

IMF Interactions with PRGF-Eligible Countries

I. Introduction and Overview

1. This paper examines IMF interactions in PRGF-eligible countries. It focuses on interactions with the authorities on surveillance, programs and signaling, and technical assistance during the 2001–08 evaluation period. Like the other country papers, it considers the extent to which interactions were effective and well managed. Like them, it considers 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 PRGF-eligible countries were more effective than with any other country group. This greater effectiveness reflects an institutional strategy for PRGF-eligible countries replete with attractive financing, debt relief, strong links to donor funding, and competent technical assistance, which in turn made for an abundance of traction in interactions with the authorities during the evaluation period. But in some cases it also led to what authorities perceived to be arrogant and inflexible staff behavior—especially in the first half of the evaluation period and especially at times of program interruptions and delays. There were fewer complaints, and more praise, from countries without such interruptions. Though authorities have reported progress in recent years across a number of dimensions, reputational damage from the earlier period remains, including with many stakeholders beyond the authorities, who continue to define the Fund in terms of structural adjustment, privatization, and fiscal austerity, despite increased staff outreach. The paper finds progress in several areas during the latter part of the evaluation period.

3. The evidence and analysis that leads to these conclusions are developed in the remainder of this paper, which is structured as follows. This first chapter profiles the PRGF-eligible countries 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, examining in turn the evaluation evidence on interactions on surveillance, programs and signaling, and capacity building. Chapter III discusses interactions with other in-country stakeholders beyond

the authorities. Chapter IV discusses the management of interactions with the PRGF-eligible countries, taking up in more detail issues of strategy, style, and relationship management. Chapter V concludes.

A. Country coverage

4. The evaluation covers IMF interactions with 77 countries eligible for borrowing from the Poverty Reduction and Growth Facility (PRGF).¹ These 77 countries, listed in Annex 1, had a combined GDP of \$1.3 trillion in 2008, amounting to under 2 percent of global GDP measured with current exchange rates.

5. These countries form a diverse group. Some are very small (Kiribati's population is less than 100,000) and some are very large (Nigeria's population exceeds 150 million). Per capita incomes vary widely (from a low of \$140 in Burundi to a high of \$5,710 in Grenada).² And the economic and financial challenges they face are equally varied. Some are just emerging from conflict status and others are poised to join the ranks of the emerging economies. But each faces macroeconomic policy challenges and related institutional capacity constraints that the Fund has both the mandate and expertise to help address. Almost all enjoyed macroeconomic progress over much of the evaluation period. Ninety-eight percent (all except Somalia) had Article IV relationships, 95 percent had technical assistance programs, and 75 percent had a program with the Fund at some time during the evaluation period.

6. IMF interactions with PRGF-eligible countries are managed by all five area departments. As shown in

¹According to the IMF's PRGF Fact Sheet, "Eligibility is based principally on the IMF's assessment of a country's per capita income, drawing on the cutoff point for eligibility to World Bank concessional lending (currently 2007 per capita gross national income of \$1,095)." See www.imf.org/external/np/exr/facts/prgf.htm. Eligibility also takes into account country access to financial markets and status as a small island economy. See Annex 1 for the list of 77 countries, from the IMF *World Economic Outlook* country classification. The sole exclusion from the *WEO* is India, which the evaluation included among the emerging economies.

²World Bank, World Development Indicators database, October 7, 2009.

Figure 1. Distribution of PRGF-Eligible Countries Across IMF Area Departments

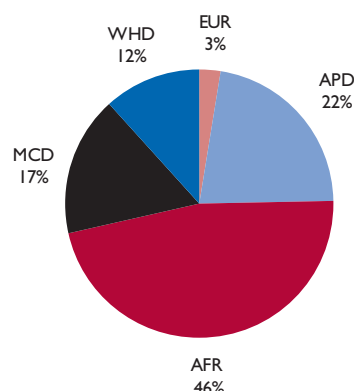


Figure 1, almost half of them are covered by the IMF's African Department (AFR), with most of the remainder covered by the Asia and Pacific (APD), Middle East and Central Asia (MCD), and Western Hemisphere (WHD) departments. Just two countries are covered by the IMF's European Department (EUR).

7. The evaluation sample consisted of 16 countries—Armenia, Bolivia, Burkina Faso, Cameroon, Democratic Republic of Congo (DRC), Ghana, Guinea, Malawi, Mozambique, Nigeria, Pakistan, Senegal, Solomon Islands, Togo, Uganda, and Vietnam. All 16 had regular Article IV consultations during the evaluation period. Fifteen had programs at some time during the evaluation period; the exception is the Solomon Islands. Its inclusion in the evaluation sample is meant to shed light on the nature of IMF interactions with small states, which account for the majority of the “nonprogram” countries among the 77.³ All 16 sample countries were extensive users of Fund technical assistance. All the sample countries except the Solomon Islands had resident representatives, some of whom were shared with other countries—Senegal and The Gambia, for example, shared a resident representative, as did Benin and Togo.

B. Evidence base

8. Sources of evidence for this paper include survey, documentary, and interview data developed specifically for the evaluation, as well as relevant data developed for earlier evaluations.⁴ Highlights of the

³The “nonprogram countries” among the PRGF-eligible countries are: Bhutan, Eritrea, Kiribati, Maldives, Myanmar, Samoa, Solomon Islands, Somalia, St. Lucia, St. Vincent and the Grenadines, Timor-Leste, Tonga, Uzbekistan, Vanuatu, Yemen, and Zimbabwe.

⁴As in all such endeavors, the evidence may be subject to misinterpretation. To manage such risks, the evaluation triangulated

evidence base follow, with greater detail provided in the companion background technical documents.

- The evaluation's survey evidence covers the authorities and civil society organizations (CSOs) in PRGF-eligible countries, and IMF staff working on these countries. The evaluation survey of country authorities was answered by 47 respondents from 41 PRGF-eligible countries, for an overall country response rate of 54 percent.⁵ Responses to the staff survey totaled 290, covering work on 69 PRGF-eligible countries (containing some 88 percent of the total PRGF-eligible country population). The civil society survey received 259 responses from civil society representatives in 61 of the 77 PRGF-eligible countries. The methodology and results are set out in detail in the background technical document on the survey.
- The evaluation team reviewed the Fund's internal documentary record for the 16 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 or how IMF management may have contributed on an issue, and how country views influenced the debate and the decisions.
- Country visits by the evaluation team to Cameroon, Senegal, and Togo provided opportunities for in-depth interviews with a broad representation of authorities in these countries, as well as for discussions with partners and stakeholders. Also, taking advantage of the IMF Spring and Annual Meetings in Washington—and the telephone—the evaluation team interviewed from headquarters many representatives of the authorities and Fund staff—including resident representatives—(and some World Bank staff) who worked on the evaluation sample countries. The interview methodology

across individual sources of evidence and applied judgment and other knowledge when different sources suggested different answers. In terms of possible interpretation and measurement risks, 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. Interview bias is a common feature of such evidence, subject to potential biases on both sides. Finally, the use of the documentary evidence 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.

⁵For the authorities' survey, one questionnaire was sent to the ministry of finance and one to the national central bank where one existed.

and results are set out in the background technical document on the interviews.

- Other evidence includes information drawn from earlier IEO evaluations—especially “The IMF and Aid to Sub-Saharan Africa” (IEO, 2007), the “PRSP/PRGF” (IEO, 2004), and “Structural Conditionality in Fund-Supported Programs” (IEO, 2008). It includes reports from earlier IEO country visits, including to Armenia, Burkina Faso, Ghana, Guinea, Mozambique, Pakistan, and Vietnam; IMF ex post assessments, which are available for 14 of the 16 sample countries;⁶ and studies specially commissioned by IEO, including one on IMF outreach to civil society (Scholte, 2009), which included country visits to the Democratic Republic of the Congo (DRC), Malawi, Mozambique, Nigeria, and Uganda among the evaluation sample countries.⁷

C. Policies and guiding principles

9. The Fund’s evolving approach to interactions with PRGF-eligible countries is catalogued in a series of papers for the Executive Board, the most recent of which is the staff paper on “The Role of the Fund in Low-Income Countries” (IMF, 2008a), which the Board discussed in July 2008. According to that paper, the Fund provides: (i) advice on macroeconomic policies and institutions that support internal and external macroeconomic stability, foster economic growth, and enhance integration in the international trade and financial system; (ii) assistance in building capacity and institutions for sound macroeconomic management and financial stability; and (iii) concessional balance of payments support.

10. The underlying policy guidance to Fund staff on the conduct of these functions is summarized below:

- *Surveillance.* Interactions were governed by the 1977 Surveillance Decision, replaced by the 2007 Surveillance Decision, with specific guidance to staff provided in a series of surveillance guidance notes.⁸ These notes instructed staff to engage in

a frank policy dialogue that supports members’ receptiveness to Fund advice. The dialogue should include cross-country comparative studies as a way to add value to policy discussions and, more generally, consultations should attempt to bring to bear other countries’ experiences in addressing similar problems, drawing out policy implications. Spillover effects to and from other countries were to be discussed wherever relevant. Priority is to be given to macroeconomic issues related to external sustainability, vulnerability to balance of payments or currency crises, sustainable growth with price stability, and the systemic or regional impact of policies in large economies. Financial sector issues were to receive thorough coverage. And bilateral surveillance should be informed by multilateral and regional surveillance.

