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IMPLEMENTATION PLAN IN RESPONSE TO BOARD- ENDORSED RECOMMENDATIONS FOR THE IEO EVALUATION OF THE ROLE OF THE FUND AS TRUSTED ADVISOR

EXECUTIVE SUMMARY

This paper sets out Management's response to the IEO's *Evaluation of the Role of the Fund as Trusted Advisor*. The implementation plan proposes specific measures focusing on the five of the six recommendations that won widespread support from the Board, including enhancing consultations with authorities ahead of policy discussions and improvements to the management of human resources to strengthen relations with authorities. The report also proposes new or enhanced surveys of country authorities and Offices of Fund Executive Directors to assist in monitoring progress on these measures.

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INTRODUCTION

1. This paper presents a forward-looking management implementation plan (MIP) for the IEO evaluation on the role of the Fund as Trusted Advisor. During the Board discussion of the IEO evaluation, Fund Executive Directors showed appreciation for the report on this important issue. They welcomed the findings that a large majority of country authorities hold positive views of the Fund and its work, and that the Fund's image has improved markedly in the aftermath of the global crisis. They agreed, however, that additional efforts are needed to enhance the role of the Fund as a trusted advisor and supported most of the IEO's high-level recommendations to further improve the quality and traction of Fund advice to its members. They also concurred with the IEO that there are various ways to make the recommendations operational. In drawing up the implementation plan, this note focuses on the proposals commanding broad support from the Executive Board and builds on ongoing reform initiatives that are aligned with the recommendations of the evaluation.

2. Progress on the implementation of this plan will need to be monitored closely. This will be primarily through future Periodic Monitoring Reports (PMRs), which provide updates on implementation of IEO evaluations, and followed up in subsequent broader reviews of surveillance, particularly the Triennial Surveillance Reviews (TSRs). In addition, new or enhanced surveys of country authorities and Executive Directors will be introduced in order to monitor overall progress on enhancing the quality of the Fund's engagement with the membership.

IEO RECOMMENDATIONS AND BOARD REACTIONS

3. The IEO's recommendations sought to address some of the key shortfalls/issues identified in the evaluation. The recommendations were not intended to be exhaustive, and the IEO recognized that the Fund Executive Board, Management, and staff might choose other avenues to respond to these challenges. The high-level recommendations from the evaluation were as follows:

- Enhance the value-added of Article IV consultations for country authorities.
- Strengthen the continuity of the relationship between the Fund and member countries.
- 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.
- 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.

- 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.

4. During the Board discussion, Executive Directors broadly endorsed five of these six recommendations. On the recommendation to incorporate the views of all countries during the preparation of major policy papers, Directors supported the need for extensive consultation with the membership, but there was limited support for setting out all views in the papers.

5. Directors had differing views on how the recommendations could best be implemented. While there was strong support for early informal consultations with country authorities on key areas of interest for upcoming consultations, there was less agreement on whether sharing the macroeconomic framework and key policy recommendations with the authorities ahead of the mission would add value to Article IV consultations. Many Directors did not support the proposal for medium-term strategic plans, which could introduce more bureaucratic processes. There was mixed support for developing specific incentives to encourage staff to act as trusted advisors. Many Directors stressed the need for the Fund to address perceptions of a lack of evenhandedness, and a number underlined the importance of governance reforms in this context. They emphasized the importance of lengthening staff country assignments and increasing staff diversity. Directors also indicated that their offices could play a key role in promoting dialogue between mission teams and country authorities.

IMPLEMENTATION PLAN

6. This MIP proposes a number of specific actions aimed at addressing the IEO's recommendations, and ways in which these will be monitored. New or enhanced surveys of country authorities and Offices of the Executive Directors (OED)—details below—will also help monitoring, and monitoring will be further assessed in subsequent PMRs and broader reviews of surveillance. Many of the proposed measures are already widely practiced among staff, and in such cases the MIP will seek to ensure that they are universally applied. Some additional proposals will need to be considered in the context of broader reviews, such as the forthcoming review of transparency. In these cases, the MIP flags the issues but acknowledges that options to address some recommendations would require further deliberation before concrete actions can be taken. Unless indicated otherwise, new actions will begin in May 2013 (the beginning of the Fund's fiscal year). The annex summarizes the evaluation's recommendations, Directors' responses, and proposals and timelines for implementation.

