

Is the Fund a Trusted Advisor?

20. How well does the Fund perform with regard to the criteria outlined above? Given the complexity of the issue, there is no simple answer. Based on evidence from both the interviews and surveys of country authorities, the Fund received high marks in many dimensions of the trusted advisor role. Moreover, the Fund can be rightfully proud of its achievements in improving its overall image in the aftermath of the global crisis. But the evaluation also identified areas where the Fund falls short, *some representing long-standing problem areas*.

21. Based on interviews of country authorities, the evaluation identified the following as the main issues to be addressed to strengthen the Fund's performance as a trusted advisor:

- *The challenge of sustaining the more positive perception of the Fund, gained during the global crisis, in a post-crisis environment;*
- *A tension between the roles of being a trusted confidant and a global watchdog;*
- *A lack of relevance and genuine value-added in some of the Fund's advice;*
- *Variability in the behavior of mission chiefs and resident representatives;*
- *A perceived lack of evenhandedness in the treatment of member countries; and*
- *Legacy and stigma issues from past interactions with the Fund.*

22. This chapter discusses the evaluation evidence on these issues. The last four have been underscored in previous studies, including some previous IEO evaluations and the Fund's Triennial Surveillance Reviews. The fact that they remain prominent in the eyes of many authorities suggests that efforts to date to address them have not been sufficiently effective and, therefore, merit revisiting.

A. In the Aftermath of the Global Crisis

The Fund's image has improved markedly...

23. The global crisis was a watershed event for the Fund. The Fund's response to the crisis led to a striking increase in country authorities' satisfaction with the Fund,¹⁰ with significant progress in some key aspects of the trusted advisor role. Authorities' interview and survey responses show that:

- *The Fund staff is now seen as more open, listening more, and having a real dialogue.* Indeed, this view was close to unanimous among the respondents to the country authorities' survey.¹¹
- *The Fund is perceived as more flexible and responsive.* Almost 90 percent of country respondents agreed that the Fund had become more flexible in its approach to programs. Interviewees cited, for example, IMF support of fiscal stimulus; the shift to being able to use IMF financing for fiscal deficits; a significant drop in the amount of conditionality in programs; the IMF's support of capital controls in some instances; and a less rigid approach on exchange rates.¹²
- *Many authorities think that the Fund's new initiatives are moves in the right direction toward discussions in a more globalized context.* Examples

¹⁰For example: a comparison with interviews conducted for the 2008 TSR shows that even those interviewees who were previously highly critical of the relationship with the Fund were no longer so negative.

¹¹This perception was confirmed by the survey of mission chiefs, with more than 85 percent agreeing that the Fund had become more open.

¹²More than 90 percent of mission chief respondents also agreed that the IMF had become more flexible in its application of conditionality in programs.

include the analysis of spillovers, mandatory financial sector assessments for systemic countries, new financing instruments, and the inclusion of advanced countries in the Vulnerability Exercise. A large majority of surveyed country respondents agreed that, since the onset of the crisis, the Fund had improved the quality of its advice on macro-financial linkages and international spillover effects, as well as its performance as an interlocutor regarding risks from the international economy—three areas of dialogue and advice with the Fund that they particularly valued.

24. Can the Fund sustain the goodwill that has been generated by its rapid, wide-ranging response to the crisis? Faced with the threat of widespread decline in economic activity, the IMF embraced the need for temporary fiscal stimulus in those economies that were in a position to undertake it (Box 2). This move was interpreted as a significant shift from the Fund's traditional preoccupation with fiscal consolidation. But as the crisis abates, the Fund's fiscal policy advice may need to focus again on fiscal sustainability, which policymakers may find less palatable.

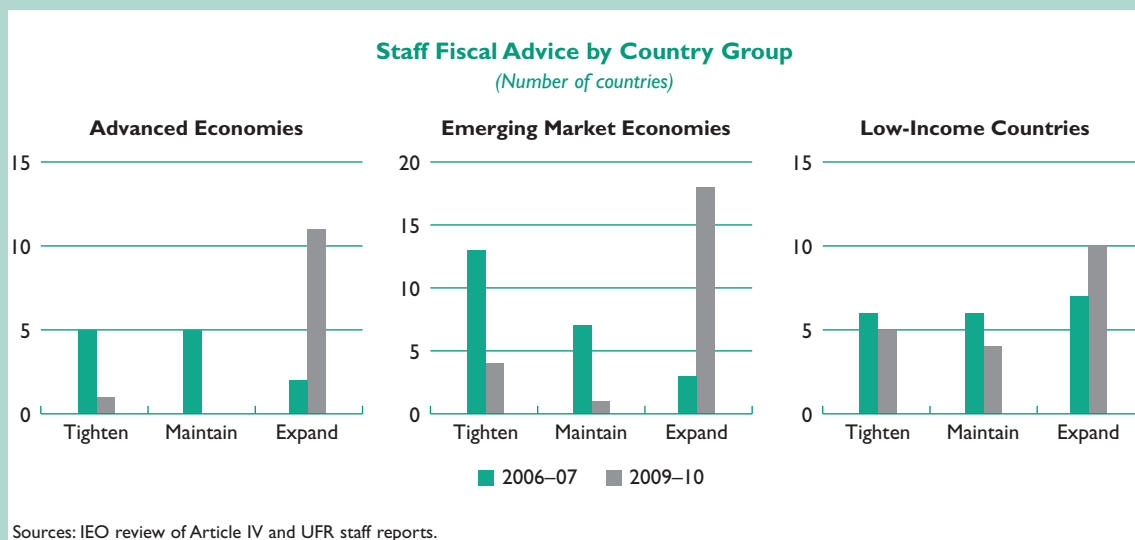
Box 2. The Impact of the Global Crisis on IMF Fiscal Policy Advice¹

The interviews and survey responses revealed a shift in perceptions regarding the IMF's advice on fiscal matters, particularly among emerging and developing economies. A common view held by interviewed authorities was that the IMF has abandoned its emphasis on fiscal adjustment and was now more attuned to the social and economic development needs of the country. Did the IMF really change or did the IMF adapt to changed structural circumstances?

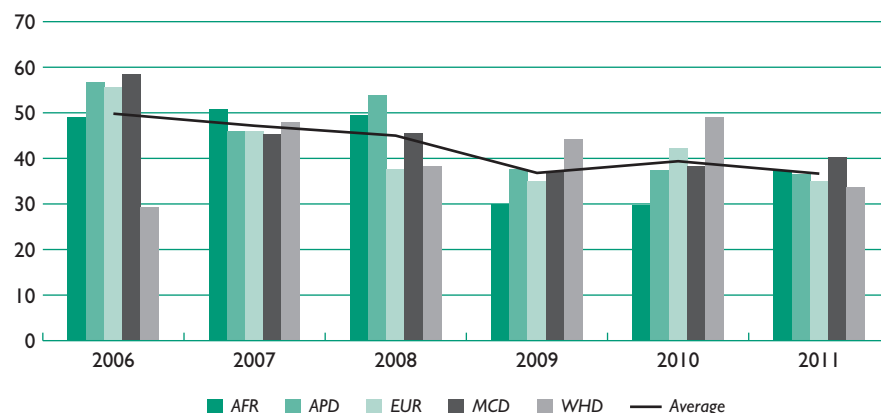
The answer seems to be both. Already before the crisis the fiscal position in many countries had shown a marked improvement in cyclically-adjusted terms, thereby reducing the need for the IMF to emphasize fiscal consolidation as a means to restore balance in the economy. But also, in the wake of the global financial crisis, the IMF became a strong proponent of short-term fiscal stimulus, wherever fiscal space was available, further dampening its preoccupation with fiscal discipline.

The IEO examined Article IV and UFR staff reports for 54 countries whose authorities were interviewed for this evaluation. Comparing the reports issued in 2006–07 with those issued in 2009–10, it examined whether the Fund's advice involved fiscal tightening, maintaining the fiscal stance, or an expansionary fiscal stance. As shown in the figure below, for advanced economies and emerging markets, after the onset of the crisis, the advice clearly shifted toward an expansionary fiscal stance. The shift was less clear for the low-income countries, as the stance advocated by the Fund was already expansionary in a number of the countries in the pre-crisis period.

To the extent that the difficulty of implementing the advice exerts an adverse influence on the willingness to accept such advice, the seemingly softer stance on fiscal matters adopted by the Fund may have contributed to the authorities' improved perception of the IMF.



¹Reichmann (2012b).

Figure 2. Article IV Consultation Missions—Staff/Days in the Field

Source: Reichman (2012c).