- *Programs and signaling.* As the Fund’s concessional lending facility for PRGF-eligible countries, the PRGF was launched in 1999 to be the vehicle by which the Fund provides financial support to countries’ poverty reduction and growth strategies. The PRGF handbook provides information for staff on the role of the PRSP in PRGF arrangements, the objectives and design of PRGF-supported programs, and monitoring under PRGFs. It covers issues of phasing and access and the relationship of the PRGF with Fund facilities and initiatives, and collaboration with the World Bank.⁹ Other modalities for PRGF-eligible countries include the Policy Support Instrument (PSI); staff-monitored programs; and emergency assistance to members in post-conflict recovery and those requiring natural disaster assistance as well as the Exogenous Shocks Facility (ESF). The ESF was launched in December 2005 to assist members experiencing short-term balance of payments difficulties and modified in September 2008 to provide for increased access, and rapid assistance with streamlined conditionality. The HIPC Initiative and the MDRI have also provided debt relief for qualifying PRGF-eligible countries.¹⁰

Lending to member countries has entailed conditions from the beginning. In 2000, the Fund

⁶Nigeria and Solomon Islands are the exceptions.

⁷The project also involved a country visit to Mali, which is not one of the evaluation sample countries.

⁸Guidance to staff on the conduct of bilateral surveillance is set out in the May 2005 Surveillance Guidance Note—supplemented by the August 2008 note on “Guidance on Operational Aspects of the 2007 Surveillance Decision” (on treatment of exchange rate issues) and by two further notes, of December 2006 and February 2007, that focus on implementing recommendations from the Fund’s Medium-Term Strategy, especially with respect to surveillance agendas. The 2005 Surveillance Guidance Note replaced the Operational Guidance Note for Staff following the 2002 Biennial Surveillance Review. The Surveillance Guidance Note consolidated guidance on treatment of issues bearing on surveillance that were previously contained in various other notes and memoranda. Issued after the close of the evaluation period, recent guidance for financial sector

surveillance (“Financial Sector Guidance Note,” April 24, 2009) sets out (i) how to identify risks to macro-financial stability; (ii) policy and regulatory considerations; and (iii) operational issues. There is separate guidance for the conduct of FSAPs and FSAP updates. 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>.

⁹There have been recent changes in access limits and norms in July 2009, updating the note from 2004 and including ESF; in PRSP-related procedures in January 2009; and the adoption of review-based monitoring introduced in April 2009.

¹⁰See <http://www.imf.org/external/pp/longres.aspx?id=4365>.

concluded a review of conditionality that recognized that successful economic policy programs must be founded on strong country ownership. Guidelines on conditionality adopted by the Board in September 2002 re-emphasized the importance of ownership and called for “parsimony” and “criticality” in the use of conditions. The Executive Board reviewed the application of the new guidelines in March 2005 and in July 2008 a revision to the operational guidance note on conditionality was prepared as an aid for staff to the implementation of the 2002 guidelines. Recently, the Fund revised its conditionality framework in the context of an extensive reform to improve its capacity to prevent and resolve crises. For the PRGF, ESF and PSI, loan conditionalities were evaluated as part of the general streamlining of Fund conditionality, shifting to a review-based approach to assessment of program performance rather than through the use of structural performance criteria.

- *Technical assistance.* A policy statement on technical assistance issued in April 2001 highlighted the importance of country ownership of technical assistance and called for a review of past and current technical assistance efforts, including a country’s track record in implementing technical assistance. The 2005 Board discussion of the Technical Assistance Task Force emphasized a strategic approach to the programming of technical assistance, including the involvement and ownership of the authorities, and sufficient flexibility to respond to shifts in priorities.¹¹ Coordination with, and support from donors was seen to be important, with involvement by country authorities in the design and follow-up of technical assistance activities, based on the needs and priorities set out, where possible, in PRSPs. 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

11. Interactions with in-country stakeholders beyond the authorities involving the provision of information are governed by the Fund’s transparency policy and its communications strategy, as well as by individual policies with relevant outreach provisions, such as on Poverty Reduction Strategy Papers. Guidance to staff is contained on the SPR and EXR websites. Under the transparency policy, there is a presumption of publication of staff reports for Article IV consultations, and

relevantly in the case of the use of concessional resources, the Managing Director will not recommend approval of an arrangement or the completion of a review if the member concerned does not consent to publication of the staff report. The guidance on outreach places a premium on staff outreach to parliamentarians as the countries’ duly elected officials, to civil society in member countries, and to others, while continuing to respect the primacy of the Fund’s relationship with the authorities (see, for example, IMF, 2003b). To strengthen communication of the Fund’s policy messages, staff are encouraged to develop outreach programs and enhance their contacts beyond the authorities. Press conferences should be held after Article IV missions and/or Board meetings, unless IMF departments see reasons not to hold them (e.g., if the authorities object). Similar guidance is embodied in the conclusions of recent reviews of the Fund’s transparency and communications.¹³

II. Interactions with the Authorities

12. This chapter examines the evidence on the effectiveness of IMF interactions with the authorities of PRGF-eligible countries. It begins with a brief discussion of the overall picture emerging from the survey results, and what it says about IMF interactions with PRGF-eligible countries compared with the other country groups. It then turns to the evaluation evidence on surveillance, programs, and capacity building. A theme running through the discussion is the value most authorities of PRGF-eligible countries placed on the Fund’s products and services in addressing the challenges they faced. How this value affected substantive interactions between the authorities and staff is discussed in this chapter. The implications for the style of interactions are discussed in Chapter IV.

A. Overarching issues

13. The main report uses survey-based indicators to compare different country groups’ perceptions about interactions, and on each indicator the ratings provided by the PRGF-eligible countries are the highest.¹⁴ This section looks behind those indicators (recapped briefly in Figure 2) and explores what drives the ratings from the PRGF-eligible countries. Unless otherwise specified, the survey data and the attendant discussion refer to the 2007–08 period, as most survey questions were framed in terms of “the last two years.”

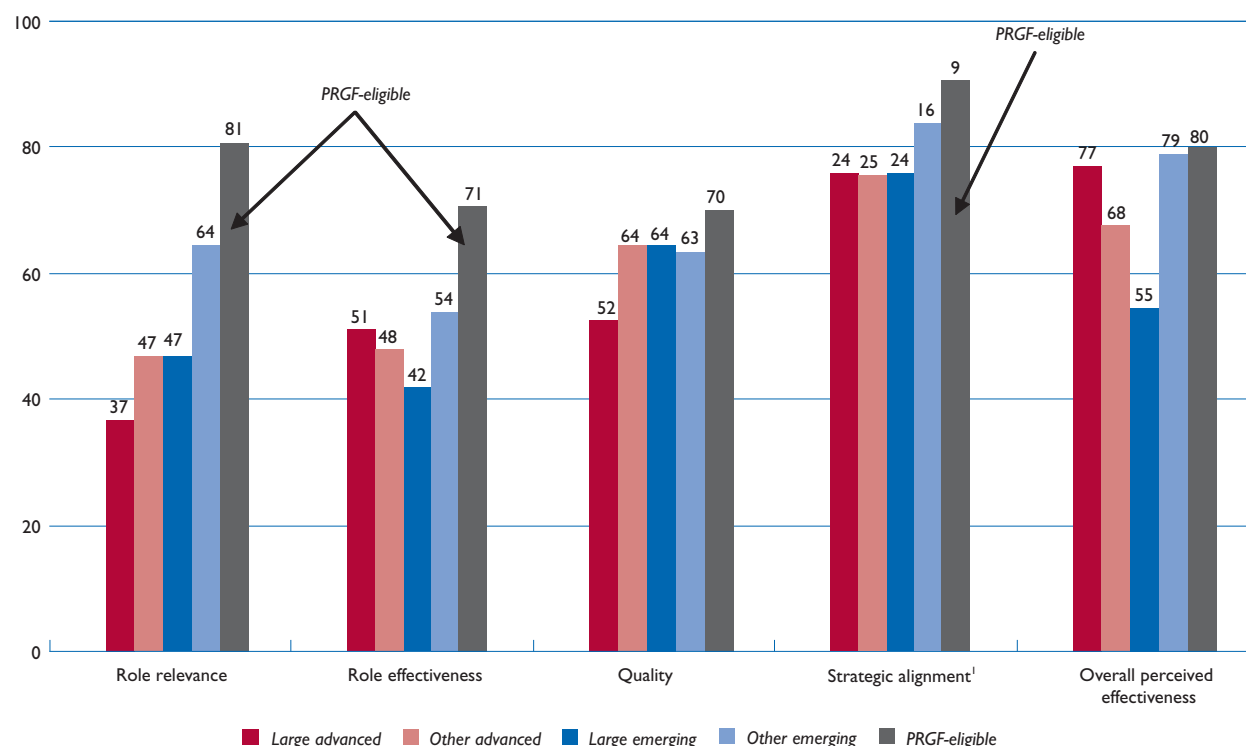
14. Figures 3–5 illustrate the data underlying several of the indicators set out in Figure 2—those for role relevance, role effectiveness, and strategic alignment.