Recommendation: *Enhance the value-added of Article IV consultations for country authorities.*

- The 2011 TSR enshrined early consultation with country authorities on their key areas of interest ahead of policy consultations as best practice. All mission teams will be expected

to contact the authorities at least two months in advance of Article IV missions to exchange views on proposed policy issues and topics, and policy notes should note the outcome of these exchanges. The ultimate decisions on topics will continue to be made by staff and management in a manner consistent with the surveillance legal and policy framework. The Fund's Strategy, Policy, and Review Department (SPR) will follow up on and monitor implementation via the policy consultation meetings (PCMs) that precede Article IV missions, and will also ensure that these issues will be reflected in future Guidance Notes for Surveillance under Article IV Consultations.

- Mission teams will be expected to share major policy questions and assumptions on the global environment underlying macroeconomic projections (for example, WEO assumptions) with the authorities at least one week ahead of the mission.
- Use of cross-country experiences also represents best practice. Functional departments will enhance their engagement on these issues by continuing to provide relevant inputs to PCMs, for example, by specifying the adduction of cross-country examples as one of the key responsibilities of functional department economists assigned to country teams. Area departments should also generate their own cross-country analysis wherever appropriate, for example, where a regional perspective is helpful.
- Pilot reports are being initiated to take forward the recommendations in the 2011 TSR on clustered Article IV consultations, which aimed at broadening the analysis of outward spillovers and encouraging more inter-departmental coordination on topics. These reports can provide cross-country analysis for interconnected countries exposed to the same shocks and countries with shared policy concerns that can subsequently be used to inform their Article IV consultations.
- Mission chiefs will work to foster dialogue with the authorities by better explaining the rationale for, and relevance of, policy advice.

Recommendation: *Strengthen the continuity of the relationship between the Fund and member countries.*

- Steps are being taken to address the IEO recommendations from previous evaluations to increase mission chief and staff tenure on assignments. A target of three years average tenure has been set for country assignments, which is a significant increase on previous practice.¹ As noted in previous MIPs and PMRs, the average tenure will be monitored by the Human Resources Department (HRD) and reported to the Executive Board on a regular basis.

¹ Flexibility may be needed for particular types of countries (for example, fragile states and high-intensity crisis assignments).

- Ensuring that the diversity of the Fund’s membership is reflected in staff will strengthen the relationship with country authorities. The Fund has adopted new measures to raise the share of nationals from under-represented regions among senior staff and set targets for representation of women at senior levels. These targets are being monitored through a Diversity Scorecard that is part of the accountability measures used by Fund management. The measures and targets are reported in Fund papers such as the Diversity Annual Report.
- To improve the process of orderly handovers from one economist to another on country work, area and functional departments will be required to set out clear expectations and procedures for handovers, including on such issues as data management. This will be agreed and implemented no later than July 2013.² An assessment of how well staff and managers have assisted with transition processes will be included in feedback for the annual performance review (APR) process.
- Departments will be tasked with managing the staff rotation process to ensure that mission chiefs, resident representatives, and senior desks do not leave a country assignment at the same time. This will be monitored by area departments supported by HRD.
- A strong role for OED in liaising between country teams and the country authorities is best practice, and all mission teams will be expected to engage closely with OED prior to, during, and after policy discussions with the authorities. An annual survey of OED will be instituted to monitor whether country teams are engaging with OED and with country authorities as expected. This survey will be completed by end-April of each calendar year.
- A regular survey of country authorities’ views of the Fund’s performance in enhancing its engagement with the membership will be instituted. In order to avoid “survey fatigue” and ensure meaningful results (as views may not evolve annually), this will be achieved by piggy-backing on and augmenting the surveys carried out as part of the TSR. The survey will include questions aimed at assessing the extent to which the authorities see the Fund as a trusted advisor, the frequency and nature of interactions with staff, and seek the authorities’ views on the ways in which the dialogue could be strengthened.

Recommendation: *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*

- Staff will continue the best practice of extensively consulting authorities and other stakeholders ahead of major policy papers. However, consistent with views of most

² SPR will coordinate with departments on best practice.

Executive Directors, it is not proposed that all policy papers will have to present the views of every country.

Recommendation: *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.*

- As discussed in the forthcoming Review of Transparency Policy, expected to be issued to the Board in the second quarter of 2013, staff will be expected to make the authorities aware of the Fund's policy on the treatment of confidential information during their discussions. At the same time, staff will be encouraged to have informal/brainstorming discussions with country authorities in the course of policy discussions.

Recommendation: *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.*

- Mission chiefs should discuss outreach plans/strategy with authorities in the context of mission planning, with support from EXR. In this context staff will seek to explain to country authorities the benefits of outreach and the management of messages. SPR will follow up in and monitor during PCMs.
- Terms of reference for resident representatives will be clarified to underscore the importance of formulating an outreach strategy in collaboration with the country authorities, to be updated on an annual basis. This will be monitored by HRD with support from EXR.

