FOR AGENDA

SM/09/264
Supplement 1

October 28, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Review of the Fund's Transparency Policy—Background Paper**

The attached paper provides background information to the paper on the review of the Fund's transparency policy (SM/09/264, 10/26/09), which is tentatively scheduled for discussion on **Monday, November 16, 2009**.

The staff proposes the publication of this paper after the Executive Board completes its discussion, together with a PIN summarizing the Executive Board's discussion.

Questions may be referred to Mr. Hviding (ext. 34544) and Ms. Aylward (ext. 37807) in SPR.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Review of the Fund's Transparency Policy—Background Paper

Prepared by the Strategy, Policy, and Review Department

In consultation with other departments

Approved by Reza Moghadam

October 27, 2009

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List of Acronyms

ADV	Advanced Market Countries
AFR	African Department
APD	Asia and Pacific Department
CGER	Consultative Group on Exchange Rate Issues
CSO	Civil Society Organization
EMC	Emerging Market Countries
EPA	Ex-Post Assessment
EUR	European Department
EXR	External Relations Department
FCL	Flexible Credit Line
FSAP	Financial Sector Assessment Program
FSSA	Financial Sector Stability Assessment
GAP	Global Accountability Project
GFSR	Global Financial Stability Report
GTI	Global Transparency Initiative
HIPC	Highly Indebted Poor Countries
IEO	Independent Evaluation Office
IFI	International Financial Institutions
IMFC	International Monetary Financial Committee
IMF	International Monetary Fund (Fund)
JSAN	Joint Staff Advisory Note
LIC	Low-Income Countries
MCD	Middle East and Central Asia Department
MEFP	Memorandum of Economic and Financial Policies
OLS	Ordinary Least Squares
PIN	Public Information Notice
PPM	Post Program Monitoring
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction and Strategy Paper
PSI	Policy Support Instrument
ROSC	Report on Observance of Standards and Codes
SBA	Stand-By Arrangement
SEC	Secretary's Department
SMP	Staff-Monitored Program
SOE	State-owned Enterprises
SPR	Strategy, Policy, and Review Department
TGS	Technology and General Services
UFR	Use of Fund Resources
WEO	World Economic Outlook
WHD	Western Hemisphere Department
WTO	World Trade Organization

OVERVIEW

This background paper for the 2009 review of the Fund's Transparency Policy reports on the work conducted in two main areas underpinning the discussion in the main paper. The first area is the result of outreach to external stakeholders on their views and suggestions concerning Fund transparency. The second area is an analysis of implementation of the Transparency Policy since the 2005 Review, covering publication rates, lags, deletions, corrections, and candor.

I. RESULTS OF OUTREACH TO EXTERNAL STAKEHOLDERS[1]

A. Introduction

1. **Staff sought the views of external stakeholders as input to the review. The outreach was undertaken by staff from SPR and EXR.** The main questions asked were:

- Is published Fund information being "used" (i.e., sought out, accessed, read, and processed) and does it impact readers' views or actions?
- Is the Fund sufficiently transparent and does this enable adequate accountability?
- What are external stakeholders' views on how the Fund's transparency could be improved?

2. **This section is organized as follows.** Part B provides an overview of the outreach that was conducted, and Part C summarizes the major findings from stakeholders' views.

B. Overview of Outreach and Positions of Key Transparency CSOs

Overview of outreach

3. **Outreach for the review was mainly conducted through meetings with Civil Society Organizations (CSOs), notably a roundtable consultation event.** A web-based survey of three broad external stakeholder groups was also conducted. Relevant feedback obtained from other sources was also incorporated, e.g., outreach for the 2008 Triennial Surveillance Review and published views of external stakeholders on the transparency of international financial institutions.

Meetings with CSOs

4. **Staff hosted a roundtable on Fund transparency in April 2009 and met bilaterally with other CSOs that could not attend the roundtable.** Approximately 30

[1] Prepared by Lynn Aylward.

representatives of CSOs attended the roundtable held as part of the Bank-Fund Civil Society Policy Forum, and a summary of their comments was posted on the external website in three languages (Appendix I). Staff also met with two CSOs that focus on transparency and whose representatives were not able to attend the roundtable (the Global Transparency Initiative and One World Trust) and held a follow-up meeting with New Rules for Global Finance.

Web-based surveys

5. **Staff also conducted a short web-based survey of external stakeholders.** Surveys were designed for three separate types of stakeholders: (i) CSOs; (ii) financial market participants; and (iii) other groups (such as think tanks, academics, and other stakeholders). The surveys were open for several months on an "IMF Transparency Review and Consultation" page on the external website.[2] Seven questions were the same for all three surveys, while a few additional questions were specific to each stakeholder group. The survey questions were selected to provide answers to the three broad questions listed above. To encourage responses, Fund staff sent e-mail messages, links to the webpage, and the surveys to lists of CSOs, think tanks, and financial market participants maintained by EXR. There was also an option to send comments to an electronic mailbox. A total of 24 responses was received, and several comments were sent to the mailbox. The survey questions and results appear in Section III of the Informational Supplement. While the low number of responses limits drawing firm conclusions from the survey results, some insights are incorporated below.

C. External Stakeholders' Views

6. **This section is mainly based on feedback received during outreach efforts, but also reflects published information.** A summary of the position of two key CSOs that focus on transparency—Global Transparency Initiative (GTI) and the One World Trust—are presented in Boxes 1 and 2, respectively.

7. **External stakeholders were highly consistent in their demand for increased transparency**. Some argued that the public had a "right of access to information" and that any exceptions to this needed to be carefully explained; others pointed to a need for the public disclosure of program conditions and, more generally, a more complete explanation of the Fund's views. They said that the Transparency Policy should cover all and not just Board documents, and staff operational guidance notes and more budget information should be published. A clear process for requesting information, a response to all requests, and an appeals process were also desired.

8. **Stakeholders considered it important that the expectation that members publish be strengthened**. Some want all country documents to be published without exception, while

[2]See http://www.imf.org/external/np/pdr/trans/2009/index.htm, or the Informational Supplement.

Box 1. Summary of Published Views of the Global Transparency Initiative

The Global Transparency Initiative (GTI) is a network of civil society organizations promoting openness in the IFIs. Among the 10 CSOs in the network, two of the larger members are the Bretton Woods Project and the Bank Information Center. The GTI's basic position is that people have a right to information from public institutions and a right to participate in the development policies and projects that affect their lives.

The GTI has published a Transparency Charter that sets out the standards and practices it believes should govern IFI disclosure policy and whose nine principles are:

- right of access to information held by IFIs;
- automatic disclosure by IFIs;
- access to IFI decision-making, including to draft documents and key meetings;
- the right to request information;
- limited exceptions to access to IFI information only when disclosure would cause serious harm;
- an appeals process, for refusals to provide requested information;
- whistleblower protection;
- promotion of freedom of information by IFIs by devoting adequate resources to it and building a culture of openness;
- regular review of disclosure policies.

The GTI believes Fund transparency needs improvement. It has issued a *Guide on IMF Transparency* that assesses the Fund's policy against the Charter. It finds that Fund practices on information disclosure fall far short of the Charter, "failing to meet five of the nine principles…and only partially meeting the other four" and "faring significantly worse than the World Bank." In October 2008, GTI published a policy brief urging the Fund to use the Transparency Policy review to "make a bold move toward recognizing the right to information" and recommending 11 specific changes to make more Fund documents and information available, in a more timely and easily-accessible manner (http://www.ifitransparency.org).

Box 2. Summary of Published Views of One World Trust

One World Trust describes itself as an independent think tank working on making policy and decision-making processes in global governance more accountable. It was established in 1951 by a group of U.K. parliamentarians. One World Trust produces the Global Accountability Report, which assesses international organizations according to a Global Accountability Project (GAP) framework that breaks accountability into four dimensions of transparency, participation, evaluation, and complaint and response mechanisms. The transparency dimension covers eight broad areas similar to the nine principles of the GTI Transparency Charter, e.g., a clear statement committing the organization to the release of information in the absence of a compelling reason not to disclose; an appeals process; provision of resources to implement well the policy; availability of information on the policy; and input to decision-making processes. Under each broad area are up to 10 specific requirements/criteria, according to which institutions are assessed and assigned a Transparency Index, which measures "the degree to which an institution's policies and systems support public disclosure of information and enable it to respond to information requests on decision-making processes and operations that have public impact."

The Fund ranked third among 10 Intergovernmental Organizations on transparency, with a score of 58 percent, when assessed in the 2006 Global Accountability Report. Weaknesses of the Fund Transparency Policy according to the GAP framework included:

- As the Fund's Transparency Policy is focused on publication policies, it does not address key good practice principles such as making a commitment and setting a timeframe to respond to all requests.
- Instead of embodying a presumption of disclosure, the Fund Policy stipulates that a member's consent to disclosing documents is 'voluntary but presumed.' This allows member states to reject the publication of a document, limiting access to country reports.

Areas where the Fund met the practices recommended by the GAP framework included:

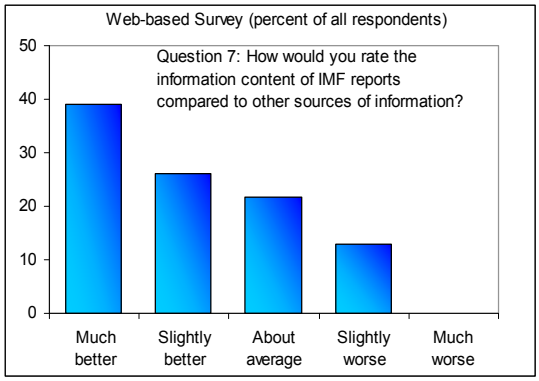
- The Fund has management systems that support the implementation of the Transparency Policy.
- The Fund issues guidance and trains staff on the Transparency Policy.
- The Fund makes the information disclosure policy accessible to the public, disseminating it through more than one medium, and translating it into French and Spanish.

In some areas, the Fund (as well as other assessed bodies) did not earn a higher Transparency Index score because of features of the scoring system. Notably, for many of the 35 criteria on which the Index is based, an organization either gets a 0 or a 1, so that partial meeting of an area is not taken into account. For example, the Fund, World Bank, WTO, and several other intergovernmental organizations received a score of 0 on the quality of their information disclosure policies because in the Global Accountability Report's assessment, the policies are not underpinned by principles of good practice as defined in the Report. When working with the One World Trust on the 2006 Report, staff explained that the Fund Transparency Policy is in fact supported by principles of good practice for implementing the policy, as embodied in the Transparency Guidance Note, but this did not meet the Report's definitions.

others say that if there are exceptions, the country should provide a written notice explaining the reasons for nonpublication, and this notice should be published.

9. **Financial market participants are very aware of which countries publish staff reports and which do not, and CSO and "think tank, academic, and other" survey respondents view nonpublication as a negative sign.** The majority of financial market respondents thought it important for their work that country staff reports be published. But financial market respondents were less worried than other survey respondents about the impact of nonpublication on the reputation of the member and on their own work. The other two groups of stakeholders in the web survey said that nonpublication of Fund country reports reflects negatively on the country and hinders their work on that country.

10. **The outreach confirms that Fund information is being used and is considered valuable, albeit with room for improvement.** While CSOs see room for improvement in Fund information (see below), they also clearly value Fund publication. All three external stakeholder groups indicated on the web-based survey that they frequently use several different types of Fund information and rate the information content of Fund releases as above average (text figure).



11. **However, external stakeholders continue to request that Fund publications be more timely, concise, and easier to read with less jargon.** CSOs said that the Fund is still perceived as remote and inaccessible, with this carryover of perceptions from the past reflecting in good part that the Fund's work is difficult to explain. PINs and the Executive Board Summings Up that they contain should be written in clearer language and not use unexplained "codes;" i.e., phrases such as "many Directors" and "some Directors."[3]

12. **CSOs said the Fund should emphasize "context over content" and provide more "information on information.**" This echoes feedback from the media and other external stakeholders during the 2008 Triennial Surveillance Review, who observed that "too much information obscures important information." One CSO said that if the Fund is really to engage new audiences, deliver key messages, educate the public, and preserve or improve its reputation, rather than using its Transparency Policy purely as a box-ticking exercise and public relations tool, then the format of its information must be greatly improved.

