximum lag of 65 days was approved, down from 3 months before the reform. Considering the time required for reviewing the reports, which by its nature could not be shortened, the effective drafting time after a mission returned to headquarters was cut by about 40 percent.

10. **The reduction in Article IV lags was aimed at enhancing the timeliness of Fund surveillance and to allow the Board meeting to be based on a more up to date picture of a country's situation.** But though there is undoubted merit in bringing the issuance of the Executive Board's views closer to the time of the mission, the latter part of the argument is more debatable. As a number of Directors pointed out during the Board discussion of the streamlining proposal, up-to-date information was already being made available through the issuance of supplements to reports when warranted by new developments (IMF, 2006c).

11. **The reduction in Article IV lags had important—and perhaps largely unintended—consequences for the Fund's ability to provide advice during missions.** In presenting this proposal to the Board, the staff had taken too sanguine a view of a missions' ability to speed up the drafting of a report. Directors in turn were mostly concerned with preserving the quality of the reports, a quality they needed in order to discharge properly their surveillance obligation. What was not foreseen was that a shortening of the period at the end of the consultation process would result in a backflow into the period the mission spends in the field and cut short the time available to interact with the authorities — as mission chiefs feel the need to devote time during the mission to the drafting of the report. This happens notwithstanding that the Policy Consultation Note that is prepared in advance of a mission is already drafted as a proto staff report—a practice that by itself seems to introduce some rigidity as it may reduce the willingness to consider new issues—and that the mission's final statement (often given to the authorities in written form), can be subsequently used for the staff appraisal section of the staff report.¹

¹ In the case of missions that are required to leave behind a written final statement, a practice that reportedly has increased in recent years, an additional time consuming factor has been the growing fashion to deliver the

D. Budgetary Savings

12. **The long-standing preoccupation with budgetary savings was intensified as a result of the Medium-Term Strategy and led to renewed efforts to, inter alia, cut travel costs and hence reduce the length and size of missions.** Subsequently, these constraints on the mission process were further tightened by the downsizing program that started in 2008, and a 6 percent across-the-board cut on the previous year's travel budget was imposed in FY2009.² Moreover, the downsizing not only had consequences for the size of missions, but also reduced the participation of non-area departments in them (e.g., SPR or FAD) while aggravating, perhaps only temporarily, the problem of high turnover of personnel that had been plaguing the mission process.

13. **A comparison of the situation prevailing around the middle of the past decade and that in the more recent period indicates that indeed there has been a reduction across area departments in both the length of missions and the average number of staff participating in them.** One may note, however, that the shortening of the duration of missions responded not solely to budgetary pressures but reportedly also reflected pressures from staff seeking to limit the time they spend away from their families. But one may also note that the shortening came at about the time when the task of missions was expanded to include intensified outreach activity and additional focus on the financial sector.

14. **Table 1 and Figure 1 (based on methodologically different sets of data) show that over the past 6–8 years there has been a shortening by about 1½ day on average (or about 10 percent) in the typical duration of Article IV consultation and/or UFR missions.** This shortening happened notwithstanding contrary efforts by area departments, which were generally reluctant to shorten the duration of Article IV consultation missions, while no set length could be imposed on UFR missions, which depend on the speed at which negotiations can be concluded.

Table 1. Average Mission Length FY2004–11

	2004	2005	2006	2007	2008	2009	2010	2011
AFR	14.2	9.8	10.5	10.2	9.8	10.0	9.8	8.9
APD	12.4	12.3	9.8	11.2	9.6	8.4	8.8	8.5
EUR	12.4	11.8	10.2	9.9	8.8	10.8	9.5	10.5
MCD	14.2	13.9	11.5	10.0	10.1	9.5	9.1	9.4
WHD	12.4	10.5	7.8	8.4	9.6	7.7	6.4	8.1
Average	13.1	11.5	10.0	9.9	9.5	9.4	8.8	9.1