... but the downsizing of the Fund, which took place as the global crisis unfolded, may not be good news for the Fund's role as trusted advisor going forward

25. Resource constraints became a key focus in the wake of the downsizing of the Fund.¹³ Though discussions on the Fund's budget constraints began well before the onset of the crisis, the downsizing occurred in the midst of the crisis. Country authorities expressed concerns that elements essential to developing a trusted relationship—time for informal interactions, maintenance of resident representative positions, technical assistance and training—could be adversely affected. This is particularly notable at this juncture, given that more than three-quarters of surveyed mission chiefs believed the crisis had increased the authorities' willingness both for a deeper engagement with the Fund and to seek Fund advice on their own accord.

26. Almost half of the responses to the mission chief survey acknowledged that the Fund's downsizing had significantly decreased the amount of face-to-face time spent with country authorities. Shortages of time or staff meant that missions had little opportunity for brainstorming/informal discussion sessions with authorities. About two-thirds of the mission chief survey respondents believed that pressures to reduce the duration and frequency of missions had constrained the dialogue with

authorities. Data combining mission size with mission length confirmed this view, indicating that the typical mission's presence in the field (in terms of staff/days) had declined by 20–25 percent since 2006 (Figure 2).

B. Trusted Confidant Versus Global Watchdog

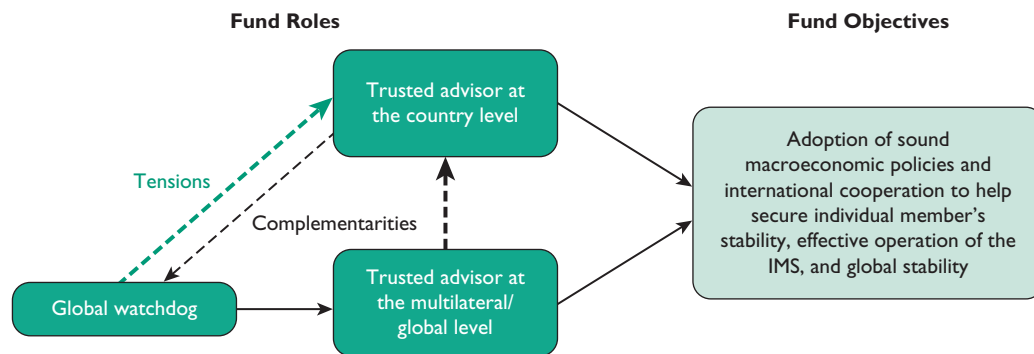
Being a trusted advisor at the multilateral level calls for the Fund to play a global watchdog role ... but that role could create tension with being a trusted advisor at the bilateral level¹⁴

27. To achieve its objectives, the Fund must play trusted advisor and watchdog roles at both the multilateral and bilateral levels (Figure 3). The Fund is tasked with helping member countries to maintain domestic stability, but its Articles of Agreement imply that the international monetary system (IMS) is the Fund's "ultimate client."

28. Gaining traction implies striking the right balance between the roles of watchdog and confidant, and it may be impossible to navigate these waters perfectly. At the bilateral level, trust is often influenced strongly by personal relationships. But trust in the Fund at the multilateral level depends critically on institutional

¹³Excluding the impact of new donor financing (largely for technical assistance), the FY2013 budget has reversed about half of the impact of the downsizing in terms of full-time staff equivalents, but about three-fourths of the reversal is of a temporary or crisis-related nature.

¹⁴This issue was recognized by the Managing Director in her first message to staff in July 2011, "there are tensions between helping one member and informing or warning others, and we need also to consider how we relate to a broader range of stakeholders, including the public and financial markets."

Figure 3. Fund Objectives and Roles

characteristics such as governance and credibility; it also depends on transparency and accountability, including the ability to deliver tough messages and give early warning of pending problems, when needed.

29. Some initiatives designed to increase the effectiveness of the watchdog role may have unintended adverse consequences for the trusted advisor role at the bilateral level. For example, efforts to make the Article IV report more timely for the Board (i.e., allowing the Board to better perform its surveillance function) might take place at the expense of time spent with country authorities in an informal exchange of ideas, as missions try to prepare the report in the field. As another example, in IMF Board discussions on the Fund's ISD,¹⁵ a number of Executive Directors expressed concerns that an increased focus on the external dimension of surveillance, such as outward spillovers (i.e., strengthening the global watchdog role) could be to the detriment of emphasizing a country's domestic stability. Such initiatives could move the mix of Fund activities toward the watchdog role, but away from the trusted advisor role.

30. While the tension between the watchdog and trusted advisor roles might seem clear, the Fund's bilateral and multilateral roles also complement one another. The Fund is better able to (i) be an effective watchdog if it has gained the trust of its individual members (e.g., through better information sharing) and (ii) develop a trusted relationship at the country level if authorities know that the Fund is performing well its watchdog role (e.g., safeguarding the global economic community). The challenge is to exploit these complementarities, thereby making the role of trusted advisor more compatible with the Fund's surveillance objec-

tives. The following discussion is tilted toward the country authorities' views on this trade-off, and the evaluation does not specifically assess whether the watchdog role has been strengthened due to the Fund's recent initiatives.

The context for interaction matters ...

31. The tension between the Fund's roles is most clearly demonstrated in the difficulties of being seen as a "trusted confidant" versus an "auditor" in the context of surveillance. Country authorities—particularly those in large emerging markets—often saw these roles as conflicting, preventing them from having a candid exchange of views and raising sensitive issues. Indeed, almost half of the surveyed authorities in large emerging markets said that the IMF had either performed "not well" or "poorly" in balancing its role of trusted advisor with that of fulfilling its surveillance mandate. In sharp contrast, only 2 percent of country authorities in low-income countries (LICs) thought the Fund had not done well or very well in balancing its role as trusted advisor versus fulfilling its surveillance mandate.

32. Country authorities tended to see the Article IV mission as a vehicle poorly suited to gaining traction with member countries. Many saw Article IV consultations as formalistic rituals not adapted to members' evolving needs.¹⁶ They perceived such missions as driven too much by the Fund's need to gather information for its reports, so that staff ignored the issues of interest to the authorities, making the process largely for the mission's benefit. As one senior official commented,

¹⁵The ISD, which will take effect in early 2013, makes the Article IV consultation a vehicle for both bilateral and multilateral surveillance.

¹⁶Many authorities complained that the only information they received prior to the mission's arrival was a questionnaire—little changed from previous years—or a set of sparse bullet points, merely listing issues for discussion.

“IMF missions don’t really engage in brainstorming with us, but rather on discussions on the status of measures that we have taken. . . . Article IV missions are targeted missions with a specific agenda.”¹⁷ About a fourth of the surveyed authorities believed that missions focused more on numbers and forecasting (and a checklist approach) than on substantive policy discussions,¹⁸ indicating that the surveillance role was given prominence at the expense of the trusted advisor role.

33. The presence of a Fund program could also hamper the quality of the dialogue. More than 40 percent of the respondents from LICs felt that the Fund’s UFR missions tended to be driven by their own agenda and were not sufficiently flexible to discuss policy alternatives, thereby undermining program ownership by the authorities (thus, reducing sustained traction). Authorities also perceived a tension between being a trusted advisor and the conditionality inherent to programs.¹⁹ Regarding conditionality, some authorities felt that “any candor can be used against you” (i.e., the “Trojan horse” of candid discussions). This perception was confirmed by IMF mission chiefs, about 60 percent of whom believed that authorities were reluctant to raise topics for this reason.

34. Some practices regarding Article IV and UFR missions provided fertile ground for concerns about the trusted advisor relationship. Figure 4 shows the percentage of mission chiefs who identified specific practices (e.g., reduced duration and frequency of missions, drafting the staff report in the field, large share of mission’s time devoted to data gathering, excessive adherence to guidelines) that, in their view, constrained the amount of time and the quality of the dialogue with the authorities while in the field. Many of their opinions coincided with those of the authorities.

35. Changes to the Fund’s reporting process may have strengthened some aspects of surveillance, but also contributed to a perceived rigidity (Reichmann, 2012c). After the 2006 streamlining exercise for Fund papers and procedures,²⁰ the time interval between the average mis-

sion and the ensuing Executive Board discussion was reduced by about 40 percent. As noted earlier, while the reduction has improved the timeliness of Executive Board discussions, staff are often forced to start preparing the staff report too early, typically before the mission even begins, and continue working on it while in the field, thus curtailing time for interacting with the authorities. This was clearly confirmed by the survey of mission chiefs.²¹

... with some contexts much more conducive to a trusted advisor role

36. Many country authorities noted that more frequent staff visits or informal contacts with Fund staff would help to promote a constructive dialogue. The proportions expressing this view differed across country groups: they ranged from more than a third of the authorities from large advanced and emerging market countries to almost three-fourths of those from LICs.²² In surveillance-only countries, almost half of the surveyed mission chiefs reported the frequency of contact with their counterparts in government, aside from the formal mission, as seldom or never.²³ With such infrequent contact, some authorities saw the Fund’s surveillance as little more than just going through the motions. Nevertheless, despite a common complaint that the Fund has much less frequent interaction and/or smaller “on-the-ground” presence than other IFIs, survey respondents did not view the World Bank, the OECD, or regional development banks as better trusted advisors than the Fund.²⁴

37. Compared with either Article IV or UFR missions, country authorities had a strong preference for the substance (and atmosphere) of the policy discussions

²¹Almost 60 percent of the surveyed mission chiefs complained that the time allowed for writing the staff report after the mission was too short; as a result, almost 70 percent (and 80 percent of those working on surveillance-only countries) indicated that the Policy Consultation Note was already being written with a view to becoming the staff report. Sixty percent of mission chiefs also felt that the restriction on staff report length was limiting the reporting of analytically important issues.

