IMF Interactions with Emerging Economies

I. Introduction and Overview

1. This paper examines IMF interactions in emerging economies. It focuses on interactions with the authorities during 2001–08, with particular attention paid to 2007–08. Like the companion papers on the advanced economies and the PRGF-eligible countries, it considers the extent to which interactions were effective and well managed. Like them, it also looks at interactions with country stakeholders beyond the authorities, especially as they affected the primary relationship with the authorities.

2. The paper finds that IMF interactions with the large emerging economies had limited effectiveness; they were more effective with the other emerging economies. The large emerging economies rated interactions with the IMF lower than the other emerging economies. These differences reflected the two groups' different perspectives on the relevance and effectiveness of individual IMF roles, especially on contributions to the development of policy frameworks, programs, and capacity building, but on other roles as well. A key driver of these differences was the large emerging economies' declining interest in the Fund's existing products and services—which in some cases entailed a transition from a program to a surveillance-only relationship and a dramatic decline in the Fund's influence—and the Fund's lack of a strategy for dealing with it. Meanwhile, many authorities of large emerging economies found the surveillance process provided little value added and/or lacked evenhandedness, especially vis-à-vis advanced economies. In trying to increase traction, staff launched a number of initiatives—including new modalities, expanded outreach, and stepped up country analysis on a case-by-case basis—which had limited impact overall given the scale of the challenge to the Fund's relevance. For the other emerging economies, the evaluation found some of these same issues, albeit to a smaller degree, and a wide variety of experience. Importantly, their problems with interactions tended to be more straightforward, related to the management of turnover and these countries' desire for greater institutional attention to the challenges they faced. In such circumstances, successes came easier as solutions were more amenable to individual country teams' ability to meet countries' particular circumstances.

3. The evidence and analysis that lead to these conclusions are developed in the remainder of this paper, which is structured as follows. This first chapter profiles the emerging economies and the evidence on which the paper is based, and summarizes the policy guidance governing interactions during the evaluation period. Chapter II discusses interactions with the authorities, first, providing an overview based on the survey evidence and the country case studies and, second, examining in turn the evaluation evidence on programs and transitions; surveillance; and knowledge transfer and capacity building. Chapter III discusses interactions with other in-country stakeholders beyond the authorities. Chapter IV discusses the management of interactions, taking up in more detail issues of strategy, style, and relationship management. Chapter V concludes. An annex contains the list of countries covered by the paper.

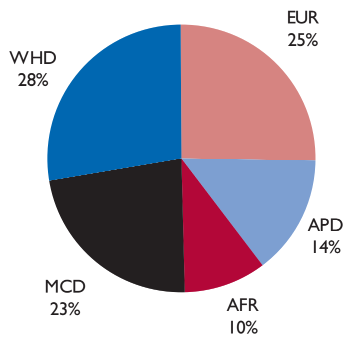
A. Country coverage

4. The paper covers IMF interactions with 81 economies in the *WEO* definition of emerging economies[1]—a large and diverse group in the Fund's membership.[2] They range from large federations such as Brazil, China, India, and Russia to small island economies such as Barbados and St. Kitts and Nevis. Some, like China, because of their size and systemic importance in the world economy, have implications for surveillance similar to those of advanced countries. Together, the emerging economies had a combined GDP of nearly $18 trillion in 2008, accounting for 30 percent of global GDP measured in current exchange rates; they represent 64 percent of global population. Together, they

[1]For purposes of the evaluation, emerging economies are those economies not included among the advanced economies, and are not eligible for PRGF resources (India being an exception). Macao and Montenegro were not surveyed. Macao did not have Article IV consultations during the evaluation period.

[2]Annex 1 lists the 81 emerging economies considered in the paper.

Figure 1. Distribution of Emerging Economies Across IMF Area Departments



account for about 32 percent of Fund quotas. Of 24 Executive Directors on the IMF Board, 19 have emerging economies in their constituencies.

5. Within the group, the paper looks at "large emerging economies" and "other emerging economies." The "large" category includes 19 countries, which together account for 24 percent of global GDP. The "other" category includes 62 countries and territories, which together account for about 6 percent of global GDP.

6. IMF interactions with emerging economies are managed by all five Fund area departments. As shown in Figure 1, 28 percent of emerging economies are covered by the Western Hemisphere Department (WHD), 25 percent by the European Department (EUR), 23 percent by the Middle East and Central Asia Department (MCD), 14 percent by the Asia and Pacific Department (APD), and 10 percent by the African Department (AFR).

7. The evaluation used a sample of 23 emerging economies for more in-depth analysis. The sample consisted of 9 large emerging economies (Brazil, China, Egypt, India, Indonesia, Russia, South Africa, Thailand, and Turkey), and 14 other emerging economies (Algeria, Barbados, Botswana, Bulgaria, Costa Rica, Czech Republic, Kazakhstan, Kuwait, Lebanon, Lithuania, Oman, Suriname, St. Kitts and Nevis, and Trinidad and Tobago).

8. These countries engaged in a variety of activities with the IMF. Each received extensive technical assistance in almost every year. Each engaged in Article IV consultations.[3] With the exception of China, Indonesia, and Suriname, each participated in the FSAP just before or during the evaluation period.[4] Brazil, Bulgaria, Indonesia, Kazakhstan, Lebanon, Lithuania, and Turkey had program arrangements for part of the evaluation period.

[3]Although discussions took place, no Article IV consultation with China was concluded in 2007 or 2008.

[4]St. Kitts and Nevis participated through the ECCU.

B. Evidence base

9. Sources of evidence for this paper include survey, documentary, and interview data developed specifically for the evaluation.[5] (They are detailed in the accompanying background technical documents.)

10. The evaluation's extensive survey evidence covers the authorities and civil society organizations (CSOs) in emerging economies, and IMF staff working on these economies. A response to the survey was received from either the central bank or finance ministry, or from both, in 17 of 19 large emerging economy authorities (89 percent) and 43 of 62 other emerging economy authorities (69 percent).[6] Responses to the staff survey totaled 296 who worked on emerging economies (95 on large and 201 on other emerging economies). The civil society survey received 290 responses from civil society representatives in 69 of the 81 emerging economies (87 respondents from CSOs in large and 203 respondents from CSOs in other emerging economies).

11. Evidence was also gathered from confidential interviews with authorities and Fund staff. Interviews were conducted with respect to 8 large emerging economies and 13 other emerging economies in the sample; the authorities of the remaining sample countries, one large and one other, sent a written response to the interview questions.[7] Interviews were conducted with 27 mission chiefs and/or resident representatives working on the 9 large emerging economies and 27 mission chiefs and/or resident representatives working on the 14 other emerging economies. The evaluation team also conducted interviews with authorities from and staff working on emerging economies outside the sample countries as opportunities arose. Interviews took place in Washington during the IMF Spring and Annual Meetings, during other visits by the authorities or staff to Washington, and by telephone. The evaluation team also visited Algeria, Kuwait, Lebanon, and Oman, following up the evaluation questionnaire that had been sent to the authorities. Additional targeted

[5]The evaluation managed interpretation risks by applying judgment grounded in triangulation across individual sources of evidence, which—as in all such endeavors—may contain measurement errors. The evaluation survey was quite complex, with many questions and many respondents from a large number of countries; all this raises the risk that some questions may have been interpreted differently by different recipients. Also, interview bias is a common feature of such evidence, subject to potential biases of both sides. Finally, the use of the documentary evidence, of course, is subject to many sources of bias, not the least of which is its having been written for another time and another audience—one quite familiar with the Fund's culture and issues, and one where strict word limits apply to all documents, so that many issues of interest receive quite abbreviated attention.

[6]For the authorities' survey, one questionnaire was sent to the ministry of finance and one to each national central bank, requesting an institutional rather than a personal response.

[7]The interviews with authorities were at the level of finance ministers, central bank governors, or senior officials.

interviews were conducted to assess the role of resident representatives and management of them in interactions in 5 large emerging market economies. These additional interviews were conducted with current and former resident representatives, as well as mission chiefs and country officials who interacted with the resident representatives.

12. The evaluation team reviewed the Fund's extensive internal documentary record for the 23 countries in the evaluation sample. The material included confidential briefing memoranda to IMF management, mission back-to-office reports, and interdepartmental correspondence on related country issues. Such material gave the IEO a window into internal debates about staff positions on particular issues, if/how IMF management may have weighed in on an issue, and how country views influenced the internal debate and decisions.

13. Other evidence includes data developed for earlier IEO evaluations; IMF ex post assessments, which are available for three of the 23 sample countries; and special studies commissioned by the IEO for the evaluation.

C. Policies and guiding principles

14. The emerging economies are the most varied of the three country groups considered in the evaluation. Depending on country conditions and IMF activities, some emerging economies are similar to advanced countries in terms of policy challenges and institutional capacity, while others are closer to PRGF-eligible countries in terms of the challenges they face and their interactions with the Fund. Accordingly, the Fund's interactions with emerging economies run the gamut of the Fund's activities, with the exception of access to concessional resources. There is no overarching institutional strategy for engaging emerging economies; IMF interactions with them are governed by the policies and guidelines that apply to all members.

Programs

15. Two issues of relevance to some emerging economies over the evaluation period (considered in subsequent chapters) are Fund lending instruments and conditionality. Fund financial assistance to emerging economies is provided primarily through Stand-by Arrangements (SBAs) to help countries with short-term balance of payments problems; they may be provided on a precautionary basis, both within the normal access limits and in cases of exceptional access. Financial assistance provided to the large emerging economies during the evaluation period was mainly under SBAs. The Extended Fund Facility (EFF) is available to help countries address longer-term balance of payments problems requiring fundamental reforms; the financial assistance extended to other emerging economies over the evaluation period was mainly under the auspices of EFFs. The Contingent Credit Line (CCL) was established in 1999 to provide a precautionary line of credit to members with sound economic policies, but who were vulnerable to contagion effects from capital account crisis in other countries. The CCL was never used and expired in November 2003.[8]

16. The Fund's approach to conditionality evolved over the evaluation period. It began in 2000 with new staff guidance to narrow the scope of structural conditionality to conditions that were "macro relevant." In 2002, guidelines called for "parsimony" and "criticality" in the use of conditions. In its 2005 review of the guidelines for conditionality, the Board welcomed streamlining on the breadth of coverage of structural conditionality, although that there had not been much in the way in a reduced number of conditions. Following a 2007 IEO evaluation of structural conditionality, the Board concluded that Board documents should provide a clear description of the links between structural conditionality and program goals and supporting reforms. Guidance was contained in "Revisions to the Operational Guidance Note on Conditionality" of July 2008.[9]

Surveillance

17. Guidance on surveillance flows directly from the Articles of Agreement. Article IV states that "the Fund shall exercise firm surveillance over exchange rate policies of members, and shall adopt specific principles for the guidance of all members with respect to those policies." For most of the period covered by the evaluation, operating principles for surveillance were contained in the 1977 Surveillance Decision and associated guidelines. The main principle guiding exchange rate policies was that members should avoid exchange rate manipulation to prevent balance of payments adjustment or gain an unfair competitive advantage. Protracted large-scale intervention in one direction in exchange markets, for example, would be cause for discussion with a member as it could be inconsistent with the international adjustment process. The decision was to be reviewed every two years.

18. Staff guidance for bilateral surveillance was contained in the "Operational Guidance Note for Staff

[8]In March 2009, after the period considered here, but while the survey and other evidence was being gathered, the Board established the Flexible Credit Line (FCL). The new FCL provides a credit line with large upfront financing to members with very strong fundamentals and institutional policy frameworks, and that have track records of very strong policies and remain committed to maintaining such policies in the future. There is no traditional ex post conditionality nor prior actions.

[9]The approach to IMF conditionality was changed in March 2009. See PIN No. 09/40, April 3, 2009, http://www.imf.org/external/np/sec/pn/2009/pn0940.htm.

Following the 2002 Biennial Surveillance Review," September 2002. It was updated in the May 2005 "Surveillance Guidance Note." Essential elements of surveillance were: a clear depiction of the economic situation; a candid analysis of the short-term economic outlook; a clear assessment of the prospects for noninflationary longer-run growth; a substantive policy discussion; and pointed summaries of staff's analysis and policy conclusions. Coverage and focus included: the range of issues covered, including nontraditional but macroeconomically relevant areas; selectivity; evenhandedness; trade matters; governance; candor, particularly the treatment of exchange rate issues; fiscal issues; financial sector issues; vulnerability assessments; indicators of external vulnerability; debt sustainability analysis; and reporting on social indicators.

19. The June 2007 Surveillance Decision introduced the concept of external stability as the organizing principle for bilateral surveillance. The decision provided guidance on the conduct of exchange rate policies to cover all major causes of external instability. It also set out the modalities of effective modern surveillance, including its collaborative nature, the importance of dialogue and persuasion, and the need for candor and evenhandedness. Interim guidance, "Implementing the 2007 Surveillance Decision—Interim Guidance Note," was available in June 2007. The interim guidance included the requirement for a clear assessment of the exchange rate level, and, if fundamental misalignment causing external instability were present beyond "any reasonable doubt," there had to be a clear statement that this is so. In the event, the categorization of an exchange rate as fundamentally misaligned proved difficult to implement, and the guidance was later revised to remove the requirement to use the term "fundamental misalignment" in recognition of the uncertainty in attributing economic outcomes to exchange rate policies alone.[10]

20. There is separate guidance for the financial sector, which was provided in "The 2004 Financial Sector Guidance Note." Current guidance, albeit issued after the evaluation period, is contained in "Financial Sector Guidance Note," April 24, 2009. There is also separate guidance for FSAPs and FSAP updates.[11]

Technical assistance

21. For technical assistance, the 2001 policy statement highlighted the importance of country ownership and called for a review of past and current efforts, including a country's track record in implementing Fund-supported TA. An IEO evaluation in 2005 called for the development of a medium-term country framework setting TA priorities, embedded in surveillance and UFR activities; subsequently, area departments began preparing TA Country Strategy Notes for intensive and systemic users of TA. They have been superseded by Regional Strategy Notes (RSNs) that specify medium-term TA priorities across all countries covered by each area department. The 2008 Board discussion of reforms to enhance the impact of Fund technical assistance underlined the need to advance the integration of technical assistance with surveillance and lending operations; and to improve the prioritization of TA in line with the strategic objectives of both recipient countries and the Fund, and by introducing a charging regime.[12]

II. Were IMF Interactions with the Authorities Effective?

22. This chapter examines the evidence on the effectiveness of IMF interactions with the authorities of emerging economies. It begins by addressing some of the overarching themes that emerge from the survey evidence and that are underscored by the evaluation's interview and documentary evidence. It then explores in more detail specific issues arising during the evaluation's consideration of the evidence on interactions in the context of programs, and transitions; surveillance; and knowledge transfer and capacity building.

