

# The IMF and Civil Society: Deepening the Dialogue

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# The IMF and Civil Society:

## Deepening the Dialogue

### Introduction

The IMF is, and is likely to remain, a development actor, and yet has long been distanced from (and criticised by) large parts of the wider development community. Prior to 1999 the Fund was often portrayed as the heartless purveyor of poverty-creating SAPs, this has left a legacy of distrust, both among civil society and also within the ranks of the Fund's staff.

The Fund's 1999 commitment to poverty reduction has opened the door to substantial change, and indeed the PRSP processes have provided one mechanism through which this might be achieved. This commitment seems to position the Fund to better fulfil its original purpose, for although the Fund's Articles of Agreement stressed monetary stability and confidence, they also stated an explicit purpose of employment and income creation and the development of productive resources (presumably including people).

Many NGOs, such as World Vision<sup>1</sup>, would like to see the Fund working to fulfil these objectives and would like to see it co-operating with civil society in the process. The post-1999 changes have therefore created the possibility that the terms on which the Fund's engagement with development constituencies are undertaken could be substantially altered.

Changes of conceptual policy and conditionality mechanisms have not yet, however, produced a substantial change in external perceptions of the Fund. Indeed the PRSP/PRGF literature has included considerable criticism of the Fund. Nor have they produced a sense that the IMF has solved its traditional problems in engaging with civil society. New processes and a greater degree of transparency have brought improvement, but real problems remain.

From a civil society perspective these problems are real and concerning. The IMF continues to exhibit a wariness of engagement with CSOs<sup>2</sup>, particularly at the national level. This is coupled to an organisational culture that is difficult for CSOs to penetrate and understand, exacerbating a belief that the Fund finds external thinking (other than econometrics) difficult to absorb. Often these problems are most pronounced at the national level. For CSOs therefore, including large international NGOs, the Fund remains a difficult institution with which to engage. Ultimately these difficulties have consequences for the Fund, civil society and the development process.

This paper argues that the Fund has significant reasons for strengthening the quality and depth of its engagement with civil society, especially at the national level.

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<sup>1</sup> World Vision has sought to consult with others in the preparation of this discussion paper and recognises that many ideas have been put forward on IMF/civil society engagement. World Vision offers its recommendations in a spirit of open and constructive discussion and encourages the Fund to consider all the proposals and ideas that have been put forward by CSOs.

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<sup>2</sup> For the purposes of this paper CSOs encompass all organised groups in the social sphere outside of government and the corporate sector, CSOs therefore include as a sub-group NGOs (used here to refer to voluntary organisations working on social sector issues including development, relief and advocacy).

Such an improvement, however, will come only with changes to organisational culture and practice. For civil society there are also incentives in seeking to help the Fund to improve its engagement in the development discourse – ultimately the poor benefit from an IMF that has the fullest range of information and expertise available to it.

The intention is not to turn the IMF into another World Bank, nor is this a factor that should concern the IMF, instead the goal is to improve the capability of the IMF to perform its duties in ways which bring maximum benefit to the poor. NGOs, such as World Vision, therefore seek changes that would enable a constructive and genuine discourse.

## **1. Why Should Engagement Matter for the Fund?**

It would be a great shame if the IMF saw relations with civil society solely through the lens of public relations and deflection of criticism. Dealing defensively with civil society tends to lead to an over-emphasis on trying to categorise and demarcate a complex field rather than creating avenues for real relational product to emerge. At worst, institutions can slip into an unhelpful view that there are simply ‘good’ and ‘bad’ NGOs. Too great an emphasis on defence also can create a ‘guidelines’ or ‘procedure’ driven approach to understanding how to relate to civil society.

This paper suggests that rather than looking at procedures first the IMF can only improve its engagement with this sector by addressing three distinct issues: *culture*, *capacity* and only then *process*. Ultimately this approach may lead to some form of distinct Fund strategy and guidelines and if so then the latter, at least, should be made available to NGOs.