¹¹IMF (2005).

¹²IMF (2008c).

¹³See, for example, <http://www-int.imf.org/depts/pdr/Transparency-Publication/Guidance-Notes/Guidance-Note-April06.pdf>.

¹⁴See Box 2 of the main report.

Figure 2. Composite Indicators for Interactions

¹Inverted scale. The average absolute percentage point difference across the 10 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").

The data cover survey questions put to both the authorities of PRGF-eligible countries and to the staff working on them about the relevance and effectiveness of ten possible IMF roles.

- As discussed in the main report, all country groups (including the PRGF-eligible countries) expressed strong interest in the Fund's assessment of their countries' policies and prospects and in a good exchange of views. Where the responses from the PRGF-eligible countries diverge from the others is in their wider interest in Fund interactions. As shown, at least 80 percent of PRGF-eligible survey respondents said they wanted Fund interactions on five roles—as illustrated in Figure 3—the two just mentioned, plus three others: (i) contributing to the development of policy frameworks; (ii) assisting in the development of capacity; and (iii) presenting analysis and assessments of the country's economy to other countries, donors, or financial markets. Majorities of PRGF-eligible authorities wanted nine out of the ten possible Fund roles.
- Also as shown in Figure 4, at least 70 percent of the surveyed PRGF-eligible authorities rated interactions on 7 of the 10 queried roles as effective or

very effective. For other country groups, only two roles were that highly rated. The three exceptions that received subpar ratings from the PRGF-eligible countries are the Fund's contribution to (i) international policy coordination, including through the analysis of spillovers; (ii) the development and maintenance of policy consensus inside government; and (iii) the development and maintenance of policy consensus outside government. And even these three roles received higher effectiveness ratings from the PRGF-eligible countries than from any other country group.

- Figure 5 contains the data for the indicator of strategic alignment, which measures by how much the authorities of the different countries and the staff working on them expressed a shared view about the purposes and priorities of their interactions. The strategic alignment indicator for the PRGF-eligible countries reflects the fact that on average, across the ten purposes queried in the evaluation survey, the authorities' and staff ratings differed by an average of 9 percentage points, compared with 16–25 percentage points elsewhere. Strategic alignment in the context of PRGF-eligible countries is discussed further in Chapter IV.

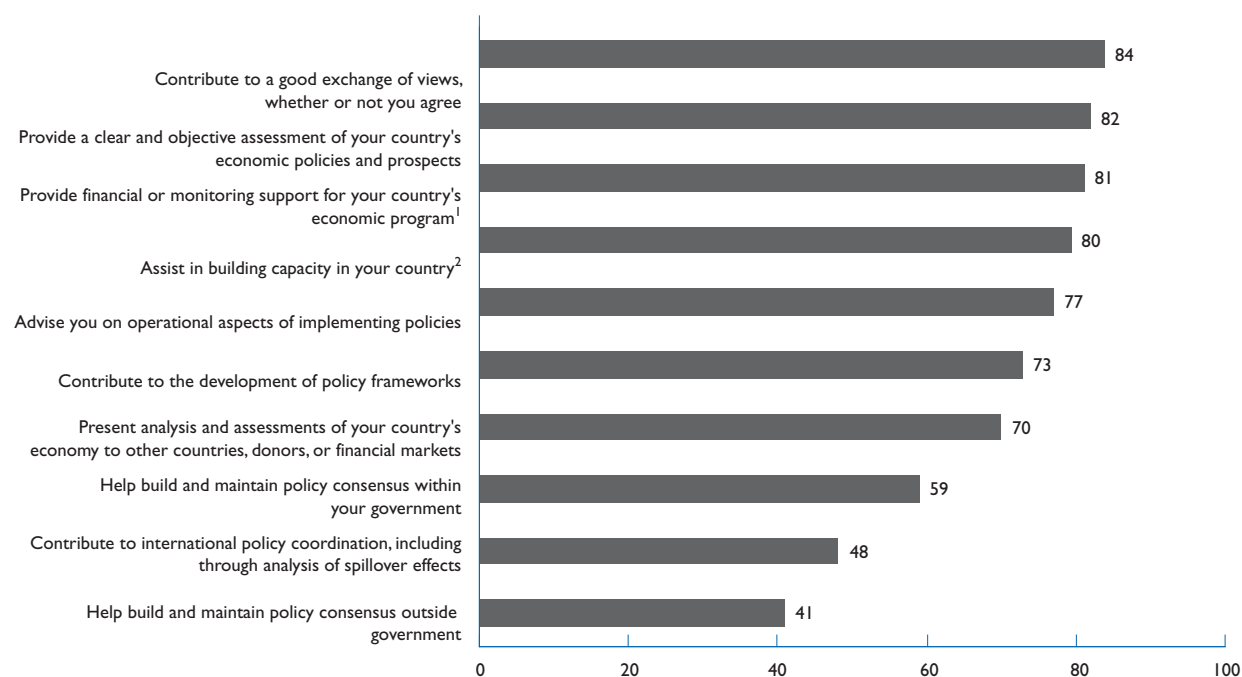
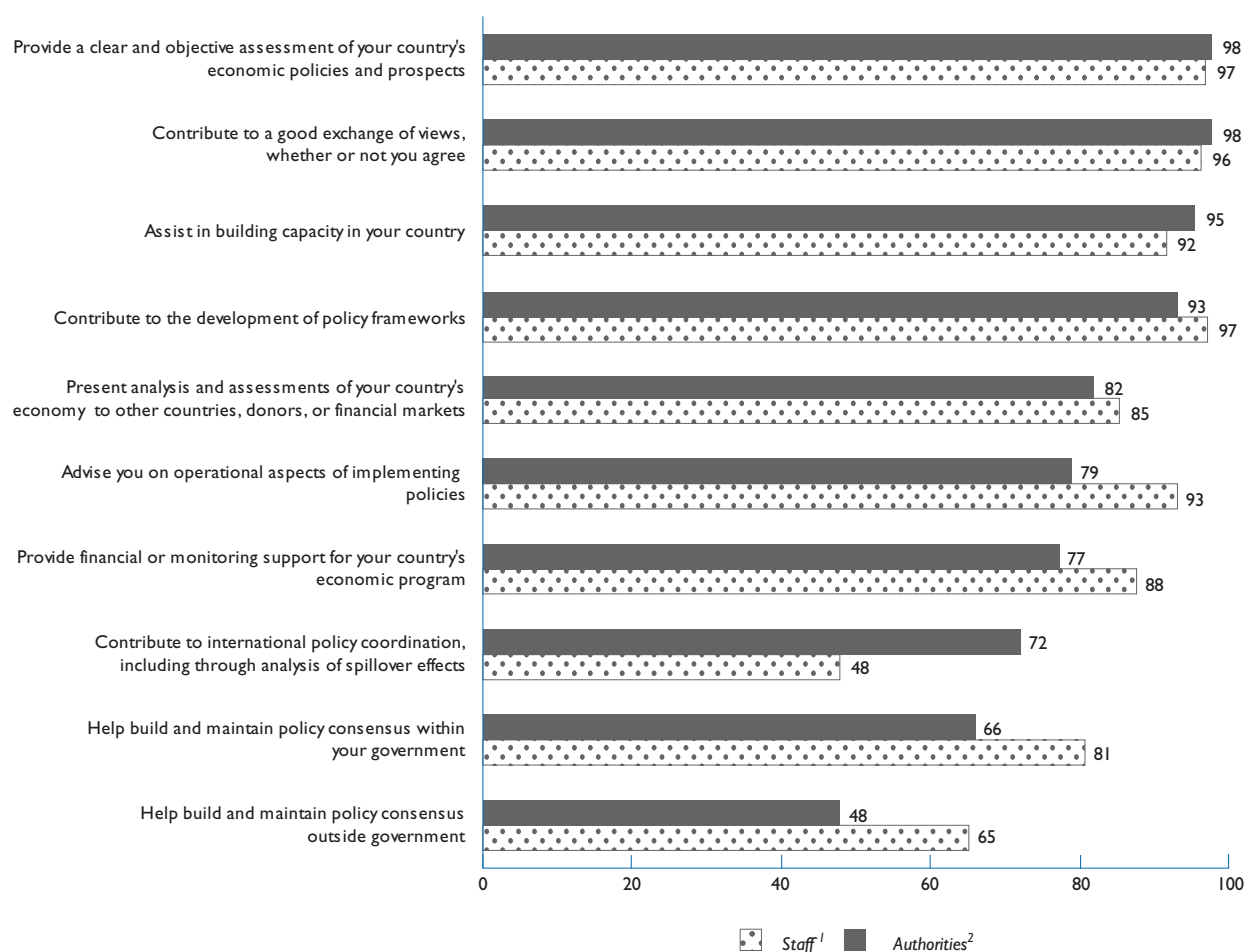
Figure 3. Role Relevance: PRGF-Eligible Country Authorities' Views*(Percent of authorities who responded that they wanted the IMF to perform each role "a fair amount" or "very much")***Figure 4. Role Effectiveness: PRGF-Eligible Country Authorities' Views***(Percent of authorities who responded that interactions were "effective" or "very effective")*¹Includes only those who responded that their country had an IMF financial or monitoring program.²Includes only those who responded that their country received IMF technical assistance or training.