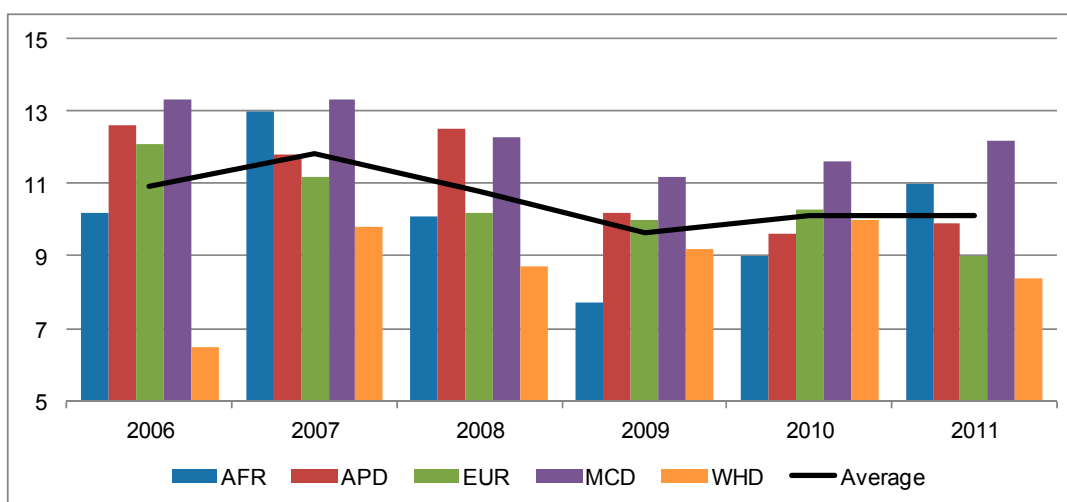
Source: Office of Budget and Planning, IMF. Data based on the Travel Information Management System (TIMS). This information provides an only approximate description of the overall trend as it is trip based as opposed to mission based (one record is created in TIMS for each flight; if staff during a mission

statement in the form of a PowerPoint presentation. The preparation of such a presentation requires considerably more time than just the drafting of a final statement.

² Further cuts were imposed in FY2010, but these reflected savings in ticket prices obtained through special arrangements with airline companies.

travels inside the country, additional entries are created). Moreover it includes staff visits, which typically are shorter than consultation missions.

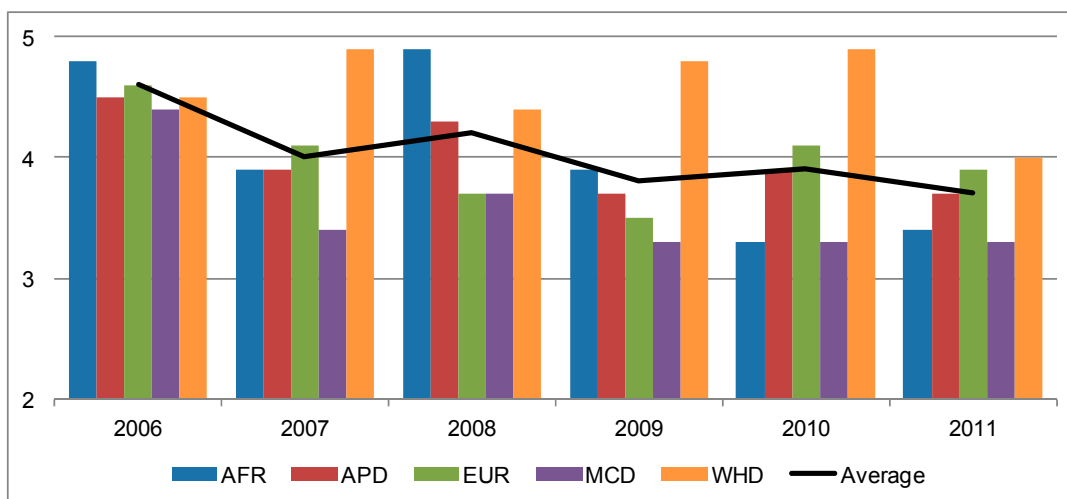
Figure 1. Article IV Consultation Missions – Average Length
(Number of days)



Source: OIA, Review of Allocation of Business Travel Budgets. December 15, 2011.

15. **Figure 2 in turn shows the decline that occurred in the size of missions.** Whereas in the past the typical mission comprised a mission chief plus four staff members (of whom at least one was usually supplied by SPR or FAD), more recently the norm has become a total of four staff per mission (usually all from the area department).

