

INTERNATIONAL MONETARY FUND

INDEPENDENT EVALUATION OFFICE

IMF Interactions with Member Countries

November 25, 2009

The IEO's findings and recommendations were discussed by the IMF's Executive Board on December 14, 2009. The evaluation covered the period 2001-08, with particular attention paid to 2007-08. The published volume also includes the official staff and management responses to the evaluation, the IEO's reaction to these responses, and the Summing Up of the Executive Board discussion.

Abbreviations

BIS	Bank for International Settlements
CAS	Country Assistance Strategy
CPS	Country Partnership Strategy
CSO	Civil Society Organization
DMD	Deputy Managing Director
ED	Executive Director
EUR	European Department
EXR	External Relations Department
FSAP	Financial Sector Assessment Program
FSF	Financial Stability Forum
GFSR	Global Financial Stability Report
G-7	Group of Seven Major Industrial Countries
HIPC	Heavily Indebted Poor Countries Initiative
HQ	Headquarters
IEO	Independent Evaluation Office
IMF	International Monetary Fund
LIC	Low-Income Country
MD	Managing Director
PDR	Policy Development and Review Department
PIN	Public Information Notice
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
ROSC	Report on the Observance of Standards and Codes
REO	Regional Economic Outlook
RSN	Regional Strategy Note
SSA	Sub-Saharan Africa
TA	Technical Assistance
UFR	Use of Fund Resources
WEO	World Economic Outlook
WHD	Western Hemisphere Department
WP3	Working Party 3 (OECD)

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Executive Summary

This evaluation assesses the degree to which IMF interactions with member countries were effective and well managed in 2001–08, with particular attention paid to 2007–08. It contains a number of findings that are relevant to the tasks that lie ahead for the Fund in implementing the new responsibilities it has recently been given to help members deal with the global financial crisis.

Overall, the evidence is mixed. While one may be tempted to take solace from relatively high perceptions of overall effectiveness in some country groupings, such reaction needs to be tempered by clear evidence of lack of agreement between the authorities and staff on the scope of interactions in some cases, and of widely varying effectiveness in particular roles. Interactions were effective in a program and technical assistance context, and, in general, in contributing to a good exchange of views and in providing objective assessments. However, in other areas, including in the international dimensions of its surveillance and other work, where one would expect the IMF to excel, effectiveness and quality were not rated highly.

The evaluation evidence shows that IMF interactions were least effective with advanced and large emerging economies. They were most effective with PRGF-eligible countries, and, to a lesser extent, with other emerging economies. Particularly troubling was the continuing strategic dissonance with large advanced economies, especially about the Fund's role in international policy coordination, policy development, and outreach. The authorities did not give the Fund high marks for its effectiveness in these areas. Neither did staff, who nevertheless aimed to do more. The evidence also points to limited effectiveness with large emerging economies, many of whom saw the surveillance process as lacking value and/or evenhandedness.

The evaluation found that outreach with stakeholders beyond government contributed little to the effectiveness of IMF interactions. The Fund's transparency policy did less than staff had hoped to increase the Fund's traction, as some authorities blocked timely dissemination of mission findings. Dissemination initiatives designed to gain influence in domestic policy debates by repositioning the Fund as an informed analyst—and distancing it from the negative legacy of past engagement—remain work in progress.

The evaluation found that interactions were undermanaged, although some individuals managed particular interactions very well. The Fund's strategy was ineffective in enhancing traction with surveillance-only countries. The Fund paid too little attention to the technical expertise and other skills that might have added value, and neglected to manage pressures that staff felt to provide overly cautious country assessments—a finding of major concern, especially in respect to staff work on systemically important countries. In PRGF-eligible countries, an institutional strategy replete with attractive financing, debt relief, and strong links to donor funding made for an abundance of traction. But in some cases it also led to what authorities perceived to be arrogant and dictatorial staff behavior—though they saw evidence of progress in recent years. Staff incentives and training largely ignored interactions, and responsibilities and accountabilities for relationship management were not clear.

The following recommendations aim at enhancing the effectiveness of IMF interactions with members:

- **To make the Fund more attractive to country authorities and promote traction:** (i) improve the quality of the international dimensions of the Fund's work; (ii) recruit specialist skills and bring more experts on country visits, especially where traction is waning; (iii) articulate menus of products and services for emerging-market and advanced economies; and (iv) replace the now defunct country surveillance agendas with strategic agendas to enhance country focus and accountability.
- **To improve the effectiveness of outreach:** (v) clarify the rules of the game on outreach; and (vi) decide how to handle the Fund's negative reputational legacy in countries where it is a factor undermining interactions, and equip staff with the skills and resources to follow through.
- **To improve the management of interactions:** (vii) develop professional standards for staff interactions with the authorities on country assessments; (viii) increase mission chief and staff tenure and training, and improve incentives for interactions; and (ix) clarify relationship management responsibilities and accountabilities.

I. INTRODUCTION

1. **This report presents the evidence and findings of an evaluation of the effectiveness of IMF interactions with member countries.** It is being issued at a critical juncture for the international monetary system, when the IMF has adopted a more flexible approach to lending, and been given important new responsibilities and a major injection of resources to help members deal with the global financial crisis. Implementation of the new roles will present major challenges, as will maintaining traction when the crisis subsides, and with it the demand for the Fund’s quick response role, in which it has traditionally been effective.

2. **Against this background, this report highlights the evaluation’s findings and lessons learned most relevant to the tasks that lie ahead for the Fund.** It does so through the lenses of the evaluation’s two main questions: (i) whether interactions between the IMF and its member countries were effective and (ii) whether they were well managed. It focuses on interactions during 2001–08, with special attention to 2007–08. It covers interactions with the entire membership; for analytic purposes, it uses three main country groups—advanced economies, emerging economies, and PRGF-eligible countries.

3. **In conducting the evaluation, the team examined evidence covering a wide variety of IMF experience and country circumstances, triangulating across data sources where possible (see Box 1).** Interview and documentary evidence was gathered and analyzed for 49 case study countries, including interviews with officials and IMF staff working on those countries. Surveys polled country authorities and civil society in member countries, and IMF staff. Special studies explored selected themes, and in the course of their work, evaluation team members visited selected countries to follow-up on issues that had surfaced in preliminary interviews with country officials at IMF headquarters or in written responses to questionnaires. Interviews also were conducted in several non-case-study countries in conjunction with IEO visits for different purposes. The team drew on the evidence of previous IEO evaluations.

4. **The structure of this main report is as follows.** Chapter II summarizes the evidence on the effectiveness of the IMF’s interactions with country authorities. Chapter III summarizes the evidence on interactions with other in-country stakeholders, and Chapter IV, the evidence on whether interactions were well managed. Chapter V draws conclusions and makes recommendations. Annex 1 profiles the country groups used in the analysis.¹ Companion papers on the three main country groups consider the evaluation’s evidence and analysis in more depth.

¹ The evaluation also covers interactions with selected territorial entities that are not states as understood by international law but which maintain regular interactions with the IMF. Throughout this report, the term “country” refers to both member countries and these selected territories.

Box 1. Evaluation Building Blocks

Motivation for the Evaluation: This evaluation is motivated by the central importance of the IMF's interactions with member countries to the institution's ability to achieve its goals, and by the persistence of criticisms from country authorities, staff, and outside observers.¹ Also relevant, aspects of interactions and their shortcomings have been recurring themes in past IEO evaluations. As the nature of interactions with member countries has evolved in recent years, and more changes are in prospect, it is timely to review past practices and lessons learned as inputs into future strategies and actions.

Definition of Interactions: For purposes of the evaluation, interactions are defined to include exchanges of information, analysis, and views between IMF officials and country authorities, or other people or entities in member countries. They include the policy dialogue between the authorities and staff in the context of surveillance and financial and monitoring programs, as well as capacity building. They also include informal contacts with the authorities that can build mutual understanding and trust. They involve interactions with others, including parliamentarians and civil society, as they affect that key relationship between the authorities and staff.

Evaluation Scope: In defining its scope, the evaluation starts with the IMF's results chain, which includes as critical ingredients: (i) the quality of the Fund's analysis, advice, and assistance; (ii) its interactions with member countries; and (iii) its impact on country policies, and in due course, on outcomes. Within this results chain, the evaluation focuses on the middle stage of interactions. In so doing, the evaluation does not ignore the other two stages of the results chain—the quality of analysis and impact on policy directions and outcomes—but it does not address them in depth. The evaluation also looks at three instruments in the management of interactions—strategy, staffing, and relationships; it asks how and how well the Fund calibrated each to promote effective interactions.

Definition of Effectiveness: The evaluation considers interactions to be effective to the extent that they contribute to the overall purposes of the IMF as established in the Articles of Agreement and Executive Board policies. Those policies countenance a range of roles for interactions, from the identification of risks to external stability for the benefit of the international community as a whole, to the provision of advice and related services for the benefit of individual countries. The evaluation does not equate effectiveness with maintaining smooth and harmonious relations at all times.

Measurement of Effectiveness and Related Properties: The evaluation polled the country authorities and IMF staff on their perceptions of the overall effectiveness of IMF interactions in each country. It also polled them on the relevance and effectiveness of ten different IMF roles—in contributing, for example, to the development of domestic policy frameworks or to international policy coordination—and about the quality of various aspects of interactions. The resulting data were used to construct composite indicators of interactions for comparing the Fund's role relevance, role effectiveness, quality, strategic alignment, and overall perceived effectiveness across five country subgroups—the large and other advanced economies, the large and other emerging economies, and the PRGF-eligible countries.

Evidentiary Sources: The evaluation relied on three main data sources—surveys, interviews, and internal documents. Each of these three sources is covered in a companion background technical document which sets out how the data were obtained and analyzed, and catalogues its findings, albeit in very summary form with a view to protecting confidential sources. Survey responses were received from representatives of the authorities in 129 countries, and civil society representatives in 159 countries. 830 staff members responded to the survey working on 170 countries. The interview evidence, which was focused on the 49 case-study countries, was gathered in face-to-face and telephone meetings with about 300 country officials and stakeholders and IMF staff members. The document review involved the reading of internal documents delivered to IEO by the IMF's five area departments for the 49 case-study countries for the entire 2001–08 evaluation period. To manage possible interpretation and measurement risks associated with individual pieces of evidence, the evaluation triangulated across the individual sources of evidence and applied judgment when different sources suggested different answers.

¹ See IEO (2008).

II. WERE INTERACTIONS WITH COUNTRY AUTHORITIES EFFECTIVE?

5. **In assessing the effectiveness of interactions between the IMF and the authorities of member countries, the evaluation focused on the perceptions of country officials and individual Fund staff members working on those countries.**² Evidence on these perceptions was gathered through surveys of the whole membership, and interviews focused on 49 countries that explored a number of aspects of effectiveness, which were then considered in tandem with the evaluation's documentary evidence. This chapter explores what the evaluation's evidence has to say about the effectiveness of this interface, looking at it from a substantive perspective. The strategic, stylistic, and relationship management issues associated with the management of interactions are taken up in Chapter IV.

6. **The evaluation took the view that general perceptions of overall effectiveness, to be meaningful, needed to be grounded in a common understanding on the part of the authorities and the IMF staff of what interactions were supposed to achieve, and in evidence that agreed roles were performed effectively and were of high quality.** With this in mind, the evaluation framework developed measures for different aspects of perceptions of interactions. It also provides a systematic basis for considering the evaluation's other evidence (from interviews, documents, and case studies) in forming its overall judgments.

7. **On this basis, overall, the evidence is mixed.** While one may be tempted to take solace from relatively high perceptions of overall effectiveness in some country groupings, such reaction needs to be tempered by clear evidence of lack of agreement between the authorities and staff on the scope of interactions in some cases, and of widely varying effectiveness in particular roles. Interactions were effective in a program and technical assistance context, and, in general, in contributing to a good exchange of views and in providing objective assessments. However, in other areas, including in the international dimensions of its surveillance and other work, where one would expect the IMF to excel, effectiveness and quality were not rated highly.

8. **In turn, these findings translate into the evaluation's broader implications about effectiveness across country groups—that the Fund has been most effective with the PRGF-eligible countries and the smaller emerging economies.** They were the least effective with the advanced and large emerging economies, together accounting for about 90 percent of global GDP, where there also have been continuing differences between the authorities and staff on the Fund's role and relevance in interacting with them.

² The evaluation also collected some information on the interactions between Executive Directors and member countries, which revealed very varied relationships across the membership. These issues were examined in greater depth in the recent IEO's evaluation of the IMF's governance.

9. **Against this background, the chapter starts with cross-cutting issues—setting out first the big picture, drawn primarily from the survey evidence, and several key themes that the evidence highlights.** It complements that discussion with a brief exploration of the particular issues arising by country group, drawing from the evaluation’s case studies of 10 advanced economies, 23 emerging economies, and 16 PRGF-eligible countries, which are discussed in greater detail in the three companion papers on the country groups.

A. Cross-Cutting Issues

10. **Measurement framework and key themes.** This section sets out the measurement framework developed by the evaluation for structured discussion of different aspects of effectiveness. It then explores four Fund activities (basic country assessment of surveillance and other Fund activities, international dimensions of Fund country analysis, policy dialogue, and country programs and technical assistance) using the framework’s building blocks.

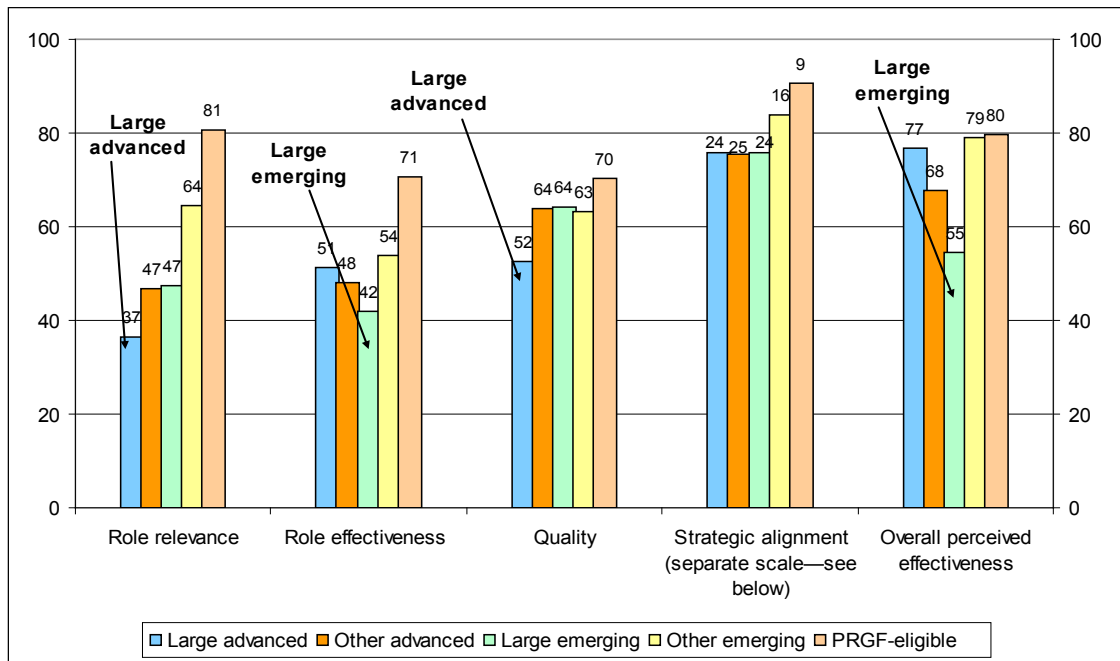
Indicators of interactions

11. **Box 2 presents composite indicators of interactions, derived from the authorities’ perceptions as recorded in the evaluation survey.** They cover the authorities’ ratings for (i) role relevance, (ii) role effectiveness, (iii) quality, (iv) strategic alignment with staff views, and (v) overall perceived effectiveness—all as defined in the box. Figure 1, shown later in the chapter, presents the same indicators from the IMF staff’s perspective.