²²By contrast, among large advanced and emerging economies, about 65 percent of the authorities did not wish to have more frequent staff visits or informal contact. Some interviewees from these economies believed that Fund interactions already took up too much of their time. This underscores the importance of tailoring staff engagement to the needs of member countries.

²³In contrast, for 90 percent of UFR countries, the frequency of contact was typically weekly or monthly.

²⁴Overall, while a large majority believed these institutions performed the same as the Fund in this role, more than 20 percent of respondents felt that the Fund was a better trusted advisor, and only 8 percent preferred other IFIs. In contrast, for those African respondents who expressed a preference, about twice as many considered the other institutions better advisors than the IMF.

¹⁷For exposition purposes, this report uses quotations from officials in member countries, as well as from IMF staff and Management. The quotations were chosen because they reflect views that were broadly shared.

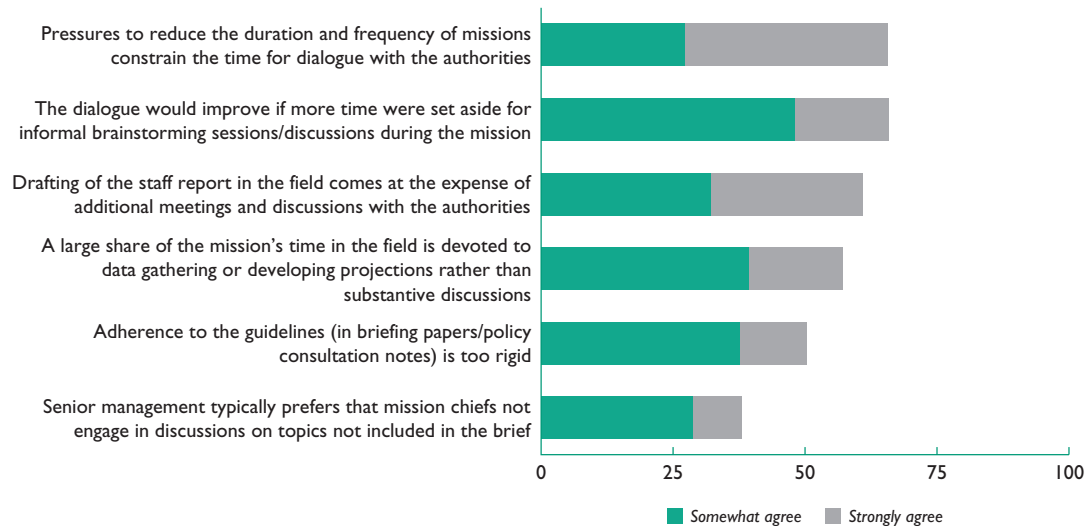
¹⁸The answers to this survey question varied widely based on country income level, with none of the large advanced country authorities, but almost 40 percent of the large emerging market and low-income country authorities, agreeing that missions focused too much on numbers at the expense of policy discussions.

¹⁹Almost one-quarter of the authorities from LICs and more than 40 percent of those from large emerging markets felt that the Fund had not done well in balancing its role of trusted advisor with providing financial assistance.

²⁰See IMF (2006a, 2006b).

Figure 4. Article IV and UFR Missions: Practices Constraining the Dialogue During Missions

(Percent of mission chief respondents in agreement)



Source: IEO Survey.

associated with technical assistance missions (Figure 5). In general, technical assistance was described as much more tailored and collaborative. This should not be surprising, given that the bulk of technical assistance provided by the Fund is demand-driven.²⁵ Furthermore, technical assistance reports are not expected to be disclosed to the Executive Board nor to the public, so authorities are less concerned about sharing sensitive information.

38. Similarly, FSAP missions were viewed very favorably by survey respondents (although less so by interviewees, who said they saw the FSAPs as in the middle of a spectrum between surveillance and technical assistance). Despite the sensitivity of the issues with which FSAP missions deal, there was near unanimity that the IMF staff handled confidentiality adequately (Figure 6).

39. Training and seminars generate an important externality, according to many interviewees, in helping countries better understand the Fund, encouraging informal contacts and candid discussions, and thereby enhancing the overall trust in the institution. A frequent commentary by interviewed officials was that IMF training helped to bring countries on board with much of the Fund's economic thinking and generated a positive view of the Fund.

²⁵ Approximately 80 percent of technical assistance is requested at the authorities' initiative, as opposed to strong urging by the IMF or as part of UFR conditionality.

The Fund must walk a fine line between discretion and "ruthless truth-telling"...

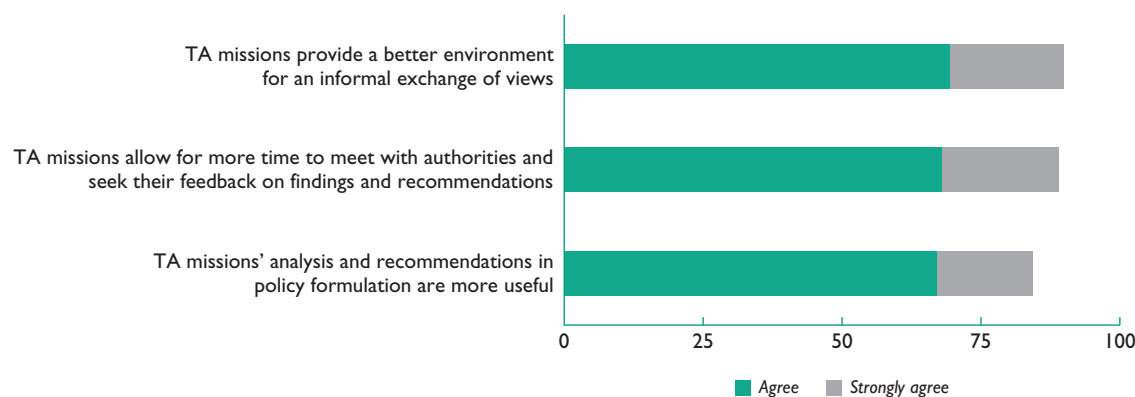
40. Most country authorities wanted candor ("ruthless truth-telling") from IMF staff in their *private* discussions with them. They wanted to be able to have an exchange of views without concerns about disclosure, particularly on sensitive issues. At the same time, they recognized that transparency contributed to increased effectiveness and accountability, for both the member country and the IMF. In this regard, most expressed satisfaction with the IMF's transparency policy and treatment of confidential issues. Many noted that they trusted Fund staff to use good judgment in not publicly disclosing issues in counterproductive ways.

41. But while 95 percent of the respondents claimed to be satisfied with how the IMF handles confidentiality, deeper probing revealed some lingering concerns (Figure 7). The same survey of authorities indicated a reluctance to raise truly sensitive issues with the Fund, particularly among large emerging markets and Asian countries. Almost 60 percent of the authorities from these countries (and a quarter of authorities overall) cited concerns about confidentiality on sensitive topics as a factor that inhibited them from seeking the Fund's advice.

42. Concerns about confidentiality arose most often with regard to the Fund's transparency and publication policy (Mannathoko, 2012). This came out clearly in the survey questions on disclosure, where

Figure 5. Comparison of Technical Assistance Missions with Article IV and UFR Missions

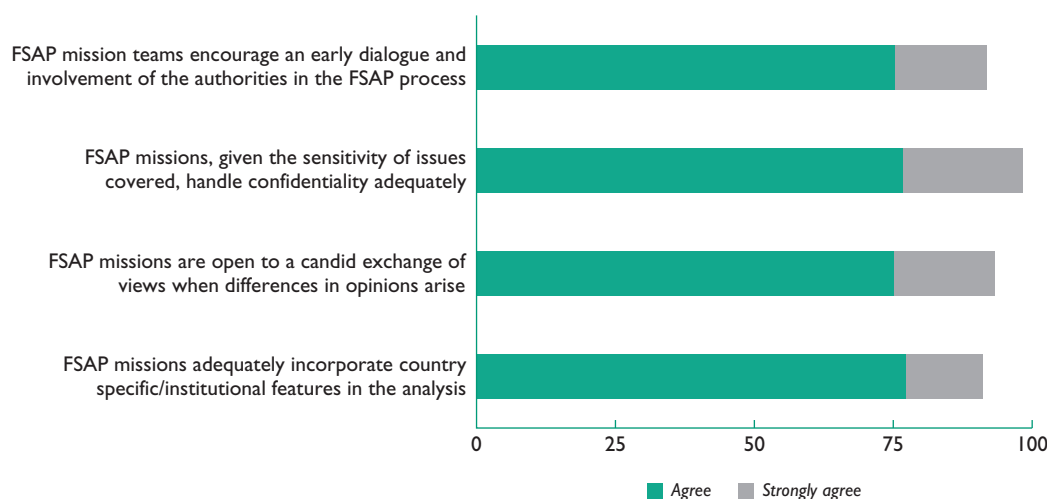
(Percent of country authorities surveyed in agreement)



Source: IEO Survey.