[3] The Administrative Procedures Committee of the Executive Board agreed in June 2009 to publish the "Glossary of Qualifiers Commonly Used in Executive Board Summings Up," which corresponds to CSOs' request for the "codes." See http://www.imf.org/external/np/sec/misc/qualifiers.htm.

13. **CSOs thought the single most important improvement to Fund communications would be to add a "guide to information" on the website.** This guide would explain the ten or so most popular or important types of Fund documents and whether and where they are available. They also suggested that all documents should have an Executive Summary that is accessible without opening the entire document, and a contact point provided. More documents should be available in languages other than English, especially Executive Summaries.

14. **External stakeholders' views on the candor of Fund publications do not seem unfavorable and the major request in this area is GTI's call for detailed information on granted deletions.** Web survey respondents were neutral about, rather than in agreement with, the statement that Fund information is candid, but in outreach no CSO raised lack of candor of Fund reports as an issue and at the time of the 2008 Triennial Surveillance Review, the media regarded Fund reports as candid, albeit within the constraint that the Fund is a political organization. The GTI asked in its October 2008 policy brief for the Fund to publish aggregate information on the number and nature of the deletions made to published reports.

15. **CSOs also want the archival release periods to be shortened, and the archives and access to them modernized.** Minutes of Executive Board meetings, currently made available under the Archives Policy after 10 years, should be published much sooner; indeed some stakeholders do not think Minutes should be subject to time rules under the Archives Policy, but rather released within periods as short as two months. Stakeholders said that the confidential classification of a document should be re-assessed when a classified document is requested from the archives, with a view to declassifying documents whenever possible, and, in other cases, releasing as much of the document as possible. The current archive system that requires information-seekers to know what they are looking for, or otherwise to travel to Washington, DC to browse the archives, is cumbersome and discriminatory.

16. **Stakeholders asked for greater transparency about and input to the Fund's decision-making processes.** The Fund staff should publish draft policy documents, invite comments from the public on the draft, and take cognizance of these comments in preparing a final paper for the Executive Board. Making the Board calendar available more than one week in advance would allow CSOs to be more engaged on policy papers, as would a means for consultation before the Board concludes discussion on policy matters. The Fund should consider opening Board meetings to the public.

II. Transparency Policy Implementation

A. Introduction

17. **This chapter reviews the experience with implementing the Transparency Decision since the 2005 Review of the Transparency Policy**. A key element of this review is to evaluate to what extent the changes introduced in the 2005 Review (summarized in Box 3) have impacted key transparency indicators, such as publication rates, and achieved

the objectives of reducing publication lags and ensuring more consistent and evenhanded implementation of the policies on deletions and corrections.

Box 3. Main Changes Instituted by the 2005 Review of the Transparency Policy [1]

I. Changes that required amendment of the Transparency Decision

Concerning deletions:

- Define what constitutes highly market-sensitive material. (*preserving candor*)
- Add premature disclosure of operational details of policy intentions as a basis for deletions. *(preserving candor)*
- Require that requests for deletions be submitted in writing no later than 21 days after the Board meeting or 35 days after issuance of relevant report to the Board, whichever is later. *(reducing lags*)
- Formally allow for limited redrafting in the context of deletions. (*preserving candor*)

Concerning corrections:

- Specify a policy on corrections. Corrections are limited to (i) data and typographical errors; (ii) factual mistakes; and (iii) mischaracterization of the views expressed by the authorities, and should normally take the form of straight substitution of text rather than adding or deleting entire sentences. *(preserving candor)*
- Remove prohibition on corrections to staff views, analyses, and appraisals, as long as they fall within the three permissible categories above. *(preserving candor)*
- Specify that corrections should normally be made before the Board meeting, and that those made afterwards are subject to a stricter standard. *(preserving candor)*
- Require that for corrections with significant implications for the report, an explanation of their rationale and a discussion of their implications shall be provided in a staff supplement or in the corrections memorandum. *(preserving candor)*

Other changes

- Tie presumption of publication of PRS documents to access to concessional resources. *(increasing publication rates)*
- Allow publication of JSANs circulated for the Board's information within a stated period. *(reducing lags)*
- Allow references to repurchase expectation extensions in Chairman's or factual statements. *(housekeeping)*
- Formalize the deletion of internal references, including misreporting/obligation breaches. *(housekeeping)*

II. Changes that did not require amendment of the Decision

- Send systematic reminders to members, through their Executive Director, when they have not communicated their publication intentions within 30 calendar days after the Board meeting. *(increasing publication rates, reducing lags*)
- Circulate information on key trends in the implementation of the Transparency Policy and lists indicating publication status to the Board regularly. *(increasing publication rates, reducing lags*)

1 See *The Fund's Transparency Policy—Proposed Amendments* (SM/05/292,7/28/05) for a full list and commentary on changes to the Transparency Policy. The objectives of the main areas of change are shown in italics and parentheses.

18. **The conclusions of the review are mixed:**

- Publication rates continue to increase with almost 90 percent of members publishing all or some country reports (Part B).

- A small number of members still do not publish staff reports. Some of these members view the Board as the main audience of staff reports, and remain concerned about the Fund's role as a confidential advisor (Part B).[4]

- Publication rates for certain types of documents remain low. For instance, in 2008, only 62 percent of FSSAs were published (Part B).

- Publication lags remain long, only marginally down from the period preceding the 2005 Review: reasons for lags vary across time and country (Part C).

- Tension exists in the implementation of the deletion rules, although greater clarity on the deletions criteria introduced by the 2005 Review has been useful (Part D).

- While most corrections are clearly in line with the criteria, some do not unambiguously meet the criteria; a majority of such "gray zone" corrections are made before the Board meeting by "influential" advanced or emerging market countries (Part E).

- Candor of the staff report submitted to the Board does not seem to be significantly affected by publication expectations (Part F).

B. Experience with Publication Rates[5]

Publication rates have continued to increase, but a small minority of members have never published; the publication rates for some types of report remain low.

Policy background

19. **The 2005 Review took no measures specifically to spur publication rates, since publication rates had "increased markedly" since the last review.**[6] A higher priority was given to reducing the publication lag and clarifying rules on deletions and corrections.

Key trends in publication rates

20. **Since the last review, publication rates are higher for some key document groups:**[7] 88 percent of Article IV and UFR country reports were published in 2006–08, compared to 83 percent rate for the two-year period preceding the last Review (see Table 1 in

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[4] As of September 14, 2009, these members are Bahrain, Brazil, Brunei, Dominican Republic, Guyana, Myanmar, Oman, Saudi Arabia, Turkmenistan, and Venezuela.

[5] Prepared by Lynn Aylward.

[6] See second paragraph on page 4 in *Review of the Fund's Transparency Policy* (SM/05/184, 5/25/2005).

[7] The last review of transparency was discussed by the Board in May 2005. However, the resulting revisions to the Transparency Decision were not approved until October 2005. References in this paper to the period after the last review generally refer to data for January 1, 2006 to December 31, 2008, while the period before the review is generally represented by data for the period January 1, 2003 to December 31, 2005.

the Informational Supplement). The publication rate for stand-alone UFR staff reports has increased (from 86 percent in 2003–05 to 95 percent in 2008). This increase reflects the recent crisis and the stronger publication regime for programs with exceptional access—all staff reports for programs involving exceptional access have been published.

21. **With a few exceptions, members allow the publication of country staff reports on a regular basis.** Since 2005, some 75 percent of members have allowed the publication of all Article IV and UFR staff reports, more than double from 2002–05 (Table 6 of Informational Supplement). Ten members have never allowed the publication of any Article IV or UFR staff reports; some of these members say they do not publish because they consider staff reports to be for Board discussion, and publication undermines the candor of the report and frankness of the discussion with the authorities and the Executive Board. Two of these countries have never published a PIN or Chairman's Statement.

22. **The publication rates for some types of country reports are lower than those of Article IVs and UFR reports.** During 2006–08, 79 percent of stand-alone EPA, PPM, PSI, and SMP papers and 64 percent of FSSAs were published. The relatively low publication rate for the stand-alone EPA, PPM, PSI, and PPM reports, which also represented a decline from the earlier period, seems to reflect that the sample is fairly small and the composition has changed: several of the members who are non- or less-frequent publishers had such reports in the period. For FSSAs, the relatively low publication rate may relate to concerns over the release of sensitive information, the assessment of the country's financial system, and confidentiality issues related to individual bank information. To some extent, these concerns may be exaggerated: while in a survey of country authorities for the FSAP review, 15–20 percent of respondents reported some discomfort with the corrections and deletions rules as regards the publication of FSSAs and ROSCs, 41 percent of respondents said they lacked familiarity with these rules. The lack of a presumption to publish FSSAs (their publication regime is just "voluntary") may also have contributed to the lower publication rate.

23. **The differences in publication rates across country groupings have narrowed.** While the average publication rate for 2006–08 for advanced economies (100 percent) continues to exceed that for emerging market (84 percent) and developing country (87 percent) members, the gaps have narrowed since 2003–05. At that time, the publication rates were 100 percent, 77 percent, and 83 percent, respectively.

C. Publication Lags[8]

Publication lags remain long. Efforts to reduce the lags have generally not been effective.

Policy background

24. **For the publication of documents to be useful, it should be timely.** The speed with which information is published is important for its value and relevance to the rest of the world.

25. **The 2005 Transparency Review identified long lags as a priority issue and introduced a set of measures to reduce these lags:**

- A time limit for the authorities to request deletions (to 21 calendar days after the Board meeting or 35 days after report issuance to the Board, whichever is longer) was introduced.[9]
- Systematic reminders were to be sent to members who did not communicate their publication intentions within 30 calendar days after the Board meeting.
- A list indicating publication status and other publication data to be sent to the Board regularly.

26. **Nonetheless, average lags remain long**. The average publication lag for Article IV and UFR reports fell from 49 days (2003–05) to 42 days (2006–08), but is still substantially longer than the 30-day expectation (Table 3 of Informational Supplement). In some cases the lag is very long: 12 reports (from nine different countries) were published with lags of 200 days or longer over 2006–08 (Table 10 in the Informational Supplement). Lags not only reduce the information value of the document; they can cause confusion when they lead to situations where a member publishes a UFR review report around the same time as the Board is considering the subsequent review. To illustrate this consideration, staff found seven cases since 2005 when a UFR review report was published within a one-month window before or after a subsequent review.

27. **The limited progress to reduce lags reflects in part the less-than-complete implementation of some of the measures agreed in 2005:**

- The 21/35 day time limit for deletion requests and the 30-day expectation of publication proved hard to enforce and lacked teeth. Thus, in practice, the time limit was not binding

[8] Prepared by Pedro Rodriguez.

[9] It was also requested that the members' requests be communicated in writing to the Fund.

and, in 2008, as many as 30 percent of approved deletions were received after the stipulated time limit.

- Reminders to countries that have not expressed their publication intentions by the 30-day limit have not always been systematic, reflecting in part resource constraints.

What factors explain publication lags?

28. **Breaking down publication lags of Article IV staff reports by country characteristics provided the following insights:**

a) *Regional differences*: There are large differences in publication lags among country groups. As illustrated in the lower panel of Figure 1, the average publication lag ranges from 16 days in EUR countries to 68–85 days in AFR and WHD countries.

b) *Income level*: The differences observed in country groups seem associated with differences in income levels. As illustrated in the upper panel of Figure 2, lower income seems to be correlated with higher publication lags. Publication lags ranged from an average of 16 days in the highest income group to an average of 54–64 days in the two lowest income groups. Nevertheless, there is large variation across countries, with some low-income countries publishing with very short lags.

c) *Translation*: Low-income countries that did not have English as their official or commonly used language exhibit longer lags (Figure 2, lower panel). This suggests that translation issues may be one factor associated with publication lags in some low-income countries.

d) *Modifications after the Board meeting*: Staff reports with modifications after the Board meeting tend to be published with longer lags. As illustrated in the lower panel of Figure 3, this feature holds in most country groups, with the exception of countries in MCD (where it does not hold either for corrections or deletions) and APD (where it does not hold in the case of deletions). The overall impact of post-Board modifications on publication lags seems particularly important on countries in WHD (which use them more frequently than other regions), and of less importance for countries in AFR (which use them less frequently).

