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IMF Interactions with Member Countries: Observations on Organizational Review and Change

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Abstract

This paper comments on major challenges that arise in organizational change. It explores best practices in planning and implementing changes in policy, processes, and human resource development in order to improve quality and effectiveness, and comments on the changing nature of policy development and coordination and the challenges of pragmatic implementation. It also offers reflections on leadership practices and the balance between regulatory and advisory/capacity-building functions. In writing the paper, the author draws on his experience as a leadership practitioner, as well as an advisor and strategist working with governments and international organizations.

The views expressed in this Background Paper are those of the author(s) and do not necessarily represent those of the IEO, the IMF or IMF policy. Background Papers report analyses related to the work of the IEO and are published to elicit comments and to further debate

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I. INTRODUCTION

1. The Independent Evaluation Office (IEO) of the IMF is conducting an evaluation of the Fund's interactions with its member countries.
2. An IEO Issues Paper (2008) describing the evaluation notes that the achievement of the IMF's objectives is substantially dependent on developing and maintaining an effective relationship with its 185 member countries.
3. It is noted that these relationships cut across the three core functions: (i) surveillance and related activities, which revolve around obligations binding both the IMF and its members; (ii) lending in support of country programs, which reflects the right of member countries to request such support and the IMF's ability under certain conditions to provide it; and (iii) technical assistance and training which is usually provided on the request of member countries. In some cases, these activities are coordinated and integrated, but not consistently so. In particular, a tension is often felt between the Fund's "advisory" and "regulatory" roles. Of note here are the parallels with the regulatory and enforcement roles provided by governments.
4. It is also noted that interactions with member countries take place through a variety of channels at different organizational levels of the IMF and of member countries. These occur through different modalities such as location (head office/in-country or in-region presence) and medium of communication (formal, informal, oral, and written, variety of languages).
5. In light of past organizational diagnostics, both internal and external commentaries and the picture emerging from the current evaluation, this paper explores:
 - The parameters and objectives of the IEO's study;
 - The major questions, issues and opportunities that arise in organizational assessments;
 - Best practices in planning and implementing changes in policy, processes and human resource development in order to improve quality and effectiveness.
 - The changing nature of policy development and coordination and the challenges of pragmatic implementation;
 - Reflections on leadership practices and the balance between regulatory and advisory/capacity-building functions.
6. This is a broad sweep of commentary on a large, complex and globally-important organization. It is notable, although hardly surprising, that the communiqué issued by G20 Finance Ministers and Central Bank Governors at their meeting on March 14, 2009 called on the IMF's support and leadership in the areas of lending, technical assistance and

surveillance—its three stated areas of core business. This request was pursued at the subsequent meeting of the G20 in London. This adds some urgency to the need to ensure that the IMF places significant emphasis on monitoring, evaluating and improving its own capacity to respond to this critical request for assistance. In the absence of this, the IMF will be seen to be embarking on a very critical car trip with the hand-brake on. Fortunately, the process of equipping organizations to provide the best possible services in their core businesses is considerably more straightforward than resolving the current global financial crisis; but it is still hard work, requires the same degree of attention from leaders of the organization, and is an ongoing project.

7. This reflective paper, written by a former public sector CEO, now working as an international advisor, provides observations and inputs coincident with the concluding phase of the current evaluation of the Fund's interactions with member countries. It does so from a relatively high altitude in the sense that the author was commissioned to provide commentary on some of the major issues that arise in organizational assessments; on leadership of change and improvement processes; the role of human resources development and on the tensions that can arise in organizations providing technical services and engaging in surveillance and compliance activities. In writing the paper, the author has drawn on experience as a leadership practitioner, as well as an advisor and strategist in working with governments and international organizations.

II. THE PARAMETERS AND OBJECTIVES OF THE IEO'S STUDY

8. It is important to locate the evaluation of the Fund's interactions with member countries in a broader context of organizational review and change. This will start with a brief review of publicly available commentary on issues, challenges and opportunities facing the Fund. Reference will also be made to preliminary findings emerging from the evaluation.

9. The Issues Paper points out that the evaluation is driven in part by concerns raised by member countries, policy makers, writers, media and civil society organizations in the context of previous evaluations. These concerns are categorized in relation to functions, channels and modalities. For example:

- Issues related to functions include: limited value added in analysis and policy advice, particularly for advanced and large emerging market economies; inadequate appreciation of country circumstances when providing policy advice; inability to give operational guidance to policy choices; and refraining from giving candid and tough advice.
- Issues related to modalities include lack of practical policy-making and implementation experience affecting the IMF's influence; this includes organizational incentives that discourage staff from experimenting with new modalities.

- Concerns about policy capacity, lack of expertise and experience with implementation, and inflexibility/insensitivity in dealing with member countries tend to emerge with regularity. The IMF is not alone in this. It is not unusual to hear country representatives raising these concerns with respect to other large Bretton Woods institutions.

10. Other commentators (Momani 2006) have described the organizational culture of the Fund as hierarchical and silo-based, technical/economistic, bureaucratic and homogenous/conforming. Momani has argued that these cultural characteristics have negatively affected IMF policies and Fund relations with borrowing countries. In an extensive commentary on the Fund's human resources environment and culture, Momani points to a number of issues and characteristics of the organization's climate. Some of these are briefly summarized below for purposes of illustration:

- The staff ranking system has given rise to promotions based on seniority and technical skills set rather than outputs and proven effectiveness in working with country officials; for example, there is pressure to promote individuals “who do not have strong negotiation skills and are mediocre in dealing with country officials” (p.43). Momani further notes that the litigious nature of IMF staff relations discourages serious efforts at managing ineffective performance. (Note: This approach to managing (or not managing) staff has been observed by the author of this paper in numerous public sector organizations and in two other international development organizations.).
- Momani also describes a silo-mentality in the IMF that inhibits organizational communications (i.e., a focus on vertical communications at the expense of horizontal communications). There is some debate about the extent to which this has eroded over time, although collateral issues of poor capacity for knowledge transfer between departments suggest that it remains a challenge (cited by Momani, p.45).
- The technical and economistic culture of the organization tends to drive prescriptive, academically based, policies and approaches that may not be politically feasible to implement (p. 46). Citing a number of sources, including the IMF's own studies, Momani notes that Fund staff are often challenged to explain how their proposed policies can be effectively implemented in specific political contexts, including consideration of “second-best” policy choices that would be more consistent with country-specific political realities (Momani, p.45 citing IMF 2004). There is an interesting comparison here in the literature on good governance with the development of the more pragmatic, incremental and action-oriented concept of “good enough governance” (Fritz, V. and A.R. Menocal. (2007). This boils down to capacity to support implementation—moving policy off the page and into financial systems.