Figure 6. Authorities' Views on FSAP Missions

(Percent of country authorities surveyed in agreement)



Source: IEO Survey.

concerns regarding disclosure to the general public (via the Fund's policy on publication) ranked highest, among the possible levels of disclosure, as a reason which limited authorities' willingness to discuss or seek advice on sensitive issues (Figure 8).²⁶ Authorities in large emerging markets and Asian countries expressed more concern than those in other country groups regarding all levels of disclosure, but particularly about disclosure to the general public. In contrast, the survey

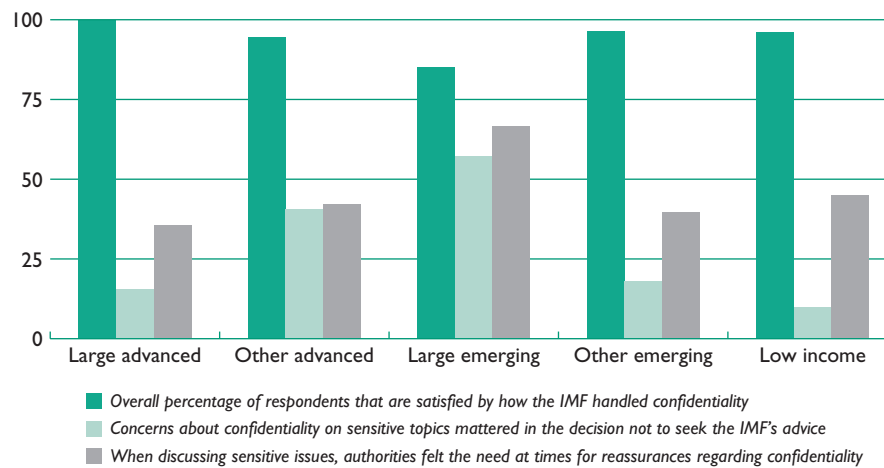
shows that, owing to concerns about disclosure to the IMF Board, G-20 countries (even more so the advanced members of the G-20) were much more likely than non-G-20 countries to limit their discussions of sensitive issues with the Fund.

43. To the extent that *unwarranted* concerns about disclosure inhibit authorities from using the Fund as an informal sounding board, the Fund might be missing some opportunities to engage with country authorities at crucial formative stages of policymaking. Authorities at times refrained from raising issues on which they might want the Fund's views as informal input into their own thinking (e.g., candid discussions on risks;

²⁶The survey of mission chiefs confirmed these concerns about publication and transparency, with concerns appearing to be greater for surveillance-only countries than for UFR countries.

Figure 7. IMF's Handling of Confidentiality: Concerns, Need for Reassurances, and Overall Satisfaction

(Percent of respondents)



Source: IEO Survey.

hypothetical courses of action). Some authorities, across all categories of countries, expressed fear that an informal exchange of ideas would end up in the staff report (see Box 3). While the Fund's regular Transparency Reviews claim that the candor of staff reports has not suffered significantly,²⁷ the same cannot be said regarding the candor of the underlying discussions between the authorities and Fund staff, as sensitive issues of greatest concern to authorities are often specifically avoided.

... yet there seems to be some lack of clarity about what must be disclosed

44. Confidentiality and disclosure in the Fund are governed by two major principles. First, the IMF's Duty to Safeguard Confidential Information: information that the authorities provide in confidence to staff must not be disclosed without authorization by the authorities.²⁸ Second, what one could call a "Critical Disclosure Principle":²⁹ the Executive Board must have access to key economic data and policy positions and intentions

that are critical for it to fulfill its bilateral surveillance function and make decisions on the use of Fund resources.³⁰ The latter principle is the one on which there seems to be little clarity. Indeed, significant variability on disclosure practices among Fund staff might signal ambiguity on how to deal with confidential discussions (Figures 9a and 9b).

45. Informal discussions that are helpful to the authorities may not be critical to disclose. The intent of a Critical Disclosure Principle is to clearly distinguish when the content of discussions are critical for disclosure. Discussions on a country's policy decisions and plans are fundamental for the Board to perform its surveillance role and to make decisions on IMF-financed programs. In contrast, discussions that are simply inputs into probable or hypothetical courses of action (e.g., pros and cons of adopting various policy options, discussion of possible risks and scenarios) are largely intended to support the decision-making process of the authorities. These inputs into a country's "policy production function" would not seem critical to disclose. Clarity regarding disclosure would help the institution be able to engage more fully at an early stage of the policy formulation process of member countries.

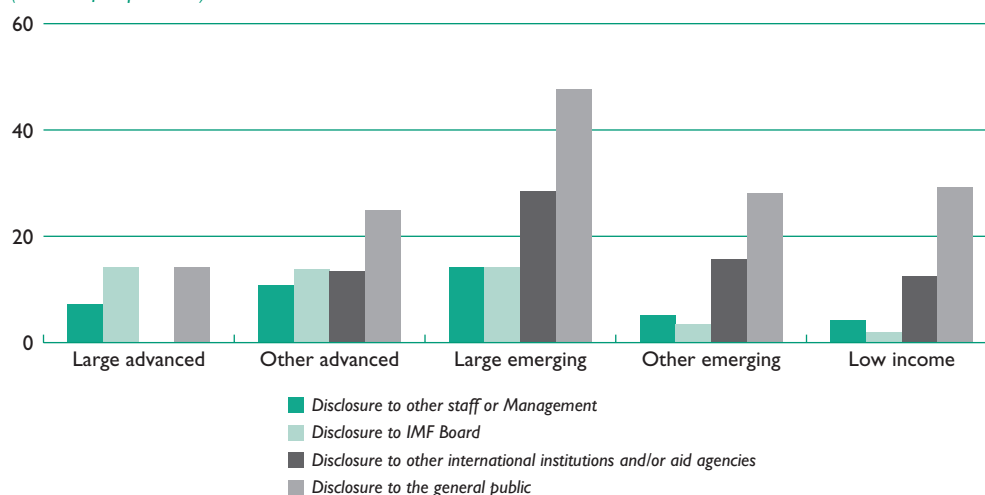
²⁷These findings from the Transparency Reviews were based on a review of documents and a survey of mission chiefs. However, they did not survey country authorities themselves.

²⁸The rules that guide the treatment of confidential information by staff are found in the N-rules and the IMF Code of Conduct for staff.

²⁹This is not a term formally used in the Fund, but is used by this evaluation to describe the second principle.

³⁰The formal obligations for the furnishing of information by member countries are described in Article VIII, Section 5 of the Articles of Agreement.

Figure 8. Concerns About Disclosure Inhibiting the Decision to Seek Advice
(Percent of respondents)



Source: IEO Survey.

Box 3. Lost Opportunities to Engage with Policymakers at an Early Stage

This evaluation found many instances where, during Article IV and/or UFR missions, country officials would like to have used the Fund as a sounding board to discuss hypothetical courses of action, risk assessments, or benefits and costs of policy options, and to share doubts. In fact, many interviewees felt that acting as a sounding board should be a primary role of a trusted advisor. However, they were often apprehensive about the extent to which informal discussions and exchanges of views might show up in the Fund's staff report, and, to a lesser extent, be shared widely with Fund senior Management or even the Board. The quotations below summarize some of these concerns:

- “Generally we have no problems in seeking advice. However, there are certain topics we don't dare to raise (the exchange rate system, for instance) for fear that it would either be included in the consultation report or in the letter of intent. We would love to have an analytical discussion on this topic but have no assurances as to how the mission would handle it.” (Head of Research, Central Bank, LIC)

- “In the Article IV process, there is an inherent tension/conflict between the IMF as an ‘advisor’ and as an ‘evaluator.’ If the country informally raises an issue or dilemma, it will appear formally in the next Article IV.” (Senior Official, Ministry of Finance, emerging market economy)

- “But can we be fully open? If I disclose my doubts, will they be written?” (Senior Official, Central Bank, G-20 country)

- “Those Article IV missions are more useful when I can discuss informally some issues with a particular mission chief. I want a sounding board for difficult policy issues and want to be assured that it will not find its way into an Article IV staff report—sometimes the Department Director insists on getting all the info.” (Head of Research, Central Bank, advanced country).