- **Taken together, the data show that PRGF-eligible countries were satisfied in important respects with the substance of their interactions with the Fund—and to a lesser extent so were the other emerging economies.** This does not mean there were no problems in interactions with these countries or that there was not much to improve, but it does show the importance of relevant products and services for effectiveness. These results are reinforced by the interview and documentary evidence, and also by the staff survey.
- **But for the advanced and large emerging economies, the indicators are less favorable to the Fund.** Role effectiveness was rated the lowest by the authorities of the large emerging economies, while role relevance and quality were rated the lowest by the authorities of the large advanced economies. Low marks also came from staff working on large advanced economies with respect to overall perceived effectiveness and other dimensions of effectiveness.

Box 2. Composite Indicators of Interactions

Role Relevance, Role Effectiveness, Quality, Strategic Alignment, and Overall Perceived Effectiveness of Interactions: Authorities' Views of the Last Two Years (2007–08)



The above indicators measure five dimensions of interactions—role relevance, role effectiveness, quality, strategic alignment, and perceived effectiveness.

- **Role Relevance:** This is measured by the average of authorities' interest ("a fair amount" or "very much") in ten possible purposes of IMF interactions.¹
- **Role Effectiveness:** This is measured by the authorities' ratings for the Fund's perceived effectiveness ("effective" or "very effective") across the ten purposes, with the rating for each purpose weighted by its perceived relevance (the share of authorities who wanted each purpose "a fair amount" or "very much").
- **Quality:** This is measured by the average of the authorities' perceptions of the IMF's performance ("good" or "excellent") in ten qualitative aspects associated with effective interactions.²
- **Strategic Alignment:** This refers to the degree of agreement between the authorities and the staff on the 10 purposes of IMF interactions, whose relevance was rated by survey respondents. The indicator is shown with an inverted scale: the average absolute percentage point difference across the ten purposes between how much the authorities wanted the IMF to fulfill each purpose and how much staff aimed to do so ("a fair amount" or "very much"). (0 = perfect alignment; 100 = perfect misalignment)
- **Overall Perceived Effectiveness:** This indicator shows the share of authorities answering "effective" or "very effective" to a direct question on perceived effectiveness of IMF interactions during the last two years (2007–08).

Source: IEO calculations based on IMC Surveys.

¹ These are: (i) providing a clear and objective assessment of their country's policies and prospects; (ii) contributing to a good exchange of views; (iii) contributing to the development of policy frameworks; (iv) advising on operational aspects in implementing policies; (v) helping to build and maintain policy consensus within the government; (vi) helping to build and maintain policy consensus through contacts outside government; (vii) presenting analysis and assessments of the country's economy to other countries, donors, or financial markets; (viii) contributing to international policy coordination, including spillover analysis; (ix) providing financial and/or monitoring support for the country; and (x) assisting in building capacity in their country.

² These are: (i) listening carefully to the authorities' perspectives; (ii) responding in general to the authorities' changing needs and priorities; (iii) responding quickly to requests for analytical work; (iv) actively engaging in a constructive dialogue; (v) focusing on topics of interest to the country; (vi) providing advice and analysis suited to country circumstances; (vii) providing analysis based on the experiences of other countries; (viii) bringing quickly to the authorities' attention the implications of changing external conditions; (ix) presenting alternative scenarios and addressing "what if" or "what's missing" questions; and (x) taking a long-term strategic approach to the relationship.

12. **Key features of Box 2’s indicators are discussed below.**

- **Role relevance:** For the advanced and the large emerging economies, the low level of this indicator in part reflects these authorities’ limited interest in programs and technical assistance. But that is not the full story. The underlying data also point to limited interest in the Fund’s policy advice (including on operational aspects) and related outreach, and very limited interest by the large advanced economies in a contribution by the Fund to international policy coordination.³ In both cases, the results raise questions as to why these ratings are so low—and in particular whether it was the quality of the staff analysis that had caused the authorities’ interest to wane or whether they simply did not want IMF staff critiquing their policies in the first place—issues to which the report returns in the discussion of the advanced economies below (paragraphs 20–23).
- **Role effectiveness:** This measure is higher for the large advanced economies than for the large emerging economies. As a composite of underlying scores, the difference reflects inter alia the much higher score the large advanced economies, and the much lower score the large emerging economies, give to the effectiveness of two roles—assessing and exchanging views on countries’ policies and prospects—to which they both assign a high priority.⁴ (These points are discussed further in paragraph 15 below and illustrated in Figure 2. They are discussed in more detail in the companion paper on the advanced economies.)
- **Quality:** Noteworthy here is the relatively low score provided by the large advanced economies, as highlighted in Box 2. It reflects the frequent assignment of a rating of “average” to most aspects. Exceptions are the Fund’s work in responding quickly to the authorities’ requests for analytical work and actively engaging in a constructive dialogue for which most large advanced country respondents said the Fund did a good or excellent job. The quality scores provided by the other groups, especially the PRGF-eligible countries, are higher. The two activities with the worst scores overall were: (1) bringing quickly to the authorities’ attention the implications of changing external conditions and (ii) presenting alternative scenarios and addressing “what if?” or “what’s missing?” questions.
- **Strategic alignment (between authorities and staff):** Most noteworthy is the much higher level of strategic alignment among the PRGF-eligible countries, and to a lesser extent the other emerging economies, than in the three other country groups. To a considerable extent, this difference reflects the much greater meeting of the minds

³ As discussed and illustrated later in the chapter, in paragraph 23 and Figure 8, the other country groups have much greater interest in such work.

⁴ In brief, as a composite, this indicator is very much affected by the weights survey respondents attach to its underlying elements, whether these weights are explicitly articulated or implicit in the respondents’ answers.

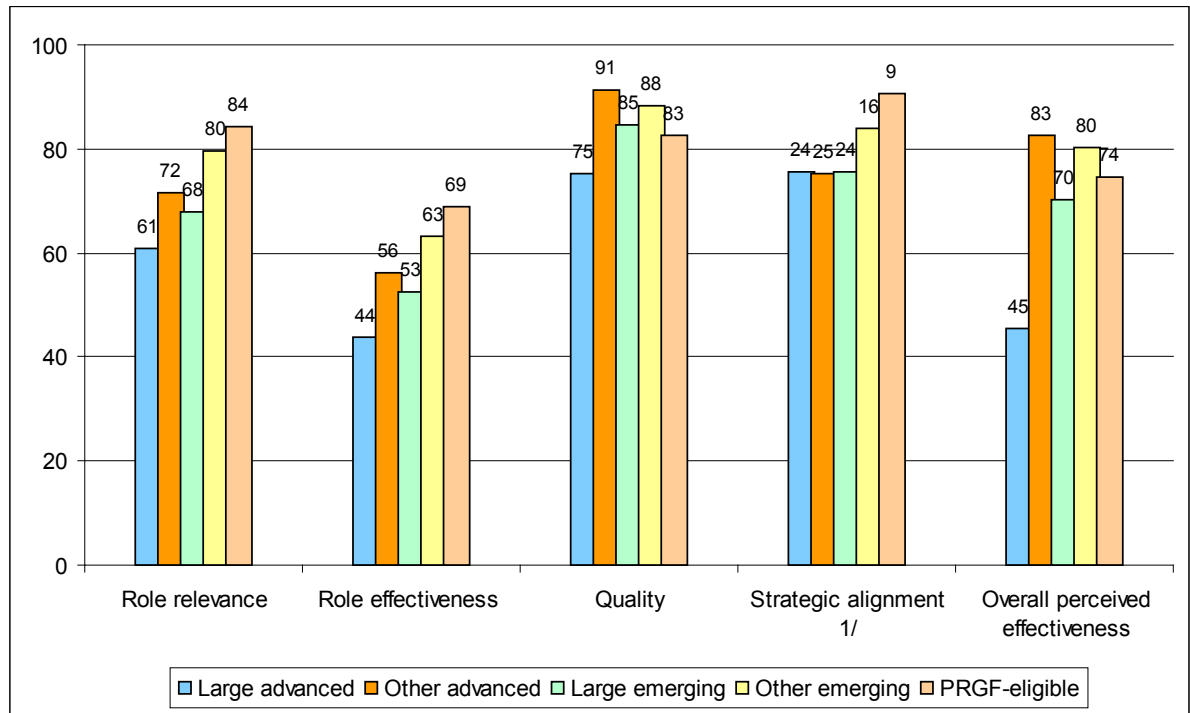
between the authorities of PRGF-eligible countries and other emerging economies and staff on issues such as the contribution of the Fund to the development of policy frameworks, and to the development and maintenance of policy consensus outside government. There is no such meeting of the minds on these issues between the authorities of the advanced and large emerging economies and the staff—topics to which the paper returns in Chapter IV.

- **Overall perceived effectiveness:** Compared with some of the other ratings, this indicator is relatively high for the large advanced economies and relatively low for the large emerging economies. It reflects the authorities' ratings for the direct question on the overall effectiveness of interactions with the IMF over the last two years (2007–08), implicitly leaving respondents to apply the weights they deemed appropriate to particular roles. For the large advanced economies, it may be that the relatively high rating implicitly reflects the high rating given to the two roles that these authorities value highly (discussed in paragraph 15).⁵ This said, it cannot be ruled out that the authorities are giving the Fund at least some credit for other services it performs, for example vis-à-vis other countries. Conversely, in the large emerging economies, it also cannot be ruled out that consideration of other contextual factors—as discussed further in this chapter—is affecting this rating. Whichever the explanations, it is impossible to ignore the staff's self-assessment of its effectiveness in these countries—measured both by role effectiveness and by overall perceived effectiveness, as illustrated in Figure 1 below.

13. **The evaluation also constructed composite indicators based on the IMF staff survey, as pictured in Figure 1.** These show the usual pattern of more positive ratings by the staff than the authorities. The sole departure, which is quite marked, is for the effectiveness ratings provided by the staff working on large advanced economies. The two effectiveness ratings for 2007–08 shown in Figure 1 are in the 44–45 percent range. Also, they show the reverse pattern displayed by the authorities of the large advanced economies, for whom relevance and quality were rated low but effectiveness, relatively high. In contrast, for the staff, relevance and quality are high and perceived effectiveness is low, suggesting that staff feel they are doing the right thing and doing it right, but somehow are not getting through. These issues are explored in more detail in the companion paper on the advanced economies.

⁵ Indeed, the indicator closely tracks alternative formulations of the composite indicator for role effectiveness that are weighted towards the authorities' top priority roles.

Figure 1. Composite Indicators of Interactions (Staff Results)



1/ Inverted scale. The average absolute percentage point difference across the ten purposes between how much the authorities wanted the IMF to fulfill each purpose, and how much staff aimed to do so ("a fair amount" or "very much").

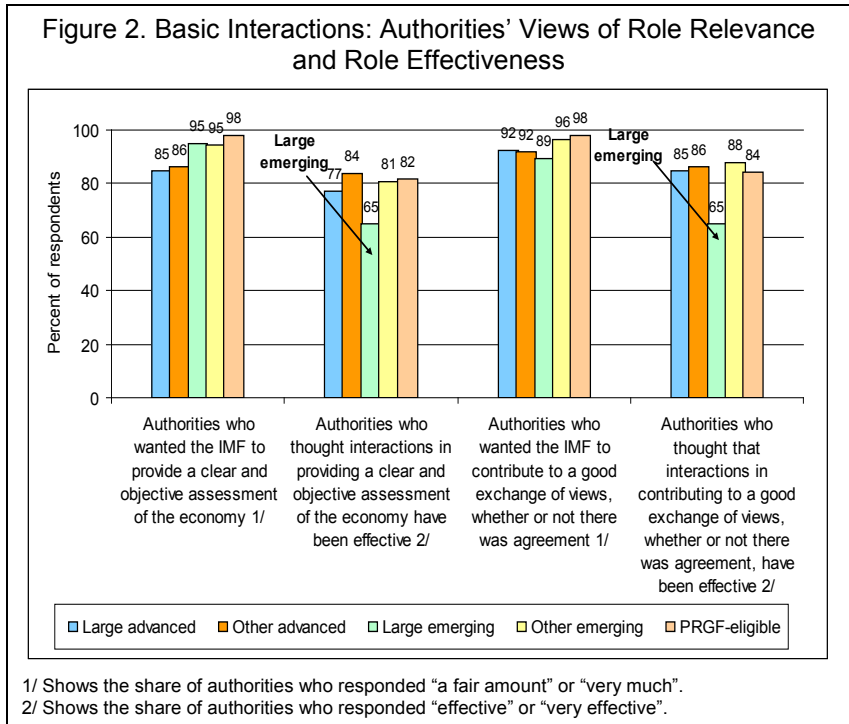
Key themes

14. **Four themes capture the essence of the evaluation survey's findings with respect to the similarities and differences in views about the Fund's effectiveness across the country groups—findings echoed in the evaluation's interview and documentary evidence.** They relate to: (i) the basic purposes of interactions, relevant to all members through surveillance and other processes; (ii) international dimensions of the Fund's work, including importantly on surveillance; (iii) dialogue on country policy frameworks; and (iv) programs and technical assistance. Each is discussed briefly in turn in the following paragraphs, and in subsequent sections of the report.