The starting point for the examination of these issues must be a mutual acceptance

of objectives. An over-riding objective ought to be the promotion of a genuine two-way discourse focused on maximising knowledge and understanding in the pursuit of ‘development’ – defined as the betterment of the human condition. Development might benefit from economic reform and growth, but economic reform and growth are themselves rarely achieved without a broader development agenda.

If this is the common objective then the Fund must see engagement with civil society as an area full of opportunities in the pursuit of a broad development agenda. These opportunities include access to the very real expertise that NGOs accrue on micro, meso and macro development issues and also to increase ownership of reform. There are, unsurprisingly, distinctions between engagement at the global and national levels, but perhaps nowhere is the importance of progress at the national level more pronounced than in relation to these factors of expertise and ownership.

### *1.1 Expertise*

Important to any discourse is the desire of civil society to discuss policy alternatives. In addition to these contributions on possible policy alternatives, dialogue can also increase the Fund’s awareness of those political-economy factors that can often derail the reform process.

In achieving its goals of monetary/fiscal stability, growth and reform, the Fund has a heavy interest in issues such as: state capacity, national ownership of policy, human capital formation, social capital, and rule of law, among others. These are issues with which local and operational international NGOs deal daily and they determine not only the degree to which any economic success will translate into poverty reduction, but also whether reform and growth can be sustained for anything but the briefest of periods.

Perhaps nowhere are these issues so acute as during situations of economic crisis. The IMF has recognised that during crises it requires specialist information and advice on the market to guide its thinking, leading to the establishing of the Capital Markets Advisory Group. The IMF should also replicate this, nationally and internationally, for social issues, using civil society as an important resource for analysis and advice.

It is important that the Fund recognise that any division of labour between the Fund and World Bank on social sector issues cannot be so efficient as to transfer wholesale key understandings of socio-political dynamics in the midst of a crisis. Access to an effective understanding of social impacts and micro-economic dynamics should be a key IMF priority at such times and can be greatly improved through improved working relations with CSOs.

### *1.2 Ownership*

The opportunity to improve the range of information and access available to the Fund is complemented by the challenge that faces the IMF to increase national ownership of economic reform. While World Vision has reservations about the content of some reform programmes and the conditionality approaches used by the Fund, we recognise that in principle economic reform can benefit developing countries. We also recognise that sustainably applied reform is more likely to succeed, and benefit the poor, than stop-start and poorly implemented processes (such as the ending of tariffs before the application of replacement taxes).

World Vision therefore believes that at national level economic reform should be the product of a participatory policy dialogue that fosters ownership (and sustainability). The PRSP process recognises that civil society has a

considerable influence on the degree of wider public ownership of policy reform, yet this recognition seems considerably weaker in relation to the PRGF. Given the overlaps that exist between the civil society sector and government and/or the media this failure will inevitably have implications on the sustainability of reform.

World Vision cannot stress sufficiently that creating ownership cannot be limited to 'teaching reform' in the belief that civil society will simply absorb IMF recommendations. Ownership can only come through a sense of inclusion and participation, sadly something that has still not been perfected in relation to PRSPs and the PRGF. While the relationship between the Fund and its client governments will always dominate the process of negotiating a PRGF (and those governments may themselves have problems with participation) the Fund has much to gain from striving for some substantial steps forward with civil society engagement both globally and at the national level.

These gains from engagement could be summarised as:

### Global

1. Strengthening of the wider development discourse both by contributing to a deepening of macroeconomic knowledge and debate and also through greater engagement with socio-political issues affecting reform.
2. Access to civil society experience, knowledge and analysis on development issues (ranging from peace-building in unstable contexts to micro-enterprise and credit).
3. Increased global ownership of the concept of reform

## National

4. Increased ownership of reform programmes within developing country societies.
5. Promotion of more stable political environments through improved public policy discourse.
6. Improved internal analysis of developing country contexts including political economy
7. Increased awareness within the public policy discourse of alternative policy options
8. Promotion of increased national level implementation capacity for reform, recognising that the overlap between state and civil society roles and personnel can be significant.
9. Improved PRSP processes.