- “Confidentiality is an issue. During Article IV discussions, authorities know in the back of their head that what they say can end up in the report. Authorities trust some mission chiefs to elicit/share their views with them and keep them off the record. But there is a strong variability among mission chiefs.” (Senior Official, Ministry of Finance, advanced country).

Outreach can either help or hinder the development of trust in the Fund

46. The Fund's communications strategy in member countries can have important implications for its role as trusted advisor. Some authorities asked whom the IMF's communications strategy—particularly that

associated with surveillance and program missions—was intended to serve. Was this strategy driven by demand from the member country or by the Fund's own agenda, such as the need to demonstrate the institution's transparency and accountability? Was it well-tailored to best gain traction for the Fund's advice?

Figure 9a. To Whom Is the Content of Confidential Policy Discussions Disclosed by Mission Chiefs in Charge of Surveillance or UFR?
(Percent of respondents)

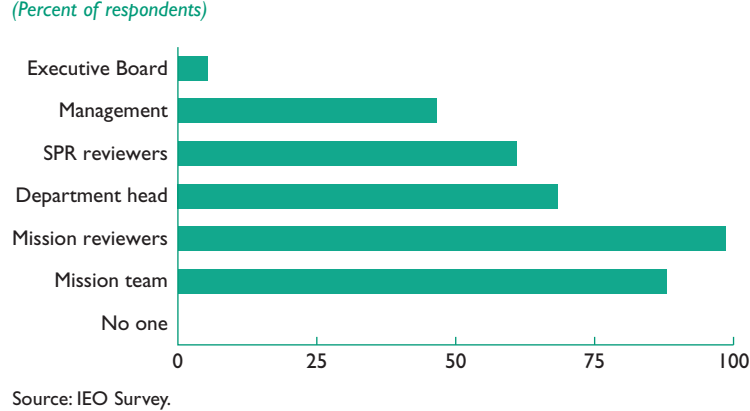
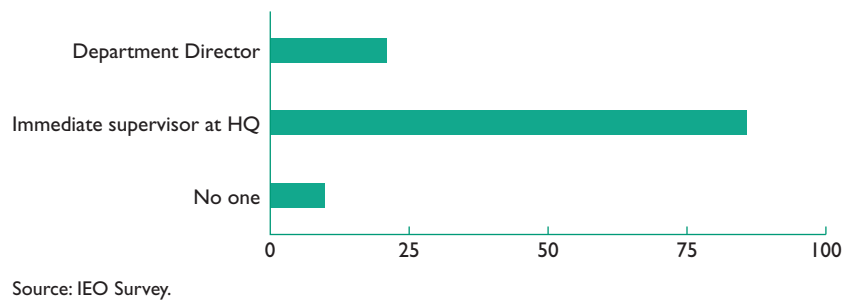


Figure 9b. To Whom Is Information Given to the Resident Representative in Confidence Disclosed?
(Percent of respondents)



- *In many cases, authorities wanted the Fund to do more outreach.* In countries with IMF resident representatives, more than 60 percent of the authorities who responded to the survey said they would like the resident representatives to do more outreach with stakeholders outside the government, both to help politicians and policymakers understand the implications of policy reforms and to build public support for reforms. This view was even more prevalent in LICs, where more than three-fourths of the survey respondents stated a preference for more outreach.
- *In other cases, political stigma would call for a much more cautious and better calibrated approach to outreach if the Fund's advice is to gain traction.* Survey respondents criticized the Fund for not recognizing that views on the appropriateness of outreach and public candor can differ widely across countries. Interviewees noted the importance of understanding a country's policy-making process, so that outreach is appropriately

suited for local conditions. For example, in some countries, the Fund might achieve the greatest traction if it reaches out to Parliament or even the Head of State. In other countries, the best way to get traction might be to promote public debate or to influence a small number of key economic commentators outside government. And in yet others, limiting outreach, while spending more time on confidential discussions, might be most effective.

C. Relevance and Value-Added of Fund Advice

Does the Fund's advice add value?

47. Country authorities were broadly satisfied with (and often highly appreciative of) the professional competence of Fund staff. Moreover, in many interviews, authorities noted that the Fund was uniquely placed to pull together a unified macro-framework for

the economy as a whole (“the IMF has a bird’s-eye view of everything, which allows us to see the big picture”), helping countries to overcome a tendency for their economic agencies to work in silos.

48. Nevertheless, an important share of the membership found that the Fund’s advice—especially that provided in the context of bilateral surveillance—had little value-added.³¹ The reasons varied—depending on context and a country’s level of development, among other aspects.

- Authorities often perceived the IMF’s advice as following a “*one-size-fits-all*” approach that was not appropriate for their country. As shown in Figure 10, this was often a determining factor in authorities not seeking the Fund’s advice. This view was particularly strong in large emerging markets.
- Advice was often seen as *overly generic*. About half of the survey respondents in the large emerging markets felt that missions just repeated the IMF’s standard prescriptions.
- A sizable number of authorities believed that Fund advice was guided by the “*Washington Consensus*.”³² Indeed, almost half the mission chiefs who responded to the survey confirmed that this persistent perception had adversely influenced their dialogue with authorities. Furthermore, about 40 percent of the resident representatives working in LICs believed that this perception had adversely affected their capacity to act as trusted advisors.
- Advice sometimes amounted to *telling the authorities what they already knew*, especially on the domestic economy. In fact, about 50 percent of the surveyed authorities in large emerging markets and 25 percent of those in other emerging markets and LICs felt that Article IV and UFR missions did not contribute anything new.³³
- A significant number of country authorities believed that the IMF *lacked sufficient knowledge of country-specifics* for its advice to be useful (Figure 11). Yet the surveyed mission chiefs and resident

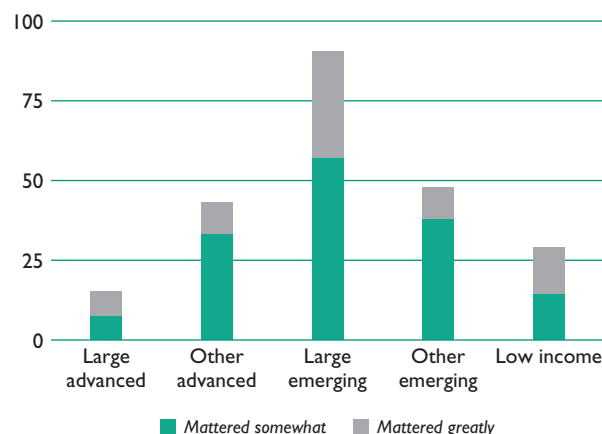
³¹Interviewed country authorities tended to express more negative views on the value-added of Fund advice than indicated by the results of the survey.

³²These findings are consistent with those from the Fund’s interviews of authorities conducted for the 2011 Triennial Surveillance Review.

³³The IEO’s evaluation of *IMF Interactions with Member Countries* (IEO, 2009) yielded similar findings. It found that the large emerging economies, in particular, viewed the surveillance process as routine and uninteresting.

Figure 10. How Much Did the Perception That the IMF Had a “One-Size-Fits-All” Approach Matter in the Decision Not to Seek Advice

(Percent of surveyed country authorities)



Source: IEO Survey.

representatives recognized in principle the importance of offering “feasible-best” advice (i.e., advice that could actually be implemented, given the political, institutional, and social realities) rather than theoretically “first-best” advice.³⁴ Indeed, more than 70 percent and 80 percent of mission chiefs and resident representatives, respectively, acknowledged that giving pragmatic advice based on country knowledge could pay dividends in strengthening the role of the Fund as a trusted advisor.

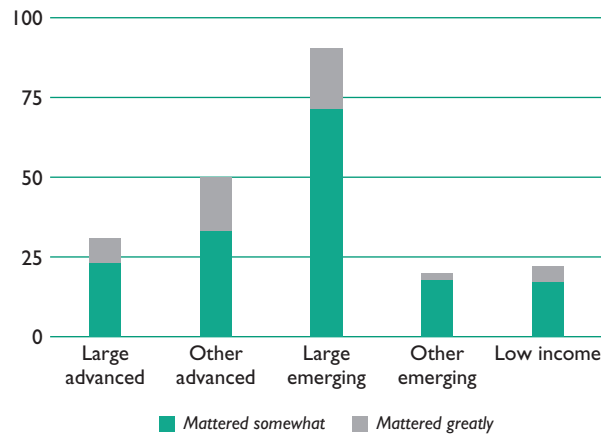
Analytical weaknesses undermined the usefulness of advice . . .