- Recruitment has focused to a large degree on economists (at the time of writing Momani noted that over half of the entire IMF staff complement were economists), giving rise in part to a silo-mentality between economists and non-economists, which of course can be expected to compound the effect of organizational silos. Momani and other commentators (Woods, 2006), point to the challenge of recruiting “policy-inexperienced” macroeconomists who are not well-equipped to negotiate and problem solve with county officials and in developing a more flexible and country-sensitive approach to policy implementation.
- Momani also describes a quite rigid and rule bound organization in which there are “pressures to conform to standard models, forms and ways of communication...(creating)...an ‘insular’ Fund staff that is myopic to new ideas and internal debate.” (p.49.)

11. Early results of the 2009 evaluation confirm that some of these issues remain live for member countries, and that in some cases there is a disconnect between the value placed on these services by IMF staff and the value ascribed to them by member countries. These issues raise questions about *what* is being delivered by the Fund (value-added professional services) as much as they speak to *how* it is being delivered (an evaluation of policies, processes and the quality of interactions).

12. Momani’s recommendations to tackle these issues focus on:

- Broadening and diversifying staff recruitment, with a greater emphasis on policy skills and social science backgrounds, together with a focus on mid-career hiring to bring a more seasoned blend of skills; an enhanced focus on training in policy implementation is also recommended.
- Opening up staff reports to external assessment and input in order to break down internal self-censorship.
- Encouraging more lateral hiring between departments as part of an effort to break down internal silos.
- Addressing the hierarchically-driven and seniority-based approach to promotions, by highlighting desired position attributes such as strong communications and negotiating skills. It is also recommended that policy skills be harnessed and rewarded as part of the internal recognition system.

13. It is notable that, Momani’s organizational assessment and recommendations all speak to core human resources strategies currently in vogue in public sector and development organizations around the world, and are echoed in initiatives under way in other international organizations. The Commonwealth Secretariat, for example, which shares some of the organizational characteristics described above, has conducted a major review of its approach

to human resources and is currently working on an implementation strategy. Likewise, the UN's "Delivering as One: Report of the High-Level Panel on United Nations System-wide Coherence (2009)," calls for modernization of resource planning, HR, common services and especially attraction and retention based on performance:

"Attracting and retaining the most qualified staff for an effective and independent civil service is not possible with a human resource system based on different performance evaluation systems, entitlements and contracts. To encourage mobility and cross-fertilization and to prepare staff for positions of greater responsibility, the system's appraisals must be based on performance, not seniority. A competitive and incentive-based system is required. The International Civil Service Commission has become a politicized body that represents the interests of Member States, rather than operational priorities. It is too slow and needs substantial change. Current governance mechanisms need to be modernized. Without an overarching management system to drive change, there can be no management control and little progress towards coherence." (Momani, 2007, p.53.)

14. The picture might be discouraging, yet it is common to find these organizational diagnoses in large and complex organizations operating in the public or para-public sectors. Indeed, one would expect that the diversity and complexity of the Fund's membership base (size, geography, level of development, political stability/instability) and the politically sensitive nature of the Fund's work, would pose particular challenges in governance and service delivery. In view of global economic events over the past 18 months, these challenges will become more acute.

15. Organizations with this degree of complexity face large challenges in designing change efforts and even greater challenges in implementing them. There are huge forces of intransigence and active resistance to change, significant risk in getting change strategies wrong, and a significant challenge in achieving and maintaining momentum. On the other hand, it is common to find through staff surveys that there are significant issues relating to morale, frustration and commitment when there is an obvious organizational and managerial bias in favor of business-as-usual. When clients or member countries are concerned with the services being provided by a professional organization and its staff are expressing disenchantment and frustration, it is likely time for a relatively broad organizational review.

16. One of the common diagnostics of sub-optimal performance in large and complex organizations is the absence of a clear organization-wide unifying mission or statement of desired outcomes: a compelling and virtuous story about what is important in our organization. This is a good starting point for the next section of this paper.

III. THE MAJOR QUESTIONS, ISSUES AND OPPORTUNITIES THAT ARISE IN ORGANIZATIONAL ASSESSMENTS

17. It is prudent for every organization to periodically examine its mission, client or customer satisfaction, structure, culture and degree of staff engagement. Organizational assessments can take various forms, with scope being an obvious threshold question. They may involve a “routine maintenance” approach, designed to look at opportunities for fine tuning what is assumed to be an otherwise well-functioning organization. Alternatively, assessments may be used as an opportunity to “Confront the Brutal Facts” (Collins, 2005). The latter, more rigorous, approach acknowledges that there are likely people, process and cultural issues that must be surfaced and addressed if the organization is to move forward and effectively deliver on its mission. While both approaches benefit from leadership from the top of the organization, it is notable that the more rigorous the nature of the organizational size-up, the more likely it is to have been initiated and led from the top of the organization.

18. Confronting the brutal facts about an organization is a healthy and positive process, although it requires relentless follow-up in implementation. It involves questions such as : What business are we in?; what is our mission, what are our priority objectives and what are our values?; how effectively do we deliver on our mission and add value to our customers and/or funders?; is our mission clear to our staff, our customers and member countries?; are we clear about expectations of staff—do they know what the organization’s priorities are and what success looks like?; do we have accountability and performance management systems directly tied to priority objectives?; are we serious about tackling performance issues? do we have the right incentives in place to drive maximize our potential?; do we have a viable system for managing talent in our organization—ensuring that we are recruiting the right people and that we have the right people with the right skills in the right jobs?; how do we measure our impact?; do we make a significant impact with the resources we have?; how do we learn from our clients, our partners and one another and how do we transfer that knowledge and incorporate this learning into business and HR plans?; and, are we operating as an integrated entity with a common corporate perspective and is our allegiance to the corporation as strong as it is to our department?

