



INTERNATIONAL MONETARY FUND

Public Information Notice

EXTERNAL
RELATIONS
DEPARTMENT

Public Information Notice (PIN) No. 02/111
FOR IMMEDIATE RELEASE
September 27, 2002

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Reviews Experience and Next Steps in the Fund's Transparency Policy

The Executive Board of the International Monetary Fund (IMF) discussed the Fund's transparency policies on June 12, 2002 based on "The Fund's Transparency Policy—Review of Experience and Next Steps." It concluded those discussions on September 5, 2002.

Background

In January 2001, the Executive Board adopted a decision on voluntary publication of country documents, and more systematic publication of Fund policy papers and Public Information Notices (PINs) on policy issues discussed by the Board. This decision followed a number of steps taken since 1994 to enhance transparency of the Fund as an institution and to increase the availability of information about the Fund and its members' policies. The decision defined the key elements of the Fund's publication policy and established the guiding principles to improve provision of information to markets and to the broader public, to safeguard the frankness of policy discussions with members, to maintain the appropriate balance between transparency and confidentiality, and to continue to improve the quality of staff reports.¹ The current review focused on the experience with transparency of the Fund's activities and its members' policies, and in particular on the implementation of the Fund's publication policy.

As the Fund's membership has embraced transparency, an increasing number of country documents have been published. An important initial step in bringing greater transparency to the Fund's lending operations was the publication of Letters of Intent and Memoranda of Economic and Financial Policies (LOIs/MEFPs). Currently, nearly all such country policy intention documents of the authorities (subject to a policy of presumed publication), including Poverty Reduction Strategy Papers (PRSPs), are published. In addition, Chairman's Statements, created in 1999 as an instrument for summarizing Executive Directors' views on

¹ See IMF Public Information Notice No. 01/3, January 12, 2001, *IMF Reviews the Experience with the Publication of Staff Reports and Takes Decisions to Enhance the Transparency of the Fund's Operations and the Policies of its Members*.

members' programs, have been published following almost all Board discussions. Under the policy established in January 2001, over half of staff reports covering the use of Fund resources (UFR) are now released. For surveillance, the extent of the publication of information is also significant. The release of Executive Board views in the form of PINs is now the norm. Some 60 percent of Article IV staff reports (including combined Article IV/UFR reports) are published. Mission concluding statements are also published following many Article IV missions—61 such statements were published through August 2002. In addition, about three-quarters of the Reports on the Observance of Standards and Codes (ROSCs) and about half of the Financial System Stability Assessments (FSSAs) are published. Some 58 percent of background papers for Article IV consultations are also published, providing additional information on economic and financial developments in member countries.

Consistent with the Fund's publication policy, deletions of highly market sensitive information prior to publication were few in number, although the volume of corrections was large. The processing of corrections and deletions was a key factor extending publication lags; the average lag for Article IV and UFR staff reports ranged from 22 to 25 business days, well above the 10-day guideline.

The Fund has enhanced its transparency as an institution through external consultations on, and independent evaluations of, its own policies; more systematic publication of staff papers on policy issues—21 of 26 of such papers were published in 2001; and the publication of the Managing Director's statement on the work program on policy issues. In July 2001, the Executive Board established the Independent Evaluation Office (IEO) to provide objective and independent evaluation of issues related to the Fund. The IEO's work program is made public and there is strong presumption that IEO reports will be published.

The Fund routinely provides information on its activities to the public, in particular through its website. To help public understanding of its work, the Fund organizes conferences, seminars, workshops, public economic fora and outreach events on a broad spectrum of issues, and Fund missions now routinely consult with a broad group of interested parties, including representatives of civil society and the markets. Information is now shared with the public on internal operations of the Fund, its liquidity position, finances and lending operations, as well as on other aspects of its operations, such as employment policy, the code of conduct and financial disclosure requirements of the staff, and such administrative activities as its procurement policies. There has been also an increased use of the Fund's archives.

Executive Board Assessment

Executive Directors welcomed the opportunity to review the experience with the Fund's transparency policy and to discuss next steps. They commended the significant increase in the availability of information about the Fund and its assessments of members' policies. Directors emphasized that while transparency enhances the legitimacy of the Fund as an international public institution, it is not an end in itself. The Fund's publication policy should be viewed as an integral part of the membership's commendable efforts to improve the transparency of their economic policies, with a view to increasing both accountability and the availability of reliable

information to the public, including on the Fund's actions to encourage and assist member countries. Thus, Directors viewed the impact of transparency on countries' economic policies and on market participants as an important element in assessing the effectiveness of the Fund's publication policies, and they looked forward to further review in the future.

Directors welcomed the increased publication of country documents under the Fund's publication policy. Currently, nearly all policy intention documents of countries requesting Fund financial assistance are published, and, in more than fifty percent of the cases, country authorities consent to the voluntary publication of staff reports on Article IV consultations or the use of Fund resources.

In moving forward, Directors stressed that the Fund's publication policies should not lessen the candor of the Fund's dialogue with its members nor of the staff's reporting to the Board. While the experience in this respect appears to be broadly satisfactory thus far, many Directors were concerned that staff sometimes faces pressures to nuance report presentations, even while preserving the substance of its assessments. Directors emphasized that staff should continue to work to ensure a proper balance between candor and confidentiality.