29. **An econometric assessment (see Appendix II) supports the impact of the aforementioned categories.** In particular, the econometric assessment suggests that for a country with an average publication lag: (i) corrections after the Board meeting tend to delay publication by approximately 8¾ to 10¾ days; (ii) implementing deletions along with corrections increases the lag by a further 11 to 19 days; (iii) being a country in MCD, APD, or EUR reduces the publication lag by about 4, 9, and 14 days, respectively; (iv) doubling a country's income reduces publication lags by about two days; and (v) where English is one of the country's official/main languages, publication tends to occur approximately 3¼ days faster. Nevertheless, the results leave a significant question mark on the reasons behind

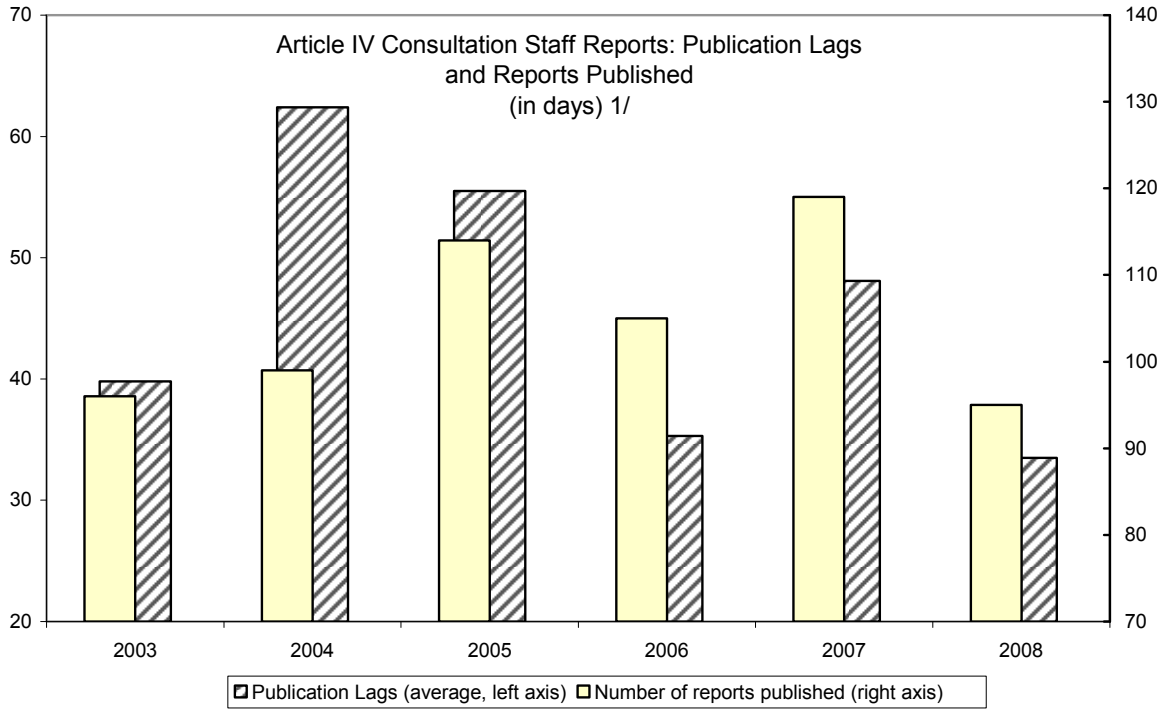
publication lags, given that a large fraction of the country differences seem to be captured by (unknown) region or country-specific effects and there is also significant country persistence in the publication lag.

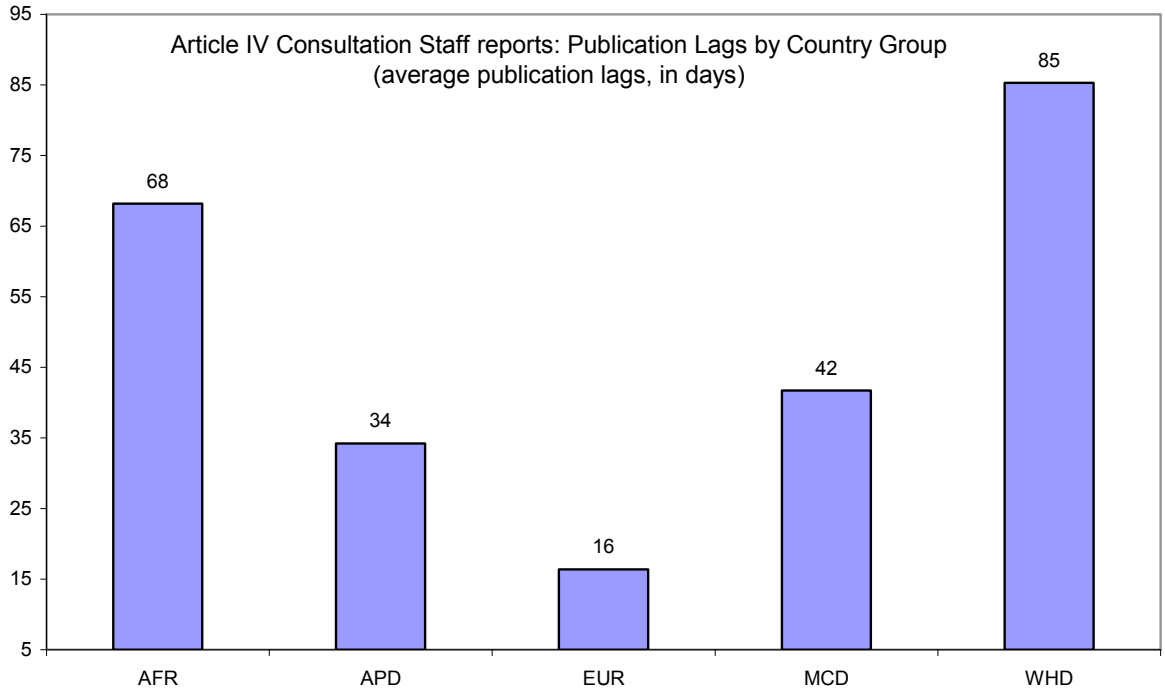
30. **Information from a mission chiefs' survey gives some hints about other factors that may lie behind publication lags and the relevance of the factors identified above**. In particular, the responses illustrated in the upper panel of Figure 4 suggest that the corrections/deletions process is not a major cause of publication lags. While this seems to be in contrast to the econometric results, it is likely explained by the fact that post-Board corrections and deletions only occur in a relatively modest share of total reports. The responses in the lower panel of Figure 4 suggest that in many cases the cumbersome or slow process of getting the authorities' consent is an important cause of delays, which may be due to personnel capacity constraints in the member country and/or to only certain personnel having the authority to "sign off" on publication. The lower panel of Figure 4 also indicates that translation, while a major issue in a few countries, is not considered to delay publication for most countries.

31. **A case-study examination of long lags found persistence in publication lags** (Appendix III). The case study looked at nine countries (comprising the three countries with longest lags for three income groups) whose staff reports were discussed between November 1, 2007 and October 31, 2008, and published by December 31, 2008. Most of the countries with long lags also had them in previous years, not just in the most recent year. For some countries that had relatively short lags in the past but long lags for the last staff report, this generally reflected a specific issue of concern that resulted in some significant back-and-forth between staff and the authorities on deletions and corrections.

32. **In addition to the factors discussed above, publication may also be delayed for strategic timing reasons.** For instance, to avoid confusing the public, publication of an Article IV staff report was delayed because of ongoing program negotiations, while publication of another Article IV staff report was delayed because of the end of a PPM. Delays can also be caused by domestic timing considerations.

Figure 1. Published Article IV Consultation Staff Reports: Publication Lags

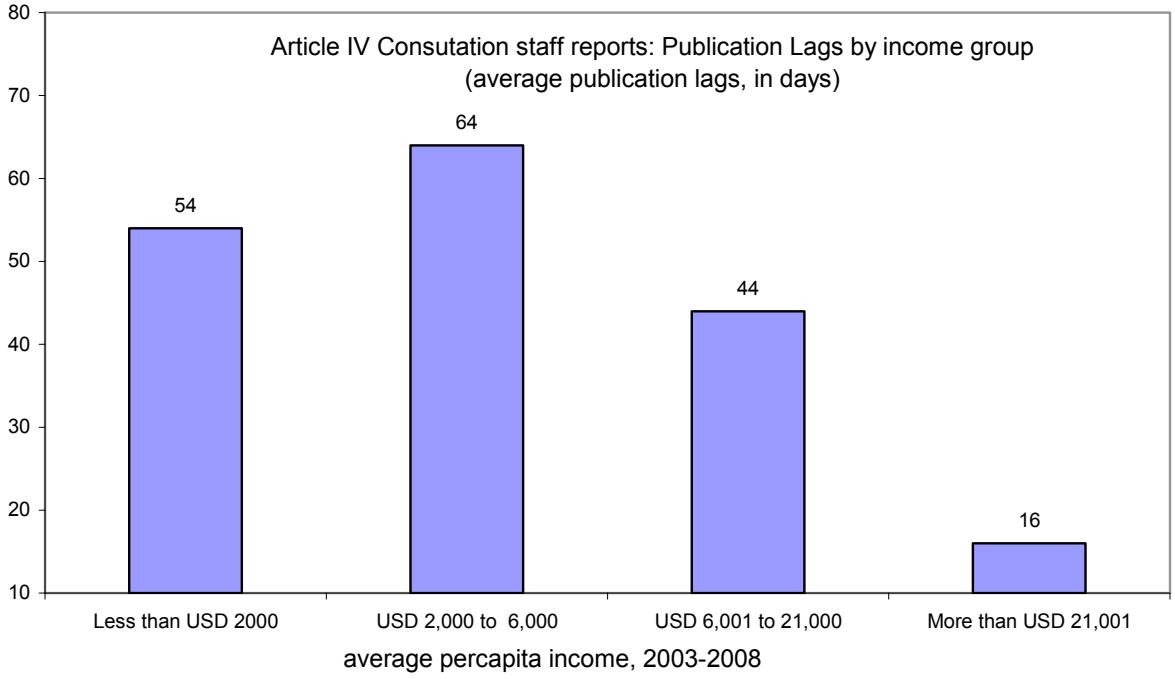


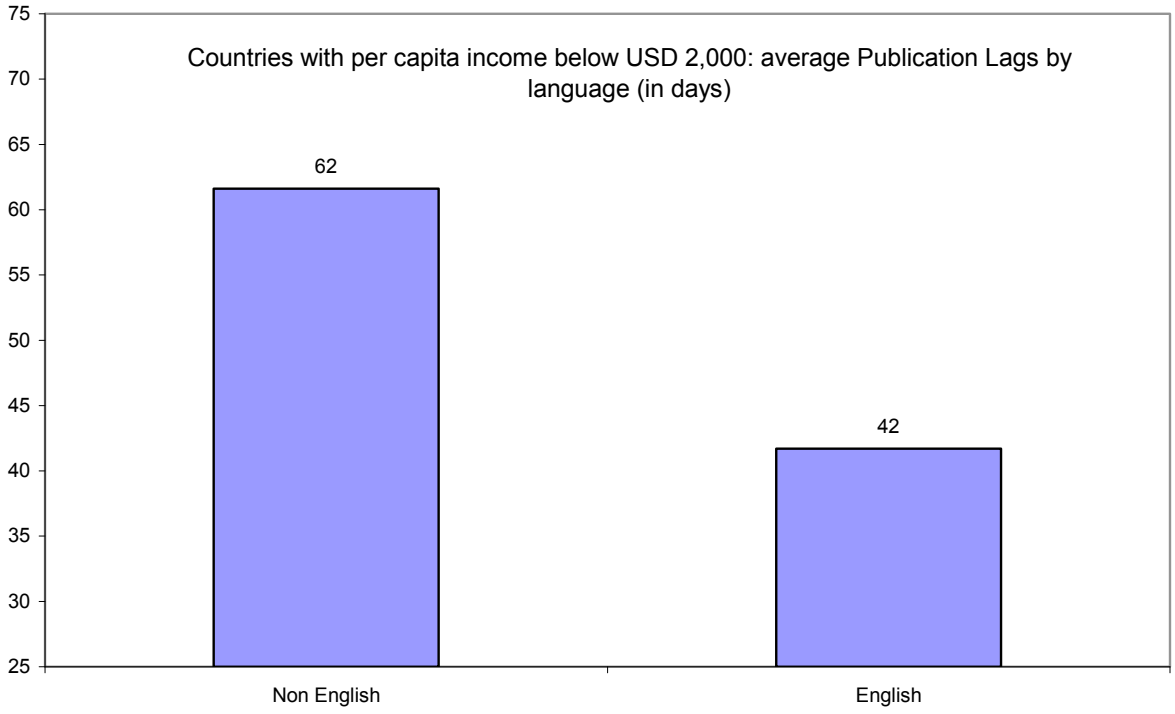


1/ The year associated with a staff report refers to the year in which it is discussed by the Board.
Note: Number of reports published in 2008 is not directly comparable with those of previous years because it only includes those reports published by February 2009 (so, the cut-off date is much shorter than for reports discussed in previous years).