19. Like Momani’s diagnosis, these questions all revolve around the question of whether we have in place a forward looking and strategic approach to human resources strategy and management. It is here that the key issues of culture, service management relationships, performance management, accountability structures and knowledge management are likely to receive the necessary attention. Additionally, it is evident that all of these questions above are inter-related. A negative or unknown answer to the majority of these questions will likely suggest a rather toxic or, at the very least, low performing organization. In the alternative, organizations paying attention to these questions—that is, making them priorities—are establishing key preconditions for optimal performance and can be expected to benefit from synergies arising from the conscious deployment of rather straightforward human resource practices.

20. It becomes apparent, or at the very least worthy of some consideration, that many of the areas of concern raised by commentators and reviewers on the operations of the IMF would be better canvassed in a broad organizational review that involves asking some of the questions raised above.

21. It is interesting to note that many organizations talk a lot about these challenges but only recently have leaders in the public and para-public sectors tackled them seriously and comprehensively. Collins' notion of "confronting the brutal facts" fits well with the IEO's role as the Fund's "Ruthless Truth Teller" and IEO Director Thomas Bernes' call for candor where evaluations comment on the internal performance of the Fund (Bernes' speech, 2007).

22. Indeed, in the same speech, Director Bernes, elucidated the critical linkage between clarity of mission, accountability and performance, stating that.... "The cure also requires that management follow through in putting in place and then strengthening processes for achieving a coherent institutional perspective—rather than acquiescing in the proliferation of individual departmental perspectives. This follow-through would clearly need to include the setting of measurable performance benchmarks—a process that would itself contribute to both the clarification of institutional commitments and the strengthening of institutional accountability in meeting them."

23. In a broad and forthright organizational assessment, there are actually very few surprises for staff, managers, customers or clients. In professional organizations staffed by smart people, a large number of people know where the blockages, challenges and opportunities are. It takes leadership to surface these and identify them as such. More importantly, it takes courage, commitment, hard work, and constant communication to ensure successful implementation of desired changes. This is discussed in more detail below.

IV. REFLECTIONS ON LEADERSHIP AND BEST PRACTICES IN PLANNING AND IMPLEMENTING CHANGES TO IMPROVE QUALITY AND EFFECTIVENESS

24. The following observations are informed by the author's experience in senior management positions in a large Canadian provincial public sector organization, including a six-year role as head of the 65,000 employee organization (Appendix Table 1). I have since worked in an international arena as a seconded Attaché with Canada's Department of Foreign Affairs, as an advisor to the London-based Commonwealth Secretariat and several Commonwealth countries, a role which brought me into contact with a number of development organizations. These observations, together with key strategies deployed, and some outcomes achieved, in Ontario, are summarized in Appendix Table 2.

25. An initial point is that it strikes me that large public service organizations share many characteristics with major development organizations: they are generally bureaucratic, rule bound and risk averse; they provide a range of services to a disparate range of clients; they operate in a hyper-political context in which politics is never far from the surface; they operate in an environment with a highly distributed accountability structure; and, at least in

the case of Westminster models of government, there is a tendency towards ministry or departmentally-based silos. Several issues cut across such organizations and require detailed consideration: leadership, human resources strategy and capacity, quality and effectiveness.

A. Leadership

26. Another similarity among these organizations is that, from a staff perspective, it's often unclear who heads up the organization. Who is running the place?—responsible for answering the questions about mission, performance management and the major HR issues outlined above? Is it the political head of organization—the Secretary General or Prime Minister? Is it the Executive Board? or the public service head—the Director General, Executive Director, Cabinet Secretary or Deputy Minister? I am not sure that this was clear when I took on the job of Cabinet Secretary with the government of Ontario and as a result, I insisted on a change of job title in order to formalize the previously unstated responsibility of Head of Public Service. In doing this, I was making it clear to the staff and management team that I was willing to make visible and explicit the organizational leadership responsibilities that I had assumed in accepting the position.

27. Put simply, I think that in these organizations we do not take the formalization and practice of leadership seriously enough. This is not a comment on the Fund, as I am not sufficiently knowledgeable about its operations to make this determination. I can say, however, that it is a major problem in other organizations and explains why so many ambitious organizational reform initiatives founder. These initiatives fail because once they are designed or launched or put into policy, it is assumed that the organization will adopt them and run with them. The fact is that this does not happen without leadership from the top and that, in turn, depends on clear accountability and willingness to lead (Dean, 2007; 2009).

28. In my experience, rigorous organizational assessments and successful change strategies rely, in large measure, on determined and focused leadership from the top of the organization. Integral to leadership is a determination of the business you are in, what success means and what it takes for the organization to be successful. It takes hard work and very tough choices about people and priorities; developing a compelling narrative, modeling desired behaviors and values, “walking the talk” and demonstrating authenticity. Often, one of the hardest steps lies in convincing your own management team of the virtues of organizational change.

29. This is not a one-person show however, because success depends on articulating a vision and driving that vision—getting staff and managers onside, rallying the organizations towards a new direction or goals, energizing middle managers and staff, empowering organizational change activists. It also involves sending a clear message to those committed to the status quo that “resistance is futile.” It means making tough choices to get the right people in key places and wrong people out of them. It means putting these activities on the front burner and keeping them there. Building momentum and breaking down resistance can

take months and sometimes years, but this is what it takes to turn an organization around. Many managers and leaders exercise leadership skills in supporting our political leaders or in managing large service delivery or technical operations. Yet often, this is exercised lightly at the corporate or enterprise level—which is the real focus of leadership of cultural change and corporate priorities.

30. In situations involving anything but the most cosmetic changes, there will likely be cynicism, intransigence and, in some cases, active resistance. In many organizations, staff and managers have seen change initiatives come and go without gaining traction—or a great idea or new policy fails to be well implemented. A large number of staff and managers need to be convinced that the latest change is not another “flavor-of-the-month.” Accordingly, top-level sustained leadership is absolutely crucial, as is a relentless approach to implementation and a constant focus on internal communications. It is important that a rational and business or mission-driven approach to changes in policy or process be clearly articulated from the top of the organization and repeated over and over again. Many leaders and CEO’s don’t mind doing this once or twice on the initial launch of a change initiative but their sustained involvement is a critical success factor, especially where cultural change is desired. As Collins notes:

“In building a great institution, there is no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Rather, our research showed that it feels like turning a giant, heavy flywheel. Pushing with great effort—days, weeks and months of work, with almost imperceptible progress—you finally get the flywheel to inch forward.” (Collins, 2005, p23.)