A. Overarching issues

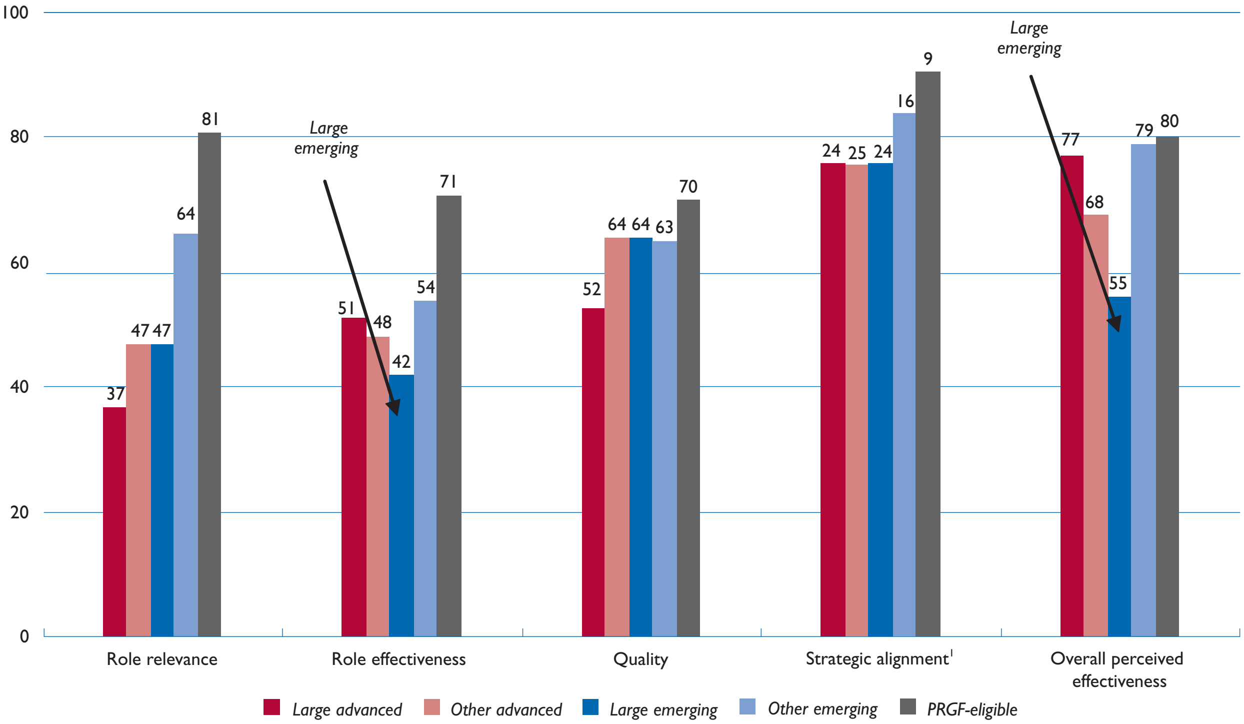
23. As set out in Box 2 of the main report, and recapped in Figure 2 below, of all the country groups, the large emerging economies were the most negative group in their views about the effectiveness of IMF interactions as measured by the evaluation's composite indicators. The views of the authorities of the other emerging economies were closer to the average view of all authorities. Different perceptions between the large emerging economies on the one hand and the other emerging economies on the other hand were also apparent in the interview and other evidence, but more muted, as discussed later in this chapter. On role relevance and strategic alignment (discussed in Chapter IV), the other emerging economies also were more in line with the average, while the larger emerging economies were lower, and more in line (on average but not in every detail) with the views of the advanced economies. For quality, the authorities of the large and other emerging

[10]See the "Statement of Surveillance Priorities" October 2008, and "The 2007 Surveillance Decision: Revised Operational Guidance" June 2009.

[11]See http://www-int.imf.org/depts/pdr/Surveillance/Financial-Sector/FSAP/fsap-procedures-guide.pdf; http://www-int.imf.org/depts/pdr/Operational-Guidance/Surveillance-GNMay2005.doc; http://www.imf.org/external/np/pp/eng/2008/080408.pdf; and http://www-int.imf.org/depts/pdr/Operational-Guidance/SM02292.pdf.

[12]IMF (2008c).

Figure 2. Composite Indicators of Interactions (Authorities' Views)



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

economies were similar, and about the average of all countries. Not illustrated here, but as shown in Figure 1 of the main report, the staff's composite ratings are generally higher than the authorities', but the relativities of the ratings between large and other emerging economies are generally the same as between the authorities of the emerging economies and the staff working on them.

24. Box 1 pictures the underlying survey data on role relevance. It shows that the large and other emerging economies generally ranked the relevance of Fund roles in a similar manner, although the other emerging economies were generally more interested in the Fund's involvement in every role. For both groups, the two most relevant Fund roles were: providing a clear and objective assessment; and contributing to a good exchange of views. Beyond that, the large emerging economies favored a Fund role in international policy coordination, while the other emerging economies favored the Fund's advising on operational aspects of policies. For both groups, the three least relevant roles were: building consensus outside and inside government; and providing program and monitoring support.

25. Box 2 shows the underlying survey data on role effectiveness. As shown, the large and other emerging economies generally rate the effectiveness of Fund roles in a similar manner, although, as with relevance, the other emerging economies are typically more positive. For both groups, the most effective Fund roles and activities are: good exchange of views, objective assessment, and capacity building for the large emerging economies and program support for the other emerging economies; the three least effective were: building consensus inside and outside government; and international policy coordination.

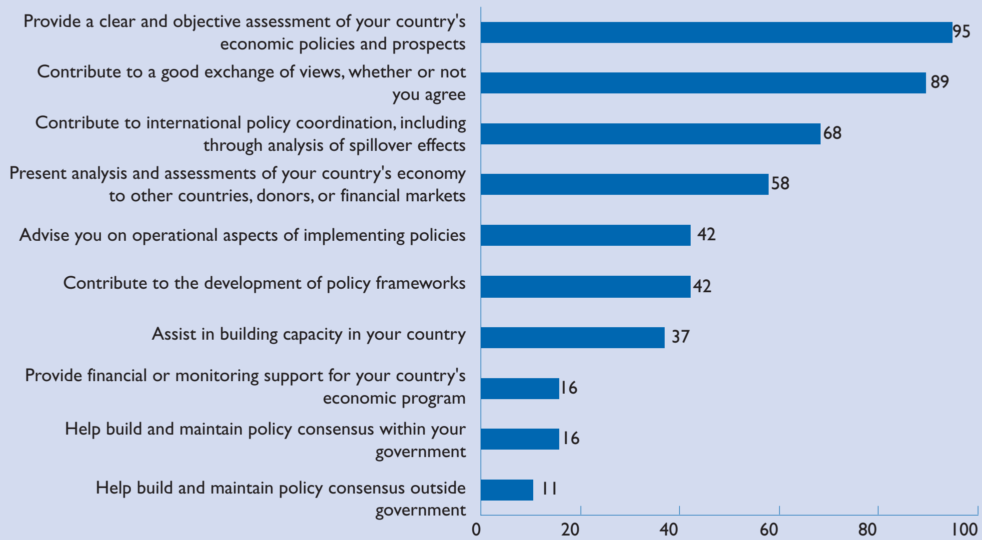
26. Box 3 pictures the underlying survey data on ten attributes of the quality of interactions. It shows that the large and other emerging economies generally rank the quality attributes in a similar manner, and score them at similar levels. For both groups, the highest rated attributes are: focusing on topics of interest; responding quickly to requests for analytic work; actively engaging in a constructive dialogue; and listening to the authorities' perspective. The lowest rated attributes are: bringing quickly to your attention changing external conditions; "what if" questions; long-term approach to the relationship; and cross-country analysis.

B. Key issues

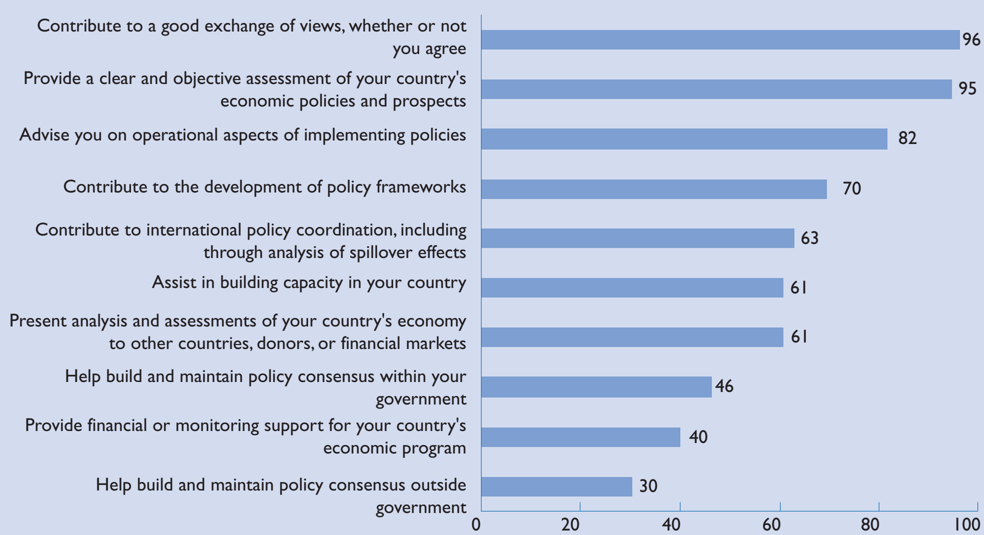
27. The remainder of this chapter looks at interactions between the authorities and staff in the context of

Box 1. Role Relevance of Interactions

Large Emerging Economies
(Percent of respondents)



Other Emerging Economies
(Percent of respondents)

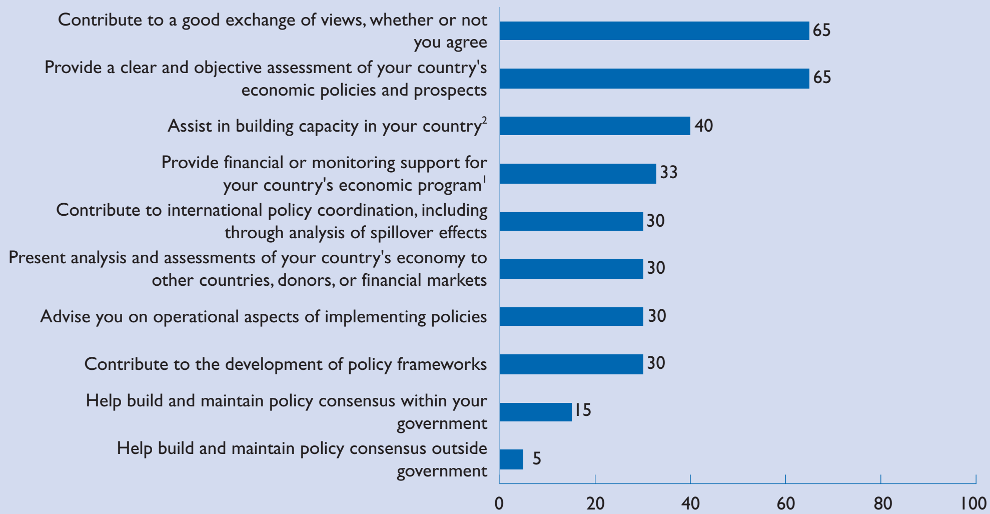


Note: Shows the share of authorities who wanted the IMF to perform each role "a fair amount" or "very much."

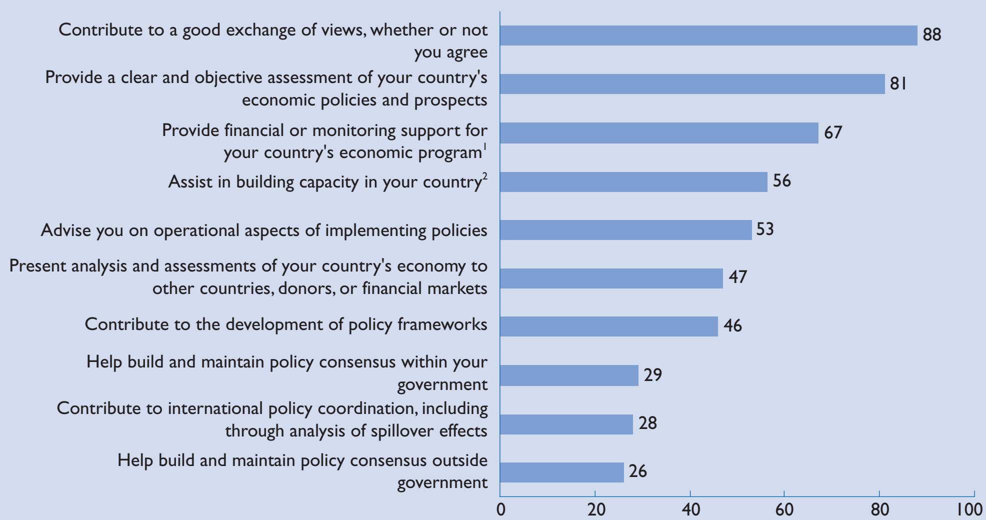
programs (including transitions into and out of them); surveillance; and knowledge transfer and capacity building. It draws on the evaluation's more detailed survey, interview, and documentary evidence. The discussion details the positives and the negatives, painting a mixed picture of such interactions during the evaluation period, and especially in the last two years. Boxes 4 and 5, respectively, set out aspects of the engagement between the Fund and the large and other emerging economies in the evaluation sample.

Box 2. Role Effectiveness of Interactions

Large Emerging Economies
(Percent of respondents)



Other Emerging Economies
(Percent of respondents)



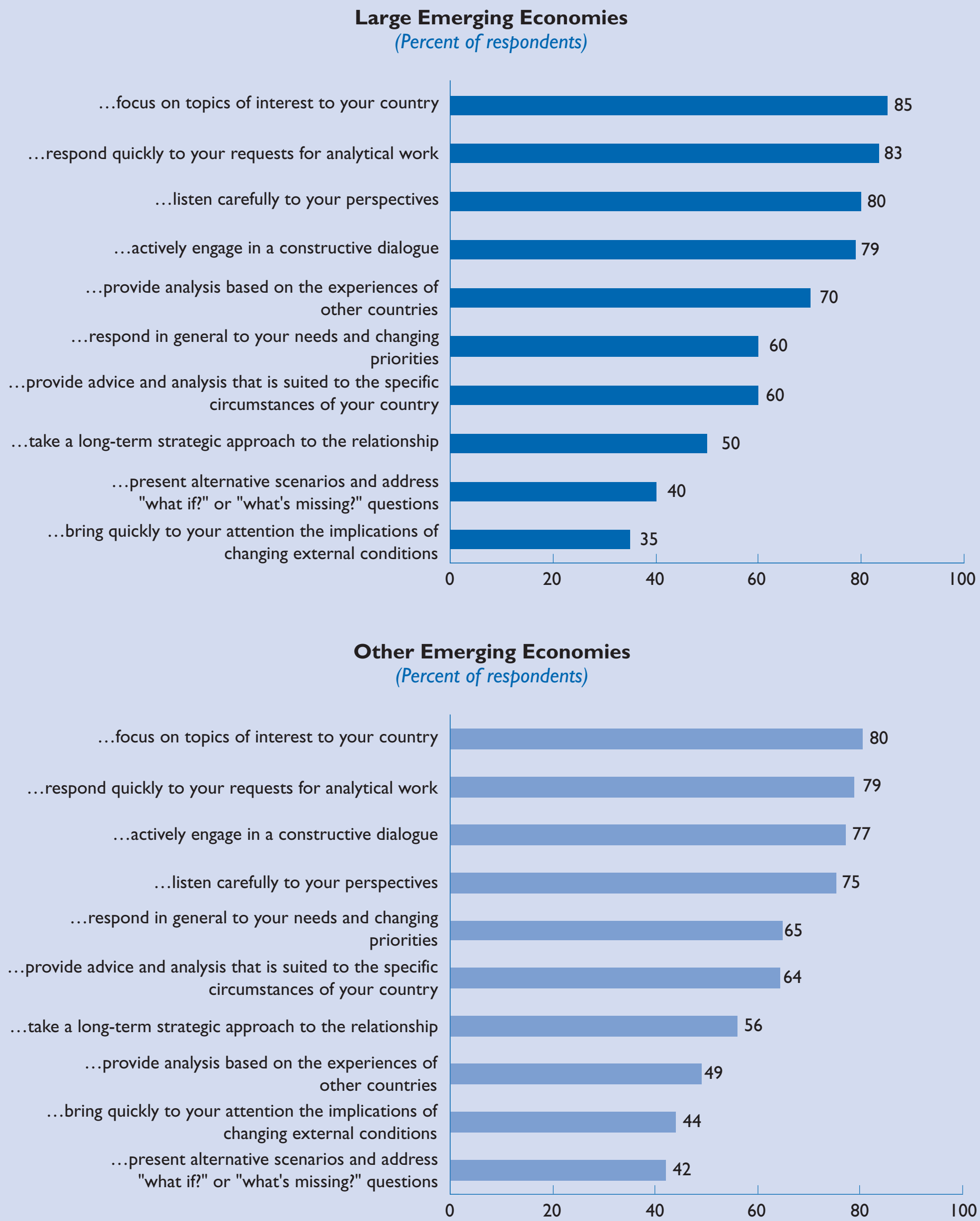
Note: Shows the share of authorities who responded that interactions were "effective" or "very effective."
[1]Includes only those who responded that their country had an IMF financial or monitoring program.
[2]Includes only those who responded that their country received IMF technical assistance or training.