Figure 5. Role Relevance: PRGF-Eligible Country Authorities' and Staff Views Compared
(Percent of respondents)



¹Shows the share of staff who answered that the IMF aimed to perform each role "a fair amount" or "very much."

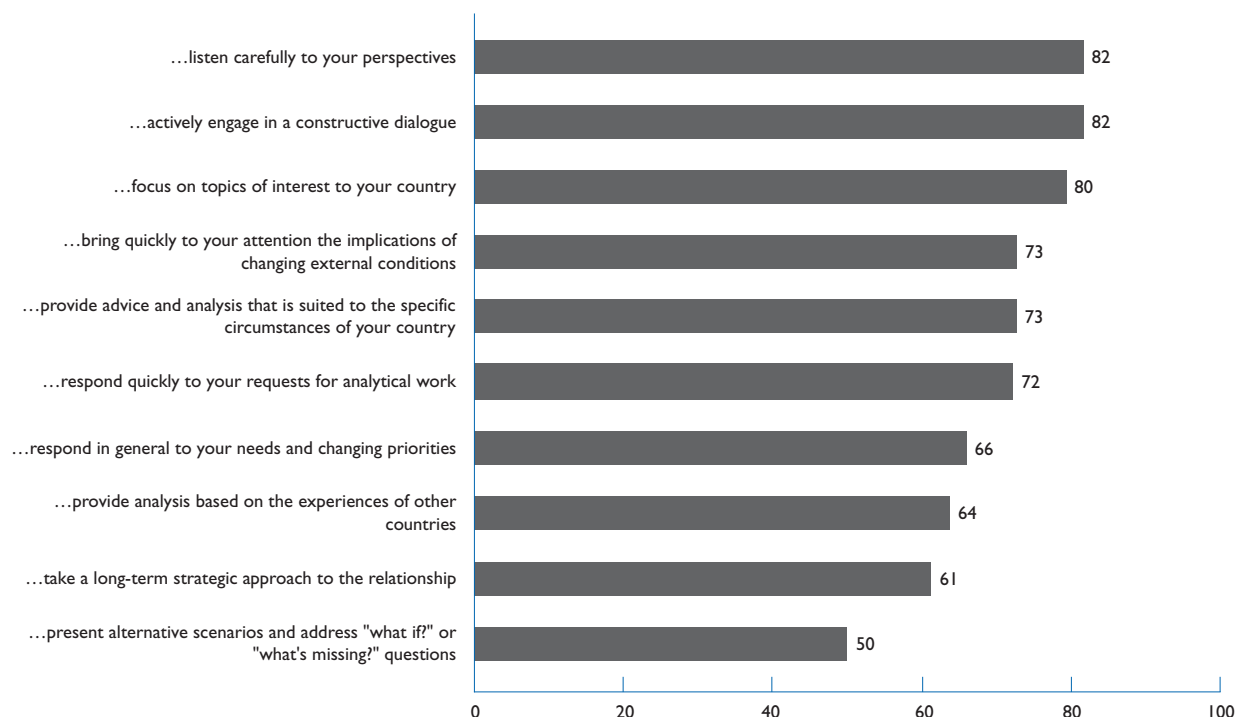
²Shows the share of authorities who answered that they wanted the IMF to perform each role "a fair amount" or "very much."

15. Survey respondents from PRGF-eligible countries also gave the Fund the highest "quality" ratings of all the country groups/subgroups, with the detailed underlying ratings shown in Figure 6. As described in the main report, the survey asked authorities and staff to assess Fund performance in ten dimensions associated with effective interactions. And as shown below, 80 percent or more of responding authorities said that the Fund did a good or excellent job on listening carefully, actively engaging in a constructive dialogue, and focusing on topics of interest to the country. (Not shown, staff rated quality higher than the authorities, by an average of 12 percentage points for each query.) The largest difference between the authorities and the staff was for responding in general to countries' needs and changing priorities, for which 89 percent of staff said they did a good or an excellent

job, compared with only 66 percent of the authorities. The lowest authorities' rating of 50 percent was for the presenting alternative scenarios and addressing "what if" or "what's missing" questions (the staff rating was 69 percent). Of course, "alternative scenarios" means something quite specific in a PRGF context, for which IEO's 2007 Sub-Saharan Africa evaluation, for example, found "ambiguity and confusion" on Fund policy about their use.¹⁵

16. Finally, PRGF authorities also rated the overall perceived effectiveness of interactions higher than did other country groups. Of the authorities responding to the survey from PRGF-eligible countries, 77 percent said that interactions were effective or very effective

¹⁵See IEO (2007).

Figure 6. Quality of Interactions: PRGF-Eligible Country Authorities' Views*(Percent of authorities who responded that the IMF did a "good" or an "excellent" job to ...)*

over the 2001–08 evaluation period as a whole. Their rating rose to the 80 percent mark for the 2007–08 period. In a reversal of the pattern on quality, where the staff's ratings were higher than the authorities' for every activity queried, the staff's ratings for overall perceived effectiveness were lower than the authorities'—by about 10 percent for the 2007–08 period and 25 percent for the 2001–08 period.¹⁶

B. Key functions

17. The remainder of this chapter looks at interactions between the authorities and staff in the context of surveillance, programs, and capacity building, drawing on the evaluation's more detailed survey, interview, and documentary evidence. The discussion details the positives and the negatives, on balance painting a positive picture of interactions during the evaluation period, and especially during the last two years—while acknowledging difficult interactions with several individual countries related to program delays and interruptions in the 2002–04 period.

¹⁶In the context of other evidence pointing to a change in staff and attitudes in 2007–08 compared with previously, this larger difference for 2001–08 compared with 2007–08 may be capturing, as a surrogate rating, the views of current staff about the effectiveness of their predecessors.

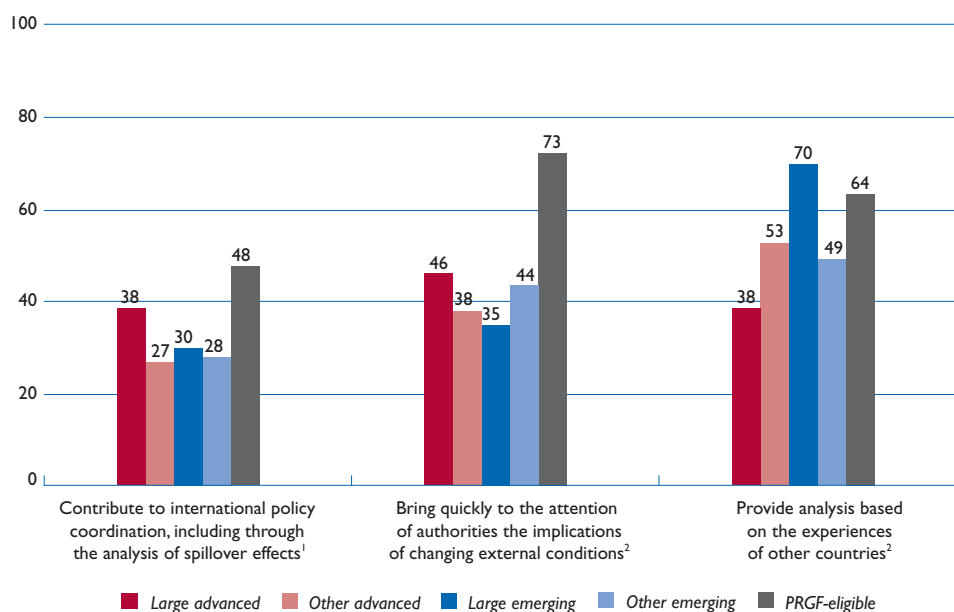
Surveillance

18. The evidence suggests that PRGF-eligible countries held mainstream views with respect to the purposes and effectiveness of surveillance processes. Figure 2, for example, shows that two purposes queried in the evaluation survey that are associated with surveillance and other Fund activities (provide a clear and objective assessment of the economy's policies and prospects and contribute to a good exchange of views) received the highest scores from the authorities of PRGF-eligible countries for relevance and for effectiveness. These are also the two highest rated items for all other country groups. The ratings provided by IMF staff working on PRGF-eligible countries were broadly the same as those of the authorities. The authorities rated the performance of staff carrying out surveillance activities highly, though slightly lower than that of staff working on programs and technical assistance, as discussed later in the paper.