15. **Two basic purposes of interactions queried in the evaluation survey received very high scores for relevance from most authorities.** These were: (i) providing a clear and

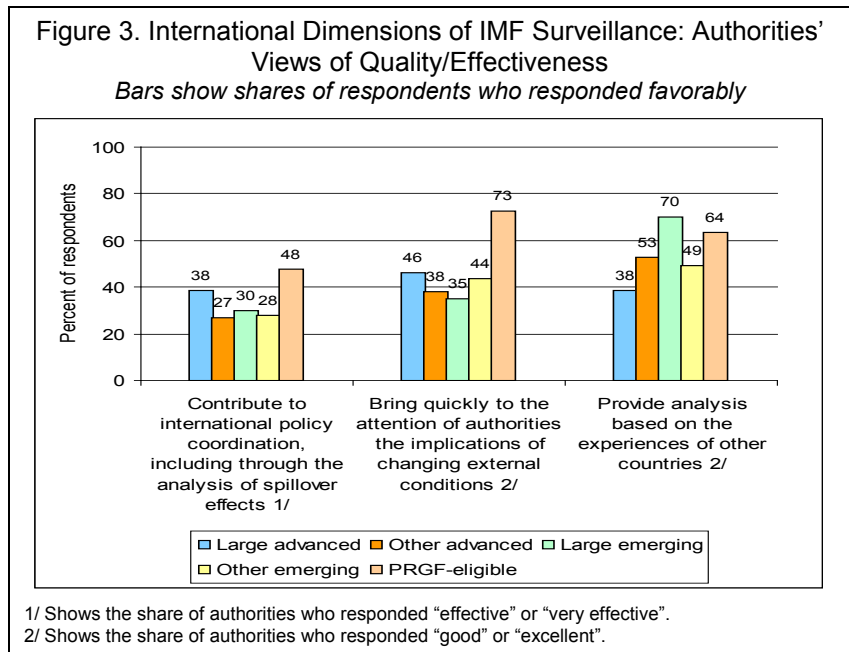
objective assessment of their country’s policies and prospects; and (ii) contributing to a good exchange of views—two roles often associated with Article IV consultations, but also relevant to program discussions. As shown in Figure 2, the authorities of all country groups—except the large emerging economies—gave those two purposes very high effectiveness ratings, as did staff working on all country groups. In interviews, the

authorities of the large emerging economies generally saw the surveillance process as “going through the motions,” providing little value added, and having too little depth—issues explored in more depth below and in the companion paper on the emerging economies.



16. **Surveyed authorities were decidedly less enthusiastic about Fund performance on several international dimensions of the Fund’s work.** As Figure 3 shows, the authorities did not rate highly the effectiveness of interactions in contributing to international policy coordination including analysis of spillovers.

They rated somewhat higher the quality of the job done in alerting authorities about imminent external risks, and providing cross-country analysis—although still far below Figure 2’s ratings

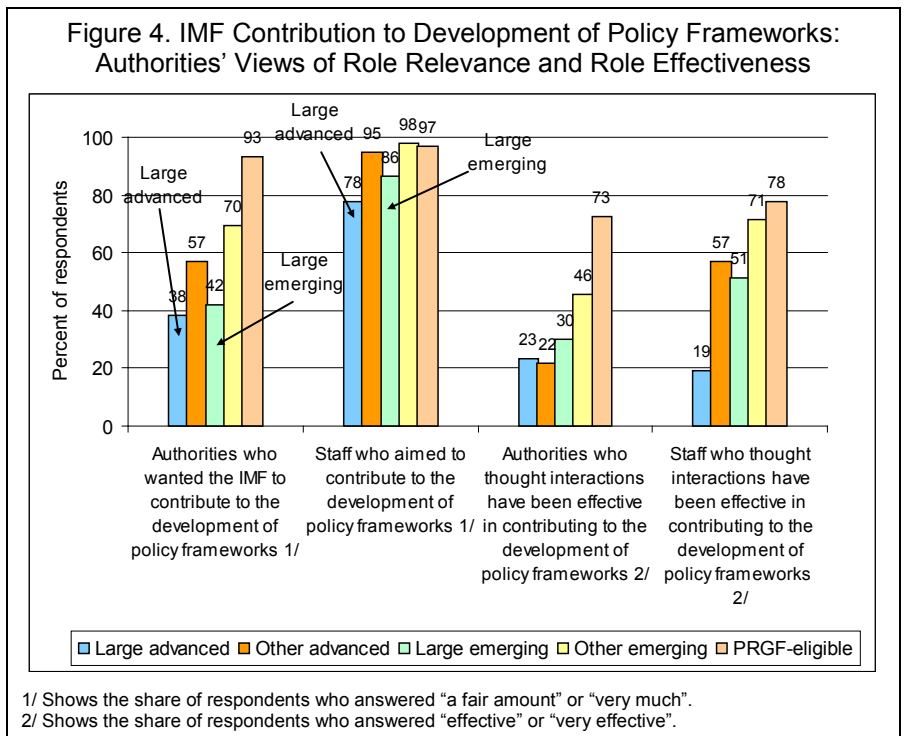


for the basic assessment and exchange of views. For the most part, only minorities of country respondents thought the Fund did a good or excellent job. One exception is PRGF-eligible country authorities' views on the Fund's bringing quickly to their attention the implications of changing external conditions. Based on the evaluation interviews, this reflects the Fund's quick response to the food and fuel crises of 2007–08, which the authorities found helpful in the dialogue, and, later in the evaluation period, actions taken in September 2008 to make the Exogenous Shocks Facility easier to access. In terms of cross-country analysis, this was one area where the large emerging economies gave the highest scores. Elsewhere it was a more serious concern, for example with an official of one advanced economy capturing a more widespread sentiment in describing the staff use of relevant cross-country experience as “erratic” and seemingly accidental, depending on who happened to be on the mission and what that person happened to know. Preferably, the analysis would have been the result of a systematic effort to prepare for the mission by looking into the challenges the country was facing, drawing on knowledgeable staff, and the broader stock of knowledge accumulated within the institution, for material that might be helpful to the discussions.

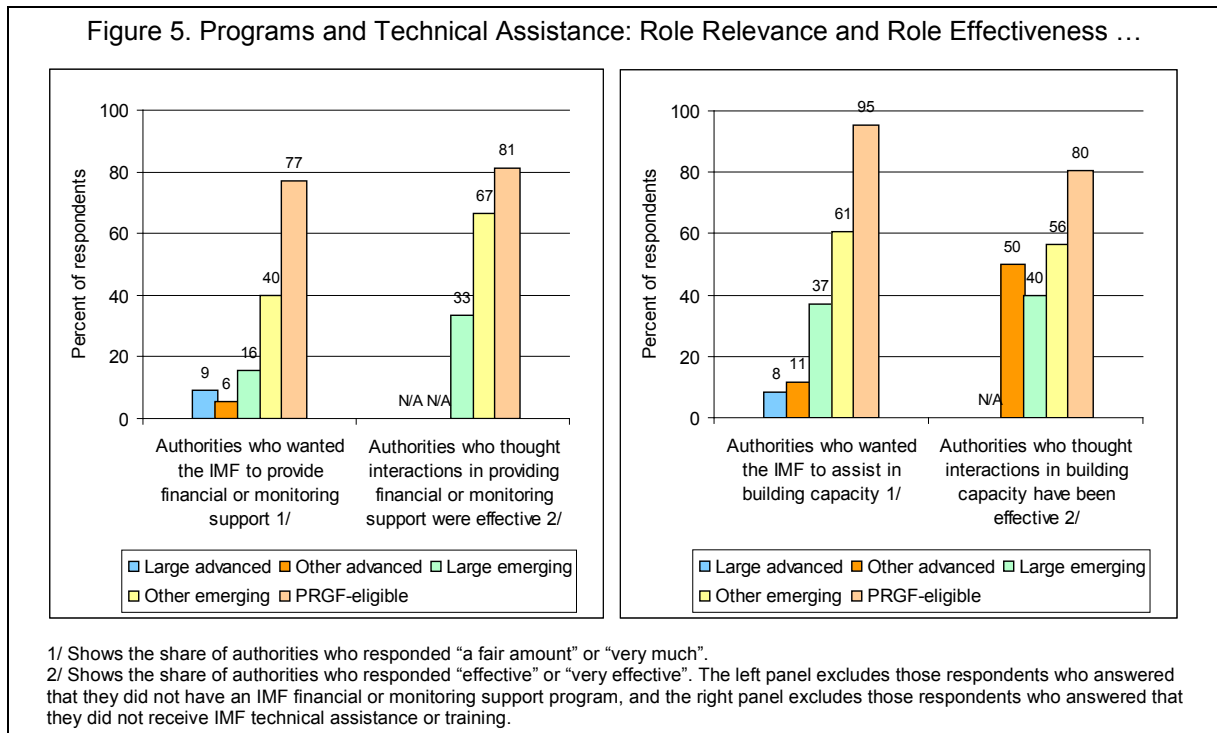
17. The survey results suggest limited interest by the authorities of large advanced and emerging economies in the Fund's contribution to the development of policy frameworks, which they rated even lower for effectiveness.

As shown in Figure 4, the authorities of PRGF-eligible countries and the other emerging economies, and to a lesser extent the other advanced economies wanted such inputs from the Fund, while large majorities of staff working on *all* country groups said they aimed to make a contribution in this area. Figure 4 also shows the authorities' and staff's ratings for effectiveness, on which there is

convergence at low levels on the large advanced economies and at high levels on the PRGF-eligible countries. For the other advanced and emerging economies, there are sizeable disconnects between the authorities' and staff views on the effectiveness of the staff's inputs in this area.



18. **The fourth key theme is the authorities' interest in programs and technical assistance, which, like policy advice, is largely confined to the PRGF-eligible countries and the other emerging economies, although there was some interest also by large emerging economies, including more recently.** As Figure 5 shows, the survey feedback generally has the authorities' views on effectiveness very much in line with their interest in them.⁶ These issues are briefly discussed in Section B, below, and explored in more depth in the companion country papers on the emerging economies and the PRGF-eligible countries.



B. Interactions in Different Country Groups

19. **The following three sections deepen the discussion of interactions on the cross-cutting issues by focusing on the underlying country issues and concerns, especially those that arose during the evaluation interviews.** They also provide additional evidence drawn from the companion country papers and other sources.

Advanced economies

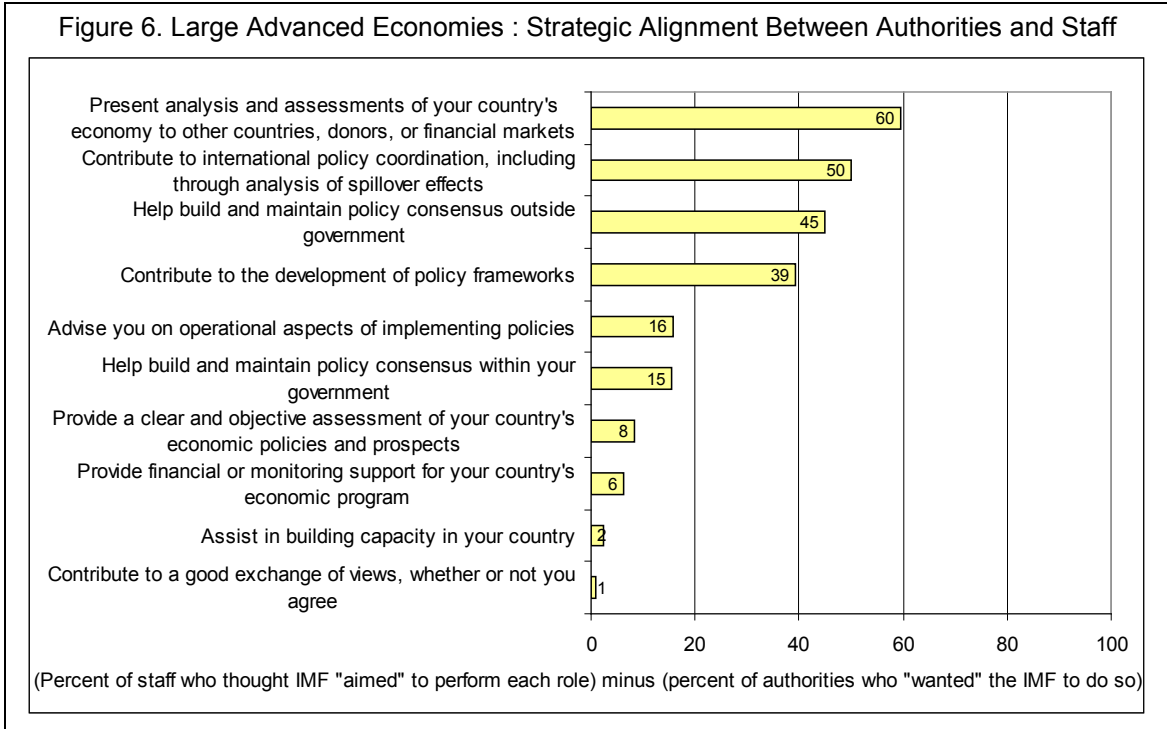
20. **The weight of the evaluation evidence from all sources suggests that IMF interactions with the advanced economies were effective only over a very limited range of roles.** The large advanced economies (the G-7) were generally uninterested in the Fund's work on their own economies, beyond a quiet exchange of views. The authorities in most of

⁶ Figure 5 shows an entry for the large advanced economies under monitoring/financial programs. This reflects an entry by one respondent to the survey.

these economies did not want contributions to the development of policy frameworks or staff presentations to other countries and markets of their country's economic analysis and assessment. Interactions were somewhat more effective with the other advanced economies than they were with large advanced economies, although not enormously so, reflecting the greater range of Fund activities of interest to this larger group of countries and their greater "demand" for external inputs and sounding boards (especially in perilous times, as during the recent crisis). Neither the large nor the other advanced economies rated highly Fund inputs on key services such as the provision of cross-country lessons of experience, customized to their country's conditions, the delivery of timely "heads-up" about upcoming threats, or the linkages between macro and financial sector analysis, although the FSAP process generally received high marks from authorities in the G-7 and the other advanced economies.

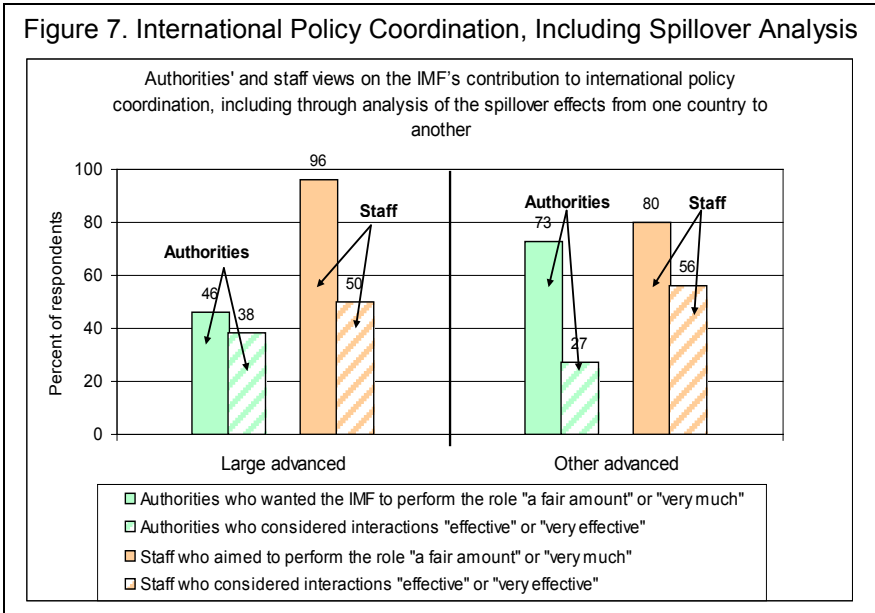
21. **There were important differences of views between the authorities of the large advanced economies and staff working on them on the relevance of several possible Fund roles—including contributions to the development of policy frameworks and providing information on the economy to other countries and financial markets, roles in which the authorities and staff agreed that interactions were not effective.**⁷ More broadly—and as illustrated in Figure 6—underpinning Box 2's strategic alignment indicator for the large advanced economies lie disagreements on four of the ten queried roles—the two just mentioned plus two others, namely: (i) contributing to international policy coordination, including through analysis of spillover effects (discussed below) and (ii) helping build policy consensus outside government (discussed in Chapter III). On the priority (or not) of the other six roles, the authorities and staff broadly agreed on two as priorities (objective assessment of policies and prospects, and good exchange of views) and on four as non-priorities (capacity building; consensus inside government; operational aspects of implementing policies; and program support/monitoring).