Programs and transitions

28. The character of Fund engagement in member countries depends significantly on whether a country is in a surveillance-only or a program relationship. Within the emerging economies group, both types of relationships were present during the evaluation period, and a number of countries transitioned from programs into surveillance-only status.

29. Some 40 percent of emerging economies had programs at one time or another during the evaluation period. This included about half of the large emerging

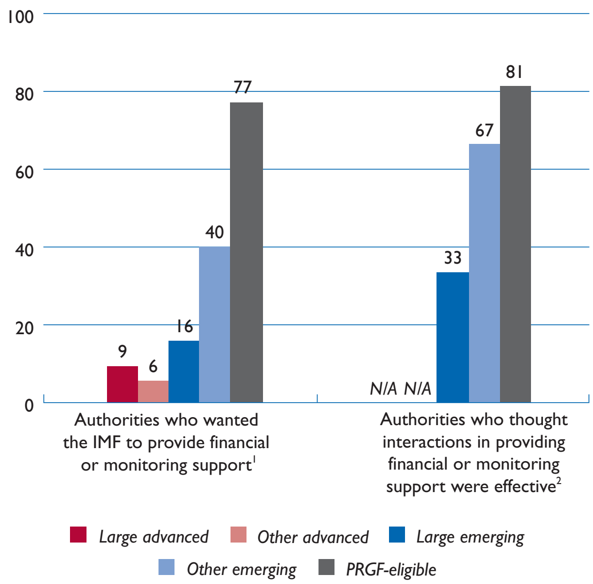
Box 3. Quality of Interactions



Note: Shows the share of authorities who responded that the IMF did a “good” or an “excellent” job to …

economies and one-third of the other emerging economies. As Figure 3 shows, for the 2007–08 period about which the question was asked, there was much less interest by large emerging economies than by other emerging economies. This reflects very different financial situations of the two groups, and the sharply improving external positions of many large emerging economies over the evaluation period, with only two countries, Turkey and Ukraine, with programs during 2007–08. Among the other emerging economies, Bulgaria, Dominican Republic, Gabon, Hungary, Iraq, Macedonia FYR, Latvia, Lebanon, Paraguay, Peru, and Seychelles had programs at some time during this period.

Figure 3. Financial and Monitoring Programs: Who Wants Them? Who Thinks Interactions Were Effective?
(Percent of respondents)



[1]Shows the share of authorities who responded "a fair amount" or "very much."
[2]Shows the share of authorities who responded "effective" or "very effective." Includes only those who responded that their country had an IMF financial or monitoring program.

30. Interviewed authorities of emerging economies expressed plusses and minuses of their program experience with the IMF.

- On the plus side, one interviewed country authority noted that interactions were "very intensive and fruitful" in the context of a program. Another acknowledged that they had benefited from the discipline of a program—though the increased openness of Fund staff to authority ideas after the transition to surveillance was still appreciated. And in another case, interviewed authorities highlighted what they characterized as the proven results from IMF policy advice on the establishment of a successful monetary/exchange rate framework, which they also said established a strong foundation for a continuing relationship in the future.
- On the minus side, lingering and bitter memories of their own or others' past program interactions tended to dominate the views of some interviewed country officials whose authorities were reluctant to enter any relationship with the IMF that would lead to a loss of policy autonomy—or to any publicly perceived loss of autonomy. When substantial Fund resources were involved, one official stressed, the Fund was in a position of power relative to the authorities, limiting the authorities' bargaining power.

31. Interviewed authorities generally characterized their program relationships as lacking in flexibility on the Fund's side. The large emerging economies were more pronounced in this criticism in their survey responses, as shown in Figure 4. Indeed, a majority of survey respondents from large emerging economies—and almost 40 percent of respondents from other emerging economy—agreed that IMF policies and procedures were inflexible or burdensome, with even higher numbers for the IMF's unwillingness to innovate. About 35 percent of large and 20 percent of other emerging economy authorities responded that staff had been unwilling to consider different approaches to achieve desired policy outcomes. However, the survey evidence suggests that perceptions have changed for the better. Nearly 40 percent of each group responded that the Fund had done a better job in the last two years in its willingness to consider other approaches compared to the previous six years.

32. The transition from program to surveillance as the primary mode of interactions brought for many authorities a fundamental change in their relationship with the Fund. Interviewed authorities said that as countries transitioned from a program to a surveillance-only relationship, the authorities felt freer to reject the Fund's advice, and the Fund seemed to listen more closely to their views. Most emerging economy authorities that experienced this transition, either within the evaluation period or earlier, viewed the less prescriptive relationship under surveillance more favorably. At least one interviewed authority who had experienced this shift in the nature of interactions noted relief in ceasing to be lectured to as in a "professor-student relationship." Instead, the relationship under surveillance was characterized by several authorities as a dialogue among peers, with the result that authorities felt more confident to voice their own ideas. Broadly similar sentiments were expressed by interviewed officials of both large and other emerging economies with past program relationships. However, some authorities regretted the more limited availability of advice following the change from program to surveillance-only status.

33. While the authorities of emerging economies welcomed the new surveillance-only relationship with the Fund, for staff the transition entailed a serious downgrade in influence especially on country policies. Accompanying the downgrade was reduced access to key people and information and reduced interest by the authorities in dialogue with them especially about policies. Indeed, the documentary evidence for the program period foreshadowed the problems, with, for example, one back-to-office report to management noting the authorities' extreme reluctance to discuss economic

Box 4. Evaluation Case Studies: Large Emerging Economies

IMF interactions with the nine large emerging economies in the evaluation sample evolved over the period as circumstances in their economies and priorities for the Fund shifted.

Of the three large emerging economies that had program relationships with the IMF during the review period, Turkey remained in a program virtually throughout the period, while Brazil and Indonesia experienced the transition to a surveillance-focused relationship.

- In Turkey there were three consecutive Stand-By Arrangements beginning in 1999 and concluding in 2008. Interactions were characterized by frequent back and forth with staff, including on technical and policy issues and a strong connection between IMF management and senior policymakers.

- The program in Brazil (concluding with post-program monitoring in 2005) was widely viewed as a success of country ownership, with the IMF stepping in to support the authorities' own priorities. Strong anti-IMF sentiments lingered beyond the program period and affected the evolution of the relationship and interactions once it returned to a surveillance focus. In the more arm's-length relationship, technical input was sought more than policy dialogue.

- Indonesia concluded its program with the IMF in December 2003, with post-program monitoring continuing until October 2006. Interactions with the Fund for most of the period were intense, with market reactions to policies a key focus of discussions. Once the program ended, the relationship shifted, with more room for homegrown policies but also a need for new ways to engage substantively and provide value added.

Three other large emerging economies transitioned out of program status in the two years preceding this evaluation.

- In Egypt (SBA concluded in 1998), substantive dialogue characterized interactions in the period, with a give and take in policy discussions and room for disagreement. The authorities looked to the IMF for analysis, and the Fund was influential, even though reforms moved at a slower pace than staff thought desirable.
- In Russia (SBA concluded in 2000) the transition to a surveillance-focused relationship, combined with a rapid strengthening of the economy, changed the focus of staff work to more selective topics of interest to the authorities. In some areas this was supported by technical assistance, though in general the expertise of the civil service improved strongly through the period. While the continuing dialogue with the Fund was helped by staff continuity, there was less to and fro on policy issues as well as gradually reduced access to some high-level policymakers.
- Thailand completed its SBA with the Fund in June 2000; post-program monitoring ended in 2002. Interactions through surveillance reflected Fund staff efforts to build relationships by taking a low-key approach.

Finally, three large emerging economies—China, India, and South Africa—had no program relationship with the IMF during the review period, nor immediately prior to it. Interactions with these countries revolved largely around surveillance, with a relatively limited role for technical assistance—particularly in India and South Africa, though FSAPs have been conducted in both of these countries. Concerns were raised, to different degrees, about the value that the IMF brought to the table through its analysis and advice, and about evenhandedness in the conduct of surveillance.

policies with IMF staff. And in interviews, the authorities from several large post-program emerging economies emphasized that in the context of a surveillance-only relationship they did not seek direct policy advice from the Fund. However, in contrast to the authorities' low interest in engaging with the Fund on the policy framework indicated in the survey (as shown in Figure 5), over 80 percent of staff working on those countries said they aimed to do just that, with interviewed mission chiefs and resident representatives clarifying that the most effective approach was often to explore options and facilitate discussions of how established frameworks could be strengthened against various risks. They also reflected on the missed opportunities they saw in the institution's failing to define a strategy and rules of engagement for the new terrain. The paper returns to this important topic in Chapter IV.

Surveillance

34. Both large and other emerging economies expressed interest in the basic elements of Fund surveillance, though the large emerging economies rated the effectiveness of these activities lower than all other country groups. As discussed in the main report, and reproduced in Figure 6 below, the survey evidence shows that around 90 percent or more of responding authorities from emerging economies said that they wanted the Fund to provide objective assessments of their economies and to participate in a good exchange of views (whether or not there is agreement). But while 80 percent of other emerging economies' authorities thought the Fund was effective in these roles, only 60 percent or so of authorities from large emerging economies thought so—for both activities.

Box 5. Evaluation Case Studies: Other Emerging Economies

The interviews and document reviews for the 14 evaluation sample other emerging economies revealed different kinds of country situations and, in turn, interactions with the Fund during the evaluation period.

Two countries in the sample exited Fund programs as they made progress on economic reforms and moved toward EU accession. Lithuania successfully completed a precautionary SBA in 2003, and Bulgaria completed a precautionary SBA in 2007 (following an earlier SBA and EFF). Interactions continued through surveillance in both cases, with some drop in intensity. FSAPs and FSAP updates were featured for both during the period, with specific recommendations emerging for Bulgaria with respect to technical assistance.

In three countries, the nature of interactions changed as they moved out of, or into, programs with the IMF. With Algeria, interactions during the period focused on a more open dialogue through surveillance—following a program that concluded in 1998. With Lebanon, on the other hand, which entered into a program relationship through emergency post-conflict assistance in 2007, interactions under the program were considered effective, in contrast to earlier disagreements on the policy stance. In Kazakhstan, a precautionary program was cancelled during the period. With the Kazakh economy transforming rapidly, the focus of dialogue shifted from structural adjustment to financial sector issues. Two FSAP updates were conducted during the period, and technical assistance included support for modernization of the central bank.

For the "small states" in the sample (Barbados, Suriname, St. Kitts and Nevis, and Trinidad and Tobago), none of which had programs over the period, interactions took place in the context of surveillance, including the FSAP process, and technical assistance. The regional technical assistance center, CARTAC, played a key role in assessing, planning for, and providing technical assistance. While surveillance engagement with IMF staff was appreciated, as giving an additional viewpoint to consider, evidence of missteps or missed opportunities emerged in some cases.

Interactions with the remaining countries in the sample—Costa Rica, Czech Republic, Botswana, Kuwait, and Oman—were focused primarily on surveillance. In Costa Rica, interactions through surveillance and technical assistance were intensive and effective, with many staff visits outside the Article IV mission cycle.[1] Interactions with Costa Rica were set in a regional and strategic context, facilitated by a regional resident representative (beginning in 2006), Fund participation in regional finance ministry, central bank, and regulatory fora (and, now, the new regional technical assistance center, CAPTAC-DR). In other cases, for varying reasons, the IMF faced challenges in maintaining constructive engagement, with questions raised in individual cases about the value of IMF missions, the tone of reporting, the transience and style of mission chiefs, or the confidentiality of information.

[1]Costa Rica entered into a program with the Fund just after the evaluation period concluded.

Value added

35. Though many authorities preferred the interactions under a surveillance-only relationship to what they had experienced with programs, some also raised concerns about what they perceived to be a lack of value added from the surveillance process. Interviewees, from both large and other emerging economies, expressed views such as: that the IMF's advice was either routine, or offered very limited perspectives; that advice failed to take into account country-specific constraints; that it was behind the curve on global financial developments; or that the Fund never said anything new. A few said that the Fund had been associated with policy recommendations that were ill-advised, while others argued that the advice was insufficiently backed by analysis.

36. The survey evidence highlights several key areas in which the IMF fell short. As shown in Figure 7, emerging economies were in line with other groups in their view of the Fund's poor performance in quickly bringing to authorities' attention the implications of changing external conditions and in contributing to international policy coordination (including through the analysis of spillover effects from one country to another). One bright spot was that more large emerging economies were satisfied with the Fund's provision of cross-country analysis (70 percent); other emerging economies were less satisfied (50 percent). The survey evidence also points to some Fund shortcomings in the area of innovation and considering alternative scenarios. Meanwhile, as shown in Box 3, about 40 percent of emerging economy respondents thought the Fund did a good job providing alternate scenarios and addressing "what if" questions. The survey also points to limited effectiveness in providing operational advice, though few large emerging economies (42 percent) looked to the Fund for this role—and even fewer found its performance satisfactory. This activity was much more important to other emerging economies, as over 80 percent of authorities indicated that they wanted the IMF to do so. Yet only half of respondents thought that the Fund carried out this role effectively.

Figure 4. Is the Fund Inflexible, Unwilling to Innovate, and Closed to New Approaches? Has Staff Willingness to Consider Different Approaches Improved?

(Percent of authorities who responded "agree" or "strongly agree")

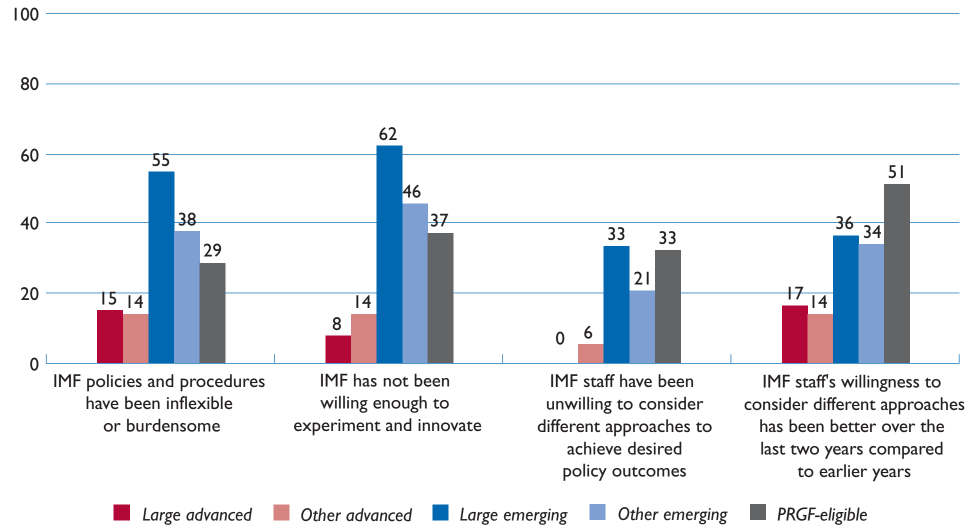
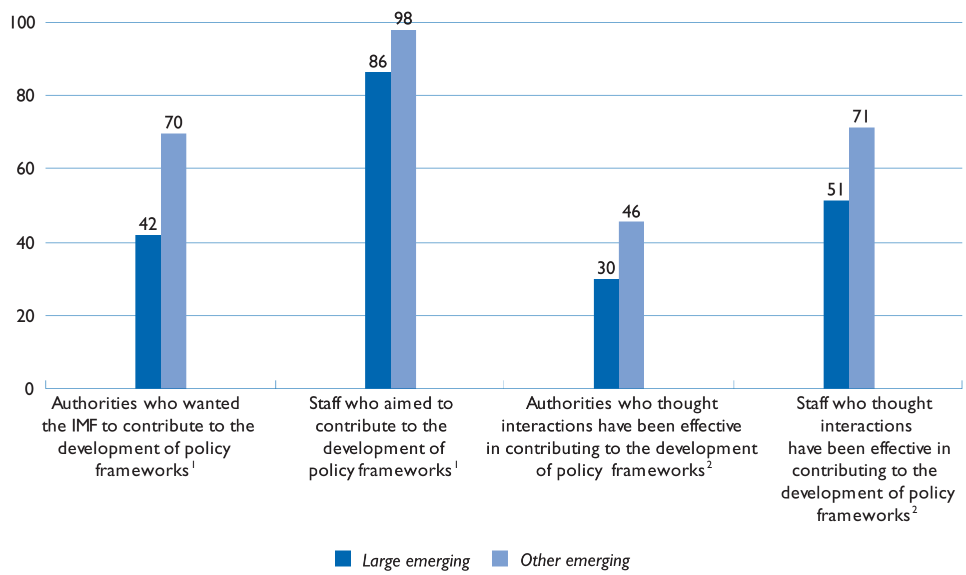


Figure 5. Do the Authorities Want the IMF to Contribute to the Development of Policy Frameworks?