## **2. Problems in IMF/Civil Society Discourse:**

It has to be recognised that there are some parts of civil society with which the IMF will always struggle to hold constructive dialogue by virtue of their opposition to the existence of the Fund, and to the idea of market reform. Nevertheless reformist NGOs at the international level, coupled to the array of civil society groups that exist in developing states provide a solid basis for dialogue.

Nevertheless, problems exist in deepening dialogue. These problems have been the subject of much debate and could be summarised as:

### *2.1 Capacity*

Improving the discourse entails overcoming numerous hurdles that, although different in perception on both sides, revolve around common issues. For example the Fund has

stated that lack of familiarity with the role of the Fund and a weak information base can hamper the ability of reformist and local civil society groups to engage in dialogue on complex issues of economic reform. Capacity building in macroeconomic issues (such as budget management) has already been identified in various PRSP reports as an area of need for civil society.

Nevertheless from a civil society perspective it is equally true that the Fund can seem ill informed on the political-economy and micro level consequences of the reform process. At worst this can produce a discourse in which Fund and civil society representatives talk across each other, sharing valuable insights that the other party lacks the capacity to understand and receive.

At the national level the Fund seems to lack a capacity to consider the implications of its programmes and conditionality on local economic activity and communities. There is little evidence that the Fund's economic models explicitly try to capture the effects of structural adjustment policies on women and children, assumptions regarding representatives households mask the realities of macro change on the poor.

The IEO evaluation of long-term involvement in client states joins other literature in pointing to IMF weaknesses in the analysis of political-economy. These weaknesses include a relatively weak capacity for study and analysis of the rapidly changing and growing civil society arena. The Fund therefore faces a vicious circle in which lack of expertise prevents both adequate analysis of political-stability issues as well as hindering the process of building those relationships that might offer better insights into the same issues.

## 2.2 Culture

Fund staff also face internal institutional culture issues when considering meetings with civil society, unfortunately the negative incentives can outweigh the positive, particularly at ResRep level. As one Fund staffer commented, “good meetings with NGOs do not help in performance appraisals whereas a PR problem coming from an NGO meeting can be a big black mark.” Therefore while Fund staff have become more confident in dealing with the media they have yet to make this progress in relation to civil society and still view encounters as risks rather than opportunities.

This ‘risk rather than opportunity’ problem is partly a product of lack of comfort on the part of IMF staff at the perceived lack of ‘rules of the road,’ whereas conversations with journalists can be ‘off-the-record’ ResReps are not sure of the extent to which the same can be true with NGO staff. Greater effort is needed at national level by the Fund to establish protocol norms with civil society that are transparent and accountable and yet provide a platform of trust for staff-civil society encounters.

The Fund has also appeared to struggle to understand the range of external constituency pressures faced by civil society whether national or global as it seeks to engage with an institution that carries the historical baggage of the IMF. Just as the Fund must deal professionally with governments, Finance Ministries, Banks, Markets, the media and a host of others, so also major NGOs are conscious of constituencies that also include governments, donors, public opinion, the media and their own NGO colleagues and critics.

In recent years reformist NGOs have been more willing to diverge from anti-globalisation groups by voicing opposition

to what can be seen as an ‘anti-development’ agenda. Even so, reformist NGOs remain committed to working positively within the civil society sector. Engagement with an institution that is perceived as lacking transparency can therefore create impressions of co-optation, NGOs need to maintain a difficult balance between dialogue and criticism. These pressures could be greatly reduced by more transparent and accountable processes for engagement.