⁷ See companion paper on IMF Interactions with Advanced Economies.



22. **Figure 7 illustrates the authorities' and staff survey responses for the large and other advanced economies on the relevance and effectiveness of the Fund's contributing to international policy coordination, including the analysis of spillovers.** It shows the

mismatch in perceptions between the G-7 authorities and staff on the role of the Fund, but their much greater agreement on its limited effectiveness. Indeed, only about half of G-7 survey respondents wanted such work done, while almost all staff working on G-7 countries said they had aimed to do it, notwithstanding what they perceived as a lack



of interest on the other side. As one staff member working on a G-7 country confided, the only kind of spillover that the authorities of the country he worked on cared about were inward spillovers from the rest of the world to it; outward spillovers from it to the rest of the

world were of no interest. Meanwhile for the other advanced economies the story is very different, as the right-hand panel of Figure 7 shows: there, a strong majority of authorities wanted the Fund to contribute to international policy coordination. But in the event, many fewer rated Fund performance in this role as effective.

23. **More generally, majorities of *all* country groups, except for the large advanced economies, both wanted a greater Fund presence in international policy coordination and spillover analysis and—including the large advanced economies—gave the Fund low marks for effectiveness in this area** (Figure 8). With the then unfolding global crisis in

people’s minds, interviewed officials from advanced economies generally took the view that the IMF had been “no worse than others” in predicting (or not) the events of 2008. But they also said that the institution was not playing to what should be its comparative strengths in being able to analyze crosscutting global themes and identifying risks. Meanwhile, several interviewees complained about the lack of a U.S. FSAP, especially in current circumstances. In sum, several large advanced economies had not bought into key aspects of surveillance, whether for reasons associated with the perceived quality

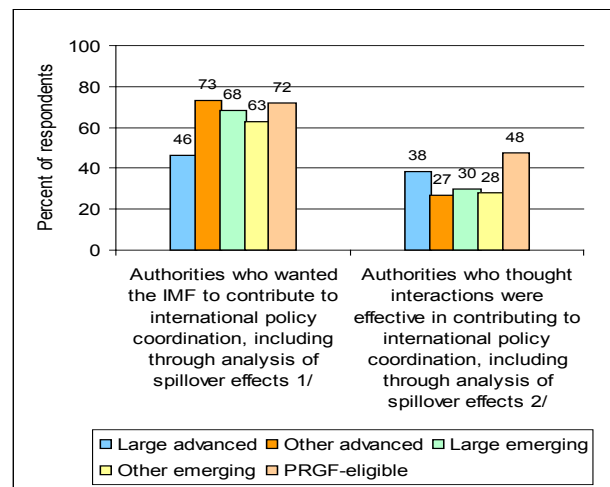
of the Fund’s work or for other reasons; at the same time, their preference to limit the Fund’s work on their own economies also contributed to and reinforced their and others’ judgments that the Fund did not add much value. Against this background, the recent decision by the membership to give the Fund a more explicit role in policy coordination provides an important opportunity to reset Fund activities in these areas, but also an important delivery challenge.

Emerging economies

24. **Taken together, the survey, interview, and documentary evidence suggest that IMF interactions with the large emerging economies were effective over a fairly limited range of activities, and that they were effective over a broader range of activities with the other emerging economies.** This said, as for all country groups, unique country factors shaped interactions with the Fund.

25. **Overall, the large emerging economies rated the effectiveness of interactions lower than any other country group, including the other emerging economies.** Box 2, for

Figure 8. Policy Coordination and Spillover Analysis: Which Country Groups Want the IMF to Do It and Consider It Effective ...?



1/ Shows the share of authorities who responded “a fair amount” or “very much”.
2/ Shows the share of authorities who responded “effective” or “very effective”.

example, shows that for most composite indicators, there are sizable differences between the large and the other emerging economies. These are driven in turn by the underlying differences in views about the relevance and effectiveness of individual roles, for example on Fund contributions to policy frameworks, programs, and capacity building. Exceptions include cross-country analysis (see Figure 3) and staff turnover and continuity (treated in Chapter IV), where the large emerging economies provided more favorable ratings than did the other emerging economies.

26. Until the recent crisis, part of the story of interactions in emerging economies was about transitions from programs to surveillance.

- **Interviews with the authorities showed that as countries transitioned to a surveillance-only relationship, interactions became more harmonious.** Most interviewed emerging economies' officials who experienced the transition, either within the evaluation period or earlier, viewed the less prescriptive relationship under surveillance more favorably, although there were exceptions to this view. Yet bad memories of past programs (and program discussions) tended to dominate the views of some interviewed country officials whose authorities would be reluctant to enter into any relationship with the IMF that would involve (or be perceived to involve) a loss of policy autonomy.
- **For Fund staff, the transition entailed a downgrade from a position of power and influence to a new regime of reduced interest by the authorities in dialogue with them, and in turn reduced access to key people and information.** Indeed, in contrast to the authorities' low interest in engaging with the Fund on the policy framework (as shown in Figure 4), well over 80 percent of staff working on those countries said they aimed to do just that. And in interviews, they reflected on the missed opportunities they saw in the institution's failing to define a strategy for the new terrain. Several resident representatives linked these problems to the difficulties they experienced in building relations of trust with the authorities.

27. Against this background of changing circumstances and context, interviewed officials from several large emerging economies saw the surveillance exercise as routine and uninteresting—adding little value, as per their low effectiveness ratings for interactions in Figure 2.

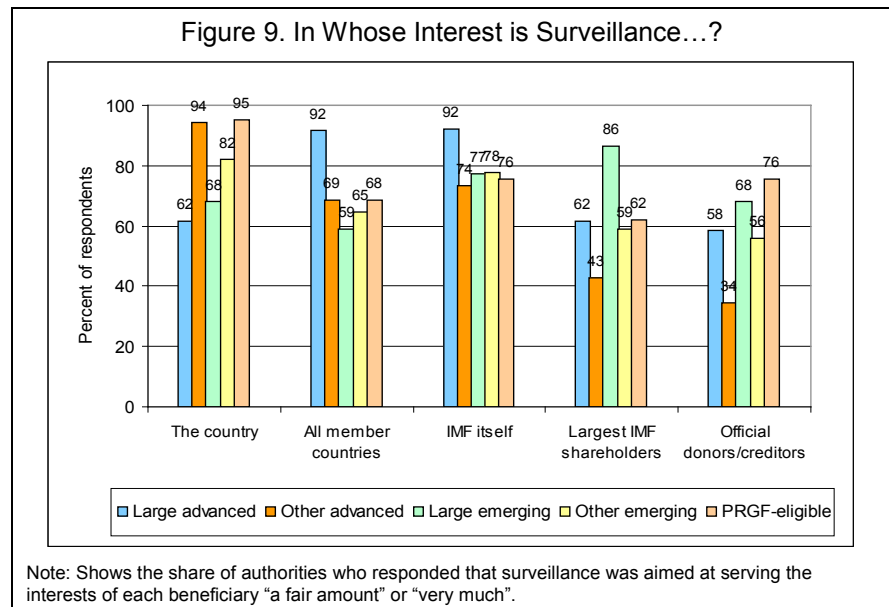
- **A majority of interviewees indicated that the IMF's advice offered few new perspectives or was behind the curve on global financial developments affecting their economies.** Some officials indicated that they were looking for new angles on their own policies, but did not get them from the Fund. They were attracted to formats where more interesting discussions took place, increasingly through regional and other broader fora involving interactions with peers.

- **Meanwhile, some mission chiefs tried to deepen the surveillance dialogue, for example, by dovetailing technical assistance with surveillance in ways that both sides considered useful.** Other staff reached out to authorities in providing follow-up analysis and advice after missions. According to staff, the authorities tended to value seminars, which provided an informal setting for freer debate than the more formal Article IV dialogue, outside experts, and cross-country perspectives.
- **Several authorities expressed the view that they received less valuable input from Article IV consultations than from technical interactions with the IMF, notably those that took place in the context of the FSAP; ROSCs; technical assistance (for inflation targeting in many cases); and training.** Several attributed this to the fact that such activities were more closely targeted to countries' specific needs. Further, authorities for the most part noted that the technical interactions were often conducted by individuals with implementation experience.

28. **The evaluation evidence highlights large emerging economies' concerns about the IMF's evenhandedness of treatment of different countries, influenced in part by the reaction to the 2007 Surveillance Decision.** Most telling, some large emerging economy survey respondents saw the Fund's surveillance work to be conducted predominantly in the interests of major shareholders, more than in their interests. Figure 9 shows that 86 percent of large emerging survey respondents said that surveillance was in the interest of the "largest IMF shareholders," while

only 68 percent saw surveillance as in their own interests. (This is in contrast to the other country groups, whose responses indicated a belief that their Article IV consultations were primarily in their interests, or in the interests of the membership and the IMF itself.) Indeed, in a few prominent cases, such as Argentina and

Venezuela, relations were so strained that regular consultations have not taken place for several years, and in the case of China, tension over the implementation of the 2007 Surveillance Decision led to a delay of two years in completing the Article IV consultation. Some also underscored their desire for advice that they characterized as objective and fair,



based on evidence, and driven by facts rather than ideology. One authority felt that a double standard was being applied. Some staff also reported concerns about the emphasis on exchange rate issues and comments from authorities about insufficient IMF criticism of the policies of a major shareholder.

29. **The 62 other emerging economies themselves constitute a diverse group, comprising subgroups of “small states,”⁸ emerging Europe, and relatively small countries in the Middle East, and other regions.⁹**

- **Interviewed officials from these economies offered more positive comments about the basics of interactions than those from large emerging economies, in line with the survey results illustrated in Figure 2.** Some welcomed the Article IV process as an opportunity to test their own ideas and to debate alternatives. But others agreed with the large emerging economies that Article IV reports and discussions were often just updates with very little new or interesting to the authorities.
- **Officials from other emerging economies generally said that interactions were improving, with some associating the improvement with their countries’ transition from program to non-program status, and others with their countries’ recent change *into* program status.** In the former, officials said they were positive about the changing relationship, largely because they now felt more in control and did not have to deal with conditionality. In the latter, officials cited the redefined conditionality as an improvement, with interactions in the program context very intensive and fruitful, compared to what they characterized as the irrelevance of earlier times.
- **The authorities of these economies gave Fund technical assistance—especially that delivered through its regional technical assistance centers—high marks, in the survey results and the interviews.** Interviewed officials from several countries highlighted the staff’s help on banking supervision and inflation targeting. And the FSAP process came in for high praise, including from officials of small states, who more generally were using the IMF to help ratchet up their technical expertise.

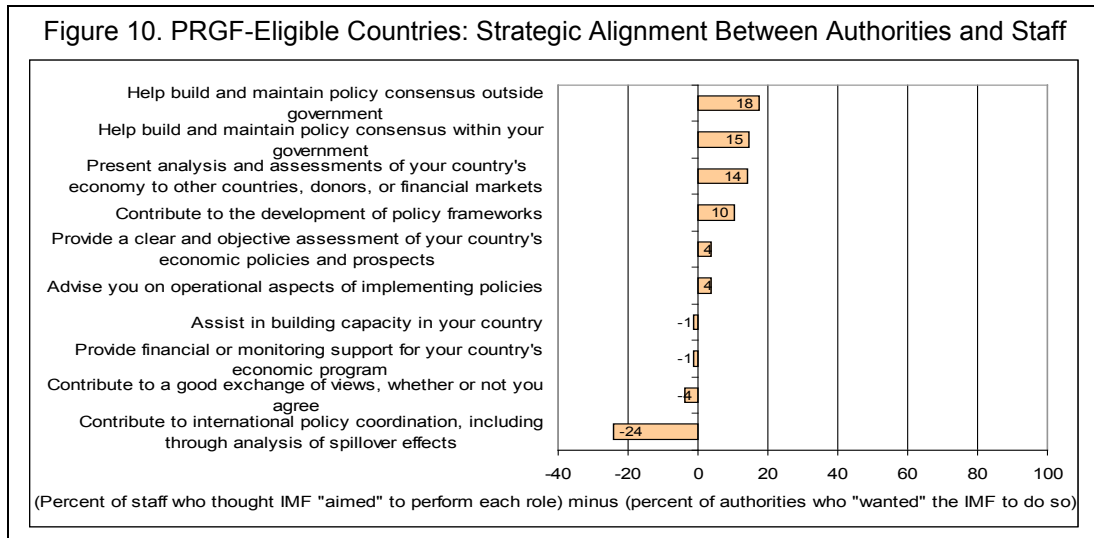
PRGF-eligible countries

30. **PRGF-eligible countries rated IMF interactions higher than other country group/subgroups on all evaluation indicators set out in Box 2.** The high strategic alignment rating is particularly relevant given that it is only for the PRGF-eligible countries

⁸ See: <http://go.worldbank.org/QLCDU7B8T0>.

⁹ One distinguishing feature of these countries is their average population of 6 million people compared with 200 million in the large emerging economies or 70 million if China and India are excluded.

that the Fund has an institutional strategy, as discussed in Chapter IV and developed in more detail in the companion paper on PRGF-eligible countries. In current circumstances, it means that for each of the 10 purposes of interactions set out in the evaluation survey, what the authorities of PRGF-eligible countries said they wanted from IMF interactions was closely aligned with what the staff working on PRGF-eligible countries said they aimed to do. (See Figure 10—also in comparison with Figure 6 for the large advanced economies.) In turn, this alignment contributes to effectiveness, as broadly speaking the authorities and staff are both working towards the same goals in their interactions.



31. **The evaluation evidence also suggests that most authorities and staff believe that during the evaluation period, the Fund added value in PRGF-eligible countries through financial and monitoring programs, debt relief, and donor signaling.** This “suite” of products and services brought to those countries substantial financial benefits, direct and indirect, securely anchoring the Fund’s role with this group of countries. The result was an abundance of traction in Fund interactions—in contrast to the situation in the surveillance-only advanced and emerging economies discussed above. But there was also a downside risk. Summarizing the views of several officials from PRGF-eligible countries, one Minister of Finance suggested that this traction put staff in a position of power vis-à-vis the authorities, raising questions about how the exercise of that power affected interactions in both substance and style. Substantive issues are touched on below, with the style issues taken up in Chapter IV. Both are explored further in the companion paper on PRGF-eligible countries.