Source: IMF Transparency Database

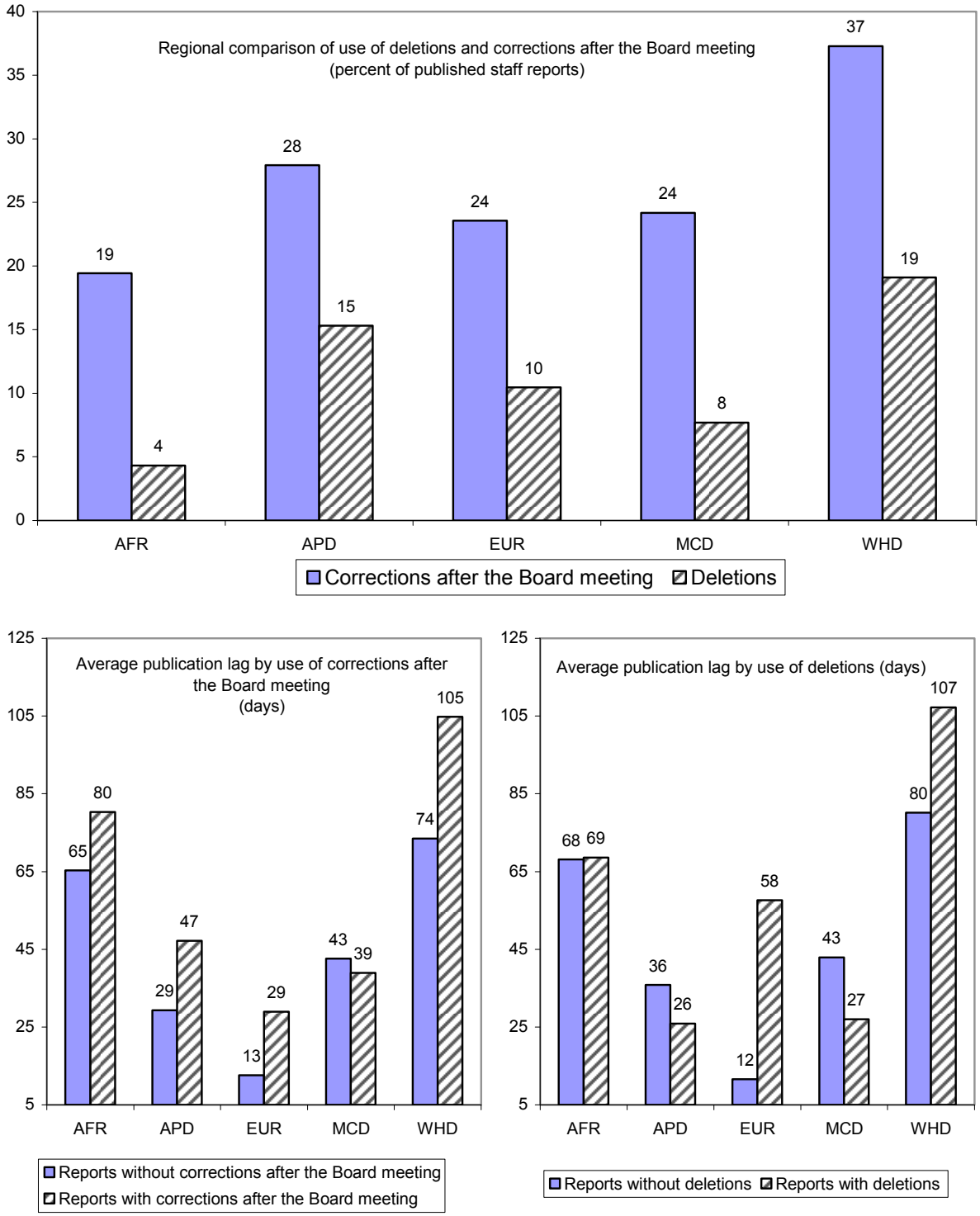
Figure 2. Publication Lags by Income Group and Language





Source: IMF Transparency Database

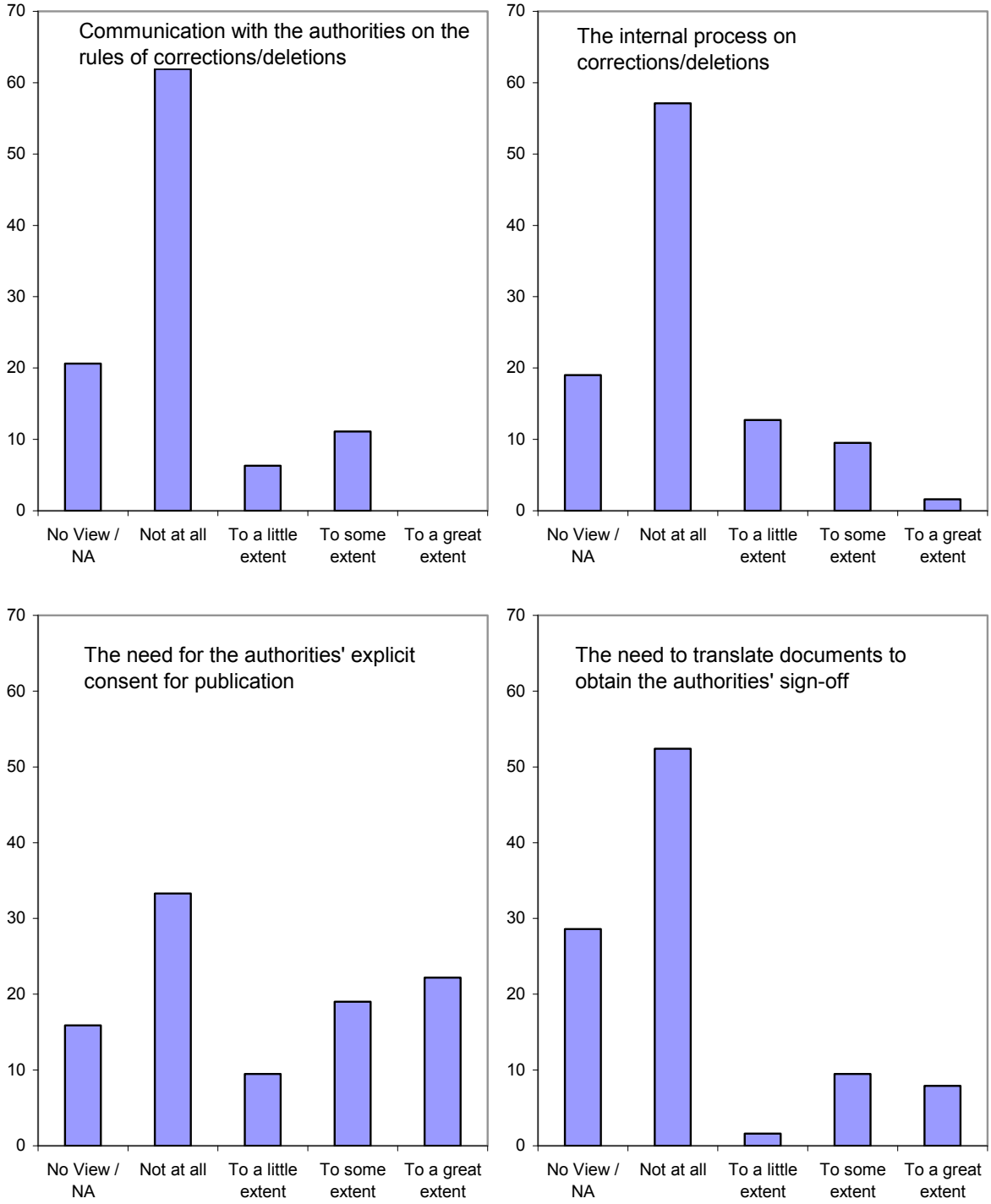
Figure 3. Deletions and Corrections after the Board Meeting in Published Article IV Consultation Reports: Use and Impact on Publication Lags



Source: IMF Transparency Database

Figure 4. Insights from Survey of Mission Chiefs

Question: To what extent were lags in pubication of your staff report the result of the following? (in percentage)



Source: Survey of Mission Chiefs

D. Deletions[10]

The use of deletions remains infrequent and in most cases it is aligned with the policy and applied evenhandedly. Nevertheless, in some cases, the criteria for permissible deletions were stretched—illustrating continued challenges in the implementation of the deletions policy.

Policy background

33. **Deletions are intended to protect the member, support the Fund's role as confidential advisor, and help preserve candor.** The deletions policy helps ensure that, with publication, candor in the discussions between the authorities and the staff, and between the staff and the Board, is preserved. The role of the rules on deletions is to help ensure candor of the original report ("internal candor") while maintaining or at least limiting the loss of clarity of the published report ("external candor"). It reduces the risk of staff self-censorship, and helps ensure the Board gets an unembellished and candid assessment of a member country's economy, thereby supporting a meaningful peer review.

34. **Deletions are, however, not without costs.** Deletions can lessen the candor and the analytical strength of the published report versus the one discussed by the Board, and even a deletion fully within the policy could impinge on the integrity of a report and hence undermine the credibility of the Fund.

35. **The 2005 review sought to reduce these costs by better defining the scope for deletions.** It was clarified that the deletions should be limited to information not already in the public domain that constitutes either highly market-sensitive material or (added by the 2005 Review) premature disclosure of policy intentions. A more explicit definition of "highly market-sensitive" was also provided, and the time limit for requests was introduced.[11] The review also allowed for limited redrafting to accompany deletions.

Key trends in deletions

36. **There are four useful benchmarks for assessing experience with deletions:** (i) the share of reports with deletions; (ii) the extent to which approved deletions are aligned with the policy; (iii) the extent to which approved deletions appear to have had an impact on

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[10] Prepared by Lynn Aylward.

[11] Thus, the Transparency Decision now states, "Deletions should be limited to: (i) highly market-sensitive material, mainly on the outlook for exchange rates, interest rates, the financial sector, and assessments of sovereign liquidity and solvency; and (ii) material not in the public domain, on a policy the country authorities intend to implement, where premature disclosure of the operational details of the policy would, in itself, seriously undermine the ability of the member to implement those policy intentions. For purposes of this decision, highly-market sensitive material shall mean material that (a) is not in the public domain, (b) is market relevant within the near term, and (c) is sufficiently specific to create a clear risk of triggering a disruptive market reaction if disclosed. Politically sensitive material shall not be deleted unless the material satisfies (i) or (ii) above."

candor in staff reports; and (iv) evenhandedness in applying the policy. They are discussed in turn below. The Informational Supplement (Section IV) lists all deletions since the last review.

37. **Since the 2005 Review, the share of reports published with deletions has generally been low and stable.** There is no "right" number of deletions—very many or very few could equally be reasons for concern. The share of staff reports with one or more deletions dropped from 14 percent before the last review to only 10 percent in 2006–08 (see Table 4 in the Informational Supplement).