Similarly we as civil society groups do need to recognise that the Fund is faced by an extremely diverse constituency when it seeks to engage our sector. There can be no question that this poses considerable challenges for any institution seeking dialogue. The diversity of groups involved can create temptations to narrow the field by dialoguing with only certain types of NGOs. This approach is unhelpful and counter-productive, particularly at the national level where enhanced discourse and local ownership of policy choices would suggest an inclusive approach. Any dialogue process should therefore stress representative cross sections of civil society perspectives and types rather than cliques of favourable NGOs.

A further issue of concern is the fact that traditionally many NGOs have perceived the Fund to be closed and secretive. This charge is certainly less accurate than in the past with the Fund making real progress in the sharing of information. Nevertheless there remain considerable grounds for improvement in transparency.

The charge of ‘closedness’ is perhaps most enduring at national level. Here, for example, the policy matrix and Letter of Intent should be public documents, thereby fostering informed policy discourse.<sup>3</sup> This

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<sup>3</sup> see Angela Woods, *Structural Adjustment for the IMF*, Bretton Woods Project, section 5

problem area is not confined to access to documents.

Internationally, there is a tendency by the Fund to offer only a one-dimensional organisational face to civil society (with only certain departments externally engaged) implying a lack of depth to the organisations commitment to dialogue.

For the Fund transparency poses real issues (given the need to respect the sensitivities of governments in relation to information and also of the markets) but it is clear that the right balance has not been found. Shailendra Anjaria recently referred to: “extensive outreach efforts with civil society organisations.”<sup>4</sup> Sadly some of these efforts seemed intent on ‘explaining’ the IMF rather than engaging in genuine two-way dialogue. The Fund appeared to believe that if it could better convey its role to civil society then criticism would decline.

Civil society, on the other hand, was looking for recognition from the Fund that it is willing to seriously assess and absorb civil society ideas (along the lines of Anjaria’s ‘fourth pillar’ of expanded IMF transparency). A step forward in this direction would be a willingness on the part of the Fund to divulge more of its own thinking in relation to civil society input. In particular the Fund should make clear why civil society proposals have not been adopted within policy decisions.

### 2.3 Process

A paper in 2001 by Dawson and Bhatt<sup>5</sup> illustrates explicitly and implicitly some of

the reasons why NGOs have found the process of engaging with the IMF problematic. The paper lists five broad mechanisms through which engagement has taken place: management level discussions, operational briefings, conferences/seminars, country level liaison, and information updates (including increased document disclosure). While all are significant steps forward none of these represent an institutionalised and formalised approach to dialogue.

The emphasis is on the ad hoc – occasional meetings and seminars – rather than a clear, transparent, ongoing and accountable process for receiving and absorbing NGO input. The Fund needs to move beyond events and towards national and international level processes, if it is to dispel the impression that it is primarily interested in ‘relationship management’ rather than true engagement.

Clearer mechanisms, nationally and internationally, for Fund/Civil society dialogue also offer the best chance for moving beyond some of the trust issues mentioned above. The recommendations section below suggests specific steps in this direction, including establishing national level consultation groups and agreeing protocols for dialogue, there is room for similar initiatives at the international level.

These kinds of clearer mechanisms for discourse will also provide greater transparency regarding the IMF’s processing and response to civil society input. Policy making is complex and influenced by multiple constituencies, in the case of the Fund civil society input may also influence the Fund through member governments or conversely member governments through the Fund. Without clarity from the Fund on its processing and response to civil

<sup>4</sup> Shailendra J Anjaria, speech to the Third Annual Meeting of the Secretaries of the Multilateral Development Banks, Washington DC, 28 October 2002.

<sup>5</sup> The IMF and Civil Society: Striking a Balance,’ Thomas C Dawson and Gita Bhatt, in *Civil Society and Global Finance*, Jan Aart Scholte and Albrecht Schnabel et al, Routledge, London 2002, first

published as an IMF discussion paper in September 2001

society input it is therefore difficult for CSOs to judge to what degree the considerable policy changes of recent years can be ascribed to increased receptiveness to NGOs, the Fund's internal thinking or pressure from members.