(Percent of respondents)

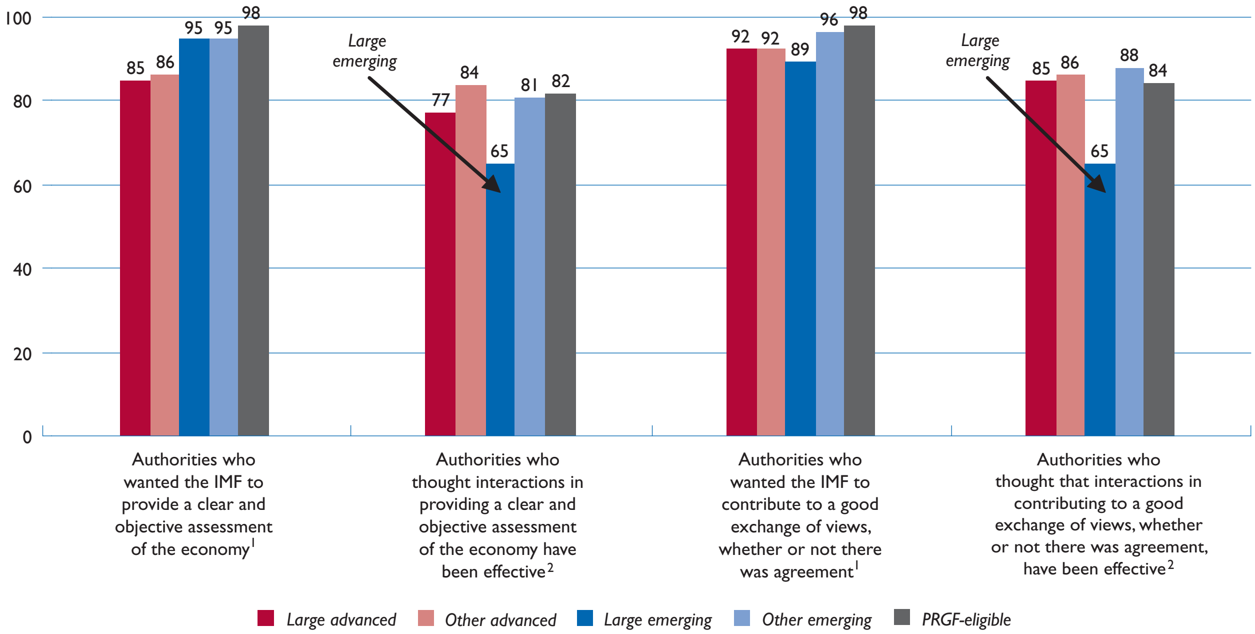


[1]Shows the share of respondents who answered "a fair amount" or "very much."
[2]Shows the share of respondents who answered "effective" or "very effective."

37. The evaluation interviews add nuance to some of the survey findings on the value-added (or lack thereof) of interactions in the context of surveillance. The importance of cross-country analysis was raised repeatedly in interviews by both authorities and staff—and it was highlighted in 2004 by the Executive Board in a call to increase its use to add value to policy discussions. However, some interviewed emerging economy authorities wished the IMF would have provided more relevant and timely cross-country information, with a few pointing out that the comparator countries used were not pertinent to their country cases. Several mission chiefs, too, expressed

Figure 6. Authorities' Views on the Fund's Role and Effectiveness in Interactions in Assessing Economies' Polices and Prospects and in Contributing to a Good Exchange of Views

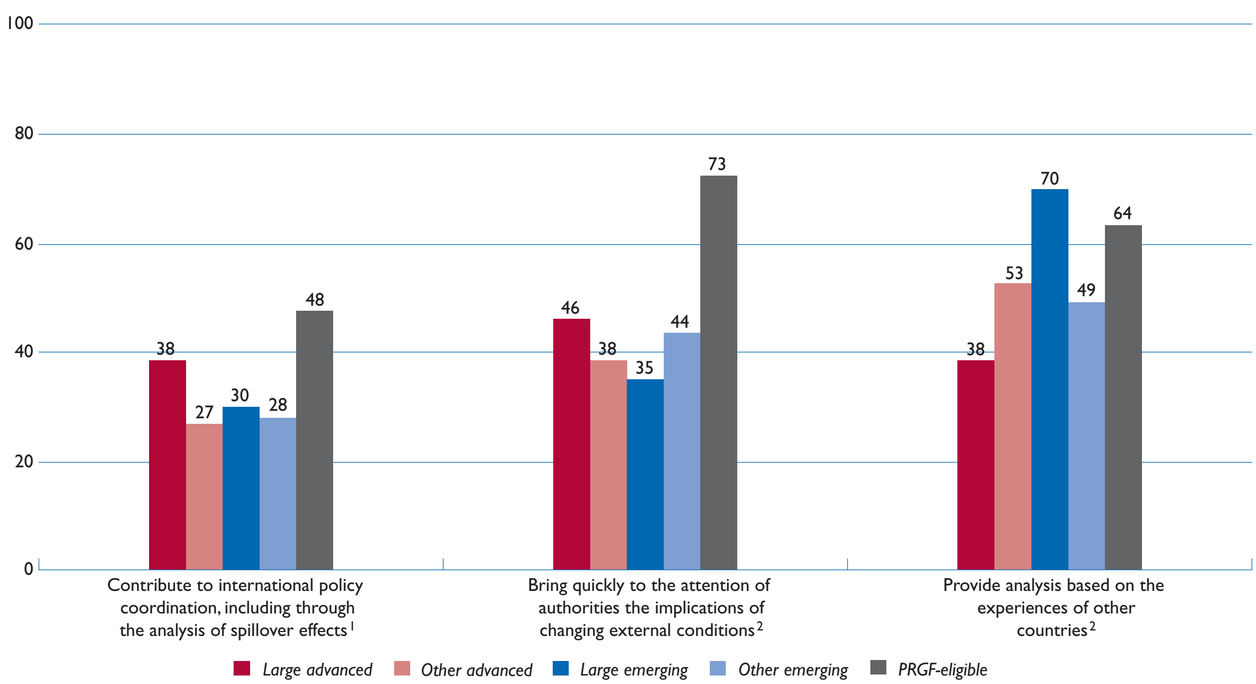
(Percent of respondents)



[1]Shows the share of authorities who responded "a fair amount" or "very much."
[2]Shows the share of authorities who responded "effective" or "very effective."

Figure 7. International Dimensions

(Percent of respondents)



[1]Shows the share of authorities who responded that interactions had been "effective" or "very effective" in the role.
[2]Shows the share of authorities who responded that the Fund had done a "good" or an "excellent" job.

the view that, while cross-country experience provides a comparative advantage for the institution in aiding deeper dialogue with the authorities, it was not being effectively used.[13]

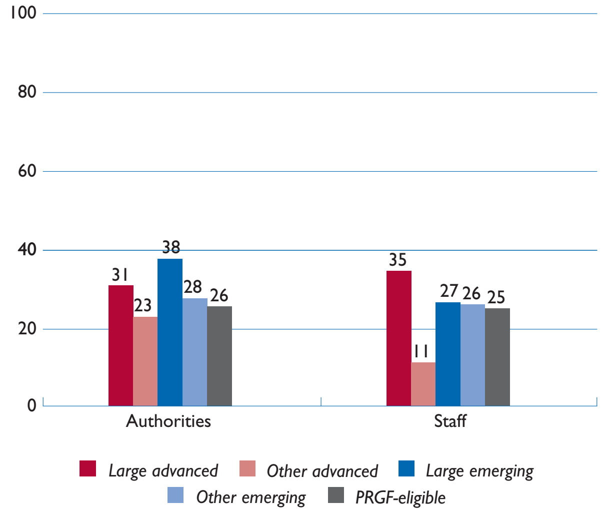
Evenhandedness

38. Some large emerging economies question the evenhandedness with which the Fund conducts surveillance, undermining confidence in the Fund's advice. In the evaluation survey, 86 percent of authorities from large emerging economies said that surveillance served the interests of the largest IMF shareholders, a higher share of authorities than thought that surveillance served the interests of the countries themselves (68 percent). Large emerging economies do not perceive IMF programs or technical assistance in the same way, as nearly all of those who had an IMF program or TA believed they aimed to serve their interests. The view of surveillance in large emerging economies also contrasts sharply with that of officials from other emerging economies, 82 percent of whom said surveillance served their interests. Only 59 percent of this group answered that surveillance served the interests of the largest shareholders.

39. The interview evidence supports and complements the survey evidence on the large emerging economies' concerns about evenhandedness. Interviewed authorities underscored their desire for advice that is objective and fair, based on evidence, and driven by facts rather than ideology. But several thought this standard had not been met. Instead, one authority felt that a double standard was being applied, with decisions and policies of the IMF influenced by noneconomic factors from its largest shareholders. Staff also reported that interactions were undermined by views in member countries that the Fund had acted in the interests of the market rather than the countries during the Asian crisis of the 1990s. There was also a sentiment that the Fund's 2007 Bilateral Surveillance Decision reflected an agenda driven by the large advanced economies. Some interviewed staff members also reported that authorities felt that way and said that such sentiments diminished the authorities' trust and confidence and the ability of the Fund to influence the domestic debate.

40. For other emerging economies, concerns were expressed about a different facet of evenhandedness—in particular, whether small countries received the same treatment as large. Interviews revealed views that large country issues dominated the Fund's agenda, along with concerns about international stability, which crowded out time for and attention to issues of concern about domestic economies. In this context, concerns

Figure 8. Insufficient Accountability of Staff
(Percent of respondents who answered "agree" or "strongly agree")



were expressed about the Fund's increased focus on exchange rate issues, global imbalances, and the 2007 Surveillance Decision. The authorities of one country complained that the staff had suggested that their stance of macroeconomic policy be made more expansionary in line with global needs, an action they felt was not in their interest.

41. Such examples of what authorities considered misguided advice were seen to reflect the staff's weak accountability for its advice, inter alia. Figure 8 shows that 38 percent of the respondents from large emerging economies and 28 percent of those from other emerging economies agreed with the critique queried in the evaluation survey that over the past two years there had been insufficient accountability for the quality of advice given. Over one-quarter of staff respondents working in emerging economies agreed.

New modalities

42. The evaluation also looked at the evidence on efforts to enhance the dialogue with authorities through new initiatives. Several mission chiefs in emerging economies experimented with new ways to enhance the dialogue, such as seminars, regional conferences of finance ministers and central bank governors, selected issues papers (SIPs) jointly authored by authorities and staff, and, even in one case, internal reorganization. There were also institutional initiatives such as streamlined Article IV consultations,[14]

[13]After the close of the evaluation period, the IMF has introduced a collaborative intranet workspace on "Cross-Country Work, Spillovers and Linkages."

[14]Streamlined Article IV consultations are conducted for countries in which there is no current need for detailed coverage of all the issues usually treated in Article IV consultation reports. They are followed by a regular consultation in the subsequent year.

and multilateral consultations. Interviewed mission chiefs said that they tried to deepen the surveillance dialogue by dovetailing technical assistance with surveillance in ways that both sides considered useful, and some staff reached out to authorities in emerging economies to provide follow-up analysis and advice after missions.

43. According to staff, the authorities of emerging economies tended to value seminars, which provided an informal setting for freer debate than the more formal Article IV dialogue, brought in outside experts, and provided cross-country perspectives. Some authorities also praised specific seminars and conferences which they found useful. Survey evidence supports that view more generally: a quarter of the authorities of large and a third of those from other emerging economies wanted somewhat more or much more use of seminars.

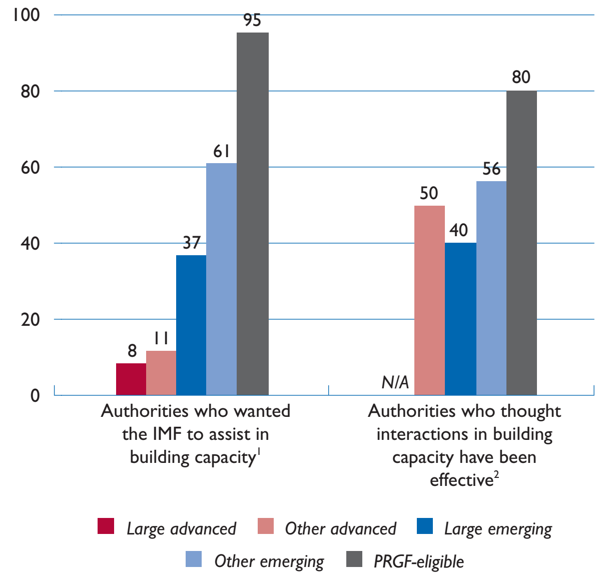
44. The authorities' views on the value of selected issues papers (SIPs) were more mixed. A few authorities of large emerging economies said that they did not find that SIPs added much value. But in several other emerging economies, well-directed SIPs with a relevant choice of topics were seen as useful by the authorities and, according to mission chiefs, had played instrumental roles in policy changes. Also, as shown in Box 3, 80–85 percent of responding authorities from emerging economies thought that the IMF did a good or excellent job of selecting topics relevant to the country, although that question was not specifically related to SIPs. According to mission chiefs, officials of emerging economies were not enthusiastic about co-authoring SIPs with staff, because such co-authorship might be construed to commit them to a particular policy position. Meanwhile, authorities in some other emerging economies found streamlined consultations and abridged staff reports less useful than the full versions; according to the interviews, they preferred more comprehensive coverage of their policy developments and prospects.

45. The evidence suggests that an internal reorganization improved interactions with some small states. Notably, the Fund's consolidation of all its work on Eastern Caribbean Currency Union countries into one division in WHD in 2003 was an attempt to achieve greater focus on Caribbean countries and regional issues. It was generally felt by authorities and staff that the consolidation had helped to strengthen surveillance in the region and to improve the underlying technical work, with several interviewed mission chiefs noting that the move had helped to integrate bilateral and regional surveillance and to better coordinate Fund work in the region.

Knowledge transfer and capacity-building

46. Authorities in almost all emerging economies attach the most value to IMF interactions that they consider as augmenting their own knowledge and understanding of economic and financial policy challenges. Figure 9 shows the survey results for relevance and effectiveness of interactions on capacity building.

Figure 9. Capacity Building
(Percent of respondents)



[1]Shows the share of authorities who responded "a fair amount"or "very much."

[2]Shows the share of authorities who responded "effective" or "very effective." Includes only those who responded that their country received IMF technical assistance or training.

47. Interviewed officials from several emerging economies said that they received more valuable input from technical interactions with the IMF—notably those that take place in the context of the Financial Sector Assessment Program (FSAP); Reports on the Observance of Standards and Codes (ROSCs); technical assistance (for inflation targeting in many cases); and training—rather than from Article IV consultations. Several attributed this to the fact that the technical interactions were more closely targeted to countries' specific needs and that they brought something new to the table. Part of the enhanced value arose from the greater use of consultative processes with the authorities in FSAP and TA. Further, the authorities noted that the technical interactions were often conducted by individuals with implementation experience. In describing a successful FSAP mission to an emerging economy, one of the staff involved identified the team's considerable knowledge of the local environment as a reason for the mission's success, noting that the authorities had taken comfort from the fact that the mission members had an understanding of their system.

48. Several authorities considered that interactions through the Fund's regional technical assistance centers (RTACs) contributed to capacity building.[15] Some authorities attributed part of the success of interactions through the RTAC (in particular the Caribbean regional technical assistance center) to participating countries seeing it as their initiative, with the Fund playing a supporting role.