Recommendation: *Implement the Fund's transparency policy in a uniform and fair manner.*

- The forthcoming Review of Transparency will provide updated analysis on the implementation of the policy, including on whether it has been applied in an even-handed manner across the membership. To the extent that any shortfalls are found, it will provide the Board with concrete recommendations on how these may be addressed.

RESOURCE IMPLICATIONS

7. Many of the initiatives outlined above could be implemented with relatively modest adjustments, and would therefore have limited resource implications. The main additional resource implication will be in relation to the proposed new and enhanced surveys of authorities and of OED, which would require up to one-half staff full-time equivalent (FTE) to implement initially and up to another one-half FTE to implement on an ongoing basis. Additional monitoring of new actions by HRD and SPR may require another one-half FTE. Improving handover processes may also require some additional resources, although the additional work

for the outgoing staff member may to some extent be mitigated by the reduced burden imposed on the incoming staff member.

Annex. IEO Evaluation the Role of the Fund as Trusted Advisor: Recommendations, Board Response, and Proposed Follow-Up

IEO Recommendations	Executive Directors' Responses	Follow-Up Plan and Timeline
<p><i>1. Enhance the value-added of Article IV consultations for country authorities.</i></p>	<p>Directors supported early informal consultations with country authorities on key areas of interest for upcoming consultations and stressed that their offices could play a key role in this process and, more broadly, in promoting dialogue between mission teams and country authorities. Directors, nonetheless, had different views on whether sharing the macroeconomic framework and key policy recommendations with the authorities ahead of missions would add value to Article IV consultations.</p>	<p>Early consultations with country authorities will now be expected of all teams.</p> <p>Mission teams will be expected to share major policy questions and global assumptions underlying projections at least one week ahead of the mission.</p> <p>Enhanced use of cross-country examples by functional department economists.</p> <p>Pilot reports on clustered Article IV consultations, which can augment cross-country analysis, will be initiated.</p> <p>Mission chiefs to be tasked to better explain rationale for Fund policy advice.</p> <p>All steps will begin in May 2013.</p>
<p><i>2. Strengthen the continuity of the relationship between the Fund and member countries.</i></p>	<p>Many Directors did not support the development of medium-term strategic plans, which would introduce more bureaucratic processes. A number of Directors agreed on the need to develop</p>	<p>Target of three years average tenure for country assignments in place.</p> <p>Measures to raise the share of nationals from under-represented regions among</p>

	<p>incentives for staff to better act as a trusted advisor, while a few others were concerned about how such incentives might affect the independence of staff advice. A number of Directors emphasized the importance of lengthening staff country assignments, and a number of others called for increased staff diversity.</p>	<p>senior staff and set targets for representation of women at senior levels will continue.</p> <p>Transition rules to be introduced by July 2013 to support orderly handovers.</p> <p>SPMs will work to prevent simultaneous turnover of the mission chief, senior desk, and/or Resident Representative.</p> <p>Role of OED in liaison process to be emphasized and monitored through an annual survey, which will begin by April 2014.</p> <p>Surveys of country authorities for forthcoming TSRs will be enhanced to help determine progress in enhancing Fund's role as trusted advisor.</p>
<p><i>3. 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.</i></p>	<p>Directors supported the need for extensive consultation with the membership, but there was limited support for setting out all views in the papers.</p>	<p>Staff will continue the best practice of extensively consulting authorities and other stakeholders ahead of major policy papers.</p>
<p><i>4. 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.</i></p>	<p>Directors broadly endorsed this recommendation.</p>	<p>Staff will be required to inform authorities of the Fund's policy on treatment of confidential information and be encouraged to have informal/brainstorming discussions with country</p>

		authorities in the course of policy discussions, starting in the third quarter of 2013.
<i>5. 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.</i>	Directors broadly endorsed this recommendation.	<p>Mission chiefs should discuss outreach plans/strategy with authorities in the context of mission planning.</p> <p>Resident Representatives' terms of reference will be clarified to underscore the importance of formulating an outreach strategy in collaboration with the country authorities, to be updated on an annual basis.</p> <p>All steps will begin in May 2013.</p>
<i>6. Implement the Fund's transparency policy in a uniform and fair manner.</i>	Many Directors supported the need for the Fund to address the perception of lack of evenhandedness in the treatment of member countries. A number of Directors suggested that addressing governance deficiencies in the Fund would help mitigate this perception.	The next Review of Transparency, expected to be issued to the Board in the second quarter of 2013, will provide updated analysis on the implementation of the policy, including whether it has been applied in an evenhanded manner across the membership. To the extent that shortfalls are found, it will provide concrete recommendations on how these may be addressed.