38. **However, more recently, there has been a marked pick-up in the use of deletions.** For reports discussed from September 2008 through March 2009, 16 percent had deletions, up from the 10 percent in the 2006–08 period noted above. This is not surprising, given that with the global financial crisis, there has been heightened awareness and caution about publishing material that could be considered highly market-sensitive. Material that in normal times might not have been considered market-sensitive has become so.

39. **There has also been a shift in the type of deletions requested.** Prior to the financial crisis, most deletions related to exchange rate issues; since the crisis, deletions relating to financial sector issues have become more common. In 2007 as a whole, 50 percent of deletions concerned exchange rates, 28 percent concerned financial sector information, and 22 percent concerned other areas. But for the period September 2008–March 2009, representing a pronounced period of financial crisis, these shares were 30, 44, and 26 percent, respectively. The crisis has also led to the first deletions of information on quantitative performance criteria—which may not be deleted, unless the information is of such character that would have enabled it to be communicated to the Fund in a side letter. Requests to delete performance criteria on net international reserves were approved in six cases. However, the merits of these deletions were assessed on case-by-case basis and some requests were rejected.

40. **Assessing the validity of deletions is by no means easy.** Although the criteria are clear in practice, the interpretation of whether a statement or information is highly market-sensitive involves difficult judgments, including on the likelihood and severity of a negative market reaction. Also, for information for which the deletion request seems primarily motivated by political sensitivity, it is sometimes difficult to completely rule out market sensitivity or premature policy disclosure arguments.

41. **In assessing the authorities' requests, staff tends to err on the side of caution, sometimes possibly going too far.** The Fund is a cooperative institution designed to help its members. Staff and management do not want a published staff report to include information that creates a clear risk of triggering a disruptive market reaction. Therefore, in "gray zone" cases, staff and management often err on the side of caution and give the authorities the benefit of the doubt. Reflecting this bias, an ex post review of deletions found that in 2008

about 26 percent of deletions were judged to have been in a gray zone.[12] Examples of gray zone deletions from 2007 and 2008 are discussed in Box 4.[13]

42. **Requests to delete numerical exchange rate assessments have come to be more or less automatically approved, and this is not without problems.** Such deletions have become generally accepted, regardless of whether the reference was to an under- or over-valuation, peg, currency board, or floaters (where the risk would seem smaller), largely reflecting evenhandedness considerations and the difficulty in establishing clear lines for when a misalignment is "big enough" to merit deletion. Thus, even in cases where it seems hard to make the case that the numerical estimates of misalignment presented a significant risk for near-term market disruptions, staff tended to grant the authorities the benefit of the doubt when assessing their deletion requests. But deletion of quantitative exchange rate assessments weakens the rigor of the staff's analysis in the published report, possibly distorting the public perceptions of the Fund's focus on exchange rate issues. Although the relatively large number of deletions of information on exchange rate issues in 2007–08 reflects the renewed focus on exchange rate assessments in surveillance, they might also have contributed to mute the public's impression of how much the Fund was doing in this area.

43. **Similarly, in the context of the financial crisis, a few requests to delete references to adverse "tail" scenarios were granted.** Despite the fact that the scenarios were clearly marked as low-probability scenarios, the general increase in vulnerabilities heightened the possibility that published information on scenarios could affect markets. In one case, after such a deletion, public questions were raised about the apparent lack of discussion of an adverse scenario in the published version of the staff report.

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[12] This number is somewhat elevated due to two countries with a relatively large number of "gray zone" deletions. Excluding these two cases the share was 16 percent.

[13] Specifically, deletions were assigned in ex-post review to one of three categories. The first is deletions deemed ex post to be fully within the policy. The second is "light gray" deletions, which are deemed ex post to have stretched the criteria somewhat; i.e., the risk that the deleted information presented of triggering a negative market reaction (in the case of high market sensitivity) or of seriously undermining the authorities' policy implementation (in the case of premature disclosure of policy intentions) seemed more tenuous relative to cases deemed to meet the criteria well. The third category is "dark gray" deletions, ones for which the risks of triggering a negative market reaction or undermining policy implementation seem even more tenuous ex post, or for which the motivation for the removal of text seems explained by sensitivities other than the criteria allowed for by the policy (high market sensitivity or premature disclosure of policy intentions).

Box 4. Examples of "Gray Zone" Deletions

- *High market sensitivity***.** For one small LIC member's Article IV report, the sentence "That said, a high degree of exchange rate stability is appropriate at this stage." was deleted on the basis that it was considered as highly market-sensitive. It is not clear that a reference to the need for exchange rate stability could result in disruptions to the foreign exchange market.

- *High market sensitivity***.** In a smaller emerging market economy's 2007 Article IV report, the statement "As a result, current account based models tend to show a very small undervaluation." was deleted. Although references to misalignments have the potential of affecting exchange rate markets, a reference to "a very small undervaluation" could hardly trigger a large market reaction.

- *Premature disclosure.* On the basis that it was considered premature disclosure of policy intentions, the following deletion and redraft was implemented for the Executive Directors' assessment section of the PIN for a larger emerging market economy's 2007 Article IV: "Directors appreciated the authorities' ongoing efforts to address these challenges, ~~but~~ and stressed that comprehensive and timely reforms would ease adjustment." It is hard to see how the deleted text could be considered to reveal undisclosed policy intentions.

44. **In some cases, deletion requests may reflect a fear that the public will misunderstand or misinterpret the deleted text:**

- In one case, the member made the argument that showing information on the member's program in a standard table including other exceptional access program countries could give the public the impression that the member was at risk of an immediate crisis. The member made this argument even though the report stated in several places that the member intended to treat the program as precautionary.

- In another case, the member claimed that a reference to a standard exchange rate shock used in all Fund debt sustainability analyses was highly market-sensitive due to possible misinterpretation by the public.

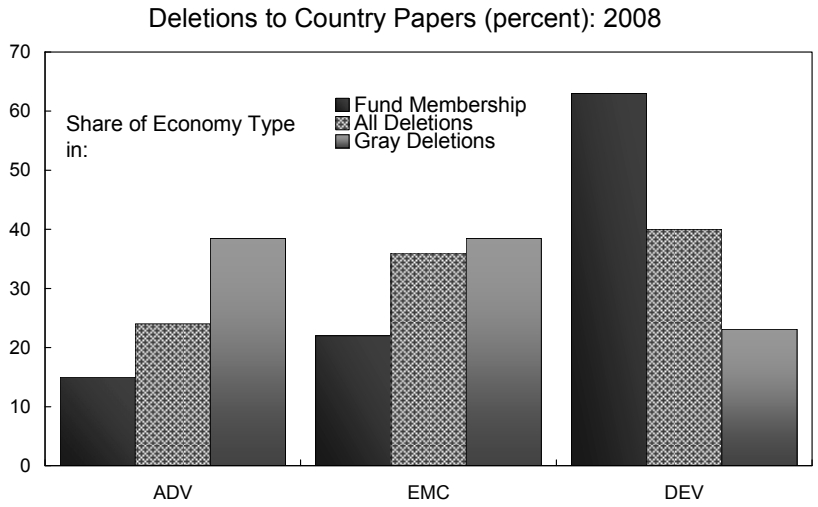
45. **In a few cases, large amounts of text were deleted, which is strongly discouraged by the policy.** In one case, an entire chapter of the Selected Issues Paper was deleted. Part IV of the Informational Supplement includes other cases of deletions with entire paragraphs removed that, in ex-post assessment, could arguably have been more parsimonious.

46. **Despite the relatively larger number of deletions for advanced and emerging market economies, the evidence on bias in the implementation of the policy is inconclusive.** During 2006–08, the share of advanced and emerging market countries' reports with deletions was 13 percent and 22 percent, respectively, compared to only 6 percent for low-income countries. The higher number of deletions in emerging market economies (and to a lesser extent in advanced countries) may reflect that staff reports on these economies are more likely to contain information that could meet the criteria of being highly market-sensitive than staff reports for low-income members. Nevertheless, the ex-post review suggests that in 2008 the shares of all deletions and deletions deemed not fully within the policy were disproportionately higher in advanced and emerging market economies than in low-income countries (text table and figure), relative to these economy types'

representation in Fund membership. Of 50 individual deletions of information over 20 countries, 13 were judged ex-post to be light or dark gray, and advanced and emerging market countries each accounted for five of these gray deletions, while low-income countries accounted for only 3. Due to the relatively low overall number of deletions and, in particular, gray zone deletions and the lack of data on requests, no firm conclusion can be drawn from the staff review on any potential bias in this area.

Deletions to Country Papers (percent): 2008

	All countries	ADV	EMC	DEV
Within Policy	74	58	72	85
Light Gray	20	33	17	15
Dark Gray	6	8	11	0
	100	100	100	100



E. Corrections[14]

Corrections are a tool for ensuring reports are accurate. In many cases, however, the corrections do not unambiguously conform to the policy. Most of such "gray zone" corrections are made before the Board meeting, and most are for reports of advanced or emerging market countries.

Policy background

47. **The rules for corrections are intended to ensure that reports are factually correct, while avoiding negotiation of the language of staff reports.** Corrections are thus to be limited to: (i) data and typographical errors; (ii) factual mistakes; and

[14] Prepared by Charleen Gust.

(iii) mischaracterization of the authorities' views. Factual mistakes can cover a wide area, ranging from objectively incorrect information, to less clear-cut, more subjective areas, such as assessment of economic conditions or policy results. The policy further states that corrections should not be used to facilitate publication, improve the presentation, or extend the staff's or the authorities' arguments, but allows country authorities a "right of reply" (approximately 72 percent of the authorities' statements—typically in the form of the Executive Director's statements—were published alongside the staff report).

48. **The reforms introduced in the 2005 review were aimed at clarifying the boundaries between factual corrections and publication-related modifications.** Notably, it was clarified that corrections should normally take the form of straight substitution of text rather than adding or deleting entire sentences. The prohibition on corrections to staff views, analyses, and appraisals, was removed, with the specification that such corrections still needed to fall within the three permissible categories above. A stricter standard was to be applied to corrections made after the Board meeting, and it was required that staff provide an explanation (to the Board) of the corrections with significant implications for a report.

Key trends

49. **Roughly half of all staff reports contain corrections, a share little changed since the 2005 review**. The share of published reports with corrections is a bit higher: about 56 percent of published Article IV and UFR staff reports in 2006–08 had corrections, roughly the same as in the two-year period preceding the last review. As discussed below, reports for advanced countries in particular frequently have corrections and a large number of corrections per report (but with most corrections submitted before the Board meeting).

50. **Corrections are a tool for ensuring the accuracy of the reports.** Thus, a large number of corrections should not necessarily be considered as a problem, from a transparency standpoint. Factual errors account for about 61 percent of corrections in Article IV and UFR staff reports. A majority (57 percentage points) of these corrections were considered not to affect the staff's views and only 4 percentage points were corrections affecting staff's views (a sub-category introduced with the 2005 review). The remainder of corrections were typographical errors (26 percent of corrections), and mischaracterizations of the authorities' views (13 percent).

51. **Many corrections continue to be submitted after the Board meeting, and published reports are twice as likely as nonpublished ones to have post-Board corrections.** Forty-one percent of published reports have post-Board corrections, versus 21 percent of nonpublished ones, probably reflecting concerns about the accuracy of the published version of the report. Although many corrections issued after the Board meeting were purely factual and therefore improved the report, corrections should normally be submitted before the Board to allow the Board discussion to be on the basis of an accurate report.

52. **While a few of the reforms on corrections introduced in 2005 have worked well, others have not.** The establishment of the three categories of corrections seems to have worked well (see below on the 50-country sample review). However, the requirement added at the 2005 review to provide an explanation to the Board of the rationale for corrections with significant implications for the report is not widely observed, and there are still instances of corrections being made even though they do not fit completely within the acceptable categories. Moreover, there seems to have been little change in the share of corrections received after the Board meeting.