III. Were Interactions with Other Stakeholders Effective?

49. This chapter looks at IMF interactions with other stakeholders. As in the companion country papers, it looks at the quantity and quality of IMF interactions with other stakeholders, and constraints to more and better interactions. It finds that in many emerging economies, staff faced a conundrum in interacting with other stakeholders, especially if the media might be involved. Sometimes they were pressed by Fund management and senior staff to do more outreach, yet they knew that the authorities preferred it not to be done. Many authorities did not want the Fund to be seen to be criticizing their policies, nor to be praising them, as either could have political fallout. Mission chiefs and resident representatives were profoundly aware of these concerns, which affected the way they conducted outreach.

A. Recent developments[16]

50. During the evaluation period, IMF outreach to other stakeholders in emerging economies included engagement with representatives from parliaments, civil society organizations, the media, and market participants. Staff generally interacted more often with market participants and think tanks than they did with parliamentarians and civil society organizations.[17] Detailed data are not available, but interactions with market participants have been a regular feature of staff work for many years. Contacts with think tanks and academics have been less frequent than those with market participants, but increasing as the Fund has increased its dissemination of analytic products such as the *World Economic Outlook* (*WEO*), the *Global Financial Stability Report* (*GFSR*), and *Regional Economic Outlooks* (*REOs*), which were new products developed during the evaluation period. These analytic products have also provided a platform for interactions with the media that were more acceptable to country authorities than discussions of mission findings about country policies and prospects.

51. Staff outreach to parliamentarians included meetings with staff; speeches by management particularly during country visits; and seminars. Staff interviews suggest that many of the resident representatives in the large emerging economies had contacts with parliamentarians, though such interactions were often informal, low profile and off the record. The internal documents reviewed for the evaluation sample countries suggest that area department staff made an effort to increase their interactions with parliamentarians during the evaluation period, pointing to meetings with members of the legislature in Algeria and South Africa; in Indonesia; in Russia; Egypt, Kazakhstan, and Kuwait; and in Barbados, Brazil, Costa Rica, and Suriname. Also, staff organized country and regional seminars for parliamentarians in Algeria, Indonesia, Libya, Morocco, South Africa, and Tunisia.

52. Responses to the IEO evaluation survey of civil society painted a picture of meetings with civil society in which staff were seen as respectful and listening.[18] But almost half of the survey respondents in large emerging economies who had interacted with Fund staff noted some lack of sensitivity to cultural differences; the proportion was much smaller for respondents from other emerging economies. Survey respondents indicated that they had met with Fund representatives in the context of visiting missions, but meetings with resident representatives also loomed large, especially in the large emerging economies. There were very few meetings with IMF Executive Directors. About half of the respondents who had met with staff did not answer the question on (i) whether their views were taken into account in IMF discussions with the government; and (ii) whether their discussions with the IMF generally contributed to building national support and initiative towards "IMF-backed policies."[19] Of those who did answer more than half have said their views have been reflected, and that their discussions had contributed to building national support for such policies. In both cases, the scores were broadly the same for the large and for the other emerging economies.

53. An EXR survey of outreach with trade unions was carried out in 2007 and covered staff working on emerging economies. According to the respondents, mission chiefs and/or resident representatives had

[15] IMF (2007d) also notes that "the overall finding is that in general, beneficiaries are highly satisfied with the performance of Middle East Regional Technical Assistance Center (METAC)."

[16] Examples provided in this section are taken mainly from the evidence for 23 case studies and for other countries visited. They do not cover the full range of activities in all 81 emerging economies.

[17] See Scholte (2009) and Hammer and Warren (2009).

[18] This survey received 290 responses from representatives of private sector associations (including chambers of commerce and trade or industry associations), media, nongovernment organizations, labor unions, academics, and think tanks in 69 emerging economies. Thirty percent of the responses were from civil society representatives in large emerging economies, and 70 percent from other emerging economies.

[19] "No response," "not applicable," or "don't know."

met with trade union representatives in the previous two years in 42 percent of all emerging economies. Such meetings took place in 30 percent of large emerging economies—including Brazil, Colombia, Indonesia, Mexico, the Philippines, and South Africa—compared with 50 percent of the other emerging economies.

54. Area departments used outreach on *REOs*, *WEOs*, and other analytic products to seek to reposition the Fund as a knowledge-based institution. During the evaluation period, WHD produced eight *REOs* including updates; various issues were presented to country and regional audiences (including government officials, academics, and think tanks) in El Salvador, Mexico, Brazil, Chile, and Colombia, inter alia, with a Caribbean-specific version of the *REO* recently launched. The other area departments have also their *REOs* in similar ways—to reposition the Fund as more of a knowledge institution. For example in Egypt, MCD has done presentations/workshops with think tanks and academia using its *REO* supplemented by presentations on the *WEO* and the *GFSR*. APD's *REO* outreach events in Thailand have also aimed to reach a broad audience, including representatives of academic and private sector. APD's *REOs* have also been presented in major cities in the region and in regional meetings such as ASEAN and APEC. EUR has presented its three *REOs* at seminars at various times in Bosnia and Herzegovina, Bulgaria, Czech Republic, Estonia, Poland, Romania, Russia, San Marino, Serbia, Turkey, and Ukraine.

55. Staff interactions with the media included press conferences, dissemination of concluding statements, and interviews—when consistent with maintaining the relationship with member authorities. There were cases in which authorities objected to such media contact and/or when it was considered by staff to be counterproductive; staff generally refrained from outreach in such cases. In other cases, staff undertook to develop and maintain open informal lines of communication with key media players. In the evaluation sample countries, press conferences at the close of Article IV missions were held in Algeria, China, and Turkey. Mission concluding statements for Article IV consultations, including preliminary conclusions, were published in Egypt, Russia, and Turkey, among the large emerging economies in the evaluation sample and in Bulgaria, Czech Republic, Kazakhstan, Lebanon, and Lithuania, among the other emerging economies in the sample.

B. Constraints to more and better interaction with stakeholders

56. Interview evidence suggests that Fund staff contacts outside government were constrained by the authorities' guidance and preferences. Mission chiefs working on emerging economies emphasized that the outreach that IMF staff can extend to other stakeholders—such as parliamentarians, civil society, the media, and market participants—partly depends on what the authorities feel comfortable with. As the Fund's guidance to staff on outreach to legislators and civil society organizations indicates, staff take their cue from the authorities regarding the manner and extent of such outreach.[20] The interviews also pointed to differences across countries, especially as between large emerging economies and the other emerging economies, as highlighted in Box 6.

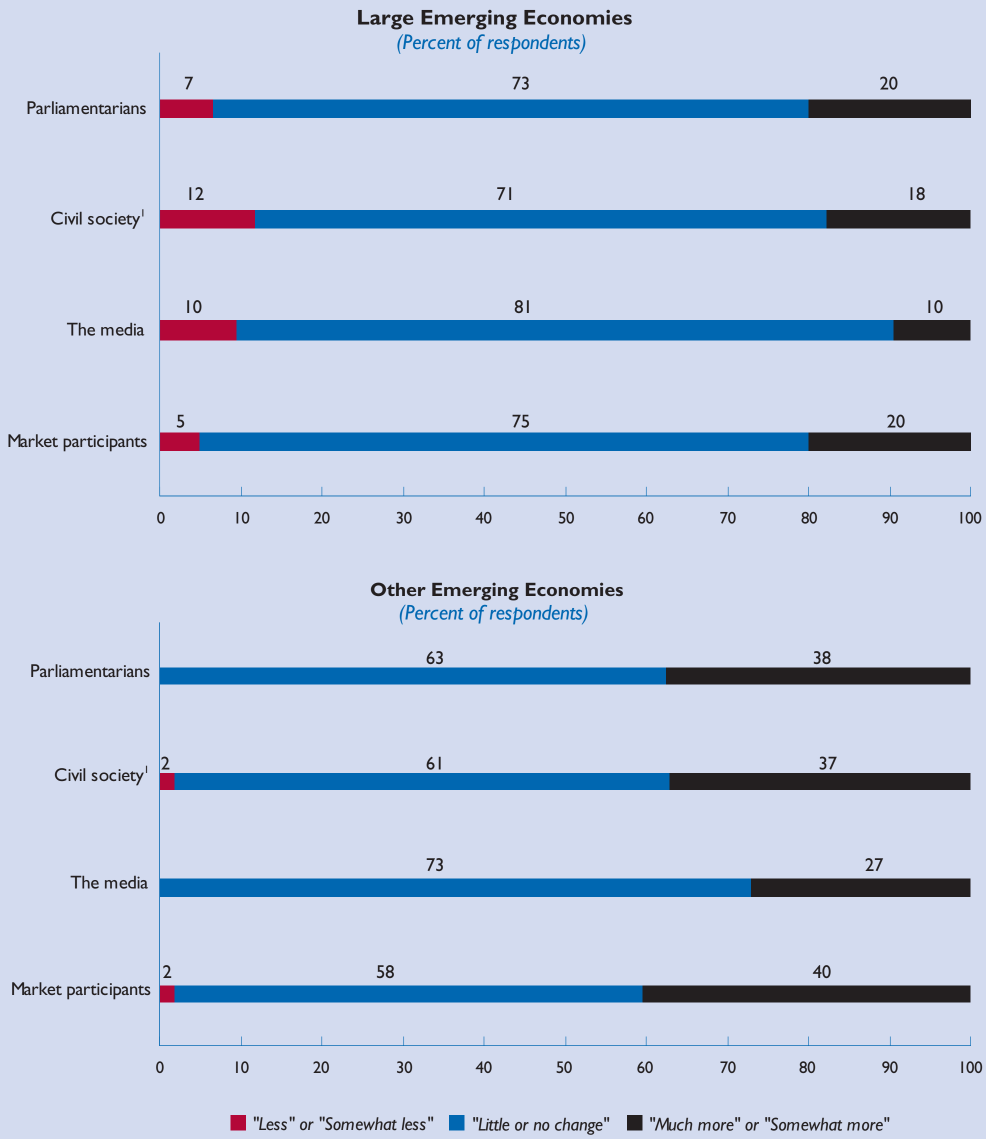
57. Staff said that many authorities of emerging economies expected them to play at most a low-key role in outreach, and especially to be careful to avoid being seen as driving the policy agenda. The authorities of some large emerging economies and other stakeholders, including civil society, still recall with bitterness the crises of the 1990s, and the role the Fund was perceived to have played in the austerity programs that followed. In some such countries, the authorities seen to be cooperating with the Fund are easily stigmatized, partly because of the reputational damage the IMF has faced in some quarters in the past. Where these negative factors were not present, some authorities supported IMF outreach, which they thought would help them gain support for their reform efforts. Mission chiefs said they used the interactions that took place with civil society organizations to carry out the aims outlined in the Fund's guidelines—notably to provide information on IMF policy advice, and to get information from other sources to round out their own views. Some said they conveyed the views of civil society organizations on policy matters back to the authorities—which apparently was appreciated (the authorities may not always get the candid views of civil society directly).

58. Staff interactions with the media about country policies and prospects are the most delicate area. Interviewed staff said they usually took the authorities into confidence before any media contacts and were extremely careful not to appear critical, so as to maintain their relationship with the authorities. Staff felt that their careers might suffer if the authorities were to complain to IMF management about being misreported in the media. Therefore the tendency often was to be less proactive in media outreach. However, in a few cases where authorities had once opposed press contacts, there was evidence that attitudes were softening in recent years. For example, in one large emerging economy, where the authorities had historically been very resistant to IMF outreach, especially with the media, some initiatives by the resident representative in recent years had been tolerated, including media appearances. Officials ascribed the change to

[20]See IMF (2003b; 2006c).

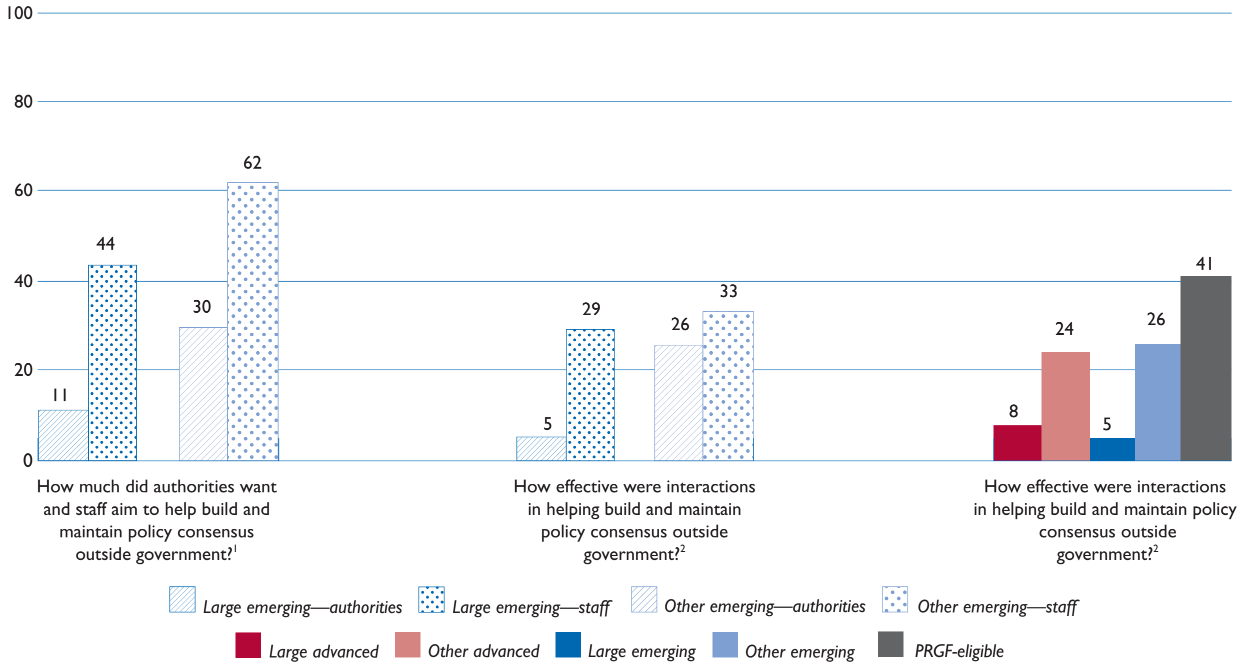
Box 6. Surveyed Authorities' Views on IMF Outreach: Do They Want More, Less, or About the Same?

The difference—as between large and other emerging economies—in perspective on outreach to other stakeholders is reflected in the survey evidence. As shown below, large majorities of both large and other emerging economies want the same amount of outreach going forward, including to parliamentarians, civil society, the media, and market participants. But for the large emerging economies, 5–10 percent want less outreach in each category, and 10–20 percent want more, with 70–80 percent content with current levels. For the other emerging economies, about 60–70 percent are content with current levels, and almost none want less in any category; about 40 percent want more with parliamentarians, civil society, and market participants and about 30 percent want more with the media.



[1]At an early stage of policy discussions.

Figure 10. Do the Authorities Want Staff to Discuss Policies Outside Government?
(Percent of respondents)



[1]Shows the share of authorities who responded that they wanted the IMF to play the role "a fair amount" or "very much," and the share of staff who responded that the IMF aimed to play the role "a fair amount" or "very much."
[2]Shows the share of respondents who answered "effective" or "very effective."

increasing self-confidence on both sides—suggesting lessons for future approaches. On the authorities' side, the greater confidence was due to good economic performance and a sense of vindication that they had been wise not to follow earlier IMF macroeconomic policy advice. On the staff side, the confidence to pursue initiatives depended on the personality and skills of the individual staff member, and their ability to establish a relationship of trust with the authorities. In one small state, the authorities had traditionally been reluctant to support outreach as the Fund's image was still tainted by association with earlier crisis, yet they now agreed to issuance of the mission's press statement.