The insufficiency of feedback and clarity of process only serves to fuel speculation as to the level of real internal commitment within the Fund to some key changes. In effect there is an 'ownership' question surrounding the Fund's acceptance of policy change and its degree of internalisation of even those areas of civil society lobbying that have formally been accepted as policy.

No process has highlighted this problem more than PRSPs and the PRGF. The underlying commitment of the Fund to PRSPs has been much discussed since social conditionality originally surfaced as part of the debt relief agenda. 2002 saw the completion of the PRSP review, and also of a review of the PRGF. The former process did present civil society with opportunities for input, yet the final review report, while articulating some NGO views, neither overtly accepted these, nor established the means through which good practice in the areas of their concern might be generalised. The review of the PRGF further underlined the lack of participation inherent in the facility and the slow process being made by IMF staff in accepting the policy primacy of the PRSP.

NGOs have also been frustrated by the sometimes slow nature of change within Fund operations. Whether operational or non-operational most civil society organisations are usually, in some way, plugged into networks or groupings that relate them to methodological issues. The nature of the development industry is to exist in perpetual methodological motion, with constant changes in thinking and a continuous debate. For a relatively small global industry development produces a

considerable literature and intellectual discourse.

This familiarity with change, adaptation and critique therefore permeates the development civil society sector. A familiarity that has left many civil society groups frustrated by the perceived pace of operational change within large multilateral institutions. Whereas 10 years might see substantial evolution in methodological orthodoxies among CSOs, some IMF approaches, with questionable records, have seemed appeared to CSOs to change little in forty years.

Sadly the Fund's image with NGOs has also suffered through the perhaps over-ambitious rhetoric that surrounded the first round of PRSPs. World Vision has already made clear its detailed concerns regarding the PRSP process, yet perhaps the greatest frustration has been the failure of the Fund (and Bank) to anticipate the likely areas that would cause disillusion among civil society. It will be interesting to see whether the Fund's Independent Evaluation Office evaluation of PRSPs can shed light on this oversight.



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## Conclusions and Recommendations

The frustrations felt by civil society in its efforts to dialogue with the Fund are no doubt counterpoised by real frustrations on the part of the staff of the IMF. Even so the movement that has taken place on both sides regarding policy and practice should have resulted in a more fruitful and concrete history of engagement than has so far emerged.

The problems mentioned above continue to leave room for suggestions, however false, that the IMF has changed only when forced by outside pressure. In the same way the absence of a transparent and ongoing process for CSO input fuels criticism that the Fund is primarily concerned with managing its NGO links rather than engaging in depth.

The Fund must work to deepen those relations with civil society that are based upon real value for CSO insights on economic reform and the political-economy of development. Such a deepening means creating an institutional environment that allows the Fund to reach out to a wide spectrum of groups including reformist global NGOs as well as local CSOs. Improving the discourse with civil society also furthers the possibility of improving the national level policy debate. However, these benefits can only accrue from a willingness to undertake significant change, specifically:

### *Capacity*

1. Staff and training - Increased capacity for civil society engagement is needed both globally and at the national level if the Fund is to improve the engagement process. While specialist staff with knowledge of the complex world of civil society and participation issues is a benefit it is equally important to

provide training and advice to ResReps on local engagement.

Important to such capacity development is the need for a clear and distinct strategy for civil society engagement that recognises the complex and unique opportunities offered by engagement with the sector. Civil society must not be seen primarily as a risk nor as an adjunct to other constituencies, such as the media, but as broad source of expertise and insights nationally, regionally and internationally.

