CHAPTER

# I Introduction

*Dialogue and persuasion are key pillars of effective surveillance. . . . the Fund will foster an environment of frank and open dialogue and mutual trust with each member. . . .*

—2012 Integrated Surveillance Decision, IMF, July 2012

1. Providing policy advice to its member countries is an integral part of operationalizing the Fund's mandate to foster macroeconomic stability and thereby facilitate prosperity. But the Fund's policy advice is only effective if it gains traction at the bilateral level (with individual member countries) and at the multilateral level (with the membership at large). A necessary condition for traction is the receptivity of countries to advice, which depends not only on their confidence in the quality and relevance of the advice, but also on how fluid and convincing the ensuing dialogue is. Does the Fund facilitate an environment that encourages country authorities to test their own ideas, discuss sensitive policy areas, and seek out the Fund's advice? Achieving traction at the multilateral level depends also on institutional features, such as whether the Fund is perceived as transparent and evenhanded. The Fund's ability to establish a relationship of trust at both the bilateral and multilateral levels is, therefore, fundamental to achieving the institution's goals.

2. This evaluation examines in what circumstances the Fund is viewed as a trusted advisor to its member countries. It focuses mainly on interactions with individual countries, since policy is implemented at the national level. It looks at how country authorities perceive the relevance and technical quality of IMF advice, as well as how features of the relationship between authorities and staff may influence the persuasiveness of advice and the desire to engage the Fund in a policy dialogue. It examines explicitly the demand for advice—that is, the extent to which countries approach the Fund for advice on their own accord—as an important test of being a trusted advisor. It also considers practices and incentives within the IMF that impair or enhance the trusted advisor role.[1]

3. The evaluation deepens the analysis of some areas that were covered in the IEO's evaluation of *IMF Interactions with Member Countries* (IEO, 2009)—whose findings it confirms—and adds two new perspectives:

- **First, it considers the post-crisis environment.** The global financial crisis presented the Fund with an opportunity to engage with its membership in a different, more intensive way—in terms of both financing and its approach to surveillance. Has this changed the perception of the Fund, for better or for worse, as a trusted advisor?
- **Second, it deepens the analysis of the possible trade-offs inherent to its institutional objectives.** Thus, the evaluation examines the tensions and possible complementarities between the Fund being a trusted advisor versus a global watchdog. The latter role is anchored on countries' surveillance obligations (involving, for example, disclosure expectations). That role may reduce the attractiveness for individual countries to use the Fund as a source of advice on sensitive issues or as a sounding board. Yet there may be also some complementarities, as the Fund's effectiveness as a global watchdog depends in part on trust at the bilateral level and ultimately underpins the Fund's role as trusted advisor to the global community at large.

[1]The evaluation does not assess either the quality or impact of the Fund's advice. Gaining traction partly depends on the political, social, and cultural environment for policy implementation, over which the Fund has little influence apart from its efforts through its communications policy.

4. The report is organized as follows: Chapter 2 provides some background on the IMF's changing engagement and on why the institution needs to be a trusted advisor. Chapter 3 discusses the evaluation framework. Chapter 4 examines how country authorities define a trusted advisor. Chapter 5 considers the evidence as to whether the IMF is a trusted advisor and where it might fall short; and the concluding chapter discusses what the IMF might do to strengthen its partnership with member countries.