19. The evidence also suggests that the authorities of PRGF-eligible countries were disappointed by many of the same shortcomings of surveillance as the other country groups, albeit to a lesser extent. As discussed in the main report, the authorities from all country groups expressed concerns about the effectiveness of interactions on three international dimensions of surveillance:

Figure 7. International Dimensions of IMF Surveillance: Authorities' Views of Quality/Effectiveness

(Percent of authorities who responded favorably)



¹Shows the share of authorities who responded "effective" or "very effective."

²Shows the share of authorities who responded "good" or "excellent."

(i) international coordination of policies, including the analysis of spillovers; (ii) timely alerts about changing external conditions; and (iii) cross-country analysis of other countries' experiences. Figure 7 shows that these also were problems for the PRGF-eligible countries, albeit not to the same degree as for the other country groups, especially in the Fund's bringing quickly to their attention the implications of changing external conditions. Based on the evaluation interviews, this reflects the Fund's quick response to the food and fuel crises of 2007–08, which the authorities found helpful in the dialogue and in the Fund's action in September 2008 to revise the Exogenous Shocks Facility to make it easier to access. This said, in interviews with government officials, the private sector, and civil society in PRGF-eligible countries, concerns surfaced about what some saw as a double standard in dealing with the then unfolding global crisis, as the Fund was seen to be actively promoting bailouts, government takeovers, and fiscal stimulus packages in advanced economies, which they saw as very different from the medicine prescribed for developing countries.

20. Interviews with PRGF-eligible country officials and staff indicated that a country's program status affected how surveillance was perceived. Officials of one nonprogram country said that they had found Article IV missions valuable for dialogue and periodic evaluation of policies and processes, although staff felt less satisfied with the progress the surveillance policy

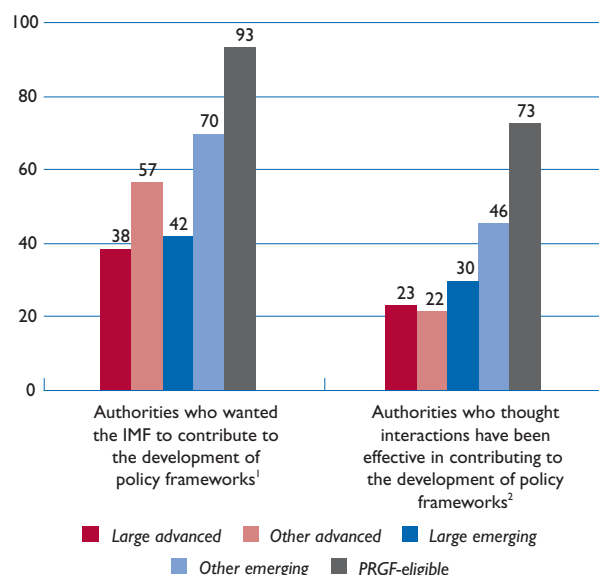
dialogue made in getting action. While officials in another country, which had experienced a prolonged interruption of program status and engagement with donors, said that they had found the surveillance to be constructive and helpful to them in preventing a further deterioration of policies and prospects. But not all feedback was positive, with one finance minister echoing what several officials from emerging economies said about surveillance—that it seldom came up with anything new. Meanwhile, for many program countries, it was often hard to distinguish the end of Article IV consultations from the beginning of negotiations, and staff reports provided to the Board often blurred positions as well.¹⁷ Officials from one country with a Policy Support Instrument (PSI) relationship highlighted the close interlinkages they saw with the surveillance process.

21. Much more than the other country groups, the PRGF-eligible countries wanted the Fund to contribute to the development of policy frameworks. As shown in Figure 8, the authorities of almost all PRGF-eligible countries wanted IMF policy advice; while three-quarters said the Fund was effective or very effective at it. As the figure illustrates, these numbers were very different for the other country groups, where a small majority of other advanced economies and a larger majority from other emerging economies wanted the Fund to contribute.

¹⁷See also the background technical document on the evaluation's documentary evidence.

Figure 8. Do the Authorities Want the IMF to Contribute to the Development of Policy Frameworks?

(Percent of respondents)



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

²Shows the share of authorities who responded “effective” or “very effective.”

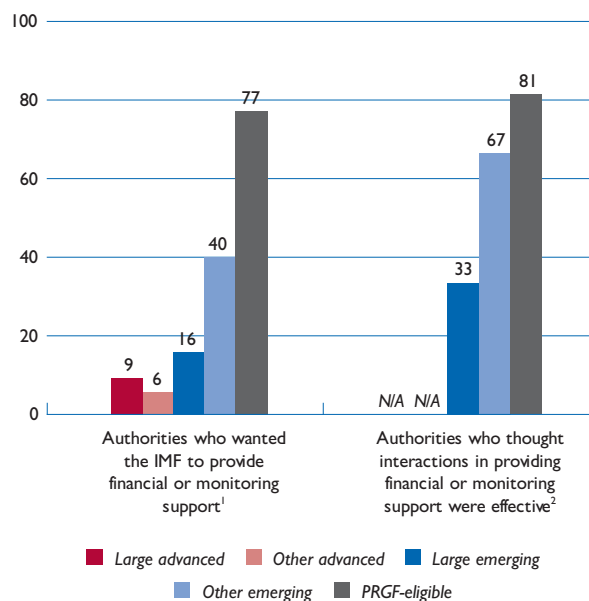
Programs and signaling

22. Of all Fund interactions, those surrounding programs are the most sensitive. As shown in Figure 9, almost 80 percent of official survey respondents from PRGF-eligible countries said they wanted financial and/or monitoring support from the Fund during the 2007–08 period, 81 percent of those receiving such support saying that it was effective or very effective, with the remainder mostly saying interactions in the context of delivery was “average.” In most years of the evaluation period, 40–45 PRGF-eligible countries had programs, with a total of 60 having programs at one time or another over the period. Box 1 briefly summarizes the experiences of the 15 case study countries with program relationships during the evaluation period.

23. Many of these programs also entailed signaling activities by the Fund—to other countries, donors, and financial markets about country policies and prospects—which added greatly to the financial stakes involved in a country’s securing the Fund’s blessing for its policies and prospects. As shown in Figure 10, this is a service that many PRGF-eligible countries wanted and thought the Fund performed well. And in interviews, officials were full of praise for Fund performance in this area. Officials from two countries expressed deep appreciation for the Fund’s help with

Figure 9. Authorities’ Views on Programs

(Percent of respondents)



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

²Shows 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.

the Paris Club. Officials from a third said the Fund had been extremely helpful in securing resumption of donor support and resolving arrears to World Bank. An official from a fourth country said that his authorities considered the Fund to have played a unique role relative to other organizations. Another said that this was an area of particularly successful interactions.

24. The bottom line is that most authorities and staff believe that during the evaluation period, the Fund added value in PRGF-eligible countries through financial and monitoring programs, debt relief, and donor signaling. However, there are differences of view across countries, depending on their own their particular experience with the Fund. This “suite” of products and services brought to those countries which could access them substantial financial benefits, direct and indirect, securely anchoring the Fund’s role with this group of countries during the evaluation period. The result was an abundance of traction in Fund interactions—in contrast to the situation in the surveillance-only advanced and emerging economies discussed in the main report and in the other country papers. But this abundance of traction was also seen to put staff in a position of power vis-à-vis the authorities, as several ministers of finance from Sub-Saharan African countries observed. In turn, different PRGF-eligible countries saw the playing out of this

Box 1. PRGF-Eligible Country Case Studies

The interviews and document reviews for the 15 evaluation sample countries with programs during the evaluation period revealed different kinds of country situations and, in turn, interactions with the Fund during the program process.

- Some of the countries (such as Armenia, Burkina Faso, Mozambique, Nigeria, Pakistan, and Uganda) broadly met their macroeconomic goals over the period, with the Fund making a contribution in each case, whether to the reform process, debt relief, and/or the Paris Club process.
- Others (such as Cameroon, Ghana, Malawi, and Senegal) achieved important progress, albeit with significant program interruptions in the 2002–04 period and controversy—and occasional acrimony—in their interactions with the Fund.

- In a third group of countries (the Democratic Republic of the Congo, Guinea, and Togo), underlying governance issues were present throughout much of the evaluation period and progress is both recent and fragile, with the HIPC Completion Point not reached.
- Finally, in two others (Bolivia and Vietnam), macroeconomic performance was strong throughout most of the evaluation period, but PRGFs were interrupted early on by other conditionality issues. Neither of these countries needed the Fund's financial support, and the Fund lost influence in both: in one because of a change in government and the Fund's identification with the heavily market-oriented policies of the predecessor government, and in the other as the World Bank and other budget support donors and providers of technical assistance became more closely involved.

power imbalance differently depending on their own country situations, as discussed below.

25. The authorities of some PRGF-eligible countries saw the resulting imbalance of power, coupled with what they saw as a rigid intellectual paradigm, as leading to demanding and inflexible conditionality to which the authorities had to agree or else.

