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.

A. 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 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 2, 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 3, 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

15See IMF (2005c).
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.

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.

B. 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 mechanistically 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 policymaking 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
solutions, to the kinds of issues highlighted above, such as managing candor with the authorities, and managing within the institution.17

17The 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.
Chapter 4 • Were Interactions Well Managed?

C. 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 “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.

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. Fence 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.

C. 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 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.
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 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 Bank for International Settlements (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 among country officials. This is especially relevant for Fund work on advanced and large emerging economies, where the “face” of the Fund

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18The 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.

19See Trasino (2009).
interacting with ministry of finance and central bank officials may vary with the topic and the venue—in the context of bilateral surveillance versus financial sector surveillance versus multilateral consultations versus the G-7, G-20, Working Party 3, Financial Stability Forum, 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 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 above 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

20In 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.
21In 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.
22See Dodsworth (2009).