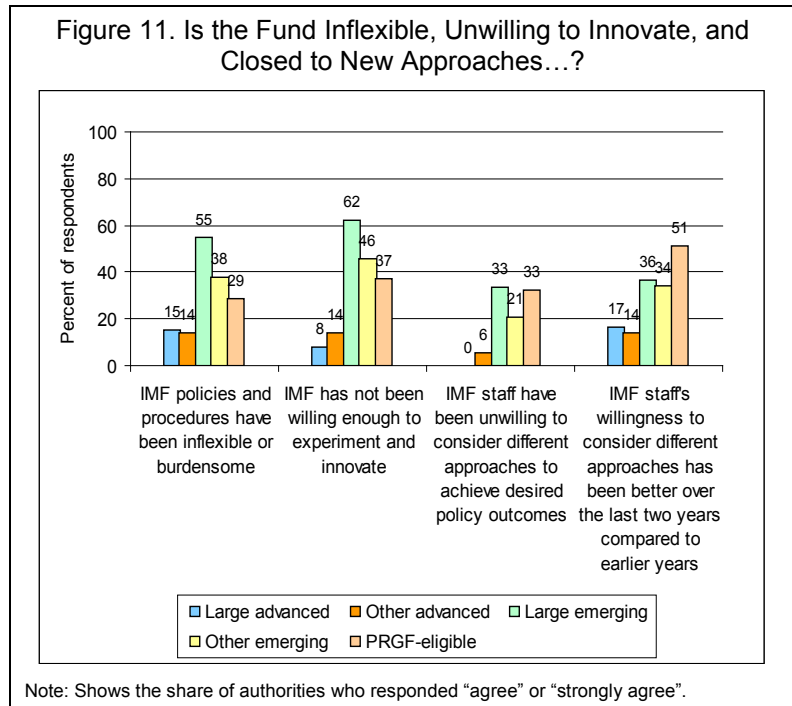
32. **The evaluation case-study evidence suggests that different countries saw the implications of the Fund’s power differently.**

- **For the authorities of some PRGF-eligible countries—especially those subject to major program interruptions and/or delays in debt relief—the underlying power imbalance was seen to drive interactions, including the adoption of what**

they saw as demanding and inflexible positions by Fund staff to which the authorities had to agree, or else. For several interviewed authorities, “inflexibility” was a lightning rod for bitter complaints about Fund interactions on conditionality, many of which related to major program interruptions and/or delays in the delivery of debt relief. Some felt that the policy agenda and program undertakings had driven by Fund staff in Washington, in part through what some senior officials called the “tyranny of the PDR review process.”

- **For the authorities of other PRGF-eligible countries, the Fund’s power was seen as helpful to their interests whether in dealing with the Paris Club, other creditors, and donors, or in helping them to discipline spending ministries and other interests at home.** Several interviewed authorities also pointed to the Policy Support Instrument as an important innovation that put them more squarely in the driver’s seat and gave more meaning to country “ownership” than did the PRGF.
- **The authorities’ perceptions about the Fund’s flexibility have improved in recent years.** The survey evidence illustrated in Figure 11 shows that 30–40 percent of PRGF-eligible respondents said that Fund policies and procedures were inflexible and that the staff was insufficiently willing to innovate. But half also said the staff’s willingness to consider different approaches had improved over the past two years. Indeed, most of the specific complaints raised in the interviews of officials from PRGF-eligible countries dated from the 2002–04 period, as detailed in the

companion paper on the PRGF-eligible countries.



33. **Important exceptions notwithstanding, the authorities of PRGF-eligible countries generally gave the Fund high marks for technical assistance and the specific expertise on which it draws, while raising questions about its strategic thrust and the sustainability of its effects.** Some expressed concerns about plans to introduce charges for technical assistance.

- **In the survey, 95 percent of respondents said they wanted the Fund to help build capacity and 80 percent said the Fund was effective in this role.** These numbers are much higher than for other country groups, even than for the other emerging economies. They praised staff delivering the Fund’s technical assistance, especially those from the regional technical assistance centers.
- **But several interviewed officials, noting the large quantities of IMF technical assistance that had been provided to their countries over the years, questioned what results it had produced in terms of sustained improvements in local capacity.** This raises questions about the programming of technical assistance, and how it relates to the country’s and Fund’s medium-term vision, and about its implementation.
- **The documentary evidence reviewed for the evaluation suggests that the links between Fund technical assistance programs and country priorities improved over the evaluation period, but still remained relatively weak.** The Fund’s surveillance agendas, introduced in 2006 as a short-hand strategy brief, often included technical assistance in the section on the staff’s work program, but did not make clear how the programmed items fit into the overall agenda. The Regional Strategy Notes on technical assistance, meant to improve the prioritization of technical assistance in line with the strategic objectives of both recipient countries and the Fund, were launched late in the evaluation period and are still finding their way, especially with respect to links to other work of the Fund and technical assistance provided by donors.¹⁰

III. WERE INTERACTIONS WITH OTHER STAKEHOLDERS EFFECTIVE?

34. **For much of its existence, the IMF operated in a bi-polar world, with staff interacting almost exclusively with the authorities of member countries, punctuated by fact-finding discussions with donors, creditors, and market participants.** This world started to change in the 1990s, and that change accelerated during the evaluation period as the Fund’s new transparency policy took effect, putting a premium on the publication of program documents, Article IV reports, and related papers. Companion efforts to enhance Fund staff communications emphasized outreach to in-country stakeholders beyond the authorities—to parliamentarians, to representatives of civil society as key constituencies, including think tanks and the media as vehicles for getting messages out to particular audiences and the wider public.

35. **Reflecting these changes, staff interactions with many of these other stakeholders intensified during the evaluation period.** In analyzing them, the evaluation identified three distinct purposes of such activities, while recognizing that all are present to

¹⁰ See IMF (2008b).

varying degrees in almost all IMF outreach events, and that conversely those with whom the Fund engages are themselves interacting with the Fund for their own various purposes.

- **The first kind involves activities intended primarily to inform Fund staff’s analysis for the IMF Executive Board and other audiences.** Such activities have long been a part of the Fund’s modus operandi, predating the transparency initiative. During the evaluation period, they involved discussions with external creditors and donors, as an input into a determination of likely financial support (or gaps); with domestic market participants, including business associations, market participants, and labor unions, to gauge different aspects of economic and financial conditions; and with other civil society groups to learn about their perspectives on policies and priorities, including in the context of the poverty reduction strategy process in PRGF eligible countries.
- **The second kind of outreach involves the Fund informing others, often for reasons of institutional accountability and legitimacy.** These activities were empowered by the transparency policy, which set the stage for a wave of outreach activities designed to inform key stakeholders about Fund activities and advice in member countries. They involved meetings and seminars with parliamentarians and the general public to inform them about Fund findings and recommendations about their country, typically with no objection from the country authorities.
- **The third kind involves staff trying to influence the course of country policies by stepping outside the policy dialogue with authorities and into the wider public debate about the direction of policy.** For example, EUR’s outreach strategy notes that its “ultimate measure of success is the extent to which our outreach increases the chances that we influence policy. [And that] outreach therefore needs to be an integral part of EUR’s operations.”¹¹ In a similar vein, WHD’s communications strategy states: “The ultimate goals of our outreach efforts are to affect policies or support them when they are appropriate. To meet these goals, our outreach effort aims at influencing the broader public debate and constituencies that indirectly but eventually determine policymakers’ choices.”¹²

36. **The evaluation finds increasing staff effort devoted to outreach activities, but little evidence of actual success in “influencing”.** During the evaluation period, such activities included the timely dissemination of Fund mission findings in some cases and public seminars on regional economic outlooks and other topics. Sometimes, such activities were encouraged by the authorities—especially in other advanced and emerging economies

¹¹ EUR’s internal guidance on Outreach Strategy.

¹² WHD’s Communications Strategy.

and in PRGF-eligible countries—who in some cases sought Fund staff assistance in securing support for reform. But in other cases, the authorities objected to such activities—most often in connection with the media—and when they did, the activities generally did not take place (consistent with IMF staff guidance). In between, the evaluation found a grey zone, where, for example, discussions with think tanks and market participants were viewed less warily by the authorities, with different staff members responding to such openings in different ways. In terms of results, only 21 percent of official survey respondents said that the Fund was effective in helping to build/maintain policy consensus outside government, and only 5 percent said it was very effective; the staff’s ratings were little higher—at 27 percent and 10 percent, respectively.

37. **The evaluation’s civil society survey received 704 responses from civil society representatives living in 159 countries.** Responses came primarily from think tanks, private sector associations, and non-governmental organizations, with fewer from the press and labor unions. In the advanced economies, most respondents were from think tanks and private sector associations. In the PRGF-eligible countries, almost half were from NGOs. Of the 704 respondents, 443 said they had had interactions with Fund staff between 2001 and 2008. Their responses portray staff as respectful, listening, and aware of host-country cultures, though with lower scores on cultural sensitivities from NGO representatives in general and from respondents from PRGF-eligible countries and large emerging economies. About half of the respondents who had met with staff did not answer¹³ the questions on whether (i) their views were taken into account in IMF discussions with the government and (ii) their discussions with the IMF generally contributed to building national support and initiative towards “IMF-backed policies”. About half of those who did answer said their views had been reflected—though the numbers were smaller for respondents in PRGF-eligible countries—and that their discussions had contributed to building national support for policies.

38. **Box 3 summarizes the main thrust of the evaluation’s analysis of country constraints to effective influencing in the country groupings, which is briefly discussed below and detailed in the companion country papers.** In many advanced economies, the deterrent to greater staff outreach was perceived resistance from the authorities themselves. In emerging economies, bad memories of past involvement with the Fund, compounded by concerns about the Fund’s legitimacy constrained staff outreach efforts. In PRGF-eligible countries, a major constraint was the reputational legacy of structural adjustment which reduced public receptivity to the IMF. This said, the PRGF-eligible authorities had the most positive survey responses on outreach of the country groupings, as explored in more detail in the companion paper on interactions with PRGF-eligible countries.

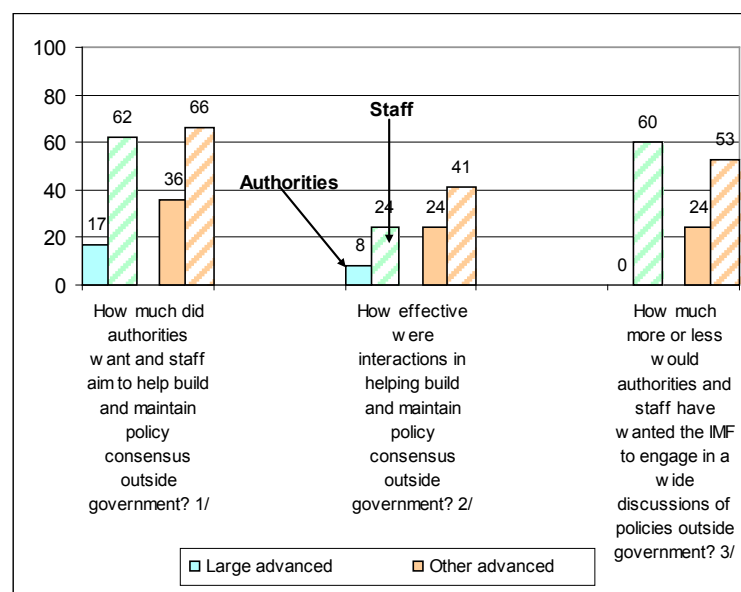
¹³ Includes “no response”, “not applicable” or “do not know”.

Box 3. What are the Country Constraints to Effective Outreach...?			
	Advanced Economies	Emerging economies	PRGF-eligible Countries
Reputational legacy from prior program engagement	Only relevant in one case during the evaluation period	Major concerns with many stakeholders outside government about past programs	Major concerns with many stakeholders outside government about structural adjustment
Country concerns about IMF legitimacy	None, though many acknowledge the need for greater voice of others	Major issues in large emerging economies, who see the IMF as biased in favor of the large advanced economies	Not a major issue in most PRGF-eligible countries, though it arises in criticisms about different treatment of rich and poor countries
Authorities' other views about outreach	Many authorities do not want Fund staff to interact with media and others on their economy	Many authorities do not want Fund staff to interact with media and others on their economy	Many PRGF-eligible countries want Fund staff outreach to help educate the public about economic management and reform

39. **Elaborating on the findings on the specific country groupings, the evaluation found that in the advanced economies, Fund staff faced considerable challenges with respect to outreach.** In these countries, interactions with other stakeholders, especially the media, can in principle provide a source of traction which is otherwise in short supply. Speaking on behalf of one of the area departments covering the advanced economies, one senior staff member said that the overwhelming factor in the 2001–08 period had been the transparency initiative, which led to a situation where the authorities had a greater incentive to be interested in the work of the Fund because the media dimension became more important. However, this sword cuts both ways. The surveyed and interviewed authorities of advanced economies were typically not enthusiastic about increased outreach in their countries, despite their support for such activities in other countries. Indeed, the survey evidence shown in Figure 12 illustrates the strong strategic dissonance between the very limited amount of policy-related outreach the authorities wanted and the far greater amount that staff aimed to provide. The dissonance was especially pronounced in respect to the large advanced economies. And, in terms of timely dissemination of Article IV mission messages, for example, few advanced economies have seen end-mission press conferences, although in

most cases the mission’s concluding statements are released in a timely manner. In the circumstances, staff faced recurring dilemmas about how much to push for more and better outreach: they had to weigh possible negative short-run effects of such efforts—including with respect to activities such as briefings for think tanks on mission findings—on their interactions with country counterparts, against the potential for positive medium-term effects such efforts may have on the Fund’s traction and effectiveness.

Figure 12. Do the Authorities of the Advanced Economies Want IMF to Help Build Consensus Outside the Government?



1/ Share of respondents answering “a fair amount” or “very much”

2/ Share of respondents answering “effective” or “very effective”

3/ Share of respondents answering “somewhat more” or “much more”.

40. **In the emerging economies, staff used different approaches to outreach depending on country circumstances.** In some large emerging economies, especially in East Asia and Latin America, the evaluation found that the Fund’s continuing unpopularity—which derived from its association with past financial crises and austerity programs, combined with cautions from authorities—deterred staff outreach. Whereas, in “emerging Europe,” and in a number of other emerging economies, the situation on the ground was quite different, and the Fund was seen in a more favorable light. The survey evidence makes clear that while many authorities in emerging economies did not have a problem with the Fund making outside contacts—and surveyed CSOs expressed generally favorable views about their interactions with the staff—only 10 percent of authorities of large emerging economies wanted the IMF to help build and maintain policy consensus through contacts outside the government. The percentage for the other emerging economies is much higher; though at 30 percent it is still not large. The cumulative effect of the various constraints was an abundance of caution by staff, who generally took a low profile in engaging beyond the authorities. In a number of cases, for example in Latin America, outreach beyond the authorities and market participants was—and remains—specifically off limits, especially in respect to the media. Meanwhile, the evaluation found more recent area department initiatives to disseminate analytic work in a variety of regional fora (including Regional Economic Outlooks) to reposition the Fund as a technical expert and analyst. Some of these efforts have also provided a useful platform for building relationships across countries and repositioning the Fund in regions and countries where bad memories of past Fund engagement remain strong.