- For several interviewed authorities, “inflexibility” was a lightning rod for bitter complaints about Fund interactions, many of which related to major program interruptions and/or delays in the delivery of debt relief. They complained about what they saw as inappropriate inflexibility by the Fund in program negotiations and reviews. Several said that in their experience PRGF conditionality had been calibrated too tightly, too inflexibly, and with too much ambition in light of domestic political considerations and capacity constraints.
- Some saw the Fund as preoccupied with minutia and the letter (rather than the spirit) of the law.¹⁸ In some cases—according to interviewees who recalled them with bitterness—staff stubbornness had led to conditions that were not fully “owned” by the authorities and that in due course led to prolonged program interruptions with adverse consequences.¹⁹

¹⁸The evaluation sample countries, for example, included two important such cases, one involving a safeguard assessment, which ultimately led to the demise of a PRGF, and another involving misreporting, which was ultimately recognized to have constituted a de minimis situation.

¹⁹The IEO evaluation on structural conditionality in IMF-supported programs (IEO, 2008) found that: “Views on program design and the process of negotiation differed, but in general, the authori-

- Several interviewed authorities from Sub-Saharan African countries attributed their conditionality disputes with the Fund to what they termed the “tyranny of the PDR review process.”²⁰ They argued that at least for the early part of the evaluation period, PDR staff had what they saw as undue power to trump area department staff, who better appreciated the constraints and challenges that the authorities faced.²¹

- Some current and former area department mission chiefs broadly shared this perspective, complaining that the review system forced them to spend valuable time refuting central reviewers' points, both large and small. But other current and former area department mission chiefs felt that the briefing paper and the associated review process were essential for ensuring evenhandedness across countries and conformity with Fund policies and Board guidance.

26. For the authorities of other PRGF-eligible countries, the Fund's power was also recognized, but on balance seen as helpful to their interests whether in dealing with the Paris Club, other creditors, or donors

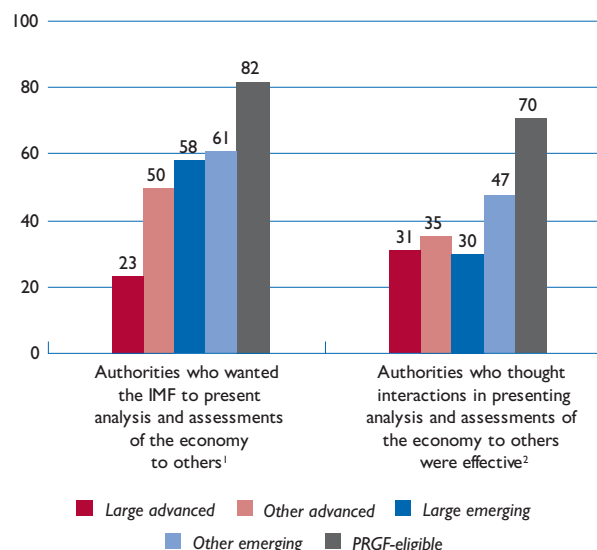
ties held more positive views about Fund conditionality in countries where programs had been more successful.”

²⁰There also were instances during the evaluation period in which the “institutional view” was argued by the IMF Legal Department, in connection with a case of misreporting in Pakistan, or by Treasurer's, with respect to the safeguards issue in Vietnam. See IMF (2002 and 2006).

²¹Several authorities also pointed to instances in which mission chiefs said they tended to agree with the authorities but it was not in their brief. However, many staff members saw this as more frequently said than meant, as a vehicle for smoothing their relationship with the authorities while carrying out their instructions for headquarters, to which they had contributed.

Figure 10. Do the Authorities Want the Fund to Present Analysis and Assessments of Their Economies to Other Countries, Donors, or Financial Markets?

(Percent of respondents)



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

²Shows the share of authorities who responded “effective” or “very effective.”

or in disciplining spending ministries and other policy interests at home. They accordingly saw flexibility somewhat differently.

- Some authorities said that they had found the Fund to be sufficiently flexible—or, in some cases, inflexible but helpfully so—on matters of conditionality. Ministry of finance officials from two countries saw the Fund’s famous strictness on conditionality as a way to reinforce spending discipline with their colleagues in spending and other ministries.
- One former minister of finance said that the Fund in the end proved to be quite flexible. But that it had taken a lot of pushing from staff and the authorities, and lobbying from their supporters among powerful shareholders, to get management to move to where the authorities wanted the Fund to go.
- Yet others said that flexibility had simply not been a problem for them. They debated policies and conditions amicably and professionally with the team, back and forth, and in the end all agreed.
- Several interviewed authorities also pointed to the Policy Support Instrument (PSI) as an important innovation that put them more squarely in the driver’s seat and was more conducive to country ownership than previous Fund approaches. Officials of

one country said that they felt more in charge with the PSI and that that had made an important difference to their interactions with the staff, while an official from another PSI country said his authorities considered the PSI relationship to have been successful from all angles.

27. The evaluation evidence suggests that the time dimension is critical to the debate about flexibility. The survey evidence illustrated in Figure 11 shows that 30–40 percent of PRGF-eligible respondents said that Fund policies and procedures were inflexible and that the staff was insufficiently willing to innovate. But 51 percent said the staff’s willingness to consider different approaches had improved over the past two years, suggesting ipso facto a worse situation before. Meanwhile, most of the specific complaints raised in the evaluation interviews dated from the 2002–04 period. In almost all cases, interviewed officials—even from those who complained most bitterly about program interruptions—said that the Fund had changed and was now more reasonable and flexible. Or at least as flexible as they needed; indeed some said they did not want the Fund to be “too flexible” as it would diminish the value of its endorsement, something that they saw as especially important for signaling to donors. Several interviewees highlighted the way the Fund had handled the 2007–08 rise in oil and food prices on world markets and its support for “smart subsidies” targeted to the most affected and with built-in exit strategies.

Capacity building

28. Capacity building grew rapidly during the evaluation period, much of it targeted to PRGF-eligible countries. In the survey, 95 percent of respondents said they wanted the Fund to help build capacity and 80 percent said the Fund did a good job in this role. As illustrated in Figure 12, these numbers are much higher than for other country groups, even for the other emerging economies, which also are major users of technical assistance. All respondents said that they saw technical assistance as in their country’s interest, and most officials said they wanted more. They rated the staff delivering technical assistance as second only to resident representatives in effectiveness. Interviewed officials from finance ministries praised the Fund’s technical assistance generally, and specifically technical assistance for public finance and its providers, including those from Regional Technical Assistance Centers (RTACs), for which the Fund endeavors to use resident advisors from the region. Closely related, the desire for greater use of local experts where available also arose in the interviews with authorities and in the surveys. Former central bank governors

Figure 11. 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”)

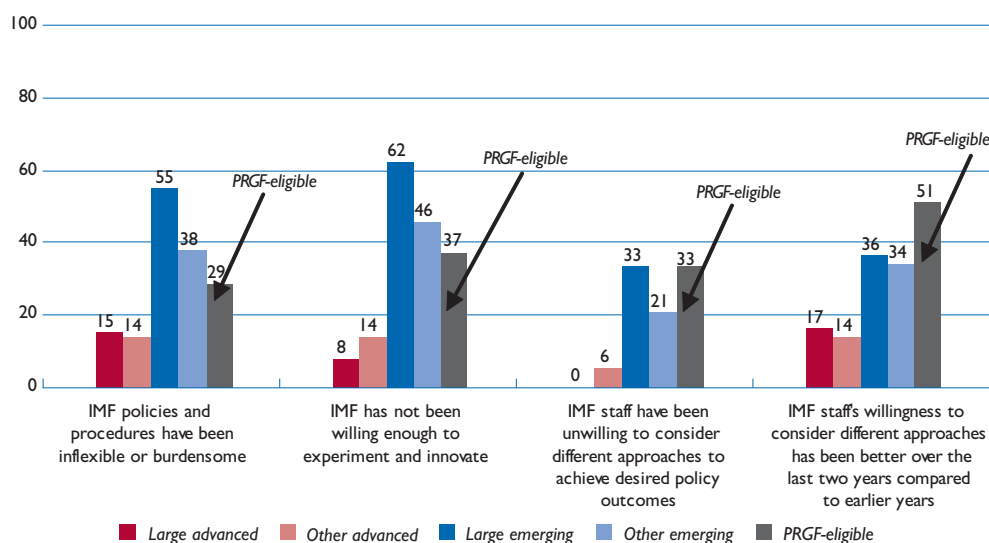
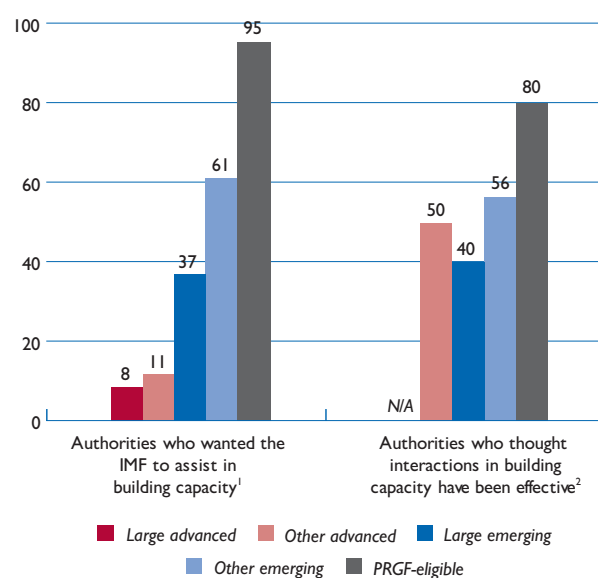


Figure 12. Capacity Building

(Percent of respondents)



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

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

praised the Fund’s technical assistance on payments systems, inter alia.

