Understanding & Influencing IMF Policy Advice in Myanmar

A Guidebook for Engaging the International Monetary Fund
HOW CAN YOU ENGAGE WITH THE IMF?

The IMF Managing Director, Christine Lagarde, said that civil society plays an essential part in the "new multilateralism" and “that is why I always relish listening to civil society, and why I always encourage IMF staff to do so.”

The IMF is not required to meet or consult with civil society. However, in recent years, the IMF has been encouraging its staff to reach out and engage with civil society as much as possible. In addition, the IMF is taking steps to make engagement with civil society more systematic. This a positive sign for the future of CSO-IMF engagement, but it important to understand the various opportunities to engage with the IMF and to manage expectations for interactions. This section suggests several channels for engaging with the IMF and its staff at different levels.

A. Why does the IMF care about civil society?

First, it is useful to understand why the IMF wants to engage with civil society. The IMF recognizes the importance of meeting with civil society for a number of reasons. The IMF views CSO engagement as a way to “deepen country ownership,” which the IMF believes is critical to improve the credibility of the IMF, its lending programs, and its advice to governments. Specifically, the IMF sees 4 benefits to CSO engagement:

- Improve program design and traction of IMF policy advice by providing IMF staff with insight, analysis and knowledge of local context to supplement official data and perspectives.
- Contribute to constructive public debate on policy options.
- Help IMF staff assess political feasibility for certain policies and promote citizen oversight.
- Enhance IMF legitimacy among public and reduce bad reputation or stigma of IMF presence.

Civil society should keep these things in mind when meeting with the IMF. When IMF staff visit a country to do their work (Loan negotiation, Article IV, technical assistance, etc.), they will be busy and focused on their narrow objectives. It is crucial to remind IMF staff why consultation with CSOs is so important. Use the opportunities with IMF staff to demonstrate the value of CSO engagement.

B. Engaging: When to intervene? Where? How?

The guidelines below are intended to help civil society increase and strengthen their interactions with the IMF, ensure productive engagements that improve follow-up from IMF staff and demonstrate the value of CSO views for policy negotiations between governments and the IMF.
It is important to note two things: First, the IMF views itself as a “trusted advisor” to its member countries. This means the IMF staff may keep some information confidential as requested by the government, and this can limit the extent of IMF staff engagement with CSOs. Second, IMF staff is more likely to consult with CSOs when the IMF has a program with that county (either lending or non-lending programs, such as Staff-Monitored Program (SMP) or Policy Support Instrument (PSI)).

Below are several channels for engaging the IMF.

**Resident Representative: IMF staff based in your country**

The resident representative (Res. Rep.) is advised (not required) to consult with CSOs ahead of IMF staff missions and, as appropriate, incorporate civil society views into the missions’ preparation. This can be important for influencing the staff’s thinking and its planned policy discussions or mission briefs. As such, CSOs should reach out to the Res. Rep. and develop a relationship with this office as soon as possible. Give the Res. Rep. opportunities to engage with civil society by inviting this person to public events, meetings and conferences. Not all countries have an IMF Resident Representatives, but countries with an IMF program, like Myanmar, do have a Res. Rep.

**Article IV Consultations**

IMF staff visit each country once a year to conduct an Article IV consultation. As described above, the Art IV is an annual review of a country’s economy and its policies. During the Art IV review, an IMF mission team is required to meet with national authorities. Depending on the IMF mission team agenda and time, it may consult with other stakeholders, including private sector, trade unions and civil society.

*Taking part in the Art IV consultation*

The first challenge is to learn the dates of the Article IV consultation. Typically, Art IV consultations occur on a 12 month cycle. Since Art IV documents are published on the IMF website, you can view the previous year’s Art IV report and its date. For example, if the 2015 Art IV consultation happened from June 17 – July 1, the 2016 Art IV consultation should take place in mid to late June in 2016. It is a good idea to confirm these dates with your Res. Rep or the IMF Communication staff in Washington D.C., and follow-up with a request to meet with the IMF mission team during their visit.