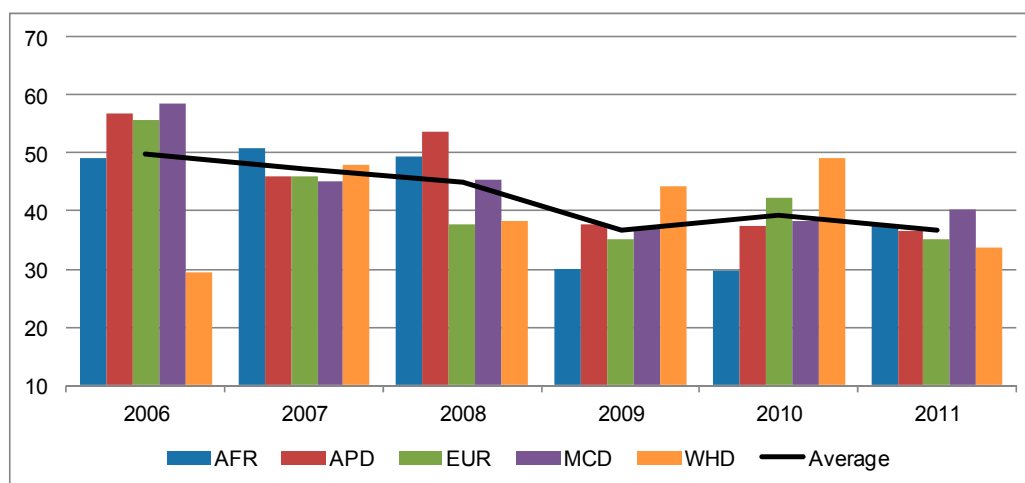
Figure 2. Article IV Consultation Missions – Average Size
(Number of Staff)



Source: OIA, Review of Allocation of Business Travel Budgets. December 15, 2011.

16. **Altogether, combining the information about mission size with that on mission length,** these data would indicate that the typical mission's presence in the field (in terms of staff/days) was reduced by between 20 percent to 25 percent (Figure 3).

Figure 3. Article IV Consultation Missions – Staff/Days in the Field



Source: Author's computations based on OIA, Review of Allocation of Business Travel Budgets. December 15, 2011.

III. EVIDENCE FROM SURVEYS AND INTERVIEWS

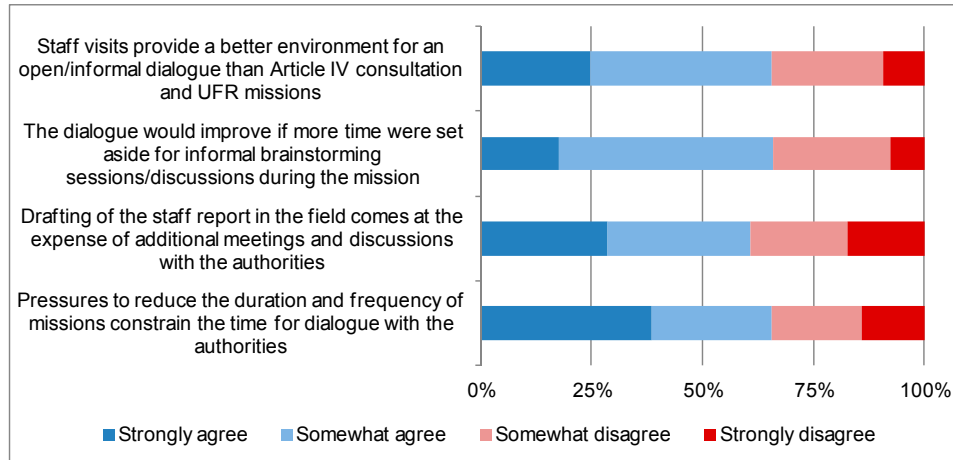
17. **The surveys and interviews conducted for the *RITA* evaluation bring out some of the consequences of the recent changes to the mission process and procedures.** A significant segment, albeit a minority (20 percent), of authorities indicated that they felt missions were in a rush, with little time to engage in a substantive dialogue. More telling perhaps is the relatively stronger desire for additional contacts with the staff: 52 percent of the authorities surveyed—including three-fourths of the authorities from LICs—indicated that they would welcome more frequent staff visits or informal contacts with staff.