31. To bring this back to the IEO evaluation—it is at the top of the organization that expectations need to be established for what is desirable and valued in Fund relationships with member countries. However, even the best CEO’s cannot do this alone. They can establish a vision and priorities for the organization, and scope out in general terms the architecture and resources that will enable achievement of that vision, but a critical success factor is the presence and support of a vibrant, strategic and business-driven human resources strategy. Let’s take a look at what that means.

B. Human Resources Strategy and Capacity

32. The last several years has seen an explosion of interest in the importance of renewing human resources. Leaders of international organizations and domestic public sector organizations, unfailingly emphasize demographic challenges and the importance of human resource recruitment and development. The role of HR is also routinely mentioned in major reviews and discussions of service delivery, governance and policy capacity. On the ground, however, it is striking to observe the degree to which this profession and its huge potential, continues to occupy tertiary space in the landscape of organizational reform (Dean, 2009). The contributions of this profession continue to be marginalized at great cost to the

effectiveness and efficiency of organizations. Simply put, many leaders underestimate the role of human resource management and strategy in business transformation. Furthermore, a hard look at the HR function usually reveals a story of unevenly funded and distributed resources and an absence of professional parity with other professions in the organization. There are changes underway in international organizations (e.g., the U.N. and Commonwealth Secretariat, but the real test in those cases will come in implementation). In the public sector the largest breakthroughs appear to be occurring in sub-national jurisdictions, suggesting that this is an area in which scale is an important factor in successful implementation. (Dean, 2009). This is obviously good news for those interested in HR transformation at an organizational level.

33. The prescription for transformation is clearly blueprinted and broadly discussed at major HR conferences around the globe: integrating business and HR planning; developing a corporate approach to talent management; attracting top flight talent with an emphasis on the strength of diversity and an appropriate mix of skills; engaging and developing the incoming and existing workforce as a corporate resource in a way that will optimize the best value for both the employee and the organization; a culture that encourages employee engagement and continuous learning; and a serious focus on managing performance and aligning incentives with corporate priorities and the organization's service management philosophy. What is often missed is that HR renewal must be a corporate priority with endorsement from the top of the organization and recruitment of the very best transformational leadership. HR must be given "parity of esteem" but this must also be earned—and once earned, be acknowledged and respected.

34. Again, turning back to the Evaluation, it is evident how important an organization's HR systems are to the achievement of desired relationships with clients. A professional approach to organizational development is a key element in driving success in this area. It is a concept which describes the process of reviewing organizational systems, processes and resources in order to ensure that they support the organization's goals, including matters such as structure and organizational accountability. This is an important feature of organizational governance (Saner, 2009) and should ensure that:

- Organizational goals and priorities are commonly understood and shared by all; everyone in the organization understands why they are there and the contribution expected of them.
- Roles and responsibilities are clearly defined and understood; accountabilities for corporate priorities are well defined and transparent within the organization.
- Key business and organizational policies and processes are designed to enable the achievement of strategic priorities and flow without obstruction; Policy and process owners are identified and accountable for meeting the strategic priorities.

- Administrative procedures are designed to support the policies and processes.
 - People have developed the competencies needed to fulfill their roles (or have the capacity and/or support necessary to do that).
 - Physical resources are such that they support and enable delivery of the organizational goals.
35. An organization is not likely to be effective where:
- Success is not clearly defined or there are too many goals and priorities. This can result in conflicting efforts, misunderstanding and resource being spread too thinly.
 - There is role uncertainty or duplication. Just as ownership must be defined for accountability purposes, ownership must also be clear for effective leadership to be possible.
 - There is over-emphasis on administrative procedures and controls. This can result from either failure to clarify roles and responsibilities or to re-design processes to meet new demands.
 - Legacy activities and procedures are allowed to continue becoming a drain on resources and on the potential effective performance of the organization.

C. Quality and Effectiveness

36. There are any number of approaches to improving quality and effectiveness. The starting point should in most cases involve a determination of what success, quality and effectiveness means to the organization, its customers and partners. In international organizations this is made more complex by notions of conditionality, the reality of politics and finding an appropriate balance between purely demand-driven programming and a more strategic or regionally targeted set of interventions.

37. Nevertheless, an overall approach to quality and effectiveness should involve clarity from the organization about its mandate, policies, priorities, and expectations of members, combined with an effort on the part of Fund staff to engage member countries in an ongoing discussion about the services and resources they most need from the Fund.

38. Experience with service delivery initiatives at the country and sub-national levels has shown that a customer-driven approach to service delivery combined with priority improvement initiatives in high-needs areas has resulted in increased satisfaction with service and, in turn, an increase in confidence in the government as a whole. This then makes frequent benchmarking, measurement and reporting of service delivery outcomes an important feature of quality improvement programs.

39. Like other important change initiatives, quality improvement is not just a matter of developing and launching a new policy and some desired quality improvement outcomes—it must become an organizational priority. This involves taking a close look at the service philosophy of the organization, listening carefully to customers and staff, and considering and developing the required skill sets and characteristics required to drive these changes. It requires a whole-of -the-organization approach to quality and effectiveness, which means aligning services across departmental boundaries. There should be a formal launch, with a proactive communications plan; staff should be brought together with leaders for discussion of objectives and to offer their advice and voice concerns. Regular measurement and feedback of customer satisfaction and the engagement of staff is also important in supporting change. In these efforts, it is important to select 2–3 high volume services identified by customers as being important and to design improvement strategies and get the required support and resources in place. Clear expectations should be established for desired behaviors and outcomes, with performance management and incentive systems being aligned to these outcomes. Implementation must then be carefully monitored. It is as important to learn from initial mistakes and failures as it is to vigorously celebrate success when it is achieved.