*Prior to meeting with IMF staff*

IMF staff is advised to share previously published Art IV reports and other relevant IMF documentation. Civil society should also request these reports (in local language if possible), as well as inquire about the issues that IMF staff expect to discuss on their mission. CSOs can also share the issues they expect to discuss with IMF staff. This will help ensure a more productive consultation. It is also a good idea to reach out directly to the IMF mission chief, since this person sets the priorities for the IMF staff visiting
your country and may better understand the value of CSO engagement. It is also useful to increase public attention and build pressure around key issues before the IMF staff visit your country.

**Building Pressure on the IMF**

For critical issues and policy decisions, especially if related to an IMF loan program, it is important to increase public attention and scrutiny.

*Pressure at the “front door”:* The IMF does not like negative press. So a good way to build pressure is through domestic and international news media. Reach out to local newspapers and radio stations, publish reports, write press releases or blogs, or organize petitions and public events. Outreach to international NGOs and media outlets can help increase international attention.

*Pressure at the “back door”:* In addition, it is strategic to reach out to your national authorities and parliament. IMF staff is required to meet with national authorities, and often meets with parliament, since they are responsible for approving and implementing IMF policy advice. It is crucial to understand their positions and explain why another policy might be a better option. Keep in mind that the IMF will take into account government views and concerns, which can be positive for your positions – however, the government may also request that certain issues be excluded from discussions with CSOs. In some extreme cases, the government may tell the IMF not to meet with CSOs.

*During the meeting:* Be critical, constructive and courteous. It is okay to challenge IMF positions and policies, but try not to attack individual IMF staff. If you disagree with a policy that the IMF is promoting, explain why this policy is not appropriate for your country – and where possible, use evidence to demonstrate your position. Keep in mind that IMF staff may not know much about your country, so they may also be eager to learn the impact of certain policies, such as energy subsidy reform or a VAT tax. Be prepared to comment on policies that the IMF has promoted in recent years (reference previous Art IV reports or loan agreements).

*Follow-up:* This is a critical step, especially to ensure that the IMF’s final policy advice and recommendations consider or incorporate the views from civil society. Summarize the key issues, concerns, recommendations following the meeting with IMF staff. The IMF should have also prepared a summary of the meeting. Request a copy of this summary and compare it with your summary (coordinate this with other CSOs that participated in the consultation). Share your summary with the IMF, highlighting issues and concerns that the IMF summary missed.

It is important to do the follow-up as soon as possible. When the IMF staff complete the Art IV consultation, they return to Washington D.C. to write the Art IV report which is then reviewed and approved by IMF Executive Board. Once approved, the review and recommendations in the report become official. This process can take from 2 weeks up to 2 months. If there is an important issue that should be addressed, you can write a letter to the Executive Director that represents your country (see contact information below).

If civil society views and positions are not incorporated into the Art IV report, this does not mean that the consultation was a failure. You can request an explanation why CSO input was not incorporated. This approach can help to build positive relationships with the IMF staff.
How to Read an IMF “Article IV”

Key Components

1. **Press Release**: This contains a summary of the IMF’s evaluation of your country’s economic policies, and an Executive Board Assessment, which discusses the issues that the IMF will likely prioritize during their next engagement with your government. *This can be found in the first few pages of Art IV report.*

2. **Who Met With the IMF**: Every Art IV contains a brief description about who the IMF met with during the consultation. If the IMF met with Civil Society, Academics, Labor Unions or Think-Tanks, it is typically listed here. *This description can be found on the “Contents” page.*

3. **Staff Appraisal**: This section summarizes the recommendations from the IMF. These recommendations are informed by IMF policy positions and the views of IMF staff. IMF recommendations can be changed if the Managing Director or a Deputy Director approves the change. *This is the last section in the “contents” section of the Art IV report.*

4. **Statement from Your Country’s Representative**: This statement represents your government’s response to the Art IV consultation. It is made by the Executive Director’s office that represents your country. *This is the final attachment, found at the very end of the Art IV report.*

5. **Information Annexes**: Most Art IV reports contain several annexes. These contain information about your governments relations with the IMF and World Bank, such as details about loans or technical assistance that your government receives.
Loan Agreements

There are no contracts between the IMF and its member countries. Instead there are two commitments made – where a country commits to make certain economic reforms and the IMF commits to provide the loan.