29. But some interviewed officials, noting the very large quantities of IMF technical assistance that

had been provided, questioned its results in terms of sustained improvements in local capacity. This raises an issue about the programming of technical assistance and how it relates to the country’s and Fund’s medium-term vision, and in turn how the strategy for technical assistance reflects country track records in following through on past assistance. The documentary evidence reviewed for the evaluation suggests that the links between Fund technical assistance programs and country priorities improved over the evaluation period, but still remained relatively weak—with the most recent round of reforms designed to improve the prioritization of TA in line with the strategic objectives of both recipient countries and the Fund only recently adopted.²² The Regional Strategy Notes (RSNs) on technical assistance that were launched during the evaluation period contain some forward-looking country information, but minimal detail and links to other work of the Fund and donors. Similarly, the surveillance agendas, introduced in 2006 as a short-hand strategy brief, typically listed elements of the planned technical assistance program, but did not make clear how the programmed items fit into the overall agenda. Interviewed area department mission chiefs said they signed off on Fund technical assistance activities, basically on behalf of the authorities, with a view to vetoing activities that the authorities did not want. But they also said that practice varied on how proactive a role they and the authorities played in the identification and design of the technical assistance program.

²²See IMF (2008c).

III. Interactions with Other Stakeholders in PRGF-Eligible Countries

30. This chapter looks at IMF interactions with stakeholders beyond the authorities. It examines recent developments in such interactions, and constraints on their effectiveness. It finds that an increasing amount of outreach took place to parliamentarians, civil society, the media, and market participants during the evaluation period. It also finds greater interest among the authorities of PRGF-eligible countries for such outreach than in most other country groups. However, sensitivities remain, especially with respect to civil society and the media, where painful memories of the structural adjustment era continue to define the Fund's image and undermine its effectiveness, in some cases making association with the IMF a political liability for the authorities and their ideas.

A. Recent developments

31. In PRGF-eligible countries, the Fund has been making an attempt to increase its efforts to outreach to a broader group of stakeholders, including parliamentarians, civil society organizations, the media, and market participants.

32. Interactions with parliamentarians in PRGF-eligible countries have focused particularly on issues related to parliamentary oversight for public financial management. Staff organized country and regional seminars for legislators, for example, in the Kyrgyz Republic in June 2006, and in Liberia and Tanzania in 2008. Other interactions with parliamentarians of PRGF-eligible countries took place through seminars, meetings with visiting groups of parliamentarians at IMF headquarters, and management speeches to members of parliaments, often under the aegis of the Parliamentary Network of the World Bank.

33. As noted in Chapter I of this paper, the evaluation survey of civil society representatives received 259 responses from 61 of the 77 PRGF-eligible countries. Almost half of these respondents were from nongovernmental organizations (NGOs), with the remainder fairly evenly divided among think tanks, media, and private sector associations, and with a smaller share of labor union representatives. Of the total, 173 respondents said that they had interactions with the IMF between 2001 and 2008.²³ The survey

results suggest that most such respondents found Fund staff respectful and willing to listen, although fewer found them sensitive to cultural differences. Almost 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."²⁴ Of those who did answer, about a third said their views have been reflected, and about half said their discussions had contributed to building national support for policies. The survey results provide no evidence of change one way or another in the Fund's approach over the evaluation period.²⁵

34. At the request of the IEO, Jan Aart Scholte carried out an intensive review of IMF outreach to CSOs, building on earlier work that he had done, including drafting the IMF's guidance to staff on outreach to civil society.²⁶ His research for the IEO generally corroborated the earlier IEO finding of "limited and ineffective" outreach by Fund staff with civil society, based on his more intensive engagement with civil society representatives, while also noting evidence of increased outreach in evaluation sample countries such as Malawi and Mozambique.²⁷ This research also found that a number of civil society organizations felt that the Fund was not being tough enough on fiscal transparency, a topic of widespread concern to civil society in many PRGF-eligible countries. This finding was echoed in the evaluation team's own meetings with civil society representatives in Cameroon, Senegal, and Togo, discussed below.

35. Survey evidence gathered by the Fund's External Relations Department (EXR) on staff outreach with trade unions is also germane. EXR survey showed that about half the staff teams working on PRGF-eligible countries had met at least annually with trade unions in the two years preceding the 2007 survey. Of the staff respondents who had held such meetings, about half said that the meetings had "influenced Fund policy advice in the country." Staff notes suggest that the influence was at a very general level, such as reminding staff of how important labor market flexibility or pension reform was, or educating staff

²³Of the 86 respondents reporting no contact with the IMF, only 3 percent said that they had requested a meeting but were not given an appointment. About two-thirds of those who had met with staff said they found the meetings useful, and would like to meet more often. They had mostly met with Fund resident representatives or missions from headquarters; they had almost never met with the Executive Director for the country either locally or in Washington.

²⁴"No response," "not applicable," or "don't know."

²⁵The survey asked the CSO representatives whether interactions with the Fund were important to their work both in the last two years and over the eight-year evaluation period. It also asked whether interactions were useful in the last two years and over the whole eight years. Answers were nearly identical for the two time periods: 78 percent thought interactions were important over the last two years, and 77 percent over the whole eight years. 68 percent thought interactions were useful over the last two years, and 65 percent over the whole eight years.

²⁶IMF (2003b).

²⁷Scholte (2009). See also IEO (2007).

about how trade unions and other stakeholders viewed the Fund and/or the country's policy challenges and agenda. But the meetings do seem to have played a useful role in informing Fund staff and local trade union representatives about each other's activities and priorities.

36. As in the other country groups, organized outreach to the media in PRGF-eligible countries has focused on the dissemination of the Fund's *Regional Economic Outlooks (REOs)*. During the evaluation period, AFR produced eleven *REOs*, beginning in June 2003. Since 2005, *REO* launch has included road show presentations in English and French, for example, in Ghana and Senegal in 2007. Other area departments' *REO* disseminations to PRGF-eligible countries were more limited.

B. Constraints on more—and more effective—staff outreach

37. Most internal IMF documents reviewed by the evaluation team say little about outreach. Many staff back-to-office reports and most staff reports mention meetings with one or more CSOs, or the media, or private sector representatives, but they provide scant detail. Of course, page limits and word counts are fiercely guarded in the Fund, and routine meetings naturally receive limited coverage, leaving more space for recording the policy dialogue with the authorities. Board documents for the period, whether associated with programs or surveillance in the PRGF-eligible evaluation sample, are similarly brief on the subject. The surveillance agendas said relatively more, and included the Fund's country outreach strategy as one of their four main topics. However, in practice even they tended to list the plans, rather than providing an outreach strategy or explaining how strategy linked the planned actions to possible results—although in fairness to staff there was, in the main, a two-page limit for the entire agenda.

38. IEO interviews with mission chiefs and resident representatives provided an inside view of the incentives affecting staff outreach. Mission chiefs were generally more comfortable with the structured meetings that occurred as part of a two-week country visit, while most of the responsibility for outreach fell to the IMF resident representative in the country in question. Among some resident representatives, risk aversion abounded, colored by concerns that the results of their outreach might surface in the media in ways that the authorities would not like—and mindful of the summary recall to headquarters of several resident representatives in PRGF-eligible countries for crossing the line. While describing the kinds of outreach efforts they made, they also detailed the constraints they faced to doing more—from too little time and too few other resources, to strong reservations from the authorities, to

lack of incentives from headquarters, to limited impact in affecting stakeholder views—that deterred them from doing more.²⁸

39. Staff survey responses, too, provide evidence on constraints, highlighting three key issues: risk aversion, training, and resources.

