stressed the need to provide “first-best” advice to authorities based on objective analysis even when the advice is known not to be feasible. But while these considerations caution against accepting all criticisms at face value, the staff’s commentary must also be put in perspective. The survey of mission chiefs and resident representatives done for IEO (2013) noted the importance of offering the “feasible-best” advice in order to gain traction with authorities as a trusted advisor.

**Actions taken to resolve problems**

42. The IMF has addressed the issue of inadequate country and institutional context through periodic internal reviews. The 2005 Review of the Conditionality Guidelines found that substantial changes had been made to strengthen national ownership (IMF, 2005b); the 2008 Revision of the Operational Guidance Note on Conditionality made substantial enhancements to guidance on the IMF’s engagement in promoting ownership (IMF, 2008g). The 2011 TSR reiterated that prior to Article IV missions the mission team should exchange views with authorities on key issues (IMF, 2011w).

43. The IMF has made several attempts, starting in 2004, to achieve greater staff continuity in surveillance work and to build up country-specific knowledge. New measures were introduced in 2011 to balance the demand for cross-country experience among staff, on the one hand, with mission team continuity (targeted to last three years, on average), on the other (IMF, 2012a). In 2013, Management reaffirmed the target of three years on average for country assignments, as well as the need for a systematic procedure to hand over knowledge from outgoing to incoming mission members (IMF, 2013l). Such a system is now in place in all departments (e.g., IMF, 2013w).

**Outstanding issues**

44. More progress on country and institutional specificity may have been achieved in program design than in surveillance. The 2011 Conditionality Review concluded that “programs were generally well-tailored to country needs and characteristics” and that the design of conditionality tended to match country capacity (IMF, 2012e). In the area of surveillance, the 2011 TSR did not offer a self-assessment of the country-specificity of IMF advice but it mentioned that in a survey of authorities a majority of them had emphasized the need for more tailored policy advice. Especially the authorities from emerging and low-income countries had expressed a desire to see IMF staff become more aware of, and sensitive to, their circumstances (IMF, 2011w). Tailoring policy advice to country circumstances remains a priority theme for the ongoing 2014 TSR (IMF, 2013p), as was reinforced recently by IMFC members during the 2013 Annual Meetings (IMF, 2013q).9

45. The IMF’s work must be responsive to country and institutional context if it is to achieve relevance and traction. Yet, as expressed by staff members interviewed for this evaluation, the IMF should not shy away from providing the authorities with the “first-best” advice. The staff’s country and institutional knowledge can never be expected to match that of the authorities, who may therefore never be satisfied with the country-specificity of IMF advice. And especially given the Fund’s increasingly tight budget constraints, trade-offs need to be managed between the need for cross-country experience and the need for country-specific knowledge. The fundamental problem is that there are no objective criteria to assess how well the Fund is performing in this area. Without such a metric, efforts to make the IMF’s analytical work and policy advice more responsive to country and institutional context may always be a work in progress.

**E. Evenhandedness**

46. Evenhandedness is another difficult concept to define and measure. It denotes similar treatment of members with similar circumstances, but the meaning of the word “similar” is subject to interpretation. Lack of evenhandedness, whether real or perceived, has been flagged by 18 findings across 10 evaluations, from one of the earliest to the latest (see Annex 1 for the complete list of IEO findings). In a statement to the October 2013 IMFC meeting, Obaid Humaid Al-Tayer, Minister of State for Financial Affairs of the United Arab Emirates, observed that “persistent concerns about evenhandedness” were “recurring themes in reports of the Independent Evaluation Office” (IMF, 2013q). Members of the Executive Board have expressed a range of views to the IEO on the question of evenhandedness (Box 3).