V. CAPACITY FOR POLICY AND IMPLEMENTATION

40. Policy development is a core business of both government and many multilateral organizations and yet it seems to have received only marginal attention in the context of reform initiatives. This is puzzling in view of the degree of change in global and local environments and the changing expectations of political leaders for faster policy turn-around and delivery. This is not to say that policy capacity is lacking in international organizations—the reality is far from this. However, it certainly is the case that policy making in these organizations, as it is in public sector organizations, is often quite insular. It is regularly perceived as involving an amalgam, or even an alchemy of the intellectual and the political, as opposed to a series of logical steps in assembling information and developing informed options for consideration by decisions makers. In this sense, it is often seen to be the sole domain of a “central” office, leading to what might be termed an “aristocratic,” and unfortunately short-sighted perception of policy making. As a result, there continues to be distance between policy makers and other departments, between policy makers and front-line delivery workers and between organizations and their stakeholders.

41. Against this backdrop, there is also a major question as to whether governments, NGOs and development organizations are developing the necessary skills for the “just-in-time” policies increasingly required by their organizations and their partners. The increasingly cross-cutting nature of policy challenges (e.g. financial regulation and oversight, climate change and poverty) also demand joined-up collaborative approaches which raises particular challenges for organizations with silo-based cultures and/or central policy secretariats. Addressing this requires a review of organizational skill sets and assumptions about the talent required by the organization. This means both opening up the policy process

across our organizations and recognizing that modern, reflexive policy making requires integrative and boundary-spanning skills—it involves working horizontally across organizational silos, transferring and sharing knowledge seamlessly and developing the best possible information for decision makers, customers, and partners.

42. It is not surprising then, that one of the common issues raised in relation to the Fund's relationship with member countries is its capacity to design and implement policies in ways that are sensitive to country-specific circumstances and politics. As Momani points out, this speaks directly to identifying an appropriate skills mix in recruitment planning and to developing the current workforce. This will in turn be dependent on an appropriate level of corporate HR capacity and leadership. In addition, because the need for change goes beyond the matter of who is being hired and how they are trained, and also reflects rigidity of organizational culture and style—it will require strong endorsement and leadership from the top of the organization.

43. The timing is good for the Fund in this area in the sense that many governments in both developing and developed regions are currently placing a renewed emphasis on building more sophisticated, tailored and reflexive policy capacity, together with better capacity for implementation (e.g., Singapore, the U.K., Finland, Canada, Australia, and Kenya). As this policy capacity develops in member countries there will be growing expectations from member countries for enhanced Fund capacity and responsiveness, including for negotiated accommodation to country circumstances. In this sense, the Fund should prioritize its ability to be responsive to this need, and would be wise to do what is necessary to get out ahead of it. Considerations in this area include the following:

- In a fast paced, rapidly changing and more complex environment, there is a need for policy to be developed more quickly (“just-in-time”) and that it is more reflexive in adapting to changing circumstances.
- There is a need for linked-up and inter-governmental approaches to “wicked” policy problems; this requires more horizontal approaches to policy development within the organization and outside of it. Both local and global perspectives are necessary.
- There is a greater requirement for evidence-based and results-oriented policy, making information management, benchmarking and measurement vitally important.
- Financial implications, communications and viability of implementation should be considered as policy is being developed.
- Approaches to regulation and enforcement are changing in the sense that more systemic, data-driven and risk-based approaches are now being practiced.
- Boundary-spanning, problem-solving and integrative capacities are of particular value.

44. In addition, policy development should go hand-in-hand with planning for implementation. Over the past decade, the combination of changing citizen demands for better services and political demands for measurable delivery on commitments has resulted in transformed thinking and approaches to delivery. This move to a focus on outcomes has forced changes to planning, policy development and the way budgets are developed and implemented. A number of jurisdictions, including Australia, the U.K., and Canada have created delivery units in central offices to build capacity for effective delivery and to maximize success in delivering on political priorities. Thus, when we talk about delivery and implementation, we are talking about moving policy off the page and into financial systems, justice system, schools or medical clinics.

45. These changes partially explain the expectations of member countries for country-sensitive policies that are partially designed with delivery in mind. The most brilliant policy product may receive accolades in executive boardrooms and at Cabinet and Executive Committee meetings but it is virtually worthless if it cannot be successfully implemented.

VI. THE BALANCE BETWEEN REGULATORY AND CAPACITY-BUILDING/ADVISORY FUNCTIONS

46. Surveillance is one of the three core activities of the IMF. Taken together with related activities, it accounts for about 35 percent of the IMF's total activity (IEO Issues Paper (p.6, 2008). The requirement for surveillance arises from the IMF's mission in its Articles of Agreement. Article IV outlines the general obligations of members in fostering economic stability and growth, adhering to IMF policies and avoiding manipulation of exchange rates of the international monetary system in order to prevent effective balance of payments adjustments or to gain an unfair competitive advantage over other members. The Article requires that the Fund "shall oversee the compliance of each member with its obligations under Section 1 of this Article." It also requires that "each member shall provide the fund with the information necessary for such surveillance." As might be expected, there has been considerable evolution in the policies, practice and foci of surveillance since the IMF was formed and building on an original Code of Conduct, including the issuance of numerous policy statements and codes of best practice. The latest major update was issued in June 2007 (Decision on Bilateral Surveillance over Members' Policies.). There has also been an ongoing debate about the relationship between surveillance and conditionality (for an extensive of this and the evolution of surveillance at the IMF, see Guitian, 1992).

47. Simply put, these are the rules of the game; the price of admittance; an essential part of the contract. As in other situations in which there is a balance of rights and obligations, perspectives and emphasis on this balance are situational. Guitian (1992), for example, notes that "Economic policy surveillance is at the heart of the institution's responsibilities." IMF literature, and certainly its expenditures, reflect the fact that surveillance is seen as at least as important as its other core businesses. One might suspect that the view from many countries is that the heart of the Fund's role lies in the other two core areas of business: lending and

technical assistance. This would be an understandable and predictable point of view. It needs to be acknowledged, and the Fund needs the best possible strategies to deal with it. This includes empowering staff with the flexibility to be responsive to countries working hard and honestly to correct a compliance problem, as well as empowering them to be fearless as “ruthless truth tellers” when the situation demands it.