49. Though the majority of survey respondents believed that the Fund had strengthened its analysis since the 2008 global financial crisis, many authorities stressed that the analysis still suffered from weaknesses in some key subject areas. Most members had appreciated the

³⁴The importance of experience was emphasized by the former IMF Deputy Managing Director (Murilo Portugal) in his farewell speech: “Our founder, Keynes, once said that the secret of persuasion is to stay within the boundaries of feasibility. And our most experienced mission chiefs, with their detailed knowledge of the circumstances and realities of the country concerned, their experience of past crises, and their wise judgment are able to determine what is feasible best. The feasible best sometimes will be the second best, or the third best. And with their interpersonal and diplomatic skills our experienced mission chiefs are able to gain the confidence of authorities to become their trusted advisors and to negotiate a program or to influence policy making.”

Figure 11. How Much Did the Perception That the IMF Lacks Sufficient Country Knowledge Matter in the Decision Not to Seek Advice?

(Percent of surveyed country authorities)



Source: IEO Survey.

Fund's rapid response to the crisis, but had been disappointed by the Fund's failure to give effective advance warning. Many also said that in an increasingly complex, global economy, the Fund staff should take a more modest view of the power of modeling and temper their reliance on some of the Fund's standard workhorse models.

50. In interviews,³⁵ country authorities highlighted the importance of:

- *Deepening the understanding of macro-financial linkages.* Lack of a unified macro-financial framework has hampered the relevance of the Fund's policy advice. The crisis had highlighted the urgency of pushing forward with research in this area and upgrading the Fund's knowledge and expertise on the financial sector more generally.
- *Assessing external risks, contagion, and spillovers from the international economy.* Country authorities appreciated the Fund's recent efforts to focus more on these issues, but some complained that the analysis has been superficial and/or heavily influenced by the largest shareholders. Furthermore, they wanted advice that was more specific to their countries and operationally relevant.
- *Addressing how to achieve sustainable growth.* Many country authorities, particularly in emerging markets

³⁵Most of these analytical weaknesses have been the subject of recurrent complaints from the membership, as confirmed by the findings of the TSR and previous IEO evaluations.

and LICs, felt that the Fund paid too little attention to the promotion of growth and employment.³⁶

51. Many authorities believed that the IMF was still not sufficiently using its unique comparative advantage—deriving from its almost universal membership—to bring cross-country experiences to the table.³⁷ The increase in local expertise within member countries put a higher premium on the IMF's comparative advantage in cross-country experiences. Authorities were most interested in case studies and examples of best practices in countries that faced similar challenges to their own, rather than in cross-sectional regressions or graphical analyses, which they believed to be of little practical value for policymaking at the national level.

...and some practices and incentives could adversely impact value-added

52. Country authorities repeatedly mentioned the high turnover of IMF mission teams as a critical factor for the perceived lack of value-added in IMF advice. While broad knowledge of global developments was seen as particularly important by authorities in systemic countries (which have ample human capital studying the domestic economy), more in-depth country knowledge was called for by authorities in smaller countries, particularly given their interest in advice on institutional changes. But many staff members, for their part, preferred to spend more years working on systemic countries, seeing work on these countries as more career-enhancing. And outgoing staff members acknowledged that there are few incentives to spend time with their team replacements to ensure a smooth transfer of information.

53. Silo behavior within the IMF was also cited as a factor undermining value-added. Interviewees provided evidence of weaknesses in integrating multilateral with bilateral surveillance, resulting at times in differences between the advice given during Article IV missions and that provided in the G-20 MAP, spillover reports, and the *WEO* and *GFSR*.³⁸ They felt that such silo behavior helped explain what they saw as the Fund's inability to fully exploit the synergies between surveillance, technical assistance, and training.

³⁶The Fund has recognized this problem and now has a Working Group on Jobs and Inclusive Growth.

³⁷Mission chiefs and resident representatives also recognized the importance of this issue, with about 80 percent agreeing that incorporating other country experiences in the advice more often would have an important payoff in improving the policy dialogue.

³⁸The Fund is making an effort to deal with this coordination problem, in part, with its Integrated Surveillance Decision.

Is there, nevertheless, a “demand” for Fund advice?

54. Despite some of the shortfalls noted above, authorities in most countries had sought IMF advice on their own initiative, and such instances could provide among the best opportunities to develop a trusted advisor relationship. Seeking advice from the Fund was most prevalent for LICs, given IMF consultation requirements in the context of UFR programs and LICs’ higher demand for technical assistance. But even the authorities in large advanced countries and large emerging markets, particularly in the aftermath of the crisis, had sought advice on their own accord from the Fund. Remarkably, of the 137 countries which responded to the survey, only 9 (one of them a large advanced country) claimed to have never sought advice from the Fund.³⁹

55. Across all income levels, survey evidence suggests at least 70 percent of the requests by countries included advice of a policy or strategic nature, rather than purely technical or informational in content. The reasons for seeking advice varied by country group, with large advanced economies more interested in international spillovers and risks to the country; large emerging market economies wanting to hear about other countries’ experiences when tackling similar economic challenges; and LICs planning significant changes in policies, and along with the other country categories, needing expertise in certain institutional areas.

56. While the evidence suggests authorities were not shy about requesting advice, these requests tended to avoid some of the core areas of the Fund’s mandate, such as exchange rates and monetary policy. Across an array of topics, G-20 countries were consistently less willing to seek advice from the IMF than non-G-20 countries, but the gap was especially wide with respect to those two topics. According to the survey of authorities, while 30 percent of the membership were not willing to seek advice on exchange rate and monetary policy issues, the percentage more than doubled for G-20 countries (both advanced and emerging economies).

57. On monetary and banking issues, advice from the Bank for International Settlements (BIS) or other central banks was typically valued more than that from the Fund. Two reasons given by interviewees were (i) a

greater sense that confidentiality would be maintained and (ii) higher value-added due to more policymaking experience or expertise. G-20 countries (both advanced and emerging), in particular, clearly indicated that the BIS and central banks or ministries from other countries were seen as better trusted advisors than the IMF. Among the authorities of large advanced countries and large emerging markets, the BIS was viewed as a better trusted advisor than the Fund by 60 percent and 45 percent,⁴⁰ and other central banks were preferred by 44 percent and 41 percent, respectively.

D. Fund Staff Behavior and Incentives

The Fund fares well with respect to the environment that staff creates ...

58. Survey evidence, as shown in Figure 12, highlighted some aspects conducive to having a real dialogue. Country authorities also noted some positive personality traits of a trusted advisor. Among these was self-confidence on the part of the mission chief, which generates respect; one senior official explained the significance of self-confidence by noting that such mission chiefs “don’t have to call headquarters every five minutes to check on what they should say.” At the same time, authorities appreciated that a mission’s advice draws on the broad knowledge and central tenets of the Fund. Empathy is also important, as suggested by a senior government official, who stressed, “I don’t care how much you know until I know how much you care.”

... but variability in behavior can imply substantial “tail risks” for trust

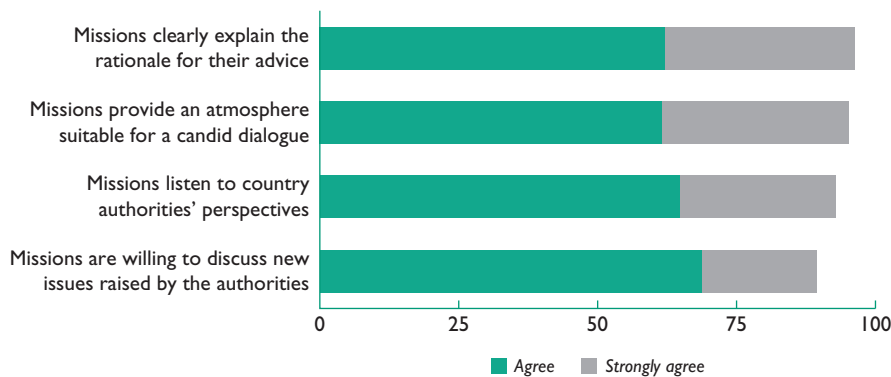
59. A few bad experiences with the behavior of Fund staff can be very costly. Countries remember such experiences vividly and for a long time.⁴¹ Negative characteristics of Fund staff/missions cited on occasion

³⁹ Authorities in about half of all countries (and two-thirds of LICs) had contacted their mission chiefs three or more times a year to seek their views or advice, and authorities in almost three-fourths of LICs would have welcomed more frequent staff visits and informal contact with the Fund. According to surveyed resident representatives, more than half had been contacted by authorities at least twice a month for advice on policy or strategic issues.

⁴⁰ Most of the responses from other country groups suggested no difference between the BIS and the Fund.