53. **To examine whether corrections were in line with the criteria, staff reviewed corrections for a sample of 50 countries.** The 50 countries represent a random draw from a pool of advanced, emerging market countries, and low-income countries (see Appendix IV for details). The corrections were classified into three categories of: (i) unambiguously meeting the policy; (ii) "light gray zone;" and (iii) "dark gray zone." Light gray" denotes changes that seem relatively more innocuous compared to those judged "dark gray." Light gray changes do not alter the substance of the information and, for example, seem to provide a legitimate clarification or make information "more accurate" even if the original text was not factually incorrect per se. Dark gray changes do affect the substance of the information; they frequently seem potentially motivated to soften staff's views, improve presentation from the authorities' standpoint, or diminish sensitive material that would not meet the criteria for a deletion.

54. **The 50-country sample review found that a number of corrections involved a "stretching" of the criteria** (Box 5). In two reports, staff found "light gray" corrections that led to an improvement of the report as it reduced the chance for misunderstandings, without affecting its substance. However, about 20 percent of the reports reviewed had "dark gray" corrections. In two cases, staff's exchange rate assessment was toned down. Other "dark gray" corrections involved extensions of the authorities' argument or the deletion of politically sensitive statements.

55. **That corrections are used much more frequently by advanced and emerging market economies raises questions about evenhandedness** (text table covering 2006–08). To investigate this, staff conducted an additional ex post review, using the 10 reports from each income group that had the most corrections over the last two years (text table below). Pure data or typographical errors were put aside, and other factual errors or mischaracterization of the authorities' views were assessed according to whether they were judged to be fully within the policy, light gray, or dark gray, per the criteria above. The 10 advanced country reports had 113 (non-data, non-typographical) corrections; the 10 emerging market country reports, 132 corrections; and the 10 low-income country reports, 55.

Staff Reports with Modifications 1/

	Advanced	Emerging	Low-income	Total
Correction	93	71	44	56
Deletion	13	19	5	9

1/ In percent of published reports

Box 5. Gray Zone Corrections from the 50-Country Sample Review of Corrections 1/			
Country Economic Type	**Correction**	**Gray Zone 2/**	
		Light	**Dark**
ADV	"The real exchange rate is estimated to be modestly undervalued" was replaced with "according to CGER estimates, the real exchange rate is close to equilibrium." *Change in description of real exchange rate seems like an attempt to put a more favorable slant on the assessment. Insertion of the reference to CGER could be seen as a clarification although it is hard to specify what potential misinterpretation is being addressed, and without the clarification argument, this could represent a softening of the assessment (a CGER estimate could seem more theoretical and less pointed than "staff's estimate").*		X
ADV	The phrase "inflationary pressures are mounting" was expanded to "inflationary pressures are mounting, but headline inflation remains one of the lowest in the Euro area." *Although the case could be made that adding "headline inflation remains one of the lowest in the Euro area" may have provided some clarification, it is doubtful that the original text cold be misread as it clearly refers to a change in inflation. Rather, the modification suggests a toning down of the original text.*		X
ADV	Reference to "but reflecting more widespread disenchantment with the government" was removed. *Deletion masquerading as a correction: there is no record of any rationale being presented for why this was considered a correction, rather than a deletion. Information seems potentially politically sensitive.*		X
ADV	With regard to [flaws in] the financial regulatory system "missed" was replaced with "did not recognize" or "underestimated." *Seems like an attempt to improve the presentation from the authorities' standpoint.*		X
EMC	Replaced "The exchange rate is close to equilibrium" with "the exchange rate is broadly in line with fundamentals." *Seems like an attempt to put a more favorable slant on the assessment.*		X
EMC	For "although total public sector rollover risk is relatively high" read "although annual rollover of the augmented public debt is relatively high." *Although some of corrections ,namely the introduction of "augmented public debt," can be considered as a clarification, the removal of any reference to risk softened the tone of the text.*		X
EMC	Reference to defense spending removed. *Deletion masquerading as a correction: there is no record of any rationale being presented for why this was considered a correction, rather than a deletion. Information seems potentially politically sensitive.*		X
EMC	For "political constraints" read "constraints faced by the authorities."		X

	The original text does not seem factually incorrect, and correction seems aimed at reducing political sensitivity		
LIC	Italicized text added after the Board meeting: "under a Central Revenue Authority, *as envisaged by the government*, will facilitate strategic" *Clarification: the authorities wished to clarify that a Central Revenue Authority was not yet in existence.*	X	
LIC	Italicized text added before the Board meeting: "Capital account liberalization: At least on the outflow side, […]'s capital account is still relatively closed, *mitigating somewhat concerns about external stability risks in the present global financial crisis environment,* and controls are supported by comprehensive reporting requirements." *Seems like an attempt to improve the presentation from the authorities' standpoint.*		X
LIC	The words in italics were added to the sentence, and "notably" was deleted: "Heavily-protected *and/or uncompetitive* industries and SOE sectors, ~~notably~~ *including* auto-assembly and motorbike plants, and the financial sector, need to undertake significant reforms to remain viable." *The staff agreed that these corrections were needed to remove misinterpretations that only protected industries would need to undertake reforms(uncompetitive ones would also need to) and that staff thought that the named industries would not survive WTO accession.*	X	
LIC	The word "GDP," shown here in italics, was inserted: "In the authorities' scenario, growth accelerates from 8.4 percent in 2008 to 11.4 percent in 2010…The staff scenario has *GDP* growth increasing moderately to about 6½ percent over the medium term, supported by a much smaller increase in public investment." *Given that the text was accompanied by a table that showed unambiguously that both references to real GDP growth, the insertion of "GDP" seems intended to play down the fact that there was a large difference between the authorities' and the staff's growth estimates.*		X

1/ To avoid identifying members, rather than the specific country names, cases are identified by economic type using the classification in the transparency database. ADV=Advanced, EMC=Emerging, LIC=Low-income.

2/ "Light and dark gray" corrections is used to refer to changes that do not seem ex post to fully meet the definitions for acceptable corrections. "Light gray" is assigned to changes that seem relatively more innocuous compared to those judged "dark gray." "Light gray" changes do not alter the substance of the information and, for example, seem to provide legitimate clarification or make information "more accurate," even if the original text was not factually incorrect per se. "Dark gray" changes do affect the substance of the information; they frequently seem potentially motivated to soften staff's views, improve presentation from the authorities' standpoint, or diminish sensitive material that would not meet the criteria for a deletion. The table represents one example from all countries with "gray zone" corrections in the 50-country sample (in some cases there were more than one "gray zone" corrections per country).

56. **The results from the sample of "top ten correction reports" indicate that corrections made in large and/or influential countries are more often in the dark gray zone than in other countries.** Income level seems clearly relevant for the share of corrections in the dark gray zone: while, on average, advanced and emerging market economy staff reports contained 2 and 3 dark gray corrections, respectively, no dark gray corrections were found in the low-income group. More specifically, the average number of dark gray zone corrections is significantly higher for countries with quota shares exceeding 1 percent than for countries with smaller quotas, those with higher GDP (size of the economy), and those who have a dedicated Executive Director at the Board, suggesting that size plays a role with perhaps also an independent element of "influence" as measured by the "Executive Director" effect.

Countries with the Largest Number of Corrections in 2008

Advanced	Emerging Market Economies	Low-income Countries
United States	India	Macedonia, FYR
Switzerland	Malta	Vietnam
Japan	Mexico	Antigua and Barbuda
France	Ukraine	Angola
Australia	Poland	Central African Rep.
Australia	Malta	Seychelles
Belgium	Egypt	Syrian Arab Republic
United Kingdom	Chile	Maldives
Portugal	El Salvador	Oman
Germany	Uruguay	Guatemala

Type of correction (average number per report)

	Within policy	"Light Gray"	"Dark Gray"
By economy type			
Advanced	8	2	2
Emerging	10	1	3
Low income	5	1	0
By quota share			
>= 1%	10	2	4
0.1 % =< > 1%	6	0	0
< 0.1%	6	1	0
Level of Mission Chiefs			
B-level MC	8	1	2
A-level MC	6	1	0
Size of the economy, in GDP ppp in US$ bn			
>500	9	2	4
100-499	9	1	0
30-99	1	0	0
<29	1	0	0
Appointed a Director at the Executive Board			
Yes	10	2	5
No	7	1	0

57. **At the same time, it is difficult to determine to what extent this skewedness reflects a lack of evenhanded application of corrections rules.** Given that the requests are received in many different formats and media, it has proven impossible to construct good data on rejection of requests. Thus, it is not clear whether the bias discussed above is a reflection of a difference in gray zone requests or a different propensity by staff and management to accept such corrections. Moreover, the fact that a majority of the dark gray zone corrections is submitted before the Board meeting has two sides. This is good inasmuch as it allows the Board to see the corrections before the Board discussion. But it is potentially problematic in terms of evenhandedness, since such corrections do not generally go through the same inter-departmental review as corrections submitted after the Board meeting, and advanced and some emerging market countries probably have a greater capacity than lower-income countries to submit their corrections before the Board meeting.

F. Has Candor Been Affected by Increased Publication Expectations?[15]

Candor of the staff report submitted to the Board does not seem to be significantly affected by publication expectations, partly because sensitive material can be deleted.

Policy background

58. **Candor is critical for the Fund.** Candor in the Fund's dialogue with members, in reporting to the Board, and in communicating with the rest of the world is essential for high-quality and effective surveillance and programs. At the discussion of the 2008 Triennial Surveillance Review, Directors said that "surveillance is paying insufficient attention to risks, and communication about such risks has also sometimes been rather tentative." Many Directors felt that "surveillance communication should be bolder and should avoid excessive hedging, recognizing that such an approach does mean a risk of being proved wrong." The April 2009 Communiqué of the International Financial and Monetary Committee called for "improving the surveillance process through, inter alia, greater focus on the effectiveness of the policy dialogue and clear communications, with an emphasis on candor, evenhandedness, and independence."

59. **The tension between candor and transparency operates in several ways.** The expectation of publication can result in a less open exchange of views between the authorities and Fund staff, and/or self-censorship by the latter, weakening the candor in the substance of documents presented to the Board ("inside" candor). And undue use of deletions, or corrections that are primarily motivated by an attempt to "soften" the published report can undermine the candor of the published version of the report ("outside" candor), and thus expose the Fund to reputational risk. Arguably, though, the prospect of public scrutiny may also serve to bolster the independence of staff, with an eye on its professional reputation.

[15] Prepared by Jung Yeon Kim.

60. **Assessing candor is tricky as there is no generally recognized metric for frankness.** In a fundamental way, candor refers to the relationship between an observable and an unobservable—what is written or said and what is thought or meant. While outside candor can to some extent be assessed by examining modifications data, no such tool exists for inside candor. And candor has to be evaluated in light of the information that the parties had at their disposal, which is often not known.

61. **In an attempt to overcome these difficulties, staff employed several approaches to shed some light on possible trends in candor.** A combination of staff document review and surveys was employed (see Appendices VI and VII for a fuller description). The document review compared different types of documents where one could, ex ante, expect to find different degrees of candor. Each document was reviewed independently by several staff members who had not been involved previously with the cases in question (in most cases there was a high degree of consensus between independent assessors). Candor was evaluated by assessing the prevalence of excessively hedged, qualifying, or unclear language that could indicate reduced frankness. Reports were also compared to (presumably candid) back to office reports and internal briefing notes. Surveys were used to get mission chiefs' perceptions of the degree of candor (see Informational Supplement for the detailed answers).

Trends in candor

62. **The review of staff reports found no clear evidence that publication or publication expectations affected the candor in the reports that go to the Board** (Appendix V). Indeed, in some cases, the degree of inside candor appeared to be *greater* for published reports:

- Staff compared four staff reports for the 1997–98 Asian crisis cases with five staff reports for recent exceptional access crisis cases. All of the former were written with the expectation that they would not be published, since publication of staff reports was not provided for at that time. All of the latter were written with the expectation (met for all the reports) that they would be published, given the publication regime for exceptional access programs. Though direct comparisons are difficult, due to the differences across the countries and the topics covered, staff found that, if anything, the staff reports for the recent crisis cases tended to be more candid than the reports for the Asian crisis. The macroeconomic outlook and financial sector problems in these reports appeared more detailed with less-guarded language than in the Asian crisis reports.