48. Surveillance occurs at the bilateral, regional and other multilateral levels. In the normal course, country-level surveillance is conducted once a year, by a team of visiting IMF economists who gather information from key officials and stakeholders, prior to submitting a mission report to the Executive Board for discussion. The Board’s views are subsequently transmitted to the country’s authorities. In most cases (where the country is agreeable), the process is concluded with a Public Information Notice. Where problems of compliance or malfeasance are found there is an ongoing process of consultation, with the ultimate sanction of steep conditionality requirements or, presumably, expulsion from membership.

49. Two issues have been identified in this area and will be the focus of some brief commentary in this paper: (1) It is reported that there exists some tensions for staff in their periodic dual roles as providers of technical assistance and policy advice on the one hand, and monitors of compliance on the other; and (2) There is recognition that adding value in one core area of business will build credibility and acceptance of its role and capacity elsewhere. As the IEO Issues Paper (p.6) notes, “unless the Fund successfully plays the other roles, which are of a more voluntary, ‘policy advisory’ nature and unless it is seen to operate in an even-handed manner across the membership, it is unlikely to have the influence it needs to succeed in its ‘regulatory’ role.”

50. The IMF’s work in surveillance is likely unique in certain respects, and obviously occurs in a massively complex web of political modalities. Yet, it also stands within a well-established practice of regulation, compliance and enforcement (Bardach and Kagan, 1982; Sparrow, 2000). Malcolm Sparrow’s landmark books in this area, “The Regulatory Craft” (2000) and “The Character of Harms” (2008), take as their starting point that, “The important features that distinguish regulatory and enforcement agencies from the rest of government are precisely the important features that they share. The core of their mission involves the imposition of duties. They deliver obligations rather than services” (Sparrow, 2000, p.2). This distinction speaks directly to the Fund’s surveillance role.

51. An external observer of Fund documents might conclude that while the top-line messages about surveillance are fairly strong, there is evidence of complexity below the surface; that is, when it comes to practice. This is not unusual in the area of regulation and compliance, where there are inevitable tensions, both within regulated organizations, and between the regulators and the regulated. This is true in any department of finance, revenue, environment or labor. The work of Malcolm Sparrow and others over the past several years has tackled these issues head-on and offer helpful analysis and practical approaches to professionalizing these practices. In particular, Sparrow advocates a “new regulatory

craftsmanship, which brings with it the ability specify risk concentrations, problem areas, or patterns of noncompliance, and to design interventions that effectively control or reduce them. In other words, to pick important problems and fix them” (Sparrow, 2000, p9).

52. Another often-debated feature of the regulatory landscape is the “pendulum” effect which sees swings backward and forward towards, and then away from, a more systematic and rigorous approach to regulation and compliance. This is sometimes dictated by a change in political administration, but often by a dramatic change in our environment, for example a series of tragic mining disasters, tainted drinking water or more global challenges such as the current economic crisis. The communiqué issued by G20 Finance Ministers and Central Bank Governors at their meeting on March 14, 2009 is perhaps emblematic of this, making several key references to the need for stronger regulation and surveillance. In addition to the G20 Ministers urging the mobilization of greater IMF resources and efforts to respond to the crisis, a separate communiqué, from Brazil, China, India, and Russia also emphasized the need for greater IMF involvement. They said the crisis has demonstrated that the IMF must strengthen its capability to monitor and give policy advice on the global economy. “To achieve this goal, we emphasize the importance of better-focused even-handed surveillance across all IMF members, especially in respect to advanced economies with major international financial centers and large cross-border capital flows.” (IMF Website; March 15, 2009). More recently, the Toronto-based newspaper, *The Globe and Mail*, reported that, the U.S. Secretary of the Treasury is calling for sweeping new regulatory powers for his department in order to monitor hedge fund activity and other elements of the “shadow” financial system (“Rethinking The Rules,” p.B1, March 26, 2009). Governments are awash in calls for tighter regulation of the financial system.

53. This hopefully establishes some context for approaching the tension between regulation and advisory work at the Fund. The following observations emerge.

54. Many organizations have mandates with multiple roles similar to those of the Fund, and experience the same sort of tensions in providing support and technical advice on the one hand and some form of compliance activity on the other. There is now an accumulation of helpful literature and hands-on experience in managing these roles.

55. As a core business of the Fund, and in view of its likely expansion, it is advisable that the practice of surveillance and compliance be professionalized, with adequate training and development being provided. In other words, this is not just part of someone’s job—it involves a complex professional appraisal of technical compliance in a very large number of countries, having very different characteristics. There should be clear expectations laid down for staff, the provision of a range of tools and carefully crafted incentives and performance management. The Fund should promote the development of communities of practice involving staff performing similar compliance functions elsewhere in the organization and in other like-organizations. It is strongly advisable that leading edge approaches to these practices be examined, with an emphasis on emerging and well-tested approaches to risk-

based regulation and the deployment of a mix of interventions. This should result in an approach that recognizes good performers and focuses on areas of greatest risk. Sparrow's advice on designing organizational responses around the specific nature of significant compliance challenges is particularly pertinent.

56. If it is not doing so already, the Fund should enter into information sharing arrangements with other international organizations in order that data can be shared on high risk areas of activity and high risk jurisdictions. The Fund should also consider the creation of a dedicated surveillance/compliance unit, which at the very least, would focus on professional development, would research and disseminate best practices to field staff, and promote communities of practice and knowledge management and transfer.

VII. CONCLUSIONS

57. The IEO evaluation paper, and associated commentaries, point to some cultural and organizational challenges faced by the Fund. First, it is important to comment on the commendable degree of transparency that is evident in IEO documentation. Both the Leadership of the Fund and the Director and management team of the IEO are to be congratulated for this. This is an important and healthy signal of the Fund's openness to independent review and advice. It is a first and necessary step in improving upon the Fund's already impressive reputation and its many contributions to member countries.

58. This reflective paper will likely be presented close to the end of the current evaluation of the Fund's interactions with member countries and hence it focuses on the more obvious and serious issues identified in the evaluation paper. It does this from a relatively high altitude in the sense that the author was commissioned to comment more generally on some of the major issues that arise in organizational assessments, on leadership of change and improvement processes, the role of human resources development and on the tensions that can arise in organizations providing technical services processes and engaging in surveillance and compliance.

59. In this sense, the paper is likely of more relevance to future organizational assessments than to the current one although it might offer some useful observations on how changes arising from this evaluation might be better implemented.