41. **The evaluation found some progress in outreach in PRGF-eligible countries, especially in the very recent period, as compared with earlier evaluation findings.**¹⁴ As discussed in depth in the companion paper on these countries, the authorities of PRGF-eligible countries were the most open to further outreach by the Fund to all groups, especially to parliamentarians and market participants. But staff efforts in many country contexts still lagged in part because of resource constraints. The unresolved reputational legacy of structural adjustment and privatization was also a deterrent to staff, who sometimes encountered hostile receptions from local civil society groups. This legacy continues to complicate outreach in many PRGF-eligible countries, where civil society views the Fund very negatively; during the evaluation period, it severely limited the Fund's influence beyond the dialogue with the authorities and inhibited staff from engaging productively with other stakeholders. However, the evaluation did find examples of change, in which staff outreach—in the context of a growing economy—was able to rebrand the IMF from perceived agent of unpopular privatization and structural adjustment measures to champion of much more popular fiscal transparency initiatives.

IV. WERE INTERACTIONS WELL MANAGED?

42. **This chapter focuses on the management of interactions.** It looks at (i) institutional and country strategies for promoting and improving the effectiveness of interactions; (ii) staff-related management issues germane to the achievement of effective interactions; and (iii), of overarching importance, relationship-management issues, including the pulling together of the various strands of interactions into a coherent and consistent interface with the country authorities. It concludes: first, that institutional and country strategies played a limited role in promoting and improving the effectiveness of interactions. Even when there was an operational strategy, the associated staffing and relationship management issues were not always adequately addressed, to the detriment of the overall effectiveness of interactions. Second, that several issues in the management of human resources warrant particular attention—staff style and professional standards, including for candor—as they bear importantly on the effectiveness of interactions through the all-important interpersonal dimension of interactions. And third, that greater attention to the clarity of responsibilities and accountabilities is needed in the Fund's approach to relationship management, which should embrace the overall effectiveness of interactions as a performance benchmark.

Strategy

43. **How did strategy guide the overall direction of IMF interactions with member countries and promote and improve their effectiveness?** At the institutional level, the formalization of strategies has varied, with quite a bit more attention devoted to the strategy for engagement with PRGF-eligible countries than for other country groups. While at the

¹⁴ Notably, the evaluation did find evidence of increased outreach in Sub-Saharan African countries since the IEO's SSA evaluation, which had found earlier efforts to be "limited and ineffective." See IEO (2007a).

country level, there have been several institution-wide attempts over the years to develop a systematic approach, including experiments with internal country strategy briefs and ex post assessments for program countries. More recently, internal “surveillance agendas” were introduced at end-2006 for all member countries, but they were eliminated at end-2008.

44. **Looking at interactions with the advanced economies, the Fund did not have an explicit institutional strategy during the evaluation period, and its implicit strategy was weak in dealing with the challenge of effectiveness.** The latter, inferred from the documentary evidence and from the staff surveys and interviews, revolved around the surveillance process as the main vehicle for interactions with these economies. It involved writing reports and avoiding conflict with the authorities and—to enhance traction—pursuing in-country outreach unless the authorities objected. But as shown in Chapter II, the authorities of these economies neither wanted nor gave the Fund good marks on aspects of interactions that staff thought important—marks that staff generally agreed with. Nor, as shown in Chapter III, did authorities embrace Fund outreach activities, especially with the media. In such circumstances, the staff lacked a convincing strategy for increasing these authorities’ interest in interactions with them beyond a good exchange of views, and for bridging differences on important issues—such as on the Fund’s contributing to international policy coordination, including the analysis of spillovers, and to the development of policy frameworks.

45. **Nor did the Fund have an explicit institutional strategy for interactions with emerging economies during the evaluation period, or a successful implicit one.** Elements of institutional strategy specific to these countries were embedded in policy statements, such as the Fund’s Medium-Term Strategy,¹⁵ which highlighted financial and capital market issues and the Fund’s framework for financing. At the country level, the Fund’s implicit approach revolved around the surveillance process, the prevention and resolution of financial crises, and the stepped up provision of technical assistance—especially for other emerging economies. The implicit strategy also supported country efforts to wean themselves from the prolonged use of resources, although without putting in place a conscious strategy for making this transition, and in particular for engaging substantively thereafter.¹⁶ As in the advanced economies, the staff’s strategy for generating traction and influence in non-program contexts was linked to the Fund’s transparency policy. But also as in the large advanced economies, the authorities of most large emerging economies had little appetite for Fund outreach on their economies, especially in any fora involving the media. As a fallback, staff invested heavily in regional work designed to reposition the Fund as a knowledge-based institution specializing in the economic policy challenges that countries face, and the global and regional external environments that shape them. The jury is still out on the effectiveness and impact of these activities at both the regional and country levels.

¹⁵ See IMF (2005c).

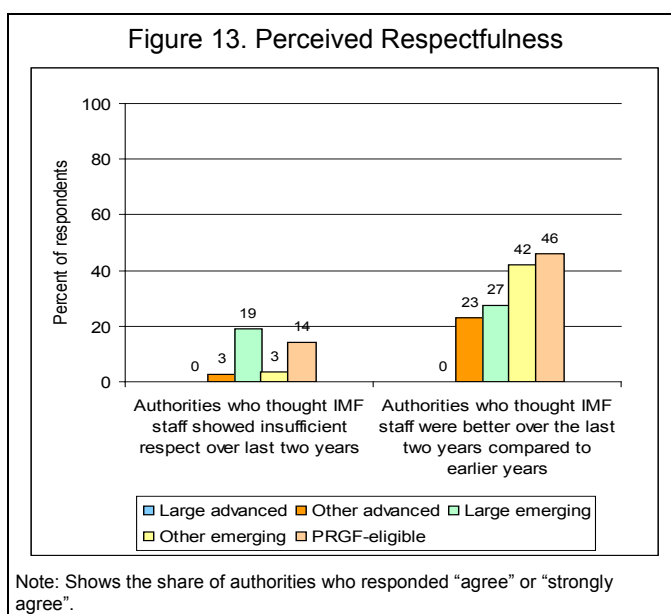
¹⁶ See Vieira da Cunha (2009).

46. **For PRGF-eligible countries, what had long been an implicit institutional strategy became increasingly explicit over the evaluation period, culminating in the 2008 paper “The Role of the Fund in Low-Income Countries” (IMF, 2008b).** To be sure, the articulation of the strategy was motivated by continuing Board questions about the Fund’s operational role in PRGF-eligible countries, about which some Executive Directors had major misgivings. But genesis aside, one result was that the Fund had a clear institutional strategy for its operational work with PRGF-eligible countries, around which the authorities and staff showed considerable strategic alignment about the roles and purposes of Fund interactions. Beyond this, the Fund was less systematic in customizing its approach to individual country conditions, especially—as a number of authorities complained—in taking account of country-specific political-economy and other dimensions relevant to the feasibility and appropriate sequencing of reforms. Also, as believed by 35–40 percent of program mission chiefs and resident representatives in PRGF-eligible countries, management and senior staff were unwilling to consider different approaches to achieving desired outcomes. Meanwhile, for much of the evaluation period, they gave little priority to managing face-to-face interactions with these authorities. One result was the aggravation of already difficult situations associated with program interruptions and delays, especially in the 2002–04 period, which remain vivid in the minds of authorities despite the passage of much time. Indeed, as one high-ranking staff member indicated—taking into account all the dimensions of interactions—there was no systematic strategy for Fund engagement at the country level, rather it depended very much on individual factors largely at the discretion of the mission chief. This lacuna is also relevant for the growing business of technical assistance where the importance of ensuring a strategic and country-focused perspective in the identification of priorities including for the Fund’s Regional Strategy Notes remains paramount, and for the Fund’s engagement in the broader dialogue on country policies and actions needed for growth and external stability.

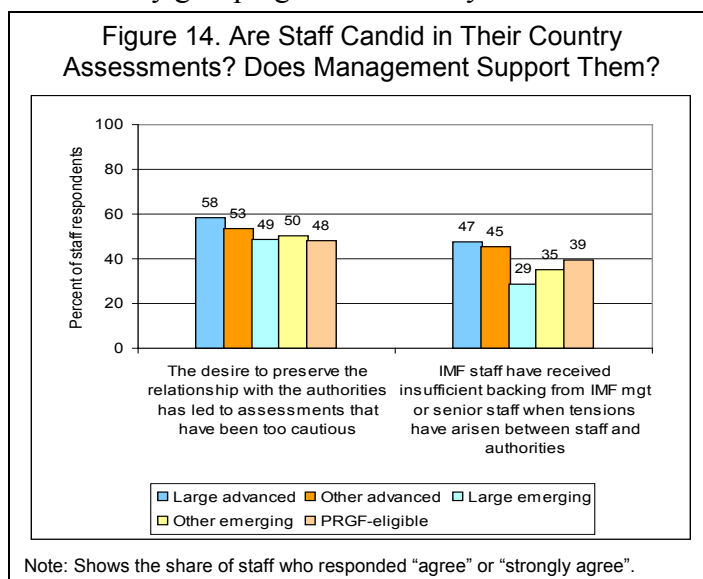
Staff style, skills, and incentives

47. **In looking at how the management of staff and related resources contributed (or not) to the effectiveness of interactions, the evaluation found some good news but also some bad.** The good news is that contrary to a popular critique, large majorities of respondents to the authorities’ survey portrayed IMF staff as analytic, respectful, and responsive. The bad is explored below, which sets out evidence of continuing concerns about style, skills, and professional standards, and points to the need for corrective action.

48. **It is no secret that critics have portrayed the Fund’s signature style as arrogant and overbearing—and so have some authorities.** In the evaluation interviews, for example, some government officials complained about staff attitudes, which they saw as causing problems, although most such comments referred to the first half of the evaluation period rather than the more recent period. In a backhanded compliment, one Minister of Finance from a PRGF-eligible country referred to what he called the staff’s “dictatorial style” as a thing of the past. Though some authorities did register ongoing complaints about style, the survey evidence does point to perceptions of change among the authorities of PRGF-eligible countries and other emerging economies, especially in the perceived respectfulness of staff towards the authorities, as illustrated in the right-hand panel of Figure 13. In emerging economies, the concerns about style that have persisted—with staff working on those countries reporting in the evaluation interviews that the IMF is seen as arrogant and high-handed—have been balanced by some interviewed officials’ characterizations of staff as respectful and open-minded.

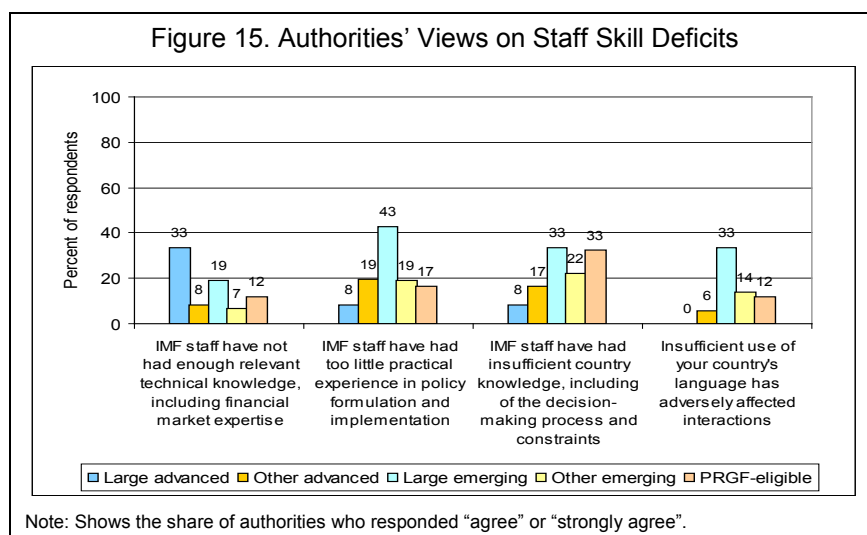


49. **The evaluation evidence also raises questions about staff objectivity—and the management of candor on the one hand and diplomacy on the other.** The left-hand panel of Figure 14 shows that staff working on all country groupings said that they had toned down their assessments “to preserve the relationship with the authorities.” Some self-censorship may be due to staff diffidence (and deference) in the face of large teams of knowledgeable officials that gives the authorities’ position the benefit of the doubt. But the companion data shown in the right-hand panel of Figure 14 suggests that many staff also feel they will not get support from management or senior staff in the case of disagreements. One implication is that some staff feel that if they provide a candid assessment

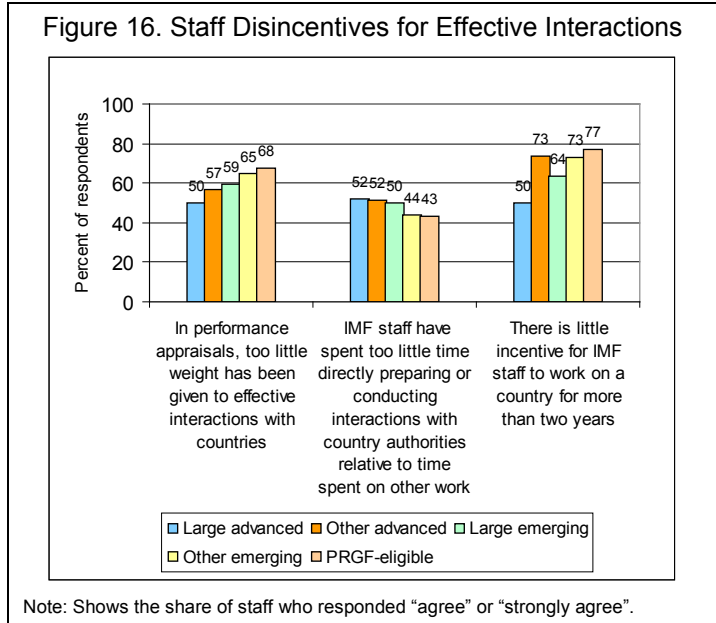


that displeases the authorities, the latter will complain and the staff member’s career will be hurt. To be sure, there may be instances in which staff mechanically applied analysis to situations that warranted more judgment or nuance, or greater diplomacy was needed in the delivery of the message. Still, the survey numbers remain worrying—especially in the context of the advanced economies, given their systemic importance and given that interviews with the authorities and staff confirmed the problem. Indeed, one interviewed official from a large advanced economy said that mission chiefs have been too ready to tone down their conclusions. Mirroring these observations, interviewed staff members said that their strategy was to try not to antagonize the authorities because of the risk that they would pick up the phone to management and complain. One senior staff member said that management effectively told the team that they did not want the mission to say anything that the Finance Minister would not like.