- The review of "converter" cases, i.e., members whose publication status switched from non-publisher to publisher, and comparisons of reports for permanent non-publishers (not published since May 1999) and publishers also show no clear difference in candor.

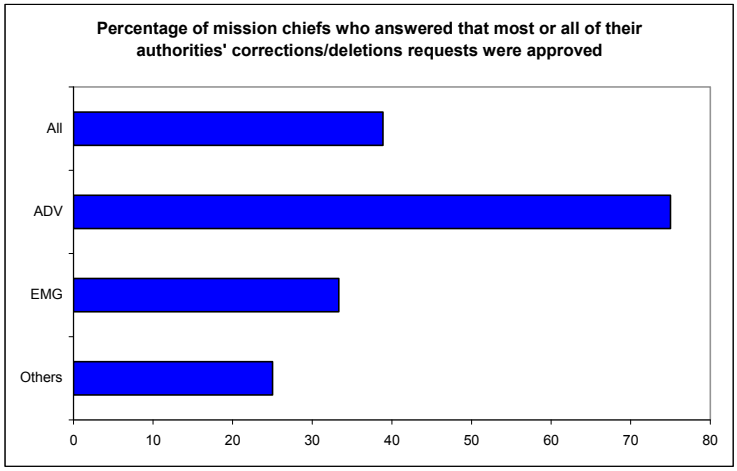
63. **At the same time, the survey of the mission chiefs suggests that the concern about candor cannot be dismissed entirely** (see Appendix VI and Section II of the

Informational Supplement)**.** About 12 percent of mission chiefs who responded said they felt constrained in drafting a candid staff report by the expectation of publication.[16] About 14 percent of respondents (partly overlapping with the previous category) indicated that the need to preserve a quality relationship with the authorities caused them to feel constrained in drafting a candid staff report. Concerns regarding the possibility/continuity of a Fund arrangement were not a constraining factor, nor were concerns about the risk of leaks.

64. **Overall, however, mission chiefs believe that the Transparency Policy helps protect both inside and outside candor**. Eighty percent of mission chiefs believe that the current deletions and corrections rules allow for the preparation of candid staff reports, interpreted as inside candor, i.e., vis-à-vis the Board. They also believe that the current rules provide adequate protection against adverse market reactions, and hence support outside candor.[17]

65. **Outside candor of staff reports is largely a reflection of inside candor, although modifications have been used to tone down the published version of staff reports.** As discussed in previous sections, deletions and corrections are sometimes used to soften the language in reports, in particular on exchange rate assessment and financial sector risk assessment. Notably, the ex post review of approved deletions suggests that for about 26 percent of deletions, the modifications distorted, albeit usually only slightly, a message of the report.

66. **Survey data suggest that both inside and outside candor may depend on type of economy, raising further concerns about evenhandedness.** The survey found that mission chiefs dealing with emerging market economies appear particularly sensitive to publication expectations (33 percent) and the need to preserve quality relationship with the authorities (44 percent), compared to less than 15 percent and 12 percent respectively for all mission chiefs combined. The survey also finds a higher percentage of mission chiefs in advanced economies, compared to emerging market economies or other developing countries, who said their authorities' requests for corrections/deletions were approved (text



[16] These reflect the responses with "some" or "to a great extent."

[17] As noted earlier, this view may not be shared by some stakeholders for FSSAs and ROSCs; see paragraph 22.

figure). Moreover, the document review of candor found that staff reports on resource-dependent countries were generally less candid than the sample average, whether published or not.

APPENDIX I. SUMMARY OF COMMENTS FROM CIVIL SOCIETY ORGANIZATIONS

67. Below is a summary of comments from a Roundtable held as part of World Bank-IMF Civil Society Policy Forum, April 23, 2009.

- The Transparency Policy should be used for meaningful dialogue with CSOs and the rest of the public, rather than a tool for improving the Fund's public relations.
- The Transparency Policy should include the principle that as much information as possible should be disclosed and a clearly defined list of exclusions.
- The Fund Transparency Policy should cover all documents rather than only Board documents.
- There should be a clear process for requesting information, a response to all requests, and an appeals process.
- The Fund should publish draft policy documents, invite comments from the public on the draft, and take cognizance of these comments in preparing a final paper for the Executive Board.
- The Fund should publish more of its operational guidance notes.
- There should be public disclosure of more Fund budget information.
- All country documents should be published unless the country provides written notice and reasons for nonpublication. The reasons for nonpublication should be published.
- It should be made clearer who has (not) published various reports; e.g., the Fund could post a list of the most recent Article IV Public Information Notices (PINs) and for a member who has not published, the list could read: "PIN not available."
- More "information on information" should be provided; e.g., among other things, a staff directory and detailed guidance on how to make a request for information should be provided.
- Minutes of Executive Board meetings, currently made available under the archives policy after 10 years, should be published more promptly.
- The confidential classification of a document should be re-assessed when a classified document is requested from the archives, with a view to declassifying documents whenever possible. When information in the document is still deemed classified, the Fund should aim to release as much of the document as possible, withholding or redacting the most sensitive information and releasing the rest of the document.

- The Fund should make an effort to release information in a timely fashion as this makes information more valuable.

- All Fund documents should state their source(s) of information, so reports are verifiable.

- PINs and the Executive Board Summings Up that they contain should be written in clearer language and not use unexplained "codes;" i.e., phrases such as "many Directors" and "some Directors" should be explained or eliminated.

- Fund documents should use clear and precise language, and avoid terms that can mean different things to different people.

- There should be more translation of documents into languages other than English.

- Fund mission teams should consult more with trade unions and CSOs, and not rely on the government to pick the organizations with which it meets.

- Fund Executive Board meetings should be open to the public.

APPENDIX II. AN EMPIRICAL STUDY OF PUBLICATION LAGS

Purpose

68. This appendix assesses whether some of the observations presented in Section II hold true, when controlled for other variables and subjected to rigorous testing. It draws on 625 Article IV staff reports discussed by the Executive Board between October 2002 and December 2008.

Methodology and variables

69. Given that we have observations for each country at different points in time, the regressions were run as panel data regressions, with both a single constant term ("OLS") and fixed effects (country-specific constant terms).

a. The dependent variable in all the regressions is the (log of the) number of calendar days between board discussion and publication.[18] The results reported below restrict the sample to publication lags of up to 200 days.[19]

b. The regressors were per capita income (log of the average per capita income) and set of dummy variables indicating: type of post-Board meeting modifications, region, and language. The corrections dummy takes the value of 1 if there were corrections after the Board meeting and zero otherwise. The deletions dummy takes the value of 1 if there were deletions (which only take place after the Board meeting) and zero otherwise. The regional dummies take a value of 1 for a Fund department and zero otherwise. The language dummy takes the value of one if English is one of the official/main languages of the country and zero otherwise. The combined UFR/Article IV dummy takes the value of one if the report is a combined UFR/Article IV staff report, and zero otherwise. All the regressions include a set of time dummies.

Results

70. Corrections after the Board meeting and the regional dummies are significant in explaining publications lags. As illustrated in Table 1, the coefficient for corrections after the Board meeting is always statistically significant, and takes an approximate value of 0.30 to 0.39. This indicates that having corrections after the Board meeting tends to delay publications by approximately 8¾ to 10¾ days for a country with an average publication lag.

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[18] In the case of nontransformed specifications using the number of calendar days (rather than logs), the residuals are skewed and do not exhibit a normal distribution.

[19] This was done to reduce the effect of outliers. However, the restriction did not materially impact the regression results.

71. Deletions seem to have no independent impact on publication lags, but seem to have a significant impact when they are combined with corrections after the Board meeting (Table 1). The estimated coefficient ranges between 0.40 and 0.63, which suggests that implementing corrections and deletions jointly tends to delay publication by around a further 11 to 19 days for a country with an average publication lag.

72. Country's level of income is also significant in explaining publication lags. The estimated coefficient suggests that doubling the level of income would reduce publication lags by about two days.

73. Where English is one of the country's official/main languages publication tends to occur approximately 3¼ days faster.

74. The regional dummies illustrate quite large differences in publication lags. More specifically, while countries in WHD show no difference in publication lags vis-à-vis countries in AFR, countries in MCD, APD, and EUR tend to have publication lags that are around 4, 9, and 14 days shorter, respectively.

Conclusion

75. The econometric analysis suggests that modifications to the document after the Board meeting and capacity constraints (via income) seem to be important determinants of publication lags. Nevertheless, the results leave a significant question mark on the reasons behind publication lags, given that a large fraction of the country differences seem to be captured by region or country specific effects. Furthermore, there is also significant country persistence in the lag.[20]

[20] A regression of the (log) lag against the (log) lag in the previous Article IV report gives a statistically significant coefficient of 0.57, which indicates that countries that had long lags in the past tend to have long lags in the future. The coefficient falls to 0.39 when regional dummies are included, but remains significant, which indicates that persistence goes beyond just regional factors.

Table 1. Explaining (log of) Publication Lags 1/

		OLS (1)	Fixed-effects (2)
Modifications Dummies			
	Corrections after BM	0.3336	0.3950
		(0.0769)***	(0.0837)***
	Deletions	0.0304	-0.0149
		(0.1298)	(0.1479)
	Corrections after BM and deletions	0.6300	0.4054
		(0.2431)***	(0.2297)*
Regional Dummies			
AFR			
APD		-0.5029	
		(0.1082)***	
EUR		-1.1321	
		(0.1251)***	
MCD		-0.2070	
		(0.1134)*	
WHD		-0.0828	
		(0.1392)	
Income index			
	Log of average percapita income	-0.1347	
		(0.0302)***	
Combined UFR-ART4			
	Combined	-0.0220	-0.1139
		(0.0885)	(0.1189)
English dummy			
	2008		
	Constant	4.6038	3.1695
		(0.3375)***	(0.2873)***
	Observations	601	601
	Number of countries	160	160
	R-squared	0.41	0.04

1/ Robust standard errors in parentheses. * significant at 10%; ** significant at 5%; *** significant at 1%.

APPENDIX III. CASE STUDY ON LONG AND SHORT LAGS

76. Staff examined the top 3 countries per income grouping with the longest and shortest lags to determine what accounts for long and short lags.

Table 1: Top 3 Longest Lags by Income Group

Country	Type of Document	Lag (days)	Income Level
Canada	2008 Art IV	19	Advanced
Singapore	2008 Art IV	28	Advanced
Iceland	2008 Art IV	89	Advanced
Turkey	7th review under SBA; Request for waiver of nonobservance of performance criteria	94	Emerging
Jordan	2008 Art IV	102	Emerging
El Salvador	2007 Art IV	116	Emerging
Burkina Faso	2007 Art IV; first review under PRGF; request for waivers and request for modification	140	Developing
Antigua and Barbuda	2007 Art IV	157	Developing
Lesotho	2007 Art IV	159	Developing

Table 2. Top 3 Shortest Lags by Income Group

Country	Type of Document	Lag (days)	Income Level
Israel	2007 Art IV	1	Advanced
Portugal	2008 Art IV	2	Advanced
Korea	2008 Art IV	4	Advanced
Bulgaria	2007 Art IV	2	Emerging
Nigeria	2007 Art IV	2	Emerging
Poland	2007 Art IV	2	Emerging
Senegal	Request for PSI	5	Developing
Timor Leste	2008 Art IV	5	Developing
Paraguay	6th review under SBA	5	Developing

The experiences are sufficiently idiosyncratic that it is difficult to draw generalized conclusions. However, some notable findings are set out below.

Long lags

77. Most of the countries in this category also had long lags (relative to others in the same group) in previous years (Antigua, Barbuda, Canada, El Salvador, Lesotho, Singapore, and Turkey). Some had relatively short lags in the past but had particularly long lags for the last report, because of concerns about exchange rate assessments (Burkina Faso), confusing the public because of ongoing program negotiations (Iceland), or the end of post-program monitoring (Jordan).