60. To summarize, the paper discusses some of the key questions arising in organizational assessments, commencing with *scope and critical questions associated with the nature of the business we are in*, its mission and key objectives. It discusses the importance of high-level *leadership* in determining the scope and nature of organizational assessments and in driving them and the change initiatives that follow. This also touches on the importance of clear lines of *leadership accountability* in organizations with complex and distributed accountability systems.

61. This is followed by some observations on the critical importance of a *strategic and business-driven human resources plan and the capacity to deliver* on it. The majority of the organizational issues and challenges identified by internal and external reviews can be addressed through a much *more conscious and determined approach to human resource recruitment, development, learning, incentives, and performance management*. The transformation of human resources strategy and delivery is a foundational element and driver of organizational reform and renewal. It must be on the front burner and resourced and branded as such. It should be given “*parity of esteem*” with other key professions in the organization. From an organizational development perspective, *it is essential to design the systems and processes which will support the achievement of the mission and key objectives of the organization and to ensure that the right people and resources are in place to deliver it*.

62. Organizational transformation takes time and huge effort throughout the organization. There must be a *sustainable and well-resourced long term plan, with tangible and measurable short and medium term deliverables*. *Selecting and prioritizing two or three problem areas in the organization and fixing them quickly* helps to build organizational momentum. HR reform requires the best possible transformational leadership and if that talent is not available internally it must be bought externally.

63. Improving service quality and effectiveness involves taking a close look at the service philosophy of the organization, *listening carefully to customers and staff, and considering and developing the required skill sets and characteristics required to drive these changes*. *It requires a whole-of-the-organization approach to quality and effectiveness, which means aligning services across departmental boundaries*. *Performance management and incentive systems should be closely aligned with desired outcome*.

64. The paper makes an effort to highlight the importance of *capacity for reflexive and integrated policy making which considers the practicality of implementation at the design stage*. *Policy analysis and development should be considered a core skill* in international organizations. These skills cannot be assumed. They are developed over time as professional practice and this should be reflected in recruitment and training. Leading approaches to policy development emphasize both an integrative and horizontal approach in order to bring together the best ideas from inside and outside of the organization. There should be a sustained focus on building capacity for complex and cross-cutting policy challenges with a focus on “boundary spanning skills” (Lodge and Kalitowski, 2007). Desired skill sets include: communications, negotiations, problem solving, networking with academics and consultants, and building and managing transitory project teams and collaborating across boundaries.

65. The largest gaps in most jurisdictions continue to be in the areas of knowledge transfer between senior and junior staff and between the front line and policy departments. This is really about *knowledge management and the ability of organizations to capture and*

share innovative practices. Many organizations are now putting in place central units to ensure greater knowledge capture and transfer.

66. The paper concludes with some observations on the *tension between technical advice and surveillance/compliance activities*, making the point that this tension is natural and understandable since these are very different activities carried out for quite different purposes. The point is to recognize this and *to build capacity to perform this function well*. This could involve a mix of training and development, building communities of practices, and developing risk based approaches to compliance work. In view of the importance of this activity, it is suggested that *a dedicated unit be considered* to drive a more consistent and professional approach to this core business.

APPENDIX TABLE 1. ONTARIO AND ONTARIO PUBLIC SERVICE PROFILE

Ontario	
Population	<ul style="list-style-type: none"> • Total (2009) 12,986,857 • 80 percent in urban centers; 5.5 million in Greater Toronto Area; 8 million in “Golden Horseshoe” area around Lake Ontario (on US border)
GDP	<ul style="list-style-type: none"> • Total (2008) C\$597.2 billion; Per capita C\$43,847
Language & Culture	<ul style="list-style-type: none"> • English & French official; English <i>de facto</i>; Ontario receives 125,000 immigrants annually; Toronto lists 70 languages spoken • Multicultural values • 50 percent residents completed post-secondary education
Ontario Public Service	
Government	<ul style="list-style-type: none"> • Westminster model of parliament • Elections every four years (most recent October 2007) • 25 Ministries
Provincial Services	<ul style="list-style-type: none"> • Under Canada's Constitution, many major government operations fall under provincial jurisdiction, including: health, social and children's services, primary through post-secondary education, infrastructure, environment, energy, agricultural support, transportation, corrections and justice, culture and tourism.
Workforce	<ul style="list-style-type: none"> • 67,000 employees (range in natural resources, health care, education, government, judiciary, etc.)
Employee Organization	<ul style="list-style-type: none"> • Communities of identity include: Black, Asian, Gay & Lesbian, Young professionals organizations. • Two major unions: AMAPCEO (represents 11,000 professional and supervisory public servants), and OPSEU (represents the balance of non-managerial employees, such as those in corrections and technical/administrative positions).

