

# Towards a Stronger Partnership with Member Countries: Recommendations

72. The present time offers a unique window of opportunity to lay the groundwork to make the upswing in trust sustainable in a post-crisis environment. To do so, the Fund needs to have an institutional and incentive structure suited not only to dealing with member countries during crises, but also for periods of relative calm. The true test for the Fund will be in periods of calm, when a trusted advisor role is even more critical for traction and is likely best supported by an intellectually diverse culture and a flexible, open-minded approach to engaging with countries.

73. The Fund has taken important steps since the onset of the global crisis which have had a positive impact on its role as a trusted advisor. The Fund must now build on this increased trust, as it is expected to play an unprecedented role—acting as a global risk advisor—in helping secure collective action to identify and respond to risks and vulnerabilities that may threaten the stability of the international monetary system, including those emanating from advanced countries. But, as suggested in this report, additional steps could be taken to strengthen the Fund’s trusted advisor role without undermining its other institutional objectives.

74. The following recommendations address some of the key shortfalls/issues identified in this evaluation. Some of them draw on the many examples of Fund best practices that were seen in the course of the evaluation, with the aim of having the Fund emulate these more consistently and broadly in its work. While “trusted advisor” can have somewhat different meanings for different countries, the recommendations should nevertheless move the Fund closer to what most authorities agree should be a trusted advisor role for the institution. Some of the recommendations are aimed at the institution as a whole, requiring action by member countries and Management. Others are aimed more at individual behavior, but might still entail institutional action as regards incentives. These are not intended to be exhaustive, and the IMF Executive Board, Management, and staff may choose other avenues to respond to these

challenges. However, the important thing is for the Fund to be aware of these issues and keep them at the fore in efforts to reform the institution.

- **Enhance the value-added of Article IV consultations for country authorities.** Consult at an early stage with country authorities on their key areas of interest for upcoming consultations. Share the major policy issues, the preliminary macroeconomic framework, medium-term projections, and preliminary policy lines<sup>58</sup> with the authorities well before the mission to help facilitate more in-depth discussions.<sup>59</sup> Foster a more substantive dialogue with country authorities by better explaining the rationale for advice and its relevance to the country. Draw on relevant cross-country experiences to provide examples of best practices for addressing policy challenges faced by the authorities. Engage with local analysts and researchers.
- **Strengthen the continuity of the relationship between the Fund and member countries.**<sup>60</sup> In close consultation with the country authorities, develop a medium-term strategic plan for each country, with a starting point of *asking how the Fund can help*. This strategic plan would be expected to be *actively* used as guidance for subsequent mission teams and would allow Management to monitor continuity as well as progress with key medium-term objectives.<sup>61</sup> Develop incentives for

<sup>58</sup>These are all elements of the mission’s Management-approved Policy Note.

<sup>59</sup>The often-minimalist approach to providing information to authorities before a mission affords little basis for stimulating in-depth discussions of policy issues during the mission. Sharing more information could help to dispel the perception that missions are primarily aimed at fulfilling only the IMF’s watchdog role.

<sup>60</sup>The IMF has recently announced reforms that imply that country assignments would be expected to last three years on average.

<sup>61</sup>The plan would be expected to evolve flexibly as domestic or external conditions changed.

mission chiefs and resident representatives that make their role as trusted advisors an important part of their performance.<sup>62</sup> Increase the rewards for team work,<sup>63</sup> rather than solely at the individual level,<sup>64</sup> to help ensure a smooth transfer of knowledge when team members change. Enhance the role of the Fund as a sounding board if the authorities so desire, providing more time and modalities for informal discussions. Promote an ongoing dialogue and a close working relationship between mission teams and the respective Executive Directors' offices, so these offices can be a true bridge for communication and understanding between country authorities and Fund staff.

- **Incorporate early and openly the views of all countries—particularly those that stand to be most affected by changes in the Fund's policy stance—during the preparation of major policy papers on which analytical debate is still ongoing.** Consult early with Executive Directors' offices on emerging policy frameworks to exchange views and keep them in the loop, so as to facilitate their communication with their authorities.
- **Reduce unnecessary disclosure concerns** that may inhibit authorities from using the Fund as a true sounding board for informal advice at an early stage when formulating their policies. To reduce these concerns would require clarifying the intent of what one may call the Fund's Critical Disclosure Principle. Ensure that both staff and country authorities understand what must be reported (and to whom)—such as a country's policy plans and decisions—and what can be kept off-the-record (e.g., discussions on hypothetical courses of action).
- **Work closely with country authorities to design a customized outreach strategy** for mission chiefs and resident representatives that is most suited to gaining traction, given country specifics.

- **Implement the Fund's transparency policy in a uniform and fair manner.** Strictly adhere to the guidelines on transparency for all countries—large and small, systemic and nonsystemic—and have a clear line of accountability for deletions and corrections in staff reports and other documents.

75. Reversing the lingering adverse effects of legacy and stigma in an important share of member countries is, undoubtedly, a challenge for the Fund, with no quick or easy solution. It can only be achieved over time through appropriately addressing the Fund's governance deficiencies and through consistent, rigorous efforts by the Fund to be evenhanded, open-minded, proactive in tailoring advice to countries' needs, and clear on the role of transparency versus confidentiality.

76. Admittedly, the global crisis was a wake-up call for the Fund. The crisis provided the basis for some critical lessons learned and a wide-ranging set of early initiatives aimed at strengthening surveillance and risk assessments. The Fund is now pursuing further reforms, largely in response to findings from its 2010 Staff Survey, the IEO's evaluation on *IMF Performance in the Run-Up to the Financial and Economic Crisis* (IEO, 2011a), and the 2011 TSR (IMF, 2011g). Many of these most recent reform efforts explicitly recognize some of the key findings in this evaluation and, therefore, provide an opportunity for the Fund to address these issues and strengthen the Fund's role as a trusted advisor.<sup>65</sup>

77. But it is still too early to judge whether these initiatives will change the institution's incentives and culture. Genuine strategic reform is very challenging and requires the full ownership of the membership, Management, and staff. Lasting change will require continuous, close monitoring and accountability over a lengthy period to ensure that it has taken root in the culture of the institution.

<sup>62</sup>For resident representatives, move forward with the recommendations of the Working Group on Increasing the Effectiveness of Staff in the Field, particularly on better advance planning, raising the bar of qualifications, and strengthening training and preparation. Adopt similar approaches for mission chiefs.

<sup>63</sup>Effective team work would include forward-looking planning and ensuring sufficient overlap between outgoing and incoming team members.

<sup>64</sup>This might imply rethinking the “zero-sum game” approach embedded in the current performance rating system, which puts strict limits on top ratings. The practical implication is that one teammate rated as “outstanding” makes it far less likely that other teammates could also receive high ratings, even if the overall teamwork was of top quality. This undermines teamwork.

<sup>65</sup>Annex 5 provides an overview of the most relevant initiatives. See also *Fifth Periodic Monitoring Report on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations* (SM/12/248, 9/25/12), which discusses progress on implementing the Board-endorsed recommendations from *IMF Interactions with Member Countries* (IEO, 2009).