

## Conclusions and Recommendations

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

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

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

60. Against this background, the evaluation’s recommendations focus on steps the IMF can and should

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

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

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

- *Improve the quality and relevance of the international dimensions of the Fund’s work.* The Fund has faced a credibility problem with its past work (both analysis and advice) on policy coordination. To rise to the occasion presented by the recent requests for the IMF to be more closely involved in coordination work in the wake of the financial crisis, the reasons for the lackluster engagement observed during the evaluation period need to be diagnosed and problems of analysis and approach resolved. But the other international dimensions of the Fund’s work also need upgrading,

<sup>23</sup>See IEO (2009).

including through the development of new products for interactions with the authorities that capitalize on Fund strengths. An obvious example is on cross-country analysis. The Fund does much research and analysis of relevant topics, but fails to systematically tap into that work to customize for the authorities. For instance, a new knowledge product, such as a “Cross-Country Brief” could be prepared on demand (by the authorities) on requested topics and/or periodically, mining the latest work coming out of experience and research available within the Fund. But any number of new ways of engaging are possible, drawing on the Fund’s huge store of country and macro-financial knowledge, and its convening power to leverage expertise and excellence from outside the Fund.

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

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

*To improve the effectiveness of outreach:*

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

*To improve the management of interactions:*

- *Provide guidance and training on professional conduct for staff interactions with the authorities and IMF senior/staff management on matters of country assessments.* Staff survey and interviews provide evidence of overly cautious assessments by staff, designed to preserve the relationship, at least in some cases to forestall complaints to management. One aspect is a major issue of professional conduct, which needs to be addressed forthwith. To this end, the Managing Director should commission a task force of staff at all levels, with participation by the ethics officer, to consider guidance for staff on how to be both appropriately forthright, and respectful. Such guidance would include how to address the challenges that staff face in providing the Fund's best professional judgment to the authorities, in the face of conflicting evidence and uncertainties, and how to deal with managers who want staff to alter their professional conclusions. The task force should report back by summer 2010, and the actionable points to be reported to the Executive Board for its endorsement and oversight.
- *Increase mission chief and staff tenure on country assignments, as well as training and incentives for interactions.* Current turnover rates are vexing to all country groupings, except for the G-7, and need to be reduced along with the transition costs of the handover to new teams. Equally, staff training for interactions needs to be enhanced, especially for senior staff, including practical advice based on country experience on (i) delivering sometimes

difficult messages in ways that are most likely to command attention and get an appropriate policy response; and (ii) more generally handling the dialogue with the authorities and other stakeholders, and managing interactions. Meanwhile, staff effectiveness on interactions needs to be reflected in staff performance appraisals, mindful of the risks discussed above of staff's desire to preserve the country relationship affecting the objectivity of their professional work.

- *Clarify relationship management arrangements, emphasizing the importance of team work—setting out clearly who is responsible and accountable for what, along with appropriate performance measures.* There are missed opportunities for better relationship management and team work in some areas, and a heightened need in others as service delivery becomes more complex. The links (inter-relationships and overall management responsibility) between the mission chief and the resident representative in the countries with such arrangements need to be clarified and systematized, with a view to improving the quality of interactions with the authorities and other stakeholders. In addition, the Fund should continue to strengthen implementation of its vision for country-specific technical assistance strategies, involving a joint agenda with countries, with the area departments responsible and accountable for the overall strategy and the functional departments for the delivery and quality of the specific technical assistance products. Finally and importantly, the responsibilities and accountabilities of the MD and DMDs for interactions need to be better established.