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9 For example, Oh-Seok Hyun, Deputy Prime Minister and Minister of Strategy and Finance for the Republic of Korea, stressed the importance of becoming “more attentive to various country-specific circumstances when framing policy advice, including with respect to the institutional arrangements for macro-prudential policy.” Likewise, Jim Flaherty, Minister of Finance for Canada, stated that traction with members required “better tailoring surveillance and advice to the needs of members through more country-level specificity.”
47. Few IEO findings have identified outright cases of asymmetric treatment. Much of the evidence on lack of evenhandedness comes from surveys and interviews. Because a perception is typically held by different subsets of countries on different issues, weighing the balance of evidence requires judgment. Ultimately, the perception of lack of evenhandedness is rooted in the uneven distribution of decision-making power within the IMF.

48. Past IEO evaluations have found asymmetry of treatment in three areas (see Box 4):

- **Analysis.** The evaluations identified differences in the IMF’s analysis between advanced and emerging market countries and between high-income and low-income countries, for example with respect to the focus of policy advice on managing capital flows (IEO, 2005b and 2012) or the allocation of resources devoted to research (IEO, 2011b).

- **Influence.** Here the concern has not been about larger shareholders yielding greater influence in the IMF’s decision making—because the IMF is a quota-based institution, some countries legitimately enjoy greater voice than others. Perceptions of a lack of evenhandedness have arisen when political influence was seen to be exercised in a nontransparent way. Asymmetry in influence was noted with respect to the content of conditionality (IEO, 2009a) or the focus of surveillance—for example on exchange rates (IEO, 2009b) or international reserves (IEO, 2012)—which were perceived to be dictated by the interests of major shareholders.

- **Candor.** Evidence gathered by the IEO pointed to differences in the IMF’s candor between large and small countries and between advanced and nonadvanced countries. Staff were found not to deliver (IEO, 2011a), or to feel strong pressure not to deliver (IEO, 2013), candid messages about risks and vulnerabilities to the larger or more advanced economies.

These examples are interrelated. For instance, the finding that information was more frequently deleted from staff reports for advanced countries than for others (IEO, 2013) pertains not only to asymmetries in the IMF’s candor but also potentially to influence exercised by major shareholders.

49. Some of the perceived asymmetric treatment may reflect fundamental differences between larger and smaller countries. Larger countries are more systematically important and thus deserve more of the IMF’s analytical resources. Research on low-income countries may face greater constraints on data availability. The IMF’s 2013 Review of Transparency Policy (IMF, 2013i) noted that the greater incidence of deletions from staff reports for advanced countries might reflect the greater amount of market-sensitive information in these countries or their greater capacity to scrutinize the Board documents before publication. With respect to asymmetry in influence, IEO (2002) attributed the

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**Box 3. Selected Views of Executive Board Members on Evenhandedness**

- Perception that the IMF is an instrument of its main shareholders to achieve their own policy objectives is deep-rooted. Several recent cases were mentioned.

- Evenhandedness is a real issue, not just an issue of perception. Just recently, an Article IV staff report was seen to be insufficiently critical of the policies of a large industrial country even though the spillover of these policies to the rest of the world was significant.

- Treatment of members with similar circumstances should be uniform in analysis and policy advice, even though IMF voting power is unevenly distributed.

- The fact that large emerging market economies are most vocal about lack of evenhandedness does not mean that the concern is limited to these countries.

- Smaller developing countries feel the same way but they do not raise the issue in order not to jeopardize their relationship with the IMF.

- Staff exercise self-censorship to moderate their statements on larger countries, but not on small low-income countries (LICs). Likewise, authorities see staff as more lenient in program reviews with euro area countries than with small LICs.

- More resources are devoted to research and selected issues papers on advanced countries than on LICs, even though LICs would benefit more from IMF research on their economies.

Source: IEO interviews.
perception of political interference in program design to the lack of a formal, transparent channel to feed political judgment into the IMF’s decision-making process prior to formal Board decisions.