50. **The evaluation evidence identified skills deficits in several areas of importance to authorities.** In the survey results, summarized in Figure 15, different country groups raised different concerns: PRGF-eligible countries and emerging economies wanted more country knowledge; large emerging economies wanted more practical experience in policy-making and implementation, as well as language skills—so critical for effective interpersonal exchanges; and large advanced economies wanted more technical skills, including on the financial sector. Supporting and complementing these results, an overarching theme of the interviews was interest in more specific expertise. It arose in conversations with officials from PRGF-eligible countries that were just starting the transition to emerging economy status; it arose with officials from emerging economies, where technical and operational skills were in demand; and it arose with officials from emerging and advanced economies, which were looking for innovative approaches to new and/or unforeseen challenges. In the quest for improved traction, topping up the Fund’s skills base with specific expertise and better managing it, so that it can support and complement the authorities’ capacity, is clearly a priority.



51. **Lastly, the evaluation evidence indicates that institutional incentives do not favor interactions, or staff continuity, with the authorities.** Figure 16 shows that a majority of staff respondents feel that their interactions with the authorities carry too little weight in their own and colleagues' performance assessments. In addition, many feel they have too little time for such interactions (and the associated preparations) with other work for internal and Board audiences crowding it out. While continuity of relationships was clearly valued by authorities and IMF staff alike, the review found that insufficient continuity was a significant concern, particularly for a number of small states and more generally of PRGF-eligible countries and other emerging economies. Interviewed authorities of PRGF-eligible countries and other emerging economies said that the Fund's approach to staff turnover "undermined rather than supported capacity building..."



Some 75 percent of staff working on these countries said there was no incentive to work on a country for more than two years, which most interviewed authorities and staff said was too short for the development and nurturing of the relationships of trust needed for effective interactions. Staff also said there was very little training for senior staff, including mission chiefs, on how to interact effectively with country authorities or how to manage interactions. Their expressed concern has been the lack of structured learning activities, through which they could share with colleagues particular challenges they have faced, along with their innovative solutions, to the kinds of issues highlighted above, such as managing candor with the authorities, and managing within the institution.¹⁷

Relationship management

52. **Interactions in all their dimensions come together in the Fund's country relationships, which require proper management for effectiveness.** Box 4 summarizes the survey evidence on the authorities' perceptions about the effectiveness of Fund relationship management. By one measure, over 90 percent of authorities' survey responses from every country subgroup agreed the Fund's arrangements for relationship management were conducive to effective interactions. But on another closely related but differently structured

¹⁷ The courses offered on negotiating and influencing, managing effective missions and media and public relations include some material and skill practice on external interactions. These courses are seen as quite useful, but they are taken mainly by staff before they assume leadership roles.

survey question, the scores were much lower, as many survey respondents answered “average” to the question about the Fund’s long-term strategic approach to the relationship, when given the option. Clearly, for an institution like the Fund, with its aspirations and commitment to excellence, “average” is not good enough, hence the need to focus on areas where relationship management can be improved, as discussed below.

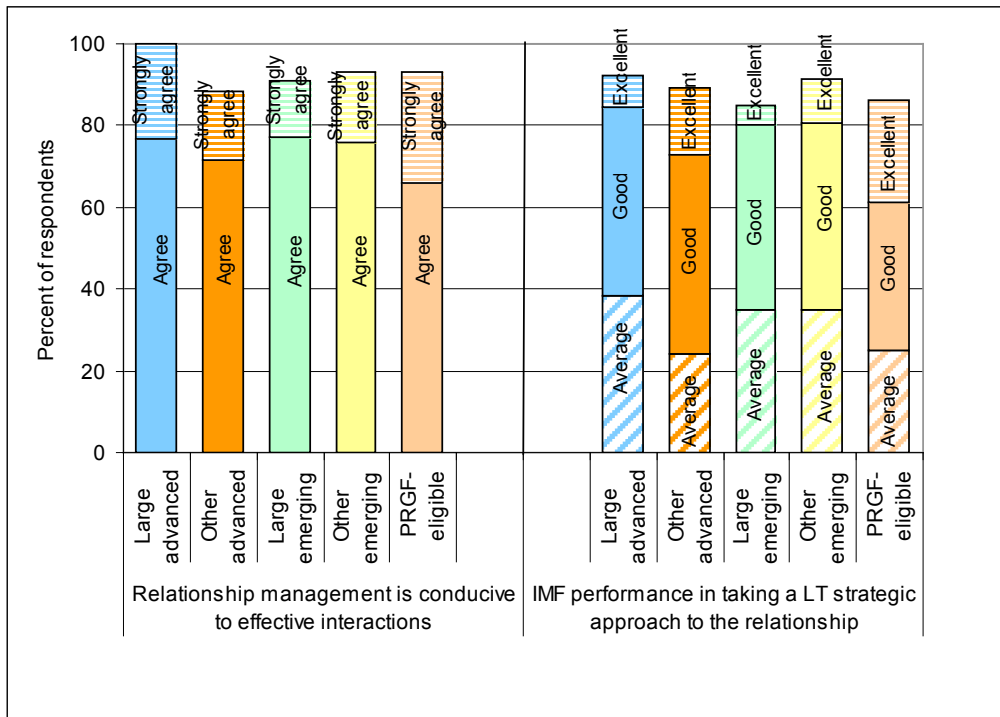
Box 4. Relationship Management in the Fund: Is Average Good Enough?

The figure below shows the evaluation survey evidence on the authorities’ perceptions about the effectiveness of Fund relationship management.

By one measure, over 90 percent of authorities “agreed/strongly agreed” that Fund relationship management was conducive to interactions. These ratings are shown in the left-hand panel.

But another, closely related question, produced different ratings. As shown in the right-hand panel, the favorable scores are much lower—unless ratings of “average” are also counted.

The difference reflects the choices given to survey respondents. For the left-hand panel, respondents had to say whether they agreed or not. Hence sitting was not an option. For the right hand panel, the respondents could say good, poor, or average. Some 40 percent of respondents who said they agreed in answering the question illustrated in the left-hand panel, answered “average” rather than “good” in responding to the question illustrated in the right-hand panel.



53. **Against this background, this section focuses on areas where the Fund’s approach to relationship management appears to fall short, drawing on evidence on internal arrangements and a review of comparator organizations.** Particular concerns warranting further attention include: (i) the clarity of responsibilities and accountabilities for relationship management; (ii) the cohesion across interlocutors in the Fund’s interactions

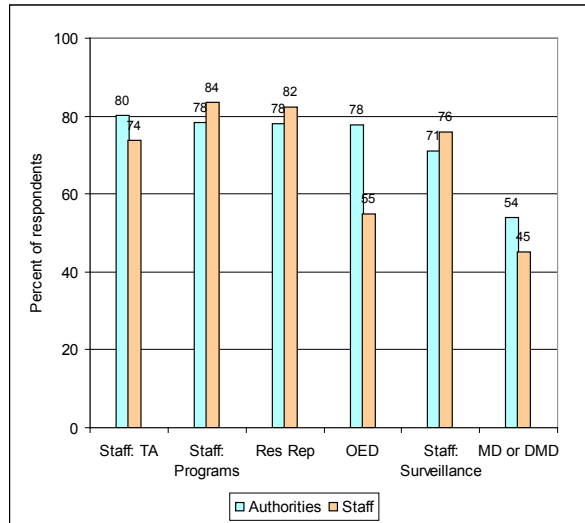
with the authorities; and, (iii) the management and role of resident representatives within Fund country teams.

54. **A lack of clarity about responsibilities and accountabilities for interactions was manifested in several ways, including in the above-noted shortfalls in taking a long-term strategic approach, as well as evidence of departures from the maxim that the Fund “speaks with one voice” in its interactions with authorities.** In interviews, staff emphasized the importance of

ensuring cohesion across departments and the need to take into account what one senior resident representative said was the functional departments’ diverse organizations and style of interactions with the authorities. Some staff members on occasion expressed frustration that the MD/DMDs had taken a different line in meetings than had been expected, or had not been effective with senior officials. And in a few cases, authorities were also

disappointed by the way in which issues were handled. More generally, the distinction between management’s direct role in interactions, and indirect role of delegating responsibility to senior staff, was unclear, as evidenced by the lack of explicit understanding, and uncertainties felt by staff.¹⁸ Some of these factors, together with limited MD/DMD interactions with some countries, may have influenced the authorities’ and staff’s responses to the survey question on the effectiveness of particular channels of interaction (Figure 17). The highest ratings went to staff working on technical assistance and programs and resident representatives, with the lowest to the MD/DMDs. For the authorities, interestingly, this is one instance in which the large advanced and the large emerging economies have given the

Figure 17. Who’s Effective in Interacting with Authorities?



Note: Shows the share of respondents who answered “effective” or “very effective”. Results for resident representatives, TA staff, and program staff include only those country respondents who answered that they had interacted with each.

¹⁸ The specific responsibilities and priorities for which the Managing Director will be held accountable by the Executive Board in the area of relationship management are not clear. The Managing Director conducts under the direction of the Executive Board the ordinary business of the Fund. A working group of Executive Directors was to report by early 2009 on the objectives to be used to assess the Managing Director’s performance. The Deputy Managing Directors are responsible for overseeing staff work and for maintaining high-level contacts with member governments. Memoranda sent to the Executive Board and staff following each change in the management team since 2000 indicate that the responsibilities for each Deputy Managing Director more generally cover “country relations” with a specified list of countries: the extent to which the deputy managing directors are responsible for conducting interactions themselves, as opposed to holding senior staff accountable for doing so, is not made explicit; nor is the process by which performance is assessed.

most positive survey responses—perhaps reflecting the special attention that the MD/DMDs give to these key shareholders—although even here the level of positive responses is not that high. In responses from staff, the low ratings for the MD/DMDs are not isolated to those working on one group of countries, but cut across all country groups.

55. **The lessons learned from comparator organizations are of interest, including on the importance of ensuring cohesion across interlocutors.** Organizationally, the IMF lies in between the BIS and the World Bank in size and complexity, and for this reason, as discussed in a background paper on comparator organizations prepared for the evaluation, neither provides a clear comparator model for the Fund.¹⁹ However, both provide lessons worth considering, not least because both received higher ratings than the Fund for relationship management from authorities in the evaluation survey—the BIS from the advanced and large emerging economies, the World Bank from the other emerging economies and the PRGF-eligible countries.

- **The main lessons of the BIS experience include the desirability of senior staff focus on finding ways to facilitate discussion and exchange of information amongst country officials.** This is especially relevant for Fund work on advanced and large emerging economies, where the “face” of the Fund interacting with ministry of finance and central bank officials may vary with the topic and the venue—in the context of bilateral surveillance vs. financial sector surveillance vs. multilateral consultations vs. the G-7, G-20, WP3, FSF, and so on. For the BIS, the underlying communications challenges are easier, with a narrower (central bank) focus than the Fund and regular face-to-face meetings with officials from capitals in board and committee meetings. But senior Fund staff concentrating on G-20 countries, for example, constitute a fairly small circle, and the Fund could do more to take advantage of various working group meetings to enhance engagement with participating officials. The BIS also illustrates the desirability of leveraging rather than replicating member country technical staff and the value of comparator best-practice analysis in securing traction with the authorities—lessons that are especially relevant to the Fund’s work with surveillance-only advanced and large emerging economies.
- **The World Bank experience also provides two lessons, of more relevance to the Fund’s work on the other emerging economies and the PRGF-eligible countries.** The first is the critical importance of ensuring that as the number of institutional voices grows in interactions with the authorities, it is clear to all (outside and inside the institution) which voice is responsible and accountable for the country relationship. The second is the importance of avoiding supply-driven work programs by anchoring the design of country work squarely within the ambit of the area departments—holding those departments accountable for strategy and program design

¹⁹ See Trasino (2009).

and the functional departments accountable for the quality of products and services, a lesson of increasing relevance with the growth of the Fund's work on capacity building and the fact that about a third of country specific resources are outside the control of the area department.^{20 21}

56. Also central to the cohesion of the Fund's approach to relationship management is the role of its 72 resident representatives, where the evidence points to under-management in some cases and missed opportunities in many. As Figure 17 shows, the contribution of this cadre of staff is clearly valued by the authorities, who are generally satisfied with their in-country arrangements as well. A consistent theme of the evaluation interviews with the authorities was their appreciation of low profile people with strong technical skills, who were knowledgeable about the Fund itself and what it might provide; none called for a more powerful resident representative or visible IMF presence on the ground. Some authorities did highlight, however, the desirability of resident representatives' being a key part of the Fund team, basically the Fund person on the ground. In interviews with resident representatives and mission chiefs of PRGF-eligible countries, team work between the mission chief and the resident representative emerged as an important ingredient. Where it was absent, the contribution of the resident representative to interactions was obviously less, in part because of the impact on his/her morale. Interviews with resident representatives in large emerging economies suggest that their effectiveness varied greatly, depending on the country circumstances, as well as the skills, seniority, and personality of the individuals involved and their own working relationships with mission chiefs.²²

V. CONCLUSIONS AND RECOMMENDATIONS

57. Putting together all the evidence—on substance as well as style—the evaluation concludes that IMF interactions were least effective with advanced and large emerging economies; they were most effective with PRGF-eligible countries, and, to a lesser extent, with other emerging economies. Of great importance is the finding of strategic dissonance between the authorities and staff working on large advanced economies, especially about the role of the Fund in contributing to international policy coordination including through analysis of spillover effects, but also with respect to the development of policy frameworks and outreach aimed at building consensus on policies. Equally troubling is the Fund's limited effectiveness—and strategic dissonance—with large emerging economies, many of whom saw the surveillance process as lacking value and/or evenhandedness.

²⁰ In total, six staff years, some \$1.6 million, are spent on average per country per annum, varying widely across the membership, both in total and in time spent in the field.

²¹ In the World Bank, country departments/directors prioritize country programming across a wide array of functional departments using the country assistance strategy/country partnership strategy, in consultation with member countries and partners.

²² See Dodsworth (2009).

58. **The evaluation also concludes that outreach with stakeholders outside government contributed little to the effectiveness of interactions with the authorities during the evaluation period.** The transparency policy did less well than staff had hoped in increasing traction, as some authorities blocked timely dissemination of mission findings. Dissemination initiatives designed to gain influence in domestic policy debates by repositioning the Fund as a think tank—and distancing it from the negative reputational legacy of the past—remain work in progress.

59. **Finally, the evaluation finds that interactions were undermanaged, although some individuals managed particular interactions very well.** The Fund’s strategy for interactions was ineffective in enhancing traction with surveillance-only members. In PRGF-eligible countries, the Fund’s suite of concessional lending instruments, debt relief, and donor signaling made for an abundance of traction. But the Fund paid too little attention to the diplomatic skills that might have engendered collegiality and trust in those countries—though there is evidence of progress in the past two years—and to the technical expertise and other skills that might have added value in surveillance-only countries. Staff incentives and training largely ignored interactions.