Directors generally believed that systematic and timely publication of country staff reports can play an important role in mobilizing public support for policy actions and enhancing the accountability of the Fund. In particular, release of Article IV staff reports can increase the effectiveness of Fund surveillance. Publication of staff reports on the use of Fund resources can, by providing the broader context for Fund-supported programs, strengthen the credibility of—and public confidence in—these programs, while also boosting program ownership. Against this background, Directors welcomed the progress made to date under the policy of voluntary publication, and agreed that the release of staff reports should continue to be encouraged. In this context, they discussed the possibility of moving from a policy of voluntary to presumed publication for Article IV consultation reports and staff reports on the use of Fund resources. They noted that the observed high and rising publication rates for country staff reports already attest to the underlying positive momentum that has persuaded more and more members to agree voluntarily to publish staff reports. They considered that Directors' continued support will remain vital for further strengthening this momentum in the period ahead. In light of these considerations, it was agreed to reconsider a possible move to a policy of presumed publication at the next Board review of transparency policy, which will take place in June 2003.

Directors agreed that it would be useful and constructive for the Fund's governing bodies to be apprised periodically of the progress made with respect to publication of staff reports within the present voluntary guidelines. Accordingly, Fund management plans to provide a statement on transparency at the fall 2002 and spring 2003 IMFC meetings based on a staff report recording the progress made and providing information on publication rates by country and region.

Directors also discussed the experience with the implementation of the policies on deletions and corrections in staff reports. They noted that the number of deletions had been limited and broadly confined to highly market sensitive material, consistent with the policy. While there was broad agreement that the present deletions policy should be maintained, many Directors

suggested that the policy be applied flexibly. In this context, a number of Directors proposed that further consideration be given to the possibility of deleting highly politically sensitive information. This issue will be taken up at the June 2003 review. On specific issues raised in the staff paper, most Directors endorsed the proposal to allow deletion of highly market sensitive performance criteria and structural benchmarks that could be communicated in side letters, as a useful step in harmonizing the application of the policy across documents. Differing views were expressed on how to address requests for "third party" deletions, but, on balance, the Board agreed that the limited incidence of such requests does not warrant a change in policy at this juncture.

Directors saw the high volume of corrections in Article IV and UFR reports as mainly reflecting the effort by both members and staff to provide the public with accurate information. A number of Directors nevertheless saw scope for greater parsimony and rigor in this regard, and also noted that corrections lead to publication lags. To ensure that the Board is fully informed at the time of its discussions, Directors agreed that henceforth there should be an expectation that corrections will, whenever possible, be circulated prior to Board meetings together with an explanation of the reason for the changes.

On the publication of Board discussions of policy issues, Directors welcomed that the current policy has considerably widened public access to information about Fund policies. Most Directors supported a move to a presumption of publication of policy papers and policy PINs that include the summing up of the Board meeting. Many Directors also saw merit in publishing papers on administrative matters. To facilitate timely publication of PINs following Board discussions on policy issues, a draft background section of the PIN will be attached to the policy paper circulated to the Board.

Directors also discussed a number of other possible changes to the present transparency policies. A range of views was expressed on the possibility to authorize voluntary publication of letters of intent (LOIs) and Memoranda of Economic and Financial Policies (MEFPs) after their circulation to the Executive Board, but prior to the Board meeting. A number of Directors considered that advance publication of LOIs/MEFPs on a voluntary basis in response to the member's request could enhance public debate on the member's policy intentions. Most Directors, however, preferred to retain the current policy, in order not to pre-empt the approval by the Board of the understandings reached between a member and Fund management.

Some Directors saw merit in retaining the present policy that PINs for Article IV consultations concluded on a lapse-of-time basis should not include a reference to this procedure to avoid possible public misunderstanding as to the Board's ownership of the assessment. Many Directors, however, felt that, if consultations are concluded on a lapse of time or short-form basis, this should be acknowledged in the PIN with an appropriate explanation, consistent with the objective of transparency, and the present policy will be adapted accordingly. Directors agreed that, in lapse-of-time cases, the "Executive Board Assessment" section of a PIN would be approved by the Board, based on the draft PIN circulated separately to the Board three days in advance of the lapse-of-time deadline.

Directors also agreed to: (i) allow references to overdue obligations in Article IV PINs and Chairman's statements, after a press release on such matters has been issued; (ii) allow the release of information on amended repurchase expectations for the Contingent Credit Line and the Supplemental Reserve Facility through a Chairman's statement, PIN, press release, or staff report, if agreed by the member; and (iii) add Financial System Stability Assessments and stand-alone HIPC Debt Sustainability Analyses to the items in the publication decision that are authorized for publication.

Directors noted that timely access to Executive Board minutes is an important element of the effort to improve the transparency of the Fund's decision making. Directors supported the proposal to reduce the current 20-year lag, although they had different views as to the appropriate shortening. While there was significant support for a shortening to 5 years of access to minutes of policy discussions, many Directors considered that, for country issues, the prospect of public access after five years might unduly restrain the candor of the Board debate. It was therefore agreed to shorten the period for access to minutes of Executive Board meetings to 10 years.

A number of Directors looked forward to discussing proposals on the publication of documents in languages other than English, in the context of the forthcoming review of the Fund's external communications strategy. While recognizing budgetary implications, these Directors stressed the substantial benefits of information in other languages, in terms of higher transparency and outreach to a larger population.

Public Information Notices (PINs) are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board.