50. The 2011 TSR observed that evenhandedness was a continuing source of concern (IMF, 2011w). Nearly a quarter of the officials surveyed for the TSR, including a majority of the G20 respondents, thought that the IMF was not evenhanded in its policy advice. Some interviewees for the TSR linked the willingness to accept candid advice with greater evenhandedness on the part of the IMF, perceiving the IMF as insufficiently critical of the policies of its major shareholders. The TSR concluded that transparency and consistency in the use of methods were important to dispel such concerns. Likewise, the 2013 Review of Transparency Policy concluded that about half the Executive Directors who were surveyed viewed the application of policy as not evenhanded, though there was no objective evidence of systematic bias in favor of larger, more advanced countries (IMF, 2013i).

51. The concept note for the ongoing 2014 TSR observed that concerns about the evenhandedness of IMF surveillance “[seemed] to have become more acute in the past few years” (IMF, 2013p). While the survey conducted for the 2011 Review of Conditionality states that stakeholders perceived program conditionality and design to be evenhanded, the review also noted the extraordinarily large access to Fund resources in the recent euro area programs as a potential exception (IMF, 2012e). The 2013 Report on Risk Management informed the Executive Board that the euro area

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The comparable figures for mission chiefs and authorities were some 30 percent and 16 percent, respectively. While the modification rate was higher for advanced countries, this may have reflected a higher rate of complaint by these countries, given that they had more resources at their disposal to scrutinize IMF documents before publication.
programs had created the perception that European member countries had excessive weight in the IMF’s decisions relative to their economic power and that the IMF’s programs in the European Union had more lenient conditions than those in Asia (IMF, 2013n).

**Outstanding issues**

52. Evenhandedness is still an issue, as evidenced by the October 2013 statements of some IMFC members (IMF, 2013q). South African Finance Minister Pravin Gordhan, for example, observed that, in the perception of many African countries, the policy on deletions and corrections for Article IV staff reports was not consistently applied across the membership despite recent efforts.11 Likewise, Governor Zeti Akhtar Aziz of the Bank Negara Malaysia stated: “The efforts to effect more evenhanded, comprehensive, and effective surveillance practices are welcomed. In this respect, more balanced views and recommendations from the IMF to address the various global issues should be applied to both advanced economies and EMDCs.” A continued need to enhance evenhandedness was mentioned by several other Governors and Alternate Governors of the IMF on this occasion.12

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11To allay concerns about lack of evenhandedness in the application of transparency policy, the IMF has prepared an annual table on all modification requests, allowing Executive Directors to assess whether countries are being treated evenhandedly.

12See, for example, statements by Oh-Seok Hyun, Jim Flaherty, and Eveline Widmer-Schlumpf.

53. Perceptions of a lack of evenhandedness are difficult to deal with, but IEO evaluations suggest that greater transparency in the Fund’s work may be part of the solution. IEO (2005b), while noting that the IMF had not been applying a one-size-fits-all approach, concluded that failure to provide a clear rationale for a particular piece of advice had created the perception of a lack of evenhandedness. Likewise, IEO (2007b), after finding no clear-cut cases of uneven treatment of countries in a sample of 30 countries, concluded that the IMF could help mitigate such perception by providing a better explanation for policy advice with a similar level of analytical detail. IEO (2013) concluded that legacy and “stigma” issues could only be addressed over time—a task that may ultimately need to involve rectifying the IMF’s governance deficiencies.

54. Clear signals by Management of the need to engage in candid dialogue with all countries appear essential. Yet with some countries, achieving a candid dialogue is not easy. In discussing the IEO evaluation of IMF Performance in the Run-Up to the Financial and Economic Crisis (IEO, 2011a), Executive Directors agreed that incentives needed to be strengthened to ensure that the IMF speaks truth to power, while noting that doing so was exceedingly difficult for any cooperative institution. In discussing the MIP for the IEO evaluation of The Role of the IMF as Trusted Advisor, a number of Executive Directors suggested that addressing IMF governance deficiencies would help mitigate the perception of the lack of evenhandedness (IMF, 2013k).