60. **Against this background, the evaluation’s recommendations focus on steps the IMF can and should take to generate and nurture traction, and to prevent its erosion, in light of the findings highlighted in earlier chapters and alluded to above.** Prior to setting them out, two critical preamble items. First, the resolution of the larger governance issues is essential. As things stand now, the distrust felt by some large emerging economies corrodes the institution’s effectiveness in these countries and elsewhere as well. Though this topic goes beyond the scope of this evaluation, it is clearly a relevant contextual factor. Second, the financial crisis has led to increased interest by the large advanced and emerging economies in a greater role for the Fund in the international coordination of policies. Indeed, the call from the G-20 to facilitate a mutual assessment process is a positive sign (as was the earlier U.S. request to participate in the FSAP). But beyond urging and nudging, there is nothing this evaluation can recommend that will induce the authorities of the large advanced economies to engage more profoundly and to sustain such engagement over the longer term—although it can and does recommend steps designed to make it more attractive to do so. Related issues are being addressed more directly in the IEO evaluation on the IMF and the run-up to the global financial crisis.²³

61. **Going beyond this preamble, the evaluation has the following recommendations...**

..to make the Fund more attractive to country authorities and promote traction:

- **Improve the quality and relevance of the international dimensions of the Fund’s work.** The Fund has faced a credibility problem with its past work (both analysis and

²³ See IEO (2009).

advice) on policy coordination. To rise to the occasion presented by the recent requests for the IMF to be more closely involved in coordination work in the wake of the financial crisis, the reasons for the lackluster engagement observed during the evaluation period need to be diagnosed and problems of analysis and approach resolved. But the other international dimensions of the Fund's work also need upgrading, including through the development of new products for interactions with the authorities that capitalize on Fund strengths. An obvious example is on cross-country analysis. The Fund does much research and analysis of relevant topics, but fails to systematically tap into that work to customize for the authorities. For instance, a new knowledge product, such as a "Cross-Country Brief" could be prepared on demand (by the authorities) on requested topics and/or periodically, mining the latest work coming out of experience and research available within the Fund. But any number of new ways of engaging are possible, drawing on the Fund's huge store of country and macro-financial knowledge, and its convening power to leverage expertise and excellence from outside the Fund.

- **As part of new ways of engaging and to underpin the Fund's strategic shift, bring more experts on country visits, especially when country interest and traction are waning.** A number of authorities raised issues about the Funds' skills mix, especially with respect to key specialist skills. To stay relevant and keep countries engaged, the Fund must increasingly offer specific expertise to work directly with authorities. To provide this, it needs to further improve the staff skills mix by recruiting highly skilled technical experts and mid-career practitioners who would add value and command peer respect, and by using the services of a panel of world class experts to join key staff visits, and add to the policy debate.
- **As an element of concerted strategy to engage more deeply with both emerging and advanced economies, develop menus of products and services to be offered and make sure they are transparent, compelling, and feasible.** The institution has done this for PRGF-eligible countries, and needs to do something for the other country groupings as well, in consultation with the country authorities, who should be asked what would be most useful to them in light of sometimes rapidly changing circumstances. Recent additions to its potential lending role (including flexible credit lines) and anticipation of a greater contribution to peer review are important components, but the challenge will also be to develop new knowledge products and anticipate new ways to be influential with members post-crisis. Where useful, also consider such strategic menus for other sub-groups of countries, such as the small states who face special challenges, cutting across area department lines.
- **Replace the now defunct country surveillance agendas with strategic agendas.** The Fund lacks a systematic and strategic approach to interactions with individual member countries, and its focus continues to be inward towards the bureaucracy and the Board rather than outward towards the membership. To remedy this, the proposed

approach would aim to focus the staff's energies in an outward direction while focusing them on clearly identified and measurable objectives and deliverables related to interactions with member countries. To this end, the strategic agendas would: (i) include effectiveness of interactions as a specific goal; (ii) spell out the linkages across surveillance, programs, and any technical assistance plans, and to traction, over the medium term; (iii) clarify the outreach plan—its strategic links to traction and constraints to its effectiveness; (iv) build in consultation with authorities to help generate buy-in; (v) align the associated budgetary and staffing requirements; and (vi) to increase accountability and learning, reflect staff self assessments of what the Fund's previous interactions achieved. In its oversight function, the Board should periodically review Fund-wide retrospectives on these strategic agendas and their implementation (including the quality of advice).

..to improve the effectiveness of outreach:

- **Clarify the rules of the game on outreach.** The transparency initiative has had major implications for IMF interactions with stakeholders beyond the authorities. But it also has affected interactions with the authorities themselves, many of whom are wary of outreach to the media on issues relating to their country. This often gives staff pause and leads to missed opportunities, including on other kinds of outreach. Clarification of the policy intent is essential, mindful that such outreach is potentially one of the main foundations of traction in large emerging and advanced economies.
- **Decide how to handle the Fund's negative reputational legacy and tell staff so that they can act upon it. Such advice goes beyond the new communications toolkits for mission chiefs and resident representatives and media training available to staff.** In many PRGF-eligible countries and emerging economies, the perceived legacy of structural adjustment, fiscal stringency, and privatization continues to poison Fund interactions within and outside official circles, may stigmatize authorities that deal with the IMF, and in turn limits its influence. Articulating a positive message about a winning and up-to-date agenda is of course essential. But dealing forthrightly with the past is as well. Staff need guidance on what they can and cannot say. Without such guidance, given the risk aversion of Fund staff, they will say nothing.

..to improve the management of interactions:

- **Provide guidance and training on professional conduct for staff interactions with the authorities and IMF senior/staff management on matters of country assessments.** Staff survey and interviews provide evidence of overly cautious assessments by staff, designed to preserve the relationship, at least in some cases to forestall complaints to management. One aspect is a major issue of professional conduct, which needs to be addressed forthwith. To this end, the Managing Director

should commission a task force of staff at all levels, with participation by the ethics officer, to consider guidance for staff on how to be both appropriately forthright, and respectful. Such guidance would include how to address the challenges that staff face in providing the Fund's best professional judgment to the authorities, in the face of conflicting evidence and uncertainties, and how to deal with managers who want staff to alter their professional conclusions. The task force should report back by summer 2010, and the actionable points to be reported to the Executive Board for its endorsement and oversight.

- **Increase mission chief and staff tenure on country assignments; as well as training and incentives for interactions.** Current turnover rates are vexing to all country groupings, except for the G-7, and need to be reduced along with the transition costs of the handover to new teams. Equally, staff training for interactions needs to be enhanced, especially for senior staff, including practical advice based on country experience on (i) delivering sometimes difficult messages in ways that are most likely to command attention and get an appropriate policy response; and (ii) more generally handling the dialogue with the authorities and other stakeholders, and managing interactions. Meanwhile, staff effectiveness on interactions needs to be reflected in staff performance appraisals, mindful of the risks discussed above of staff's desire to preserve the country relationship affecting the objectivity of their professional work.
- **Clarify relationship management arrangements, emphasizing the importance of team work—setting out clearly who is responsible and accountable for what, along with appropriate performance measures.** There are missed opportunities for better relationship management and team work in some areas, and a heightened need in others as service delivery becomes more complex. The links (interrelationships and overall management responsibility) between the mission chief and the resident representative in the countries with such arrangements need to be clarified and systematized, with a view to improving the quality of interactions with the authorities and other stakeholders. In addition, the Fund should continue to strengthen implementation of its vision for country-specific technical assistance strategies, involving a joint agenda with countries, with the area departments responsible and accountable for the overall strategy and the functional departments for the delivery and quality of the specific technical assistance products. Finally and importantly, the responsibilities and accountabilities of the MD and DMDs for interactions need to be better established.

Annex 1. Country Group Profiles

1. The evaluation studies interactions with the entire membership.²⁴ For analytical

purposes, the IEO separated the membership into three sub-groups based on stage of development and economic size: advanced economies, emerging economies, and PRGF-eligible countries.

Table summarizes the groups and the

criteria used to define them. Table 2 lists the countries in the various groups.

Group	Number of economies	Criteria
Large advanced	7	G-7 economy
Other advanced	23	Non-G-7 economy defined by the October 2008 WEO as “advanced”
Large emerging	19	Defined by the October 2008 WEO as “emerging and developing”, not eligible to receive PRGF resources, and with GDP>\$250bn PPP in 2006
Other emerging	62	Defined by the October 2008 WEO as “emerging and developing”, not eligible to receive PRGF resources, and with GDP<\$250bn PPP in 2006
PRGF-eligible	77	Eligible to draw resources from the IMF’s PRGF
All economies	188	
Note: India is PRGF-eligible but is included in the large emerging economy group.		

2. The evaluation team first divided the membership into two groups using classifications from the IMF’s World Economic Outlook (WEO).²⁵ The October 2008 WEO—published just prior to delivery of the IEO survey—included 30 “advanced economies,”²⁶ and the remaining were defined as “emerging and developing.”

²⁴ As mentioned in the main text, the evaluation also covers interactions with selected territorial entities that are not states as understood by international law but which maintain regular interactions with the IMF. Throughout all sections of the evaluation, the term “country” refers to both member countries and these selected territories.

²⁵ The evaluation considered 188 economies: 184 member countries and 4 territories which maintain regular interactions with the IMF. There are currently 186 member countries, but Kosovo and Montenegro were excluded because they each became members after the start of the evaluation. The sample also included three territories that participate in Article IV consultations with the IMF: Aruba, Hong Kong SAR, and the Netherlands Antilles. Macao SAR has received Article IV missions, but was excluded from the sample because no such missions took place during the evaluation period. The West Bank & Gaza, was also included; while the IMF does not conduct Article IV consultations with the West Bank & Gaza, it staffs a resident representative office and maintains regular interactions.

²⁶ At the time the study began there were 31 economies included in the WEO universe of advanced economies; Taiwan Province of China was not surveyed. Subsequent to the start of this study the Czech Republic and Slovak Republic were classified as advanced economies, but for the purposes of the study they have been included as emerging economies as defined by the October 2008 WEO.

Table 2. List of Countries by Group

Large Advanced	Other Advanced	Large Emerging	Other Emerging	PRGF-Eligible
Canada	Australia	Argentina	Algeria	Afghanistan
France	Austria	Brazil	Antigua and Barbuda	Albania
Germany	Belgium	China	Aruba	Angola
Italy	Cyprus	Colombia	Bahamas, The	Armenia
Japan	Denmark	Egypt	Bahrain	Azerbaijan
United Kingdom	Finland	India	Barbados	Bangladesh
United States	Greece	Indonesia	Belarus	Benin
	Hong Kong SAR	Iran	Belize	Bhutan
	Iceland	Malaysia	Bosnia and Herzegovina	Bolivia
	Ireland	Mexico	Botswana	Burkina Faso
	Israel	Philippines	Brunei Darussalam	Burundi
	Korea, Republic of	Poland	Bulgaria	Cambodia
	Luxembourg	Russian Federation	Chile	Cameroon
	Malta	Saudi Arabia	Costa Rica	Cape Verde
	Netherlands	South Africa	Croatia	Central African Republic
	New Zealand	Thailand	Czech Republic	Chad
	Norway	Turkey	Dominican Republic	Comoros
	Portugal	Ukraine	Ecuador	Congo, DR
	Singapore	Venezuela	El Salvador	Congo, Republic of
	Slovenia		Equatorial Guinea	Côte d'Ivoire
	Spain		Estonia	Djibouti
	Sweden		Fiji	Dominica
	Switzerland		Gabon	Eritrea
			Guatemala	Ethiopia
			Hungary	Gambia, The
			Iraq	Georgia
			Jamaica	Ghana
			Jordan	Grenada
			Kazakhstan	Guinea
			Kuwait	Guinea-Bissau
			Latvia	Guyana
			Lebanon	Haiti
			Libya	Honduras
			Lithuania	Kenya
			Macedonia, FYR	Kiribati
			Marshall Islands	Kyrgyz Republic
			Mauritius	Lao PDR
			Micronesia	Lesotho
			Morocco	Liberia
			Namibia	Madagascar
			Netherlands Antilles	Malawi
			Oman	Maldives
			Palau, Republic of	Mali
			Panama	Mauritania
			Paraguay	Moldova
			Peru	Mongolia
			Qatar	Mozambique
			Romania	Myanmar
			Serbia	Nepal
			Seychelles	Nicaragua
			Slovak Republic	Niger
			St. Kitts and Nevis	Nigeria
			Suriname	Pakistan
			Swaziland	Papua New Guinea
			Syrian Arab Republic	Rwanda
			Trinidad and Tobago	Samoa
			Tunisia	São Tomé and Príncipe
			Turkmenistan	Senegal
			United Arab Emirates	Sierra Leone
			Uruguay	Solomon Islands
			West Bank and Gaza	Somalia
				Sri Lanka
				St. Lucia
				St. Vincent / Grenadines
				Sudan
				Tajikistan
				Tanzania
				Timor-Leste
				Togo
				Tonga
				Uganda
				Uzbekistan
				Vanuatu
				Vietnam
				Yemen
				Zambia
				Zimbabwe

3. **The 30 advanced economies were further divided into sub-groups based on economic size.** Specifically, the G-7 economies were defined as “large advanced” and the remaining 23 economies as “other advanced.” Together, they accounted for about 68 percent of global GDP in 2008 at current exchange rates²⁷ (\$41 trillion), and 62 percent of IMF quotas.²⁸ Three Fund area departments manage interactions with the advanced economies—the Asia-Pacific Department covers five countries, the European Department covers 23, and the Western Hemisphere Department covers two.

4. **For purposes of the evaluation’s analysis, the emerging and developing economies were also separated into two groups—emerging economies and PRGF-eligible countries.**²⁹ Because of the large differences in economic size within the group, the emerging economies were further split into “large emerging economies” and “other emerging economies.” India, though in principle PRGF-eligible, is included for analytic purposes among the large emerging economies. This process yielded 64 other emerging economies and 19 large emerging economies. Together, these countries had a combined GDP of nearly \$18 trillion in 2008, accounting for 30 percent of global GDP measured at current exchange rates.³⁰ They account for about 32 percent of Fund quotas. Interactions with emerging economies are managed by all five Fund area departments.

5. **The evaluation also covers IMF interactions with 77 PRGF-eligible countries eligible for borrowing from the Poverty Reduction and Growth facility (PRGF).** These 77 countries had a combined GDP of around \$1 trillion in 2008, amounting to 2 percent of global GDP measured with current exchange rates.³¹ Together, they hold almost 6 percent of Fund quotas. Interactions with PRGF-eligible countries are managed by all five Fund area departments; about half the number of PRGF-eligible countries are in the African Department.

²⁷ The advanced group accounted for 54 percent of global GDP using purchasing-power-parity exchange rates in 2008.

²⁸ The percentage of IMF quotas for the 30 advanced economies excludes Hong Kong SAR.

²⁹ There were officially 78 PRGF-eligible economies at the time of the survey, but India was included in the large emerging economy group. The PRGF is the IMF's low-interest lending facility for low-income countries. Eligibility is based principally on the IMF's assessment of a country's per capita income, drawing on the cutoff point for eligibility to World Bank concessional lending (currently 2007 per capita gross national income of \$1,095).

³⁰ The emerging economies accounted for 43 percent of global GDP using purchasing-power-parity exchange rates in 2008.

³¹ PRGF-eligible countries accounted for 4 percent of global GDP using purchasing-power-parity exchange rates in 2008.

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