59. The above views are reflected in the survey responses, which show a very limited interest of the authorities in staff discussions of policies outside government circles. Figure 10 shows that only 11 percent of large emerging economy survey respondents and less than a third of responding authorities from other emerging economy respondents saw a role for the IMF in helping to build policy consensus through contacts outside government. Even fewer felt that the IMF had been effective in such activities, as shown in the middle panel of Figure 10. Staff were generally more positive on whether the Fund aimed to help build consensus outside government and in their assessment of the effectiveness of these activities. The disconnect on the latter was larger for the large emerging economies than for the other emerging economies. (The right-hand panel of Figure 10 shows how the authorities of all country groups view staff consensus-building activities, with the large and other emerging economies in line with the respective views of the large advanced and other advanced economies.)

60. The above suggests—especially in large emerging economies—little harmony with the area departments' outreach strategies, which are largely focused on enhancing traction with the authorities by influencing public opinion. Indeed, interviewed staff pointed to internal debates in which some wanted the mission team to hold press conferences in the country, while the mission chief felt that such an activity would backfire with the authorities. There were some references to outreach in the internal documents reviewed for the evaluation, but most, including the Surveillance Agendas, were generally silent on any strategic objectives. An exception was EUR's country outreach strategies, which were prepared on a pilot basis for FY2008. These country outreach plans contained key messages/policy priorities; main obstacles to recommended policies; outreach steps to reduce resistance; and a matrix of proposed messages, audiences, and delivery. In WHD, the individual strategies for the outreach efforts were less explicit in larger

economies; though in some individual smaller cases the aims were stated. For example: in one, the planned outreach effort aimed at "influencing the broader public debate," in another, it aimed "to help build a consensus for reform;" and, in a third case, the efforts "...focus[ed] on increasing public awareness and underscoring the urgency of fiscal consolidation."

61. Limited resources were another constraint to outreach. Due to their field presence, resident representatives tended to have more interactions with outside stakeholders than did mission chiefs. However, some of the interviewed representatives in emerging economies said that their offices lacked enough resources to be more actively involved in outreach. A few resident representatives considered that the Fund's limited number of products tailored to meet country needs made continuity of outreach in emerging economies more difficult.

62. Mission chiefs said that, in the limited time they had, they faced a trade-off between discussing policy with the authorities and interacting with other stakeholders. While most mission chiefs to emerging economies viewed outreach as an important aspect of interactions, their revealed preference was to spend their limited mission time in policy discussions with the authorities. Given this, it is unsurprising that some scheduled outreach meetings, taking place during missions, became pro-forma as reported by some interviewed staff. The situation was different when the resident representative or headquarters staff devoted time to planning and implementing special events.

IV. Were Interactions Well Managed?

63. This chapter looks at three aspects of the management of interactions—strategy; staff style, skills, and turnover; and relationship management. It asks how and how well each was calibrated to promote effective interactions. It concludes that for the large emerging economies, the problem of interactions was a failure of strategy—essentially the absence of one for effectively engaging post-program and other surveillance-only economies. For many other emerging economies, the lack of an explicit overall strategy was less of an immediate concern, as they had greater interest in Fund programs, signaling services, and other advice (such as for meeting EU requirements). For these countries, problems with the management of interactions came down to a number of different things—for some, a lack of an effective country-level strategy, and for others poor management of staff turnover and continuity of the relationship.

A. Strategy

64. The Fund did not 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,[21] 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—thus launching the transition from a program relationship to a surveillance-only relationship that was a fact of life for several emerging economies and the IMF staff working on them, as discussed in Chapter II. However, this was done without putting in place an effective approach to post-program interactions that took into account the very real concerns of the country authorities about further engagement with the Fund (see Box 7).

65. As in the advanced economies, the staff's strategy for generating influence in nonprogram contexts was linked in part to the Fund's transparency policy and communications strategy. But, as also in the advanced economies, the authorities of the large emerging economies had little appetite for Fund outreach on their economies, especially in 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 strategic impact of these activities at both the regional and country levels, which are work in progress.

Large emerging economies

66. As shown in Figure 2 in Chapter II, the strategic alignment between the authorities of the large emerging economies and the staff working on them was relatively low in 2007–08. Figure 11 looks beneath this composite measure at its components. As shown there, for six roles there was a gap of more than 20 percentage points between what the authorities think are priorities and what the staff think, with differences of more than 40 percentage points for consensus building within the government and contribution to the development of policy frameworks. (In other words, 64 percent of staff aimed to help build internal consensus on policies, while only 16 percent of authorities wanted this; and 86 percent of staff said they aimed to contribute to the development of policy frameworks, while only 42 percent of authorities said they wanted this.) These large differences point to either lack of knowledge by staff

[21]See IMF (2005c), available at www.imf.org/external/np/omd/2005/eng/091505.pdf.

Box 7. Exit Strategies from Fund Programs in Emerging Economies

The IEO commissioned an assessment of the transition from program to surveillance-only among a select group of emerging economies—Brazil, Colombia, Indonesia, Kazakhstan, and Lithuania—and its impact on interactions. The assessment found:

- *Background*. The Fund's operating concept was that surveillance was the paragon—the foundational relation of the IMF with its membership. Lending was seen as abnormal, an exception accepted only in crisis or to prevent one, and against conditionality.
- *Case study findings*. The expectation in the programs considered was the ultimate transition back to a surveillance-only relationship, in line with the Articles of Agreement. Precautionary programs also aimed at achieving exit. Each case study contained a clear understanding of what the exit process involved. Nevertheless, the exit process did not address the post-exit strategy, except as the return to surveillance, which was considered a well-understood, welcome, and sufficient mode of future operation.
- *Question*. Why is there little discussion of post-program strategy? If the Fund were a firm about to lose a significant part of its clientele, it would develop new products, or reinvent itself. The challenge is not to get rid of surveillance but make it work in an environment where most of the global GDP is concentrated in surveillance-only countries. In current circumstances, such relationships have tended to become excessively formal, distant, and lower value-added relationships in line with those in advanced economies. The IMF is less influential and with marginal impact on policy design and implementation.
- *Going forward*. The issue is not exit but the quality of surveillance if current deficiencies in country-specific post-exit relations with this new layer of emerging economies are to be addressed.

Source: Vieira da Cunha (2009).

of what the authorities wanted from the Fund, or unresolved issues in the dialogue with the authorities about what the interactions are supposed to achieve. In either case, they raise questions about the Fund's strategy for interactions with this group of countries.

67. What do the interviews with staff and the Fund's internal documents say about these traction issues for the large emerging economies in the evaluation sample? The staff interviews suggest that staff did grapple with the Fund's limited traction in these countries, especially in surveillance-only cases. As noted earlier, several interviewed resident representatives linked the difficulties they were experiencing in building relations of trust with the authorities to the Fund's failure to articulate a strategy for engaging with post-program surveillance-only countries. Meanwhile, interviews with mission chiefs and the internal documents show considerable debate about how to proceed in several large emerging economies, including with respect to outreach, given the many country sensitivities involved. These cases reveal individual concerns about, and struggles for, increasing relevance and influence, rather than any institutional imperative of the kind that guides the Fund's approach to macroeconomic stability or exchange rate policy.

Other emerging economies

68. For the other emerging economies, as shown in Figure 12, strategic dissonance between the authorities and staff is much smaller. Five roles have differences above 20 percentage points, but those differences are considerably smaller than for the large emerging economies. For this group of other emerging economies, the evaluation found country-level differences in strategy were decisive for the effectiveness (or not) of interactions in particular country contexts. Some cases (such as in emerging Europe) worked well as there was a clear strategy aimed at EU entry; whereas, others worked less well, as the understandings of the authorities and staff were unclear as to what was to be achieved in the interactions.

B. Staff style, skills, continuity, and incentives

69. The survey and interview evidence examined on these topics point to some concerns about the Fund's management of staff resources—in particular its staffing of country teams with the skills needed to provide quality advice to large emerging economy authorities and its management of turnover in other emerging economies. There was a broad level of consistency between large and other emerging economies in terms of their views on staff style, but there were important differences with respect to the adequacy of staff skills, staff preparation for meetings, and the management of continuity. Large emerging economy authorities were more critical of staff skills and preparation, while staff turnover was a more serious issue for the other emerging economies than for the large emerging economies.

Style

70. Overall, the message from authorities about the style of engagement is positive, but the number cit-

Figure 11. Strategic Dissonance Between Authorities of Large Emerging Economies and Staff
(Percent of staff who thought IMF "aimed" to perform each role minus percent of authorities who "wanted" the IMF to do so)

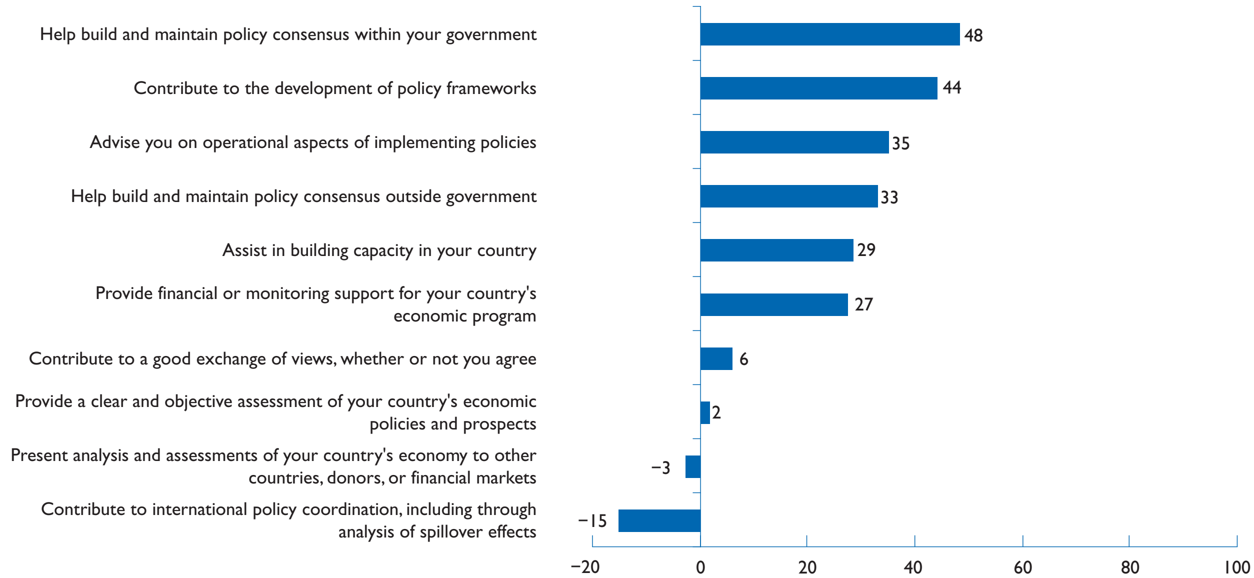
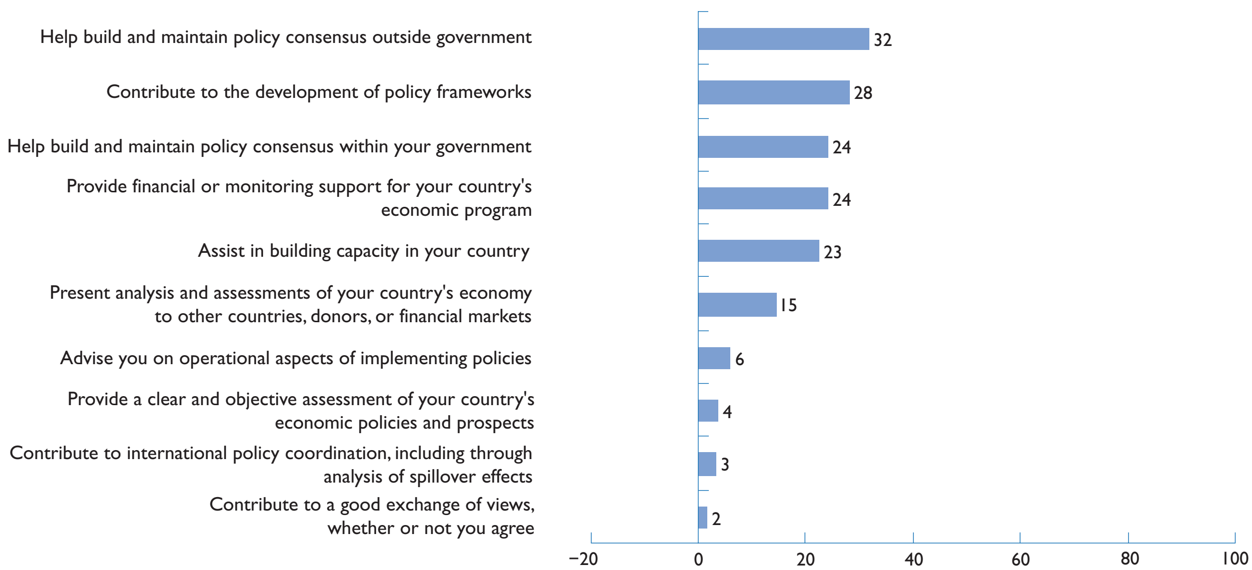
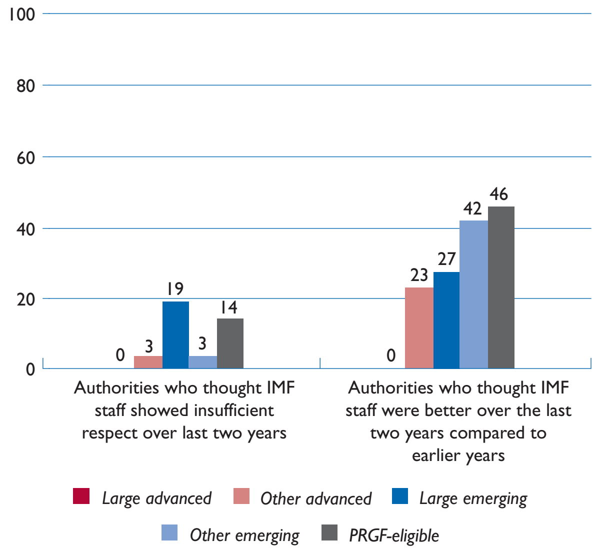


Figure 12. Strategic Dissonance Between Authorities of Other Emerging Economies and Staff
(Percent of staff who thought IMF "aimed" to perform each role minus percent of authorities who "wanted" the IMF to do so)



ing concerns remains too large. A majority of survey respondents (respectively 80 and 75 percent of surveyed authorities from large and other emerging economies, see Box 3) said that the Fund did a good job of listening to their perspectives, a central aspect of respect. Almost 20 percent of the large emerging economy authorities responding to the evaluation survey flagged concerns about the staff's respectfulness in their dealings with the authorities and their staff. As shown in Figure 13, 19 percent of large emerging economy authorities said that staff showed insufficient respect to them over the last two years, although 27 percent said the situation was improving. As in other areas the numbers for the other emerging economies are much better—only 3 percent of surveyed authorities found staff disrespectful and 42 percent said the situation had improved. In interviews, both staff and country officials of large emerging economies indicated that relationships with the Fund had in the past

Figure 13. Respectfulness Towards the Authorities
(Percent of authorities who responded "agree" or "strongly agree")



been soured by the style of some Fund staff members, who had come across as highhanded and arrogant, with a tendency to lecture rather than listen. Some authorities also conveyed concerns about what they saw as the staff's ideological rigidity about policies. Another source of irritation was what an interviewed official of one country referred to as the tendency for staff to give specific advice, for example on monetary policy, when the authorities considered the staff's role to be less prescriptive, focused on providing the analysis that would help inform policymaking. Interviews also revealed specific instances of style irritations in other emerging economies, although some authorities complimented staff, for instance, for being respectful and open-minded.

71. One-third of large emerging economies indicated that inadequate staff preparation for missions reduced the effectiveness of meetings. Five percent of other emerging economies thought so, as indicated in Figure 14. Meanwhile, nearly a quarter of large emerging economies indicated that staff had not presented their assessments in a clear and convincing manner. For other emerging economies, the numbers were lower and more in line with those provided by the other country groups.

72. Figure 15 gives the evaluation survey evidence on whether the lack of diversity of staff members (both in terms of nationality and educational background) working on the emerging economies had adversely affected interactions. It shows that 14 percent of the large emerging economies thought there was an issue, while only 3 percent of other emerging economies thought so and 4–5 percent of surveyed staff working on emerging economies thought so. The issue arose in the evaluation interviews with the authorities of one country. In interviews with staff, three staff members raised diversity as an issue—two in the context of a single country situation where the ethnic composition of Fund teams was a consideration for the authorities, and one suggesting that more diverse staff teams might bring a broader perspective to the table.