APPENDIX TABLE 2. PUBLIC SERVICE REFORMS IN ONTARIO: SUMMARY

CHALLENGE	CHANGE INITIATIVES	INDICATORS/OUTCOMES
1. Establishing leadership from top of organization	<ul style="list-style-type: none"> Head of Public Service role made explicit in expanded job title of Cabinet Secretary; Early size-up of organization and identification of priorities; Communication of key priorities to executive cadre; Established dialogue with managers' forums and communities of practice, including administrative cohort. 	<ul style="list-style-type: none"> Positive engagement and feedback through participant surveys in province wide leadership "dialogue" tours; Greater deployment of deputy ministers as the executive team; Stronger/clearer perception of CEO role among political and public service staff; Increase in requests to champion corporate initiatives.
2. Establish priorities; obtain support of political leadership; "confront brutal facts"; get right people in the key jobs.	<ul style="list-style-type: none"> Tested priority initiatives with political leaders; Identified key positions at Deputy Minister and other levels and made necessary changes, including international recruitment and moving some out of the organization. 	<ul style="list-style-type: none"> Strong message to organization about commitment to priorities and intention to make tough decisions to ensure success; Combination of HR and service delivery functions under strong, externally recruited, leader caused breakthroughs; Alignment of skill sets in other areas resulted in better collaboration between key ministries and central agencies.
3. Build Strategic and Business-Driven HR Strategy	<ul style="list-style-type: none"> Recruited top flight leadership; Aligned HR strategy to business needs and priorities; Established talent management system starting with top 200 executives; Assessed and adjusted balance of strategic and transactional services and move to common standard of service; Developed mix of short and medium term plans Identified priority HR issues for early attention. 	<ul style="list-style-type: none"> Created enterprise and regional HR centers to deliver strategic and transactional/operational services; Prioritized: (a) improved recruitment support for managers through establishment of Regional Recruitment Centers (measured reduction in managers' transactional involvement); (b) created Youth and New Professionals Secretariat; (c) Benchmarked employee engagement using standardized national indicators to enable cross-jurisdictional comparisons; (d) Developed "Talent Management" System; (e) Amended performance management model by requiring identification of percent of "under-performers"; (f) Created Chief Diversity Officer position and OPS Diversity Office; (g) Modernized the OPS through revisions to the Public Service of Ontario Act; Achieved "Canada's Top 100 Employer," GTA' "Top 75 Employer", and "Best Diversity Employer" status in 2009.
4. Improving Quality and Effectiveness of Customer Service	<ul style="list-style-type: none"> Accelerated and prioritized existing "Service Ontario" brand focusing on common service counters and portal access. Key challenge was willingness of some "front-facing" ministries to transfer services to SO. Moved to mandatory transfer of services with new DM governance structure to develop service and financial agreements; Identified and tackled key "brand vulnerability"—wait times for birth certificates; Collaboration agreements signed with federal government with focus on service; consolidation. Co-signed letters to senior staff from provincial/federal CEO's; Developed service charters and customer feedback mechanisms; Service quality benchmarked against other Canadian jurisdictions through "Citizens First" surveys. 	<ul style="list-style-type: none"> 90 percent of high-volume, routine, front-facing services now provided through Service Ontario portals; Benchmarking and tracking of service quality and customer satisfaction internally and externally (via "Citizens First" surveys); Moving services on-line moved customer satisfaction into 95 percent range; rising customer satisfaction with consolidated counter services but telephone access/quality remains a challenge; Reduced wait time for birth certificates from 9-months to 5 days, with money-back guarantee (99.7 percent success in on-time delivery); Provincial-federal-municipal collaboration to offer hospital-based, on-line applications for birth registration, birth certificate and Social Insurance Number, reducing response time from months to two weeks; Key implementation lessons: mandatory transfer of services to common delivery mechanism can be ameliorated with pre-negotiation and shared governance arrangements; don't wait for perfect conditions—consolidate and build back office supports as you go.

APPENDIX TABLE 2. PUBLIC SERVICE REFORMS IN ONTARIO: SUMMARY (CONCLUDED)

CHALLENGE	CHANGE INITIATIVES	INDICATORS/OUTCOMES
5. Improving Capacity for Policy	<ul style="list-style-type: none"> Identified upgrade of policy capacity as a core development priority; DM sponsorship with overt support from Cabinet Secretary; Supported re-establishment of forum of Assistant Deputy Ministers with policy responsibility and broader policy community of practice; Surveyed policy community and senior managers to identify key interest areas and development needs and integrated this into emerging HR strategy; Focused on horizontal, joined-up, policy development and integrated policy, financial, communications and implementation planning. 	<ul style="list-style-type: none"> Renewed focus on policy development as core business of government; Meets needs of political administration for “policy-making” public service; HR planning reflecting needs of government, senior management and policy community; Increased capacity and practice of joined up policy development and integrated policy, financial and communications planning.
6. Improving Capacity for Implementation in hard-to-influence sectors	<ul style="list-style-type: none"> Supported political commitment to reduce wait times for key health procedures and to increase student test scores in literacy/numeracy; Established wait times benchmarks and data-driven improvement trajectories; Deliberate corporate prioritization, including building budgets around priorities; Built “guiding coalitions” with external heavy hitters; Clear points of accountability for delivery. 	<ul style="list-style-type: none"> Established wait-times benchmarks and identified delivery chains; Website-based wait-time and quality comparison data to assist patient choice and cross-hospital assessments; Wait time targets met in 5 of 6 key healthcare procedures; Significant increase in student test scores and extensive school-based comparison data available for students and parents.
7. Modernized Approach to Compliance and Regulation	<ul style="list-style-type: none"> Examined international best practices and modeled Inspections, Investigation and Enforcement (IEE) modernization based on “Best of Class”; Adopted integrated II&E risk framework, targeting highest risk areas (e.g., hazardous waste, construction); Introduced integrated compliance foundations training across ministries and agencies (e.g., 13 II&E ministries, Technical Standards and Safety Authority and Workplace Safety and Insurance Board) and outcomes-based approach using acceptable codes of practice and incentives for high performance; Developed communities of practice and one-window compliance assistance tools (on-line Compliance Information Centers and sector-based Compliance Checklists); Mix of client service/educational/enforcement roles considered in recruitment and covered in training and development. 	<ul style="list-style-type: none"> Established stretch targets for outcomes. Benchmarked compliance levels and established improvement targets, especially in OHS; rallied partners and sectors in systemic strategy, including financial incentives—e.g. reduced Lost Time Injuries by 30 percent); Joint training and sharing of experience across ministries and jurisdictions has resulted in professionalization and enhanced profile of IEE functions, including broader and more sophisticated application of compliance tools commensurate with risk; Data sharing across ministries and agencies, enhanced by legislative change, is resulting in better risk identification and collaborative approaches to education and compliance improvement; Successful partnerships with the regulated community to achieve joint compliance objectives.
8. Sustaining Momentum	<ul style="list-style-type: none"> CEO committed 50 percent of personal time to leading change initiatives, including significant tour presence and intense focus on communications (personally championing initiatives, development of own intranet website, all-staff memos, etc.); Tough decisions and new approaches to recruitment to ensure top-flight senior team Partnership with Premier and key ministers to ensure political support; Mix of short-term-wins within long-term strategy; Efforts to mobilize and energize management cadre and communities of practice; Strategy to tackle the cynics and change-resistors, including periodic re-launches of major initiatives and repetitive messaging and positive reinforcement. 	<ul style="list-style-type: none"> Increased understanding in the organization that someone within the public service is “in charge” and taking accountability for strengths, weaknesses and change initiatives; Changes in senior ranks of organizations sends a message that change is real; Re-launch of key initiatives and repetition of key messages makes clear that priorities are real and here to stay; Early wins achieved, highlighted and celebrated.

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