Short lags

78. In contrast, only three out of nine countries in this category have consistently had very short lags (Bulgaria, Israel, Portugal). For the rest of the countries in this category, factors contributing to shortening the lag include: a strong drive from the team or Executive Director's office to publish (Paraguay, Timor Leste), the end (Paraguay) or initiation (Senegal) of a UFR- or PSI-supported program, fewer corrections (Poland), or corrections entirely before the Board meeting (Korea).

APPENDIX IV. REVIEW OF A SAMPLE OF STAFF REPORTS—"GRAY ZONE" CORRECTIONS

79. Staff reviewed a sample of 50 countries (the same sample used in the 2008 Triennial Surveillance Review) to identify examples of corrections that did not fully meet the criteria for corrections. As described in "2008 Triennial Surveillance Review—Background Information and Statistical Appendix" (SM/08/287, Supplement 2, 9/2/08), the sample universe was based on percentages of the membership by income group (advanced, emerging and developing) and region (5 regions according to area department). The actual country sample was then randomly drawn from within each stratum to match the target number as closely as possible.

80. This 50-country sample was representative of the membership across regions and income levels (by design), and also happened to be broadly representative in terms of program versus surveillance-only countries (both across the membership and looking by regions, income level, and types of programs). The sample also captured a number of countries that have either very long or very short publication lags, some of the recent exceptional access cases, and a number of instances of nonpublication.

81. The sample consisted of all Article IV and UFR reports for each of the 50 countries, published between January 1, 2008 and February 28, 2009. Staff considered each correction on any corrections memos issued for reports in the sample, and classified it as:
(i) unambiguously meeting the policy; (ii) "light gray;" or (iii) "dark gray."

82. Light gray" denotes changes that seem relatively more innocuous compared to those judged "dark gray." "Light gray" changes do not alter the substance of the information and, for example, seem to provide a legitimate clarification or make information "more accurate" even if the original text was not factually incorrect per se. "Dark gray" changes do affect the substance of the information; they frequently seem potentially motivated to soften staff's views, improve presentation from the authorities' standpoint, or diminish sensitive material that would not meet the criteria for a deletion.

83. The results provided a good range of examples of gray zone corrections. For 50 countries, at least one example of a "light gray" correction was found for 2 countries, or 4 percent of the sample. Ten countries, or 20 percent of the sample, exhibited at least one "dark gray" correction. Since corrections memoranda issued by SEC often include numerous corrections (some, up to 50 corrections), the number of "gray" ("light" or "dark") corrections as a share of total corrections is much lower than these estimates; however, the country-basis estimates are relevant because they indicate that even if gray corrections are only a small share of total corrections, they are not insignificant in terms of the number of reports affected.

Table 1. List of 50 Countries for the Review of Staff Reports

AFR			APD			EUR		
ADV	EMC	LIC	ADV	EMC	LIC	ADV	EMC	LIC
	Angola	Botswana	Korea	India	Bhutan	*Finland*	Bulgaria	*Montenegro*
	South Africa	*Burkina Faso*		Vietnam	PNG	*France*	Hungary	Bosnia & H.
		CAR			Cambodia	*Germany*	Russia	
		Congo, DR			Lao PDR	Iceland	Serbia	
		Guinea			Myanmar	*Ireland*		
		Lesotho				Israel		
		Namibia						
		Swaziland						
		Zambia						
		Guinea-Bissau						

MCD			WHD		
ADV	EMC	LIC	ADV	EMC	LIC
	Lebanon	Afghanistan	United States	Chile	Bolivia
	Morocco	Sudan		Colombia	*Dominica*
	Egypt	Syria		Uruguay	Barbados
	Pakistan	Yemen		Mexico	Haiti
				Ecuador	

Notes

1. The economy-type classifications (ADV, EMC, LIC) shown above are those used in the 2008 Triennial Surveillance Review. Generally, however, the economy-type classification used in this paper is that of the Transparency Database, which differs for some countries relative to the 2008 TSR classification.
2. Italics denote members of currency unions or exchange arrangement with no separate legal tender.

APPENDIX V. ASSESSING CANDOR—RESULTS OF THE IN-HOUSE DOCUMENT REVIEW

84. Among the various assessments staff conducted to examine the trade-off between the expectation of publication and candor, was a comparative assessment of the candor of published versus unpublished reports. The assessment consisted of a number of in-house document reviews comparing different sets of published and unpublished staff reports. The review took into account internal memos and remarks by the Executive Directors in Grays. Candor was evaluated by assessing the prevalence of excessively hedged, qualifying, or unclear language that could indicate reduced frankness (e.g., "seems to"). The results show that in many cases, the degree of candor appears to be greater in the published reports.

85. According to the document review, there is no clear evidence of a negative trade-off between publication and candor in the content of reports. Instead, in many cases, the degree of candor appears to be *greater* in the published reports.

86. The review involved the comparison of candor in the following sets of reports: (i) the 1997/98 Asian crisis countries' reports (unpublished) versus the recent exceptional access crisis countries' reports (published);[21] (ii) converters' staff reports, i.e., staff report for countries that switched from being nonpublishers to publishers;[22] and (iii) staff reports for permanent" non-publishers—members who never publish staff reports—versus those of countries with similar economic characteristics and published reports.[23] Staff assessed the degree of candor in the recent economic developments, short-term outlook, monetary policy, financial sector assessment, fiscal policy, and external sustainability and competitiveness sections, and evaluated whether the reports contained candid views and analysis that enabled the reader to form a clear judgment.

- The comparison between Asian crises (unpublished) and the exceptional access crisis countries' reports (published) indicates that the latter group of reports is, on average, *more* candid. This may be because exceptional access crisis countries' reports are expected to be published.[24] This may also reflect the fact that by the time a country seeks the Fund's financial assistance (on a non-precautionary basis), its financing difficulties are typically already known in the public domain, and the lack of a critical assessment could be interpreted as the Fund being "behind-the-curve."

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[21] The countries in this group include Georgia, Hungary, Iceland, Indonesia, Korea, Latvia, Philippines, and Ukraine.

[22] The countries in this group include Bhutan, Jordan, St.Kitts and Nevis, and Uzbekistan.

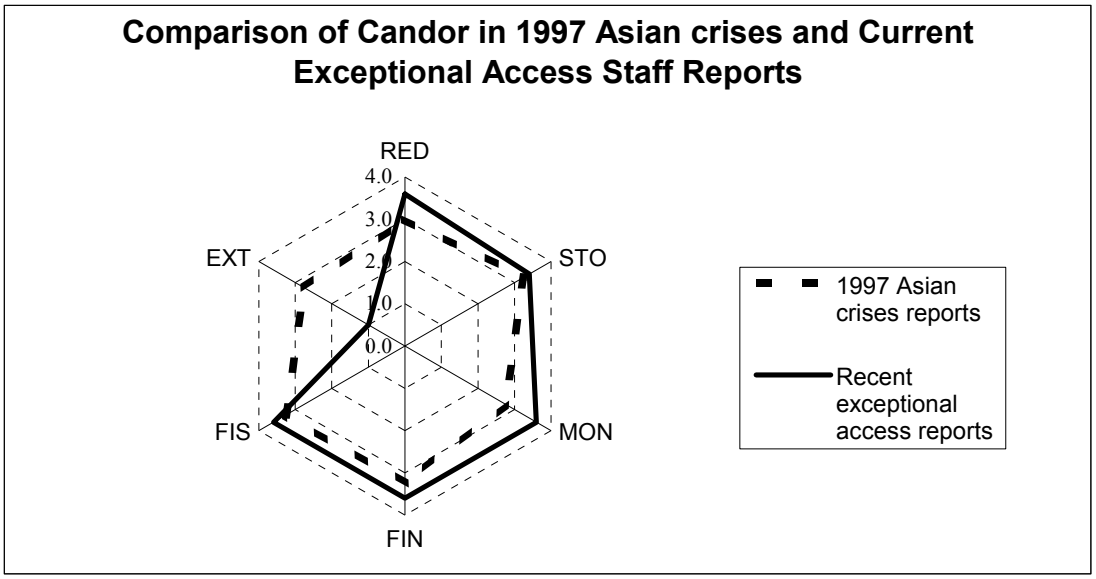
[23] There are 10 members that have never published a staff report, of which 6 were selected for this review. Each non-publisher was compared with three other publishers of economic similarity.

[24] The Transparency Decision stipulates that "the Managing Director generally would not recommend the Executive Board to approve a request to use Fund resources unless the member consents to the publication of the associated staff report."

- However, the discussion on external sustainability and competitiveness appears less candid in the exceptional access countries' reports compared to the Asian crisis reports.

- The review of converter cases shows no clear sign of trade-offs between publication and candor. Among the four pairs of country reports, two are identical in terms of degree of candor, one shows a somewhat higher degree of candor in the published version and the other a slightly lower degree of candor in the published version.

- The review of reports between non-publishers and publishers also shows no clear indication of difference in candor. The reports of resource-dependent countries appear generally less candid than others, regardless of publication. Candor is also somewhat lower in the reports of LICs than others in general, but is higher in the published reports than permanently nonpublished reports. Among the emerging market countries, there is also no clear sign that nonpublished reports are more candid than published reports.



EXT=external sustainability and competitiveness; FIN=financial sector assessment; FIS=fiscal policy; MON=monetary policy; RED=recent economic developments; STO=short-term outlook.

APPENDIX VI. ASSESSING CANDOR—ASSESSMENT OF RESULTS OF THE SURVEY OF THE MISSION CHIEFS

87. **The survey results do not provide clear indication of the trade-off between publication and candor overall, although certain factors appear to be constraining some mission chiefs more than others in the drafting stage**.

- Among 63 mission chiefs who responded, less than 15 percent indicated that the need to preserve quality relationships with the authorities caused them to feel constrained in drafting a candid staff report to some or to a great extent. This factor was most important for the mission chiefs of the emerging market economies.

- Less than 12 percent of total respondents indicated that they felt constrained in their capacity to draft a candid staff report because of the expectation of publication of the staff reports. This figure reflected largely the responses from mission chiefs of the emerging market economies (28.5 percent).

- The concerns on the possibility/continuity of a Fund arrangement were not a constraining factor for mission chiefs, including for the LIC group, and the concerns about the risks of leaks were not an important factor causing mission chiefs to feel constrained.

88. **The majority of mission chiefs appear satisfied with the current corrections/deletions rules.** Most did not agree that it would be desirable to introduce more flexibility in the rules on corrections and deletions.

- Over three quarters of mission chiefs thought that the current rules allow the preparation of candid staff reports, while a comparable percentage indicated that the rules provided adequate protection against adverse market reactions, the premature release of planned policies that could undermine the authorities' efforts to implement their policies, and possible misinterpretation of messages and/or information by the general public.

- Over three quarters of mission chiefs indicated that more flexibility could make their job more difficult by exposing them to unreasonable requests, and almost half of mission chiefs disagreed that such flexibility would result in more candid reports. In particular, the mission chiefs from emerging market countries were strongly opposed to the idea.

APPENDIX VII. DRAFT PUBLIC INFORMATION NOTICE

INTERNATIONAL MONETARY FUND

Public Information Notice

EXTERNAL RELATIONS DEPARTMENT

Public Information Notice (PIN) No. 09/xx
FOR IMMEDIATE RELEASE
[Month, dd, yyyy]

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

IMF Executive Board Reviews the Fund's Transparency Policy

On November 16, 2009, the Executive Board of the International Monetary Fund (IMF) discussed the IMF's Transparency Policy, based on a staff report entitled *Review of the Fund's Transparency Policy*.

Background

The review marks roughly a decade of efforts to increase the transparency of the IMF's operations. Starting in the late 1990s, the IMF has published an increasing number of country reports, policy papers, and other documents, opened the IMF's archives to the public, and engaged proactively with the public via its external website, press briefings, and outreach. Communicating and engaging with the world at large is now a normal and essential part of the IMF's business.

The staff paper reviews experience with the Fund's initiatives to improve its transparency and identifies room for improvement. It launches an overarching principle for the IMF's approach to transparency and puts forward proposals to: increase the amount and timeliness of information that is made available to the public, protect the integrity of Fund documents, and enhance the accountability of the Fund.

Executive Board Assessment