Figure 14. Authorities' Views on Staff Mission Preparation and Presentations
(Percent of authorities who responded "agree" or "strongly agree")

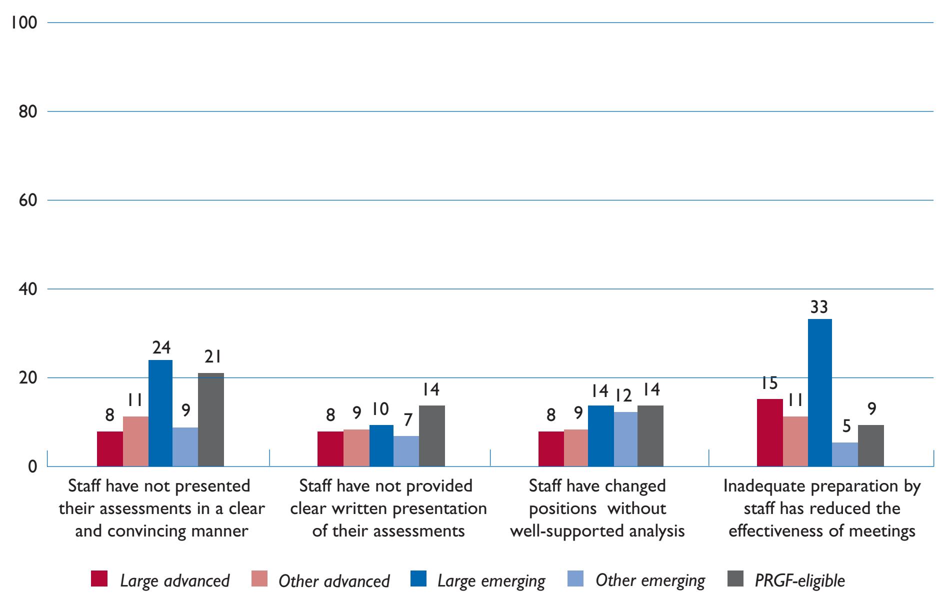
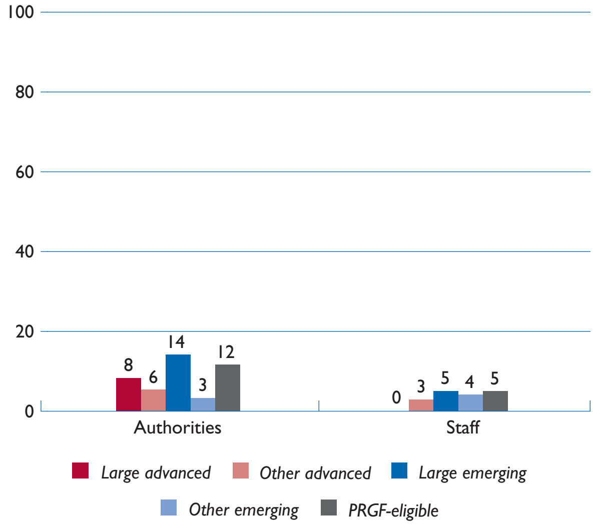


Figure 15. Staff Diversity: Authorities' and Staff Views

(Percent of respondents who answered "agree" or "strongly agree" that the nationalities and/or backgrounds of IMF staff restricted effective interactions)



Skills

73. One-third (or more) of large emerging economies expressed concerns about staff competencies in three of four areas queried in the evaluation survey—practical experience, country knowledge, and language proficiency. As illustrated in Figure 16, over 40 percent of respondents indicated that staff lacked sufficient practical experience in policy formulation and implementation. One-third also thought that inadequate country knowledge and language skills had compromised interactions. Fewer emerging economy authorities criticized staff's technical capabilities (19 percent). For the other emerging economies, the share of authorities who were critical was much smaller for each skill assessed. Interview evidence reinforced the importance of hands-on practical skills and technical expertise to the authorities of large emerging economies, as noted in Chapter II's discussion of knowledge transfer and capacity building. And notwithstanding the concerns about country knowledge, some interviewed authorities praised the staff's country knowledge. As one official from a large emerging economy reported, the capacity of the Fund to understand his authorities' domestic restrictions, together with their firm commitment to performance, had been key to the success of the program.

Staff turnover

74. Staff turnover—and the ability of the Fund to manage it smoothly—is a concern of many emerging economy authorities. As shown in Figure 17 about a quarter of authorities from both groups felt that the IMF had not provided enough continuity and smooth changeover of mission chiefs and mission members. The interview evidence suggests that the Fund has done less to ensure continuity of the relationship in the other emerging economies, and especially in small states and other relatively small countries, which typically have the least capacity to manage rapid staff turnover.[22] The

[22]Over the eight-year period, the evidence suggests that, on average, there were 3.8 mission chiefs for a large emerging economy, and 4.0 for an other emerging economy, with some small states having as many as 5 mission chiefs.

Figure 16. Authorities' Views on Staff Skills: Technical, Practical, Country, Language

(Percent of authorities who responded "agree" or "strongly agree")

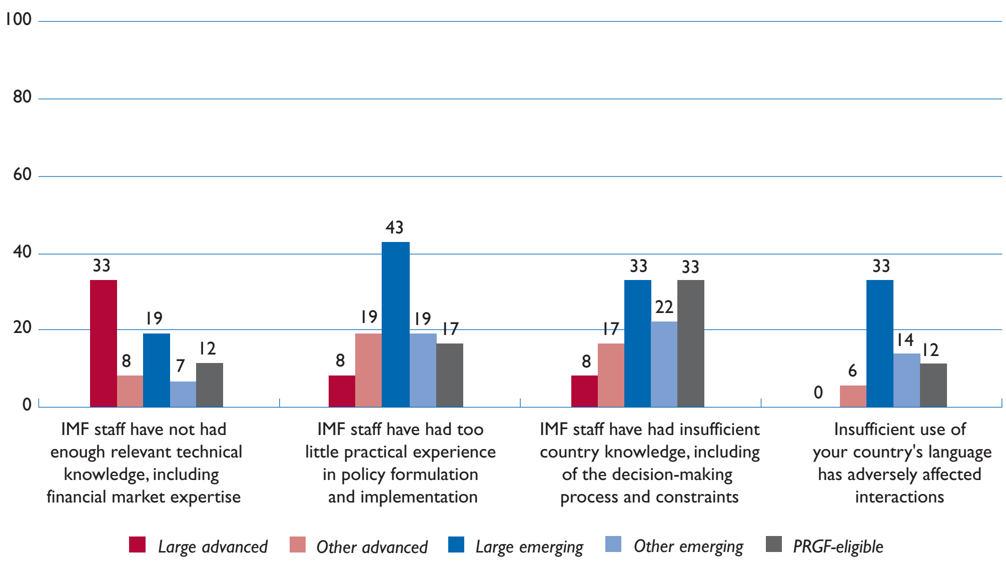
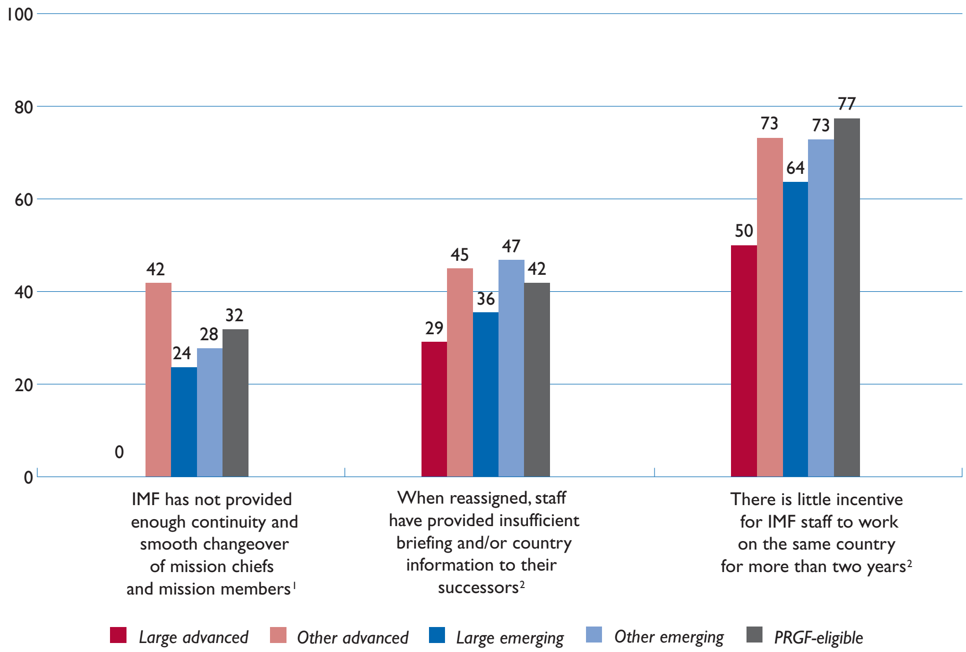


Figure 17. Continuity: Adequacy, Management, Incentives
(Percent of respondents)



[1]Shows the share of authorities who responded "agree" or "strongly agree."
[2]Shows the share of staff who responded "agree" or "strongly agree."

authorities of one small state complained that mission chiefs to their country had changed so frequently that they had no clear contact point with Fund staff. But the evaluation also found that Fund area departments have attempted to facilitate continuity, including efforts to ensure that all mission members not change at the same time, to bring area department management or the previous mission chief along to introduce the new mission chief, and to send new mission chiefs on familiarizing missions before the start of their posting.

75. Staff expressed a sense that continuity is not managed well within the institution. This conclusion is supported by both survey and interview evidence. Staff survey responses suggest that internal structures and incentives have not been conducive to promoting continuity—particularly so for those working in other emerging economies. As also shown in Figure 18, more than 60 percent of staff working on the large emerging economies and nearly 75 percent working on the other emerging economies agreed that staff had little incentive to work on the same country for more than two years. Nearly half of staff working on other emerging economies also pointed to insufficient briefings to successors during times of transition (compared to 36 percent of large emerging counterparts). The interview evidence points to specific incentives that may underpin these broad conclusions. Some mission chiefs said that staff prefer to work on program countries due to these countries' greater visibility, which improves career prospects. Some staff also suggested that the lack of sufficient briefings for successors is related to the staff's attaching more importance to "hitting the ground running" for their next job than to briefing their successor, despite this activity's role in helping smooth the transition and maintain productive relations with country authorities.

Figure 18. Staff Incentives and Resources for Relationship Management
(Percent of staff who responded "agree" or "strongly agree")

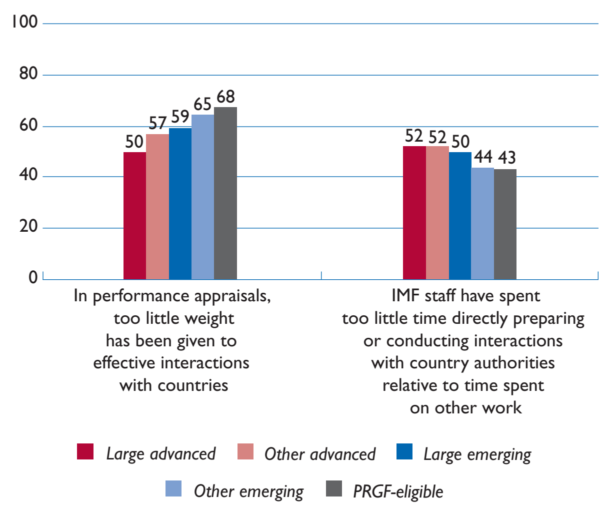
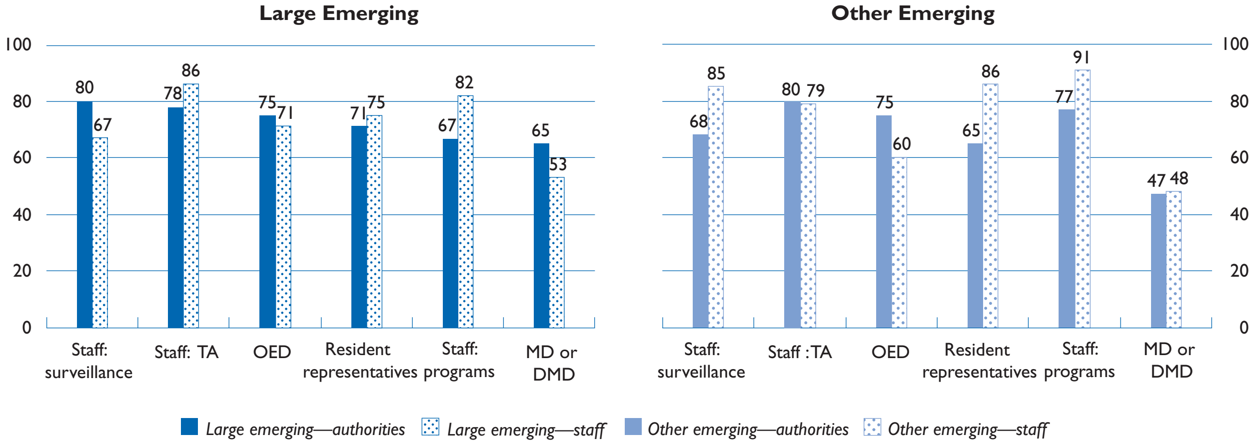


Figure 19. Effectiveness of Interlocutors
(Percent of respondents)



Notes: Shows the share of respondents who answered that interactions were "effective" or "very effective." Results for resident representatives, TA staff, and program staff include only those who answered that they had interacted with each.

Staff incentives for effective face-to-face interactions

76. Area department staff working on emerging economies—and more generally across the Fund—said that the incentives they faced did not favor interactions with the authorities. Figure 18 shows that 59 percent of staff working on large and 65 percent of staff working on other emerging economies indicated that interactions with the authorities were given too little weight in staff annual performance reviews. Staff interviews pointed to other incentives that pushed against closer interactions, such as one staff member who reminded the interviewers that mission chiefs who develop strong relationships with their authorities are seen to have lost their objectivity and independence.

77. Many staff also said they were allowed too little time for interactions relative to other work, such as servicing the Board or management and responding to reviewers' comments. This result was similar for staff working on both large and other emerging economies (50 percent and 44 percent, respectively). These survey results are supported by evidence from interviewed area department staff, whose perspectives on institutional procedures revealed frustration at the importance given to internal processes that they say take a substantial amount of their time—particularly requirements for briefing and the "crafting" of papers for a smooth passage through the Board (an implicit indicator of performance).[23]

[23]The report of the interdepartmental working group, " Enhancing Career Development at the Fund," October 2007 also points out that "work processes and incentives are geared predominantly toward servicing Management and the Executive Board, with much less attention to outside stakeholders (member countries, authorities, other stakeholders)."