*How a country requests a loan from the IMF*

The government submits a request to the IMF. The IMF reviews that country’s eligibility, based on its macroeconomic policies. Next, an IMF delegation will visit the country to meet with government authorities to discuss the loan and its accompanying economic reform plan.

At this point, negotiations between the government and the IMF begin. The government and IMF go back-and-forth until there is an informal agreement on an economic reform plan. This economic reform plan is called the Letter of Intent (LOI) which is attached to the government’s official request for a loan. The LOI is a critical document as it contains the policies that the government intends to pursue under an IMF program.\(^1\) It is important to engage the IMF and national authorities before the LOI is submitted (see diagram below). Despite any influence the IMF may have in preparing the LOI, this is technically a “government-owned” document.

Once the LOI is submitted to the IMF, the Executive Board will review the LOI (i.e. economic reform plan) and approve it. Following this step, the IMF and member country will sign parallel agreements which will finalize the loan. Keep in mind that the IMF will review the country’s economic policies each time a disbursement is made. These loan reviews, along with regular Art IV consultations, will be important moments for civil society to intervene and challenge harmful economic policies.

*Important language in lending agreements*

Be sure that “adjusters” are included in the LOI or loan agreement. This allows the government to “adjust” or increase spending levels (i.e. go above limits agreed to in loan) when possible, especially for spending on health, education or other areas critical for poverty reduction.

\(^1\) Note: Letters of Intent also accompany non-loan programs, such as Staff-Monitored Programs and Policy Support Instruments.
**IMF Lending Process**

**Member Country Requests Loan**

**Qualification Process**
*IMF reviews “soundness” of macroeconomic policy and eligibility for loan programs*

**IMF and Government negotiate loan arrangements**
*IMF delegation makes policy recommendations, negotiates Letter of Intent and loan terms*

**Government submits Letter of Intent (LOI) to IMF**
*The LOI states the country’s macroeconomic policy and reform objectives*

**IMF Executive Board reviews and approves LOI**

**Government signs LOI & IMF signs parallel lending agreement**
*(not contractual)*

**Initial Disbursement of Money**

**Subsequent disbursements dependent on Executive Board Reviews**
*(based on staff reviews and Art IV reports)*

**Critical Points of Intervention**

- Outreach to government authorities, parliament, business groups and CSOs. Advocate for transparency and policies through news media.

- Meet with IMF delegation prior to LOI submission. Prepare strong, unified positions with other groups.

- Call attention to harmful policies, or highlight positive policies, through domestic and international advocacy and media.

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Technical Assistance

Technical Assistance (TA) is a big part of what the IMF does every year. The IMF is the world’s largest provider of TA, which helps countries build capacity in areas such as tax and customs administration, financial regulation and supervision, and public financial management. For the most part, this assistance responds to the needs of many developing countries. However, the TA provided by the IMF is usually not public information – and this makes it difficult to evaluate.

What can civil society do?

Civil society can request that its government publish information on the TA that it receives from the IMF. CSOs can also read reports and track activity of different IMF Technical Assistance Centers (TACs). There are 9 IMF TACs and most have their own websites: [http://www.imf.org/external/np/exr/key/RTACs.htm](http://www.imf.org/external/np/exr/key/RTACs.htm). When meeting with the IMF, civil society can ask about the TA being provided to their government or recommend that the IMF provide TA in certain areas where the government has a weak record.