⁴¹ A senior official had worked with two IMF mission chiefs, both of equal technical and analytical ability, but with very different approaches. One was “bureaucratic, followed the books, and was careful not to deviate from the brief nor take any risks.” The other was empathetic and “deeply interested in [the country], willing to speculate on topics beyond the brief.” The official would never discuss sensitive areas with the first person for fear that what he said would be disclosed, but would willingly discuss such topics with the second. He added that “it was like dealing with two different IMFs!”

Figure 12. Environment for Policy Dialogue and Advice
(Percent of surveyed authorities in agreement)



Source: IEO Survey.

by country authorities included: a failure to listen to the authorities' perspectives; lack of openness to alternative approaches; and a style and content of discussions that was stilted and pre-determined. There was also a perception at times of arrogance in some IMF staff.⁴²

60. Despite the importance of this issue, some country authorities felt that the Fund had put insufficient effort into the selection and training of mission chiefs and resident representatives, who were seen as the face of the Fund. For their part, interviewed mission chiefs and resident representatives often noted that a substantive terms of reference would have been helpful in clarifying the roles and expectations for these key positions.

61. The Fund's incentive system may not be sufficiently supportive of a trusted advisor role. For example:

- Combined with persuasive analysis, challenging, candid discussions are what most authorities want from a trusted advisor. Yet many Fund staff members are reluctant to "speak truth to power." They need to be willing to challenge the authorities (provide a "wake-up call" on issues of which the authorities might not even be aware).⁴³
- Based on interviews with IMF staff, high visibility—as derived from contributing to research, policy

papers, or "bringing home a new UFR program"—was seen as being rewarded more than behind-the-scenes, time-consuming activity (such as brainstorming with authorities) to create trust. IMF staff were often not proactive in encouraging authorities to make use of the Fund's potential advisory role, perhaps reflecting the low rewards to spending more time in discussions with authorities.⁴⁴

- "Group think" and "intellectual capture" were mentioned in numerous interviews with country authorities as undermining the credibility of the Fund's advice. This type of cognitive behavior stems in part from an environment in the Fund that tends to inhibit intellectual risk-taking and challenging received wisdom.⁴⁵

Ultimately, trust is a two-way relationship

62. Sometimes the failure to build a trusted advisor relationship with authorities cannot be attributed solely to the IMF and its staff. The receptivity of counterparts also matters. Mission chiefs and resident representatives often noted that in some countries they had developed strong relationships with certain counterparts, but found it more difficult to do so with others. In such circumstances, interviewees noted that a country's Executive Director's office could play an important role as a bridge for communication between the IMF and the government (Box 4).

⁴²While the perception of arrogance was more common in smaller developing economies, even advanced country interactions were not immune. As one authority from an advanced economy stressed, "Why would we ever use IMF research? The IMF staff are very arrogant in not taking on board our comments on their research on our country."

⁴³The evaluation of *IMF Interactions with Member Countries* (IEO, 2009) also reported a view prevalent among staff indicating that they exercise less candor in their assessments of advanced economies, in part because they fear that Management will, in the end, not support them.

⁴⁴These findings confirm those in IEO (2009), where surveyed staff complained that performance evaluations gave insufficient weight to effective interactions with country authorities.

⁴⁵This was a finding in two 2011 IEO evaluations (on the crisis and IMF research) and the 2010 IMF staff survey.

Box 4. Executive Directors: A Bridge for Communication and Understanding

The IMF's Executive Directors have a dual role: (i) as Fund officials, upholding the institution's interests so the Fund can perform its mandate; and (ii) as representatives of their constituencies, advocating the interests of their country authorities. How might these dual roles help the Fund become a better trusted advisor?

While there might seem to be some tensions between these roles, there are also complementarities. As officers of the Fund, Executive Directors and their staff can be instrumental in helping their authorities better understand the inner workings of the Fund and the constraints facing Fund staff, as well as the reasoning underlying the Fund's policy frameworks and advice. At the same time, as representatives of their authorities, Executive Directors are well-placed to help Fund staff better understand a country's political and cultural environment in support of "feasible-best" policy advice with greater relevance and value-added. When tensions arise between Fund staff and the authorities, this intermediary function can help maintain the continuity of a relationship with the Fund, and thus be a significant contributor to a trusted advisor role for the institution.

Interviews with Executive Directors' offices revealed differences in how they saw their roles in this regard. Some Directors clearly acknowledged the importance of their bridging role between their constituencies and IMF staff, while others saw themselves primarily as representing their authorities. The differences depended on a number of factors, including whether the office represented a multi-country or single-country constituency and their personal views as to whether the Fund served as trusted advisor to their constituency.

Offices with multi-country constituencies were much more likely to view the Fund as lacking in evenhandedness, often based on their experiences representing smaller countries within their constituency, and felt the need to put extra effort into leveling the playing field for their

authorities. Furthermore, those offices with large constituencies found themselves stretched in their ability to perform their role in facilitating being a trusted advisor, particularly since they often lacked staff from some of the countries in their constituencies and, in such cases, the Directors needed to establish trust with the authorities as well. A lack of time to develop personal relationships gets magnified for surveillance-only countries, for which there is typically only one visit per year.¹ As one Director commented "it takes three to four missions for people on both sides to get to know each other sufficiently well."

Interviewees expressed their frustration at times of not being able to facilitate a genuine exchange of views owing to a variety of factors, including variability in the quality and experience of mission chiefs, the failure of many Fund teams to share more than a set of bullet points for discussion prior to missions, the use by the Fund of "guidelines" for key policy areas (putting a "straitjacket" on the ability to do country-specific analysis),² and the lack of early, substantive discussion with Fund staff on important new policy frameworks.

By contrast, in those instances where Fund staff actively engaged in an ongoing dialogue with Executive Directors' offices, this helped to leverage the power of these offices to facilitate trust in the Fund and, ultimately, to develop effective country strategies and gain traction for Fund policy advice. Such close working relationships fully exploited the Board's dual roles and allowed Executive Directors to be a bridge between Fund staff and country authorities for communication, understanding, and collaboration—all key building blocks for the Fund to be seen as a trusted advisor.

¹At times, Directors accompanying IMF mission teams had to explain to the authorities that they were not part of the IMF team, but rather were there to facilitate understanding on both sides.

²Other Board members, however, felt that the use of policy guidelines helped support evenhandedness.

Resident representatives—"on the ground" trusted advisors?

63. Resident representatives were viewed positively by a majority of interviewees, owing in part to the more informal nature of the interaction. They were often viewed as "on the ground" trusted advisors providing real-time support and one of the most important components for building a trusted relationship with member countries. Indeed, of the 56 percent of countries surveyed that had had a resident representative at some time since 2005, 85 percent viewed them as trusted advisors. This view was even stronger in LICs,

almost 98 percent of whose authorities cited them as trusted advisors. Even in those countries typically viewed as averse to the Fund, many authorities expressed a desire to have a resident representative (even if they did not have an active Fund program).

64. Notwithstanding these overall high marks, some authorities expressed reservations about the role of resident representatives. An important share of surveyed country authorities felt that resident representatives saw their role as ambassadors (that is, somewhat removed from the authorities) rather than trusted advisors. Many authorities rarely or never included them in confidential policy discussions, nor regarded them as

good counterparts for discussing policy ideas.⁴⁶ Particularly in countries with active IMF programs, some interviewees noted a definite tension between the role of the resident representative as a trusted advisor on the ground and as an “informant” and enforcer of conditionality for IMF headquarters.

65. Authorities felt strongly that a key attribute for a resident representative to be a trusted advisor was his/her intellectual independence and ability to mediate and use his/her knowledge to guide (and often disagree with) IMF headquarters. Three-fourths of the surveyed resident representatives agreed, noting that having more autonomy would help them become trusted advisors. However, half of the surveyed resident representatives believed that, despite their greater knowledge of local conditions, they had limited influence in changing IMF headquarter opinions on “their” countries’ policies.

E. Lack of Evenhandedness

A perception that the Fund is not evenhanded remains a barrier to building trust

66. A perception among some country authorities that the Fund is dominated by the interests of its largest shareholders undermined the view of the Fund as a trusted advisor. This notion was particularly prevalent among authorities in large emerging markets,⁴⁷ almost half of whom noted that this perception, together with a sense of unequal treatment of countries by the IMF, influenced their decisions not to seek the IMF’s advice. These results were mirrored by those from both the mission chief and resident representative surveys, more than 40 percent of whose respondents believed that the perception that IMF advice reflects the interests of the larger shareholders adversely affected their own capacity to be trusted advisors.