### *Culture*

2. Incentives – Fund staff should be encouraged to build positive relations with civil society through affirmation and also a knowledge that the institution values the opportunities more strongly than it fears the risks.
3. Rules of the Road – Improved understanding of civil society can create greater trust and help Fund staff to be aware of the behaviour norms of individual CSOs engaged in dialogue. Even so, this understanding can be fostered, particularly at national level, by negotiating agreed protocols for specific processes of dialogue. The Fund might also explore the establishment of similar protocols for processes of dialogue at the global level.

World Vision would stress that any protocols should be negotiated and agreed nationally (and if applicable internationally) and should cover

such issues as: confidentiality, access to information/staff, objectives, reporting, meeting rules, explanation of Fund decisions on NGO input and timeframes. Protocols should be viewed as a confidence building mechanism among those involved and not as a means to narrow the spectrum of engagement, all processes of dialogue should include a wide range of civil society groups/perspectives.

While specific dialogue processes may include an agreement to maintain confidentiality of information the protocols underpinning such discussions should always be publicly available.

While the Fund must encourage broad-based dialogue with civil society and aim for the highest standards of transparency it would also in some circumstances be possible to reconcile these aims with some form of accreditation for specific dialogue processes. Any accreditation process must, however, also be mutually negotiated and agreed with civil society and must also provide the possibility for inclusion of all CSO types and perspectives.

4. Transparency – As mentioned above while all dialogue processes may benefit from confidentiality on some subjects there should be transparency regarding the processes through which the discourse takes place. At national level the policy discourse, and with it the degree of ownership of reform, could be helped by the publication of the policy matrix and Letter of Intent. The Fund could also do more to assist the debate on reform by publishing those

internal reports not approved by the Board under a less formal status, possibly as ‘discussion’ documents.

#### *Process*

5. Process Mechanisms – the current mechanisms for dialogue and engagement are a step forward but remain insufficient, particularly at the national level. At national level the Fund should seek to establish formal and regular opportunities for direct engagement with civil society outside of official government mediated channels (such as PRSP consultations). Direct processes of engagement are those most likely to lead to a constructive discourse that might both give the Fund a greater perspective on local political-economy while also offering an opportunity to enhance ownership of reform.

World Vision would therefore recommend the establishment of national level consultation and dialogue groups between the IMF and CSOs, meeting at least quarterly. Similar consultation groups might also be considered at the international level on individual issues/initiatives.

In addition to the initially agreed dialogue protocols such regular meetings with civil society will also create its own norms and expectations that will with time build trust. Fostering such dialogue will entail addressing the culture issues that currently deter ResReps from holding substantive regular meetings with civil society. One possible means to foster such a trend would be an ‘Operational

Directive' laying out procedures, an option discussed in more detail by Angela Wood.<sup>6</sup>

6. Crisis/Recession Consultation Groups – Regardless of the Fund's decision on the suggestion of national level consultation groups in all countries, World Vision would strongly recommend that such groups should be established in crisis prone states. It is critically important in these countries that the Fund have access to CSO groups from which it can take readings of micro-level social change resulting from economic fluctuations, particularly in time of recession. Such groups should consist of cross-sections of operational NGOs.
7. Discernible Processes of Change – It will be helpful if trust and goodwill are to be established for dialogue, at whatever level, to lead to indications that the voice of civil society has been heard, appreciated and acted upon. At the international level the Fund should also be transparent as to how and when civil society input is transmitted within its policy/practice approval processes, including to Board level.
8. Local Accountability – At present there is no point of direct local accountability for the IMF in relation to the communities and people of the countries with which it reaches agreements. Professor Danny Bradlow has suggested the

possibility of an Ombudsman arrangement<sup>7</sup> (interestingly an approach currently being developed by a consortium of NGOs for those engaged in humanitarian relief). There are certainly local accountability arrangements that could be instituted, perhaps following models pursued by other International Financial Institutions (IFIs).

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<sup>6</sup> Angela Wood, *Structural Adjustment for the IMF, Bretton Woods Project*.

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<sup>7</sup> Danny Bradlow, 2000, *A Proposal for an IMF Ombudsman*, unpublished

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