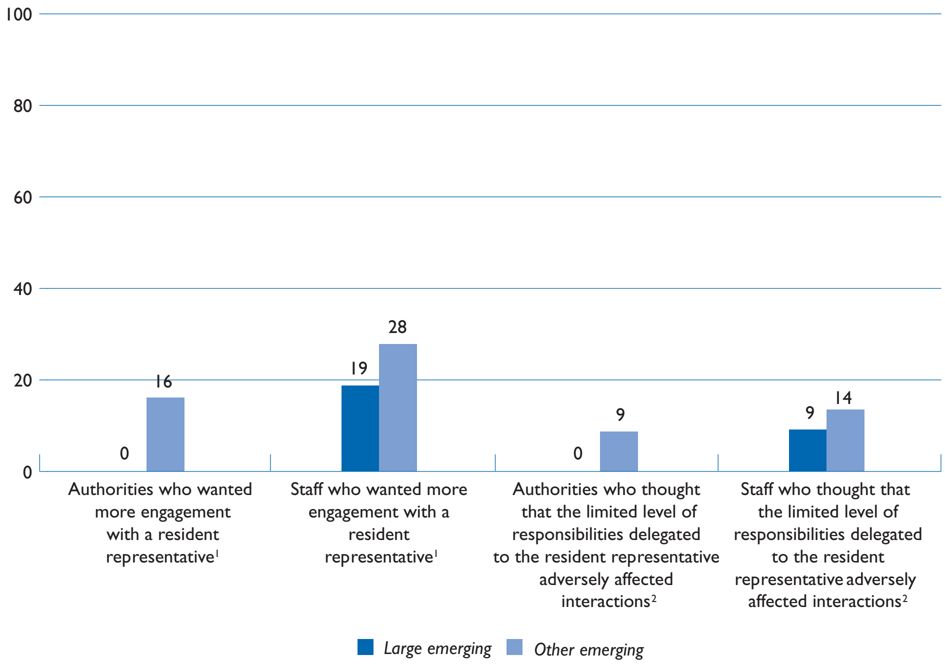
C. Relationship management

78. Interactions in all their dimensions come together in the Fund's country relationships, which require proper management for effectiveness. Box 4 in the main report shows the evaluation survey evidence on the authorities' and staff's perceptions about the effectiveness of Fund relationship management. By one measure, 80–90 percent of emerging economy authorities' survey responses agreed the Fund's arrangements for relationship management were conducive to effective interactions. (The staff's survey numbers were in the same range.) But on another measure—whether the Fund takes a long-term strategic approach to the relationship—the scores are much lower, with 5–10 percent rating the Fund's performance as excellent, 45 percent as good, and 35 percent as average. Against this background, this section presents the evidence on three aspects of relationship management: (i) the effectiveness of different Fund interlocutors in their interactions with the authorities; (ii) decentralization and the management and role of Fund resident representatives; and (iii) trouble shooting.

Interlocutors

79. The evaluation survey asked the authorities and staff about which they thought was the Fund's most effective channel for interactions. As shown in Figure 19, the authorities of the large emerging economies gave the highest scores to the staff working on surveillance, notwithstanding their concerns discussed earlier about the surveillance process. They gave the lowest scores to management and to program staff. The authorities of the other emerging economies gave the highest scores to technical assistance staff and the lowest to manage-

Figure 20. Resident Representatives: Authorities' and Staff Views
(Percent of respondents)



[1]Shows the share of respondents who answered "somewhat more" or "much more."
[2]Shows the share of respondents who answered "agree" or "strongly agree."

ment and resident representatives. Staff also gave low scores to management.

80. In the survey, both authorities and staff rated interactions with the EDs more highly than those with management. This finding was true for both large and other emerging economies, though differences in the views of staff and authorities were more pronounced in the other than in the large emerging economies. In other emerging economies, 75 percent of authorities called interactions with the EDs effective, compared to 60 percent of staff. Over 70 percent of both staff and authorities in large emerging economies rated these interactions as effective. The pattern was similar for interactions with management, though effectiveness scores were lower across the board. In large emerging economies, 65 percent of authorities and 53 percent of staff called interactions with management effective, compared to around 50 percent for both groups in other emerging economies.

81. In interviews, mission chiefs generally considered that IMF management can play a useful role in interactions by building an appropriate relationship with a country's political executive at the highest level. This was particularly the case, they felt, in large emerging economies where the staff do not have access at the highest levels. Even in such cases, however, some interviewed mission chiefs expressed the view that management should be careful discussing details of programs and policies with the authorities.[24] On occasion, messages conveyed by management were unexpected or not previously discussed fully with staff, to the detriment of relations with the authorities.

Decentralization

82. The IMF has not joined the international trend towards geographical decentralization. If anything, it has moved in the opposite direction, as budget cuts have led to the closing of some country offices. However, the Fund still maintains resident representative offices in 24 emerging economies—11 large and 13 other emerging economies.

83. Emerging economy authorities, for the most part, expressed satisfaction with current arrangements in their countries. As shown in Figure 20, in response to a survey question, none of the large-emerging authorities wanted more engagement from a resident representative office (85 percent preferred the status quo, and

[24]The IMF Office of Internal Audit and Inspection (2002) also points out that "Management has become much more directly involved in negotiations through face-to-face meeting with senior country authorities. Important quality control points within the institution would appear to have been weakened or short-circuited by this process and that Management may be more exposed." In any case, the appropriate balance between the oversight of staff interactions and direct conduct of interactions by management would be worth reviewing and clarifying.

Box 8. The Handling of Complaints and Tensions

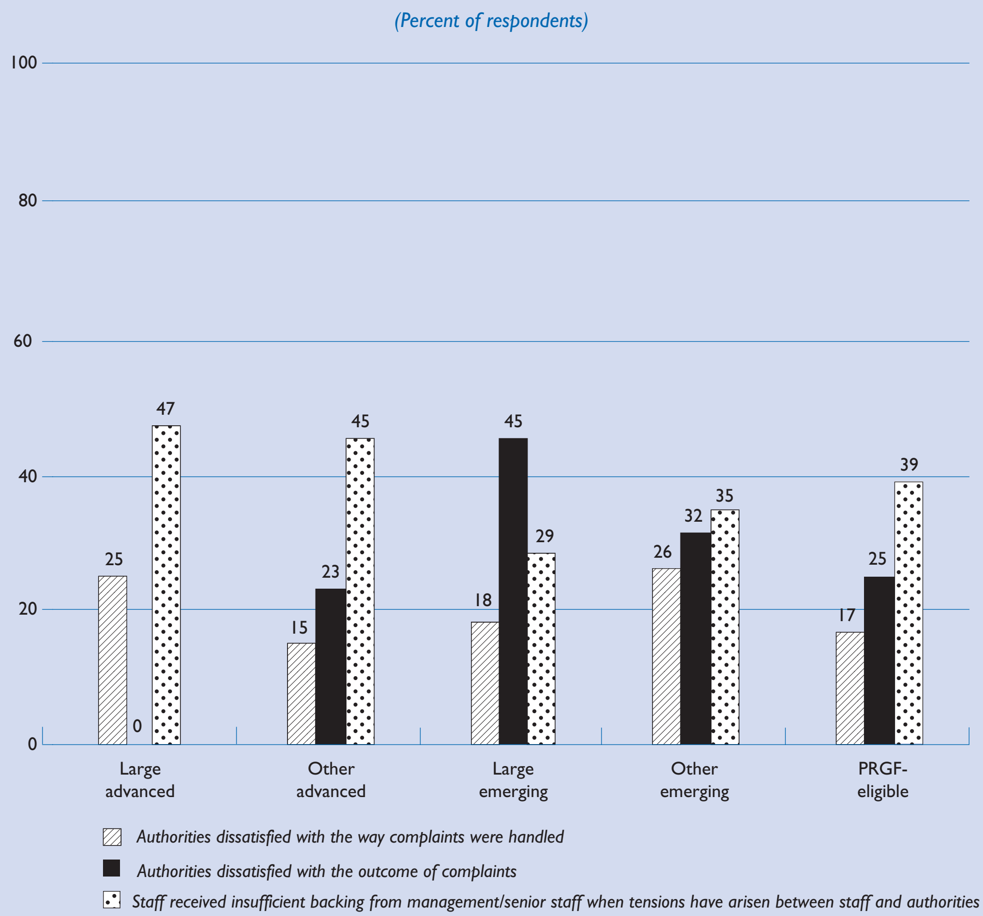
The evaluation survey asked a variety of questions about the way in which the Fund handles complaints from member countries. The chart below summarizes the relevant survey data across country groups. It raises questions about equal treatment of countries in the handling of complaints from the authorities: In particular, it shows that:

For the authorities:

- In terms of satisfaction/dissatisfaction with the process for handling complaints, all country groups fell in the narrow range of 15–26 percent dissatisfied or 74–85 percent satisfied.
- But there are notable differences in how satisfied countries are with the outcomes of their complaints. The emerging economies were the most dissatisfied with the outcomes of their complaints—with almost half of large emerging economies dissatisfied.
- None of the large advanced economies had problems with the outcomes of their complaints to the IMF. For the other advanced and PRGF-eligible countries, about one-quarter of surveyed authorities were dissatisfied.

For staff:

- Among staff, the converse is true: almost half of staff working on the large advanced economies said they received insufficient backing from management/senior staff when tensions arose with the authorities.
- But only 29 percent of staff working on large emerging economies perceived insufficient backing.



15 percent wanted less engagement). For other emerging economies, 76 percent preferred the status quo, 16 percent more, and 7 percent less. The staff was more bullish on an enhanced presence in large emerging economies, with 19 percent saying "more" and 3 percent, "less." Of some relevance here—and further evidence of the authorities' interest in technical inputs as opposed to policy advice—when asked about resident technical advisors, authorities in somewhat larger numbers (20 percent of large and 32 percent of other emerging

economies) wanted the IMF to provide "more" and none wanted "less."[25]

84. Interviewed mission chiefs argued that resident representatives could play a more strategic role in building relations and maintaining traction with authorities. Their general view was that resident representatives had the potential to greatly improve interactions with the authorities and enhance the quality of Fund surveillance. Some said that particularly in dynamically changing economies, an annual consultation plus staff visits and ad hoc contacts with management were unlikely to be sufficient to sustain an ongoing policy dialogue or facilitate the identification of emerging risks and vulnerabilities. In the context of budget cutbacks and pending closures of resident representative offices, many mission chiefs maintained that adding resources at headquarters by way of additional staff or increasing the use of technology would not be an adequate substitute for local presence.

85. However, resident representatives themselves, particularly those in large emerging economies, were of the view that the potential benefits from resident representatives in these countries were not being fully realized. Many noted they had quite limited relations with the authorities and were not in a position to participate in an ongoing policy dialogue that they viewed as essential to fulfill their role. Several said that in order to increase effectiveness, resident representative positions needed to be viewed more strategically, as the best channel available for relationship building with the authorities. They argued that in the absence of a re-establishment of trust, and well-defined rules of the game, surveillance in the large emerging economies would remain unsatisfactory. Many viewed continued centralization efforts by the Fund as counterproductive. They argued that closure of resident representative posts would only diminish further the Fund's visibility and make it less able than other international players to maintain the close relationships with authorities necessary to make its voice heard. In internal documentation some IMF area departments have also expressed concerns about the effects of resident office closures.[26]

Troubleshooting

86. The large emerging economies were the most dissatisfied of all country groups in respect to how their complaints about interactions were handled. Survey responses suggest that when authorities brought a complaint to the Fund, most but not all, were mostly satisfied with the way it was handled. As shown in Box 8, 18 percent of respondents from large, and 26 percent from other emerging economies, said that they were dissatisfied with the process by which complaints were handled. But a much higher share of authorities—especially of respondents from large emerging economy authorities (45 percent) were dissatisfied with the outcomes of their complaints.[27] Meanwhile, looking at the staff perspective, about a third of staff working on emerging economies believed they did not receive sufficient backing from management and/or senior staff in the case of tension with the authorities—with less country dissatisfaction in cases where staff receive less management support and vice versa.

V. Conclusions

87. The first conclusion of the paper is that the effectiveness of IMF interactions differs as between the large and the other emerging economies. Several country exceptions notwithstanding, interactions are less effective in the large emerging economies than in the other emerging economies. This conclusion follows from the weight of the evidence on most dimensions considered in the evaluation.

88. Second, the Fund's ineffectiveness in the large emerging economies derives importantly from a failure of strategy for promoting institutional relevance in post-program and other surveillance-only economies. Other points on the large emerging economies follow:

- The large emerging economies rated the effectiveness of interactions with the authorities of the other emerging economies, in four out of five of the indicators of interactions developed by the evaluation. One driver of these differences was the large emerging economies' declining interest in the Fund's existing products and services, which in some cases entailed a transition from a program relationship to a surveillance-only relationship and a dramatic decline in the Fund's influence.
- Though many authorities welcomed the greater harmony of their post-program surveillance-only relationships, bad memories of past programs tended to dominate the evaluation interviews with many country officials. They stressed that going forward their authorities would be reluctant to enter into any relationship with the IMF that would involve (or be perceived to involve) a loss of policy autonomy.

[25]From a different perspective, Box 1 in a paper to the Committee on the Budget, IMF (2005b) noted that "[Executive] Directors were of the view that resident representatives should play a more important role in capacity building and outreach activities, notwithstanding that the direct work with the authorities should remain as the core objective of posts."

[26]For example, the business plan of APD for FY2009–11 noted that such closures could lead to some lost interactions with authorities and others on the ground in several still-vulnerable Asian countries.

[27]These figures include only those authorities who indicated that they had raised a complaint to the IMF, though this group represents a sizable share of all emerging economy respondents; half of large emerging and 39 percent of other emerging economy authorities had a complaint to convey to the IMF.

- Meanwhile, the challenge posed for the IMF in surveillance-only relationships is how to gain and sustain the interest and trust of post-program authorities. To meet this challenge (without the provision of financial assistance), the IMF must bring—and be perceived to bring—value beyond what countries already achieve; a task increasingly difficult given the much higher levels of expertise and capacity than in the past. The authorities of many large emerging economies think that the surveillance process failed this test during the evaluation period, especially during 2007–08. In their view, it provided little value added and/or lacked evenhandedness, especially vis-à-vis advanced economies.
- In trying to increase traction, staff launched a number of initiatives during the evaluation period—including new modalities, expanded outreach, and stepped up country analysis on a case-by-case basis. Overall, these had limited impact on interactions as a whole, given the scale of the challenge to the Fund's relevance and the absence of an overarching strategy that bridges the authorities' concerns and the institution's mission and mandate.

89. Third, for the other emerging economies, interactions were effective with some but not all countries. Other points on the other emerging economies follow:

- The other emerging economies themselves constitute a diverse group, comprising subgroups of "small states," emerging Europe, and relatively small countries in the Middle East, and other regions, each with distinctive challenges as well as unique country-level issues.
- The authorities of these economies gave IMF technical assistance high marks, in the survey results and the interviews. Interviewed officials from several countries highlighted the staff's help on banking supervision and inflation targeting. And the FSAP process came in for high praise, including from officials of small states, who more generally were using the IMF to help ratchet up their technical capacity.
- Officials from other emerging economies generally said that interactions were improving, with some associating the improvement with their countries' transition from program to nonprogram status, yet others a recent change into program status. Some welcomed the Article IV process as an opportunity to test their own ideas and to debate alternatives. But others agreed with the large emerging economies that Article IV reports and discussions were often just updates with "very little new or interesting to the authorities."
- Importantly, the interactions problems of the other emerging economies tended to be more straightforward, related to the management of turnover and countries' desire for greater institutional attention to the challenges they faced. Notwithstanding a number of issues that remain to be addressed, successes generally came easier with this group of countries, as solutions were more amenable to individual area departments' and country teams' ability to meet countries' particular circumstances, such as assisting the ambitions for greater regional integration, or providing more country-specific analysis and technical assistance.

Annex 1. Emerging Economies

Large Emerging	Other Emerging	
Argentina	Algeria	Lebanon
Brazil	Antigua and Barbuda	Libya
China	Aruba	Lithuania
Colombia	Bahamas, The	Macedonia, FYR
Egypt	Bahrain	Marshall Islands
India	Barbados	Mauritius
Indonesia	Belarus	Micronesia
Iran, I.R. of	Belize	Morocco
Malaysia	Bosnia and Herzegovina	Namibia
Mexico	Botswana	Netherlands Antilles
Philippines	Brunei Darussalam	Oman
Poland	Bulgaria	Palau, Republic of
Russian Federation	Chile	Panama
Saudi Arabia	Costa Rica	Paraguay
South Africa	Croatia	Peru
Thailand	Czech Republic	Qatar
Turkey	Dominican Republic	Romania

Annex I *(concluded)*

Large Emerging	Other Emerging	
Ukraine	Ecuador	San Marino
Venezuela	El Salvador	Serbia
	Equatorial Guinea	Seychelles
	Estonia	Slovak Republic
	Fiji	St. Kitts and Nevis
	Gabon	Suriname
	Guatemala	Swaziland
	Hungary	Syrian Arab Republic
	Iraq	Trinidad and Tobago
	Jamaica	Tunisia
	Jordan	Turkmenistan
	Kazakhstan	United Arab Emirates
	Kuwait	Uruguay
	Latvia	West Bank and Gaza

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