67. Importantly, surveys show that about a third of the country authorities and half of the mission chiefs

did not believe that the IMF has become more evenhanded since the onset of the global crisis, despite efforts by Fund staff and Management to be appropriately critical of policies in large advanced countries. Interviewed country authorities cited various recent examples of lack of evenhandedness:

- *Recent programs in the advanced countries of the European Union* were seen by a number of interviewees as soft relative to past Fund programs.⁴⁸ They explained that the IMF was providing much larger financing packages relative to quotas than in the past and raised questions about the associated debt sustainability analyses. A Minister of Finance explained, “the way the IMF behaves in Europe today will be critical as to how the Fund will be judged in the future.”
- *Some recent Fund policy papers*⁴⁹ were viewed as prematurely prescriptive—with no dialogue or input from the most affected country authorities—on key issues such as capital flows and international reserves. On capital flows, for instance, authorities felt that the emphasis was solely on “pull factors” and not on “push factors,” thus focusing on the policies of emerging markets and not on those of the advanced economies.⁵⁰
- *IMF input to the G-20 Mutual Assessment Process* was sometimes interpreted as reflecting the large shareholders’ interests and subverting the role of the rest of the membership. And there were intra-G-20 tensions, with the G-20 emerging market members holding particularly negative views regarding evenhandedness and one-size-fits-all input from the Fund.
- The *2007 Bilateral Surveillance Decision*⁵¹ was heavily criticized by many country authorities as having damaged the perception of the Fund as a trusted advisor. Many believed that the Decision had been politically motivated and had excessively narrowed the focus of surveillance towards the exchange rate at the expense of other, perhaps more important, macroeconomic issues and assessment of risks.

⁴⁶Almost half of the country authorities (and three-fourths in large emerging markets) rarely or never included their resident representative in confidential policy discussions, and about 20 percent did not see them as good counterparts for discussing policy ideas. Surveyed resident representatives largely confirmed these findings, but noted that, since the crisis, the authorities were inviting them more frequently to participate in confidential policy discussions. The responses depended heavily on the seniority of the resident representative: positive answers were received in 30 percent, 50 percent, and 65 percent of cases from staff at the A13/14, A15, and B level, respectively.

⁴⁷There was also a regional dimension, with countries in Asia and Latin America most likely to be dissuaded from seeking Fund advice due to a view that the Fund was not evenhanded.

⁴⁸Interviewees recognized that it is difficult to determine what role the IMF has played in the program design relative to that of the other Troika members. But many European interviewees were appreciative of what they saw as the more objective input of the IMF within the Troika context.

⁴⁹IMF (2010a, 2010c, 2011a, 2011b).

⁵⁰Subsequently, the Fund issued a Board paper (IMF, 2011f) that explicitly addressed the “push” factors behind capital flows.

⁵¹See IMF (2007). The 2007 Decision has since been replaced by the 2012 Integrated Surveillance Decision (see IMF, 2012b, 2012c).

- IMF staff and Management were often seen as *afraid to “speak truth to power,”* where large, systemic countries are involved, even though these are the countries most critical for the stability of the international monetary system, given the power of their policy actions to threaten or preserve the global good.

But is lack of evenhandedness just a perception?

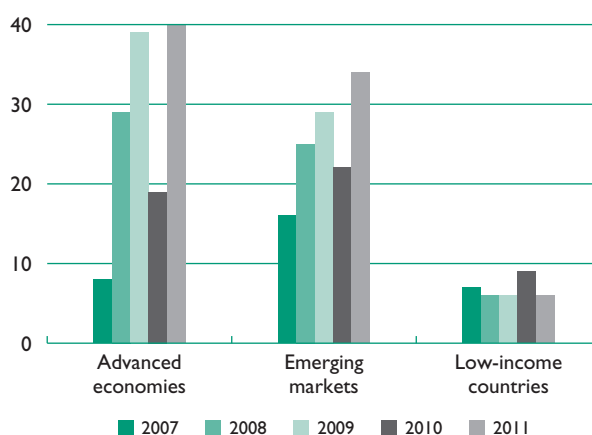
68. Clearly, a lack of evenhandedness can impair the Fund’s ability to perform both its global watchdog and trusted advisor roles.

- Regarding “speaking truth to power,” almost 60 percent of the mission chief survey respondents who worked on advanced countries felt pressure to dilute the candor of staff reports in order to avoid upsetting the country authorities.⁵² Fully half of the surveyed mission chiefs on systemically-important advanced economies admitted that the *systemic importance had influenced the degree of candor of the dialogue*.⁵³ A senior official in a G-7 country confirmed the political difficulty of “ruthless truth-telling” and the implicit pressure on Fund staff to refrain from clashing with powerful authorities: “There has not been a disagreement with IMF staff in the last four or five years. In any event, the mission chief knows that if he doesn’t listen to us, there will be a call to IMF Management.”
- On *global imbalances and the G-20 MAP*, an influential senior IMF staff member acknowledged pressures from some of the G-20 countries, noting that “the Fund negotiated around its analysis with some compromises. We put some [analytical] structure on the exercise within these very tight political constraints.”⁵⁴

69. Strong differences among country types in the application of IMF transparency policy suggest unequal treatment. For systemic countries, while authorities support transparency, “deletions and corrections” in

Figure 13. Increasing Deletion Rates

(Percent of published Article IV and UFR reports with deletions from authorities)



Sources: “Key Trends in the Implementation of the Fund’s Transparency Policy” (IMF, 2008, 2009a, 2010b, 2011d, and 2012c).

staff reports might lead to less candid versions of the staff’s thinking about a given country. As a senior official from a large emerging market noted, “deletions are the most important part of the Article IV process.” And the heaviest users of such modifications are the advanced economies and emerging markets, whose deletion rates have risen conspicuously since the start of the evaluation period (Figure 13). A remarkable 93 percent of the staff reports for advanced countries were corrected during a recent 3½-year period. The Fund’s 2009 review of its transparency policy (IMF, 2009b) found that a sizable minority of “corrections” did not conform to the policy, some even including a softening of the staff assessment.⁵⁵ Moreover, the criteria for permissible deletions had at times been stretched, for example to allow the removal of text on exchange rate assessments on the grounds of market sensitivity. Notwithstanding the revisions to transparency policy (following the 2009 review),⁵⁶ the data through 2011 (as shown in Figure 13) would suggest that the differences among country types in the application of IMF transparency policy remain little changed.

⁵²Earlier, IEO (2009) reported that “More than half of the surveyed staff working on advanced economies said that a desire to preserve the relationship had caused them to make assessments that were too cautious.” And according to IEO (2011a), “Many [staff] felt that there were strong disincentives to ‘speak truth to power,’ particularly in large countries, as there was a perception that staff might not be supported by Management if they disagreed with these authorities.”

⁵³This compared with 20 percent and 8 percent of those working, respectively, on emerging markets and LICs.

⁵⁴Political constraints on this analysis were confirmed in interviews with mission chiefs and Executive Directors.

⁵⁵For example, IMF staff found that 26 percent of the deletions in 2008 were not clearly within the policy guidelines. Furthermore, “advanced and emerging market countries—in particular ‘influential’ countries as proxied by quota shares and/or having a dedicated Executive Director at the Board—accounted for a disproportionately large share of corrections that were in the ‘gray zone’” (IMF, 2009b).

⁵⁶The IMF made some revisions to its transparency policy and issued a revised guidance note in 2010 (see IMF, 2010a). The next Review of Transparency Policy is expected to be completed in 2013.

F. “Legacy” and Stigma

The IMF has yet to refurbish its reputation with some member countries

70. The historical relationship between member countries and the Fund is also an important factor influencing the trusted advisor role. Legacy and stigma issues, based on past experiences with the Fund, presented a barrier for some countries—particularly large emerging economies—in their current engagement with the Fund. The survey of country authorities revealed that the memory of past negative experiences constrained the demand for IMF advice in about 40 percent of the large emerging markets. Concerns about the political stigma associated with working with the IMF mattered even more, adversely affecting the demand for advice in more than half of the large emerging markets.

71. Legacy and stigma displayed a strong regional dimension as well. For example, some authorities noted

that strong negative sentiment against the Fund, particularly on the part of the public, implied that outreach by the Fund would make it almost impossible for policymakers to follow Fund advice, because being seen to do so would be the political “kiss of death.” Survey evidence showed that these concerns were important for about a third of both Asian and Latin American respondents.⁵⁷ Interviews confirmed the survey results, with the experiences from the Asian and Latin American crises still firmly entrenched in the thinking of senior policymakers today.

⁵⁷In contrast, 5 percent or fewer of European and Middle Eastern survey respondents expressed concerns about past negative experiences, although political stigma mattered more, adversely affecting relationships with almost one-fifth and one-fourth of European and Middle Eastern members, respectively. For Africa, results were mixed with respect to legacy and stigma, with nonprogram countries much more adversely affected than those currently engaged in Fund programs; for example, almost a third of African nonprogram countries expressed concerns about political stigma compared to only 5 percent of program countries.