18. **Along similar lines, during interviews a number of authorities—particularly those who had been long enough in office to remember how things were in the past—indicated that they had noticed the reduction in length and size of missions and the consequent diminished attention their country was receiving.** Usually these concerns were accompanied by the suggestion that there should be more frequent contacts with staff or meetings with a free agenda during the existing missions.³

19. **Evidence on mission process and procedures largely comes from mission chiefs.** Close to two-thirds of mission chiefs indicate that pressures to reduce the duration and frequency of missions limited the time for dialogue with the authorities, and also that the drafting of the staff report in the field came at the expense of additional meetings with the authorities (Figure 4). In addition, a similar proportion of mission chiefs felt that staff visits provide a better environment for an open or informal dialogue than did the regular consultation or UFR missions, and that the dialogue with authorities would improve if time were set aside for informal brainstorming sessions or discussions during these missions.

³ Some of the interviewed authorities, however, strongly held the opposite view, arguing that missions were disruptive and took too much of their time.

Figure 4. Mission Chiefs Views on Dialogue with the Authorities
(Percent of respondents)

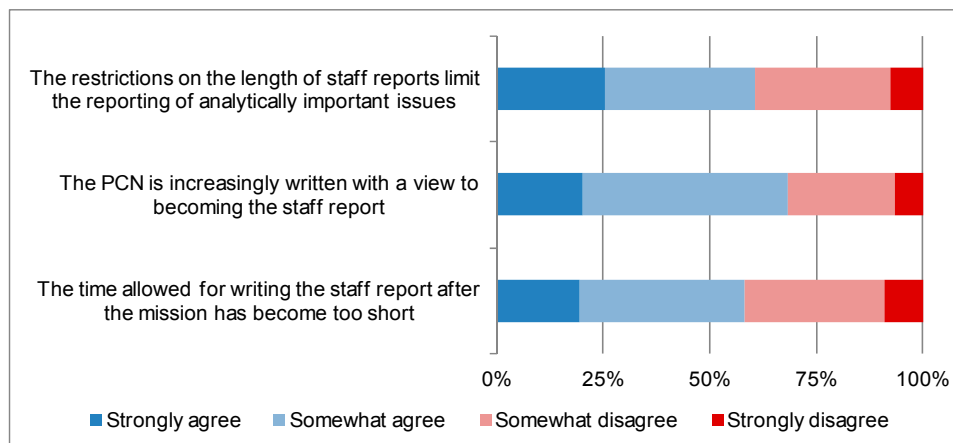


Source: IEO Surveys.

20. When asked about the influence that the presence of a program supported by use of Fund resources could have on the dialogue, most mission chiefs did not see significant adverse effects, but almost 60 percent remarked that **more frequent country visits under a UFR program have a positive effect on building a relation with the authorities.**

21. As regards the changes made to the reporting process, a majority of mission chiefs (58 percent) complained that the time allowed for writing the staff report after the mission was too short—even though close to 70 percent of respondents indicated that the Policy Consultation Note was already being written with a view to becoming the staff report. A sizable proportion of mission chiefs (62 percent) felt that the restriction on the length of staff reports was limiting the reporting of analytical important issues (Figure 5).

Figure 5. Mission Chiefs Views on the Reporting Process
(Percent of respondents)



Source: IEO Surveys.

IV. CONCLUSION

22. **The changes to the Fund’s mission process introduced in recent years responded to the desire to streamline procedures**—especially those affecting the workload of the Executive Board—and to obtain budgetary savings in the context of the downsizing of the IMF. These changes may have resulted in a reduction in the opportunities for dialogue and building trust relationships with country authorities.

References

- International Monetary Fund (IMF), 2005, “The Managing Director’s Report on the Fund’s Medium-Term Strategy,” September 15. Washington, DC: IMF. Available at www.imf.org/external/np/omd/2005/eng/091505.pdf.
- _____, 2006a, “The Managing Director’s Report on Implementing the Fund’s Medium-Term Strategy,” SM/06/112, Revision 1, April 5. Washington, DC: IMF.
- _____, 2006b, “Implementing Streamlining,” SM/06/359, October 25. Washington, DC: IMF.
- _____, 2006c, “Minutes of Executive Board Meeting 06/98-1,” November 15. Washington, DC: IMF.
- _____, 2006d, “Streamlining Paper Flow and Procedure,” memorandum from First Deputy Managing Director to Departments Heads, December 4. Washington, DC: IMF.
- _____, 2010, “Proposed Decision on Article IV Consultation Cycles,” SM/10/253, September 21. Washington, DC: IMF.
- Office of Internal Audit, International Monetary Fund (OIA), 2011, “Review of Allocation of Business Travel Budgets,” December 15. Washington, DC: IMF.