Independent Evaluation Office (IEO)

The IMF has an independent evaluation office (IEO), which was established to conduct independent evaluations of IMF policies and activities. Civil society should feel free to reach out to the IEO with any concerns about IMF activity or policies. IEO website: [http://www.ieo-imf.org/](http://www.ieo-imf.org/)

Public Consultations

The IMF conducts public consultations on various issues and policy areas. Often the IMF will seek public consultation when it is reviewing and updating its own policies, such as its Transparency Policy or its Fiscal Transparency Code. These consultations are generally posted on the IMF website. Occasionally, the IMF will host in-person meetings and/or conference calls for public consultations. The best way to learn about these public consultations is to check the website ([www.imf.org](http://www.imf.org)) regularly or sign-up for IMF email alerts. Organizations that follow the IMF closely, like New Rules for Global Finance, reach out to help other CSOs engage on important consultations.
C. Good practices for CSOs Engaging the IMF

- Be part of IMF consultations, especially Article IV consultations.

- Use the opportunity with IMF staff to demonstrate the value of CSO engagement.

- Demand more research/evidence to prove that “policy of concern” is appropriate for achieving objective (e.g. reduce inflation or improve competitiveness).

- Understand government policies and positions. If possible, meet with relevant national authorities or parliamentarians.

- Identify where your organization agrees with government positions and promote those positions through interactions with IMF staff (phone calls, email or face-to-face). If the IMF is recommending something different than your government (e.g. advising higher VAT), explain why civil society supports the government’s position. The IMF understands that public support is essential for traction, i.e. implementation of policy advice.

- Ask the IMF staff what policies (from Art IV or loan agreement) they think impact the issues you care about. For example, you can ask “Will policy reforms in the loan agreement help farmers or improve the agricultural sector?” It is always useful to see if and how they are thinking about this.

- The IMF advises its staff to always encourage CSOS to take their views and proposals to the relevant national authorities. When IMF staff suggests this course of action, civil society should not view this as a negative response. CSOs should inform IMF staff if they have presented their proposals to national authorities and encourage IMF staff to incorporate CSO proposals into their official reports or advice. It can be useful to explain the importance of your proposal as it relates to the IMF’s own policy positions and goals.

- Coalition building: Collaborate with other CSOs, academic institutions, business associations and other groups as much as possible.

- Identify the role of Parliamentarians in IMF negotiations and feedback. Do not presume that they know what is going on and encourage them to use the power of their office. Indonesia and Ghana are examples of civil society and parliament working together to strengthen positions.

- Stay up-to-date on IMF policy positions and use IMF positions for positive reform. Sometimes the policies promoted by the IMF (e.g. Gender equality) may be useful for advocating for positive changes with your legislators and national authorities. In addition, IMF research can be a great source for evidence on some policy issues, including on gender, income inequality, climate change, water policy, fossil fuel subsidy reform and non-productive expenditures, like military spending.

For Example: Fiscal Transparency Assessments (FSA) can be useful for strengthening confidence of foreign investors, combating corruption and enhancing public accountability through the creation of a “citizen’s budget”. However, this is voluntary and governments must request that the IMF conduct this assessment. If your government does request an FSA, public consultation should be a key component, especially when assessing the strength of the “citizen’s budget.”
D. Contacts and Further Information

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Civil Society Contacts

New Rules for Global Finance

New Rules for Global Finance is a non-governmental organization with the aim to promote reforms in the rules and institutions governing international finance and resource mobilization, in order to support just, inclusive and economically sustainable global development. New Rules is a networking, idea generating organization that convenes critical actors and policymakers from developed and developing countries to identify politically feasible and technically sound solutions to systemic issues of international finance and resource mobilization which impede inclusive development.

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Bank Information Center

The Bank Information Center (BIC) partners with civil society in developing and transition countries to influence the World Bank and other international financial institutions (IFIs) to promote social and economic justice and ecological sustainability. BIC is an independent, non-profit, non-governmental organization that advocates for the protection of rights, participation, transparency, and public accountability in the governance and operations of the IFIs.

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