- Risk aversion among staff is understandable; about 40 percent of mission chiefs and resident representatives working on PRGF-eligible countries said that management would not support them when tensions arose with the authorities. And about 20 percent of staff said that management would not support them if tensions arose with other stakeholders.
- As regards training in the skills needed for effective outreach, what is relevant is how Fund staff learn. On-the-job experience, advice from IMF area departments and PDR, and feedback from the authorities were the prime sources from which mission chiefs and resident representatives working on PRGF-eligible countries said they acquired skills for undertaking outreach. EXR was not generally seen as a major source of advice, except for training in interacting with the media. Indeed, the EXR website and the CSO guide got the two lowest rankings of all the learning vehicles that IMF staff queried.
- Third, staff perceive a tight resource constraint, notwithstanding underruns in the Fund's administrative budget over the period. One interviewed resident representative told the evaluation team that there were things that the department wanted the resident representative to do more of, such as outreach, but with budgetary cutbacks this was not possible. Even without cutbacks, IMF resident representatives' resources were stretched, as the evaluation team on Sub-Saharan Africa saw firsthand in 2006, and also on its more recent visits to Cameroon, Senegal, and Togo.

40. The power of each of these three constraints on interactions is affected by the country context, and especially by the degree of negativity felt towards the Fund because of its past association with structural adjustment and privatization. As noted in Box 2, the reputational legacy of structural adjustment, the CFA franc devaluation, and privatization looms large in much of West Africa. But in many PRGF-eligible countries, popular interest in fiscal transparency—a core Fund mandate—is even larger and, as the Senegal experience shows, can provide a basis for repositioning the Fund around a positive message. Of course repositioning needs also to be able to deal with the past, with

²⁸See the background technical document on the interviews for more detail.

Box 2. Moving Beyond Structural Adjustment: A Tale of Three Cities

Three case studies, drawn from IEO staff country visits to Cameroon, Togo, and Senegal, provide an interesting perspective on IMF outreach. In each country, IEO staff met with representatives of civil society, asking about the frequency of meetings with the IMF, the seriousness of the engagement, perceptions of changes in the Fund's approach over time, and their overall perceptions. In each, the questions about the evolution over time evoked strong negative reactions about the Fund's perceived role in structural adjustment in the 1980s and the CFA franc devaluation in the 1990s—but beyond this common ground the responses were very different in the three countries.

- In Yaoundé, civil society representatives were generally angry with the IMF. They blamed the IMF for Cameroon's problems—highlighting privatization problems and the squeezing of social expenditures, *inter alia*—attributing to the IMF the motive of wanting to keep Cameroon poor. They said that

IMF missions “met” with them on occasion, but did not seriously engage.

- In Lomé, civil society representatives had a more favorable view of the IMF, which was widely seen to have played a positive role in brokering the resumption of donor involvement in Togo and the clearance of arrears to the World Bank and others. They said that they met with IMF missions, and that the missions seemed to listen to them. But some cautioned that the Fund should not be too soft on governance issues—it was essential that the IMF be a ruthless truth-teller on these critical fiduciary issues.
- In Dakar, civil society representatives praised the Fund for the very constructive role they perceived that the institution had played in government transparency and in alerting the population to serious risks and problems with the current program, including on governance-related fiduciary issues.

staff equipped with (i) the facts and figures needed to show what the Fund did in the past and how and why it may have been right or wrong and what it has done to change, and (ii) critically important, the authorization from headquarters to speak about the past, and in what terms especially in admitting institutional mistakes.

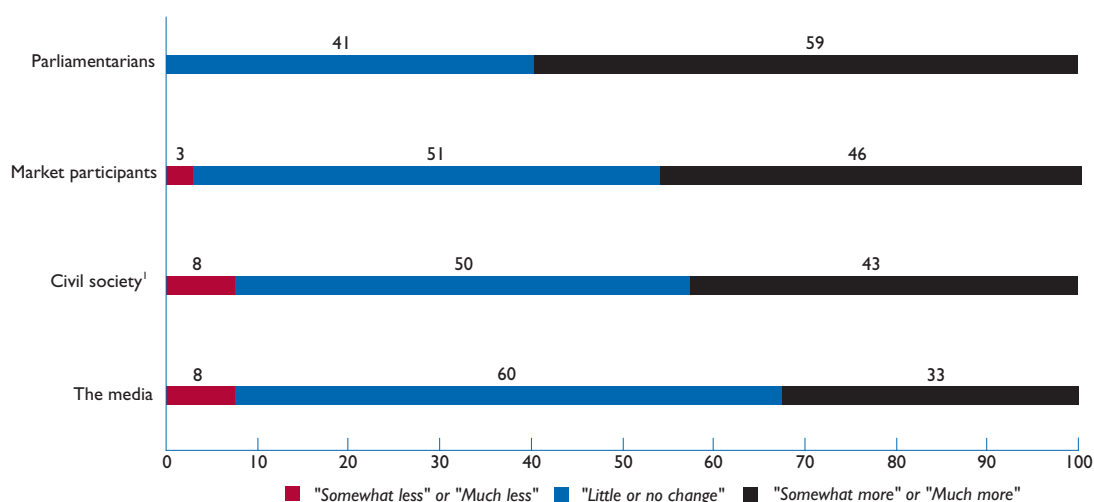
41. Reflecting the above, the evaluation survey asked the authorities whether they wanted more, less, or about the same amount of outreach with a variety of groups going forward. The surveyed authorities were fairly evenly divided on how much of a role they wanted the Fund to play in outreach aimed at securing consensus on policies. Nearly half said they wanted the Fund to do at least the same amount of outreach as at present, and 40 percent saw the Fund's efforts to do so as effective or very effective. Very few wanted less outreach than at present. Indeed, 61 percent said they wanted the Fund to engage more in a wide discussion of policies (including through public seminars or meetings) and 30 percent wanted the same amount of engagement. Many PRGF authorities also were open to more outreach to specific groups. The upper panel of Figure 13 shows that 59 percent of the authorities wanted the Fund to increase its outreach to parliamentarians, 46 percent to market participants, 43 to civil society organizations, and 33 percent to the media.

42. The lower panel of Figure 13 suggests that the authorities of the PRGF-eligible countries were more interested in expanded IMF outreach than any other country group/subgroup. This is an important point: while Figure 3's overall numbers for helping build and maintain consensus outside government are the lowest

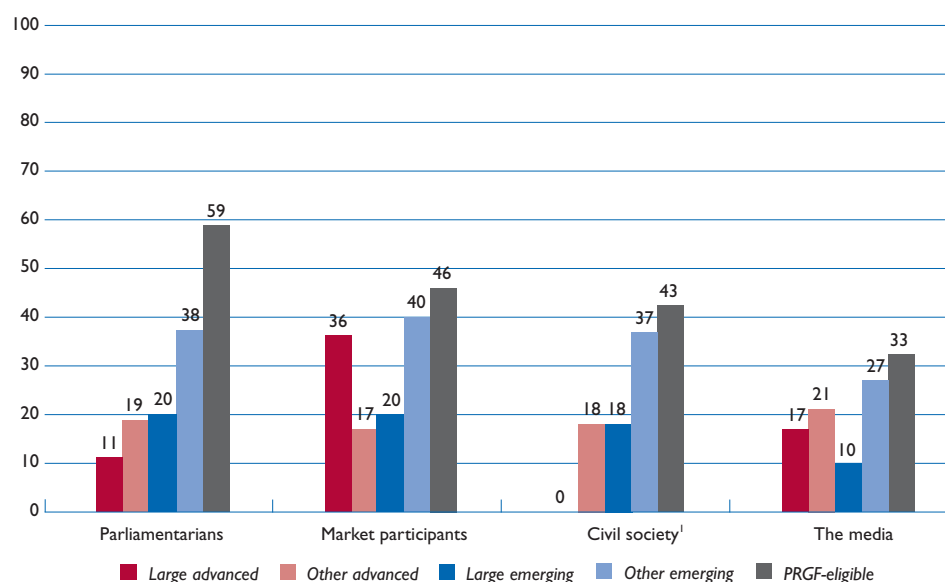
of all queried roles, they are higher in the PRGF-eligible countries than in the other countries. And more generally, the authorities of the PRGF-eligible countries are looking to Fund staff to help educate the public on economic and financial issues, as part of the Fund's capacity-building role—to the extent that its adverse reputational legacy does not get in the way or that its efforts to inform and facilitate debate are not misconstrued as efforts to interfere.

43. These themes, and how Fund outreach fits into countries' complex political dynamics, featured centrally in the evaluation interviews. In some countries such as Uganda, the authorities welcomed Fund outreach. They indicated that at the start of their program they had requested such efforts to help educate the public and gain support for reform; they said the home-grown approach that had been developed in Uganda led to the PRSP approach more generally, which called for engagement with civil society as part of the road to the HIPC. Likewise in other countries, such as Cameroon more recently, the authorities saw the desirability of greater Fund outreach to educate the public and help reduce the stigma that they felt in dealing with the Fund. In Malawi too, the authorities welcomed the Fund's outreach which they saw had increased in recent years, as a central part of educating the Fund teams on the constraints and issues that their country faced and of educating the public on economic and financial issues. But in some other countries, staff said their outreach efforts either did not take place after having been discouraged by the authorities or had brought unintended (and negative) consequences for interactions with the authorities,

**Figure 13. Surveyed Authorities' Views on IMF Outreach:
Do They Want More, Less, or About the Same with Each Group?**
(Percent of respondents)



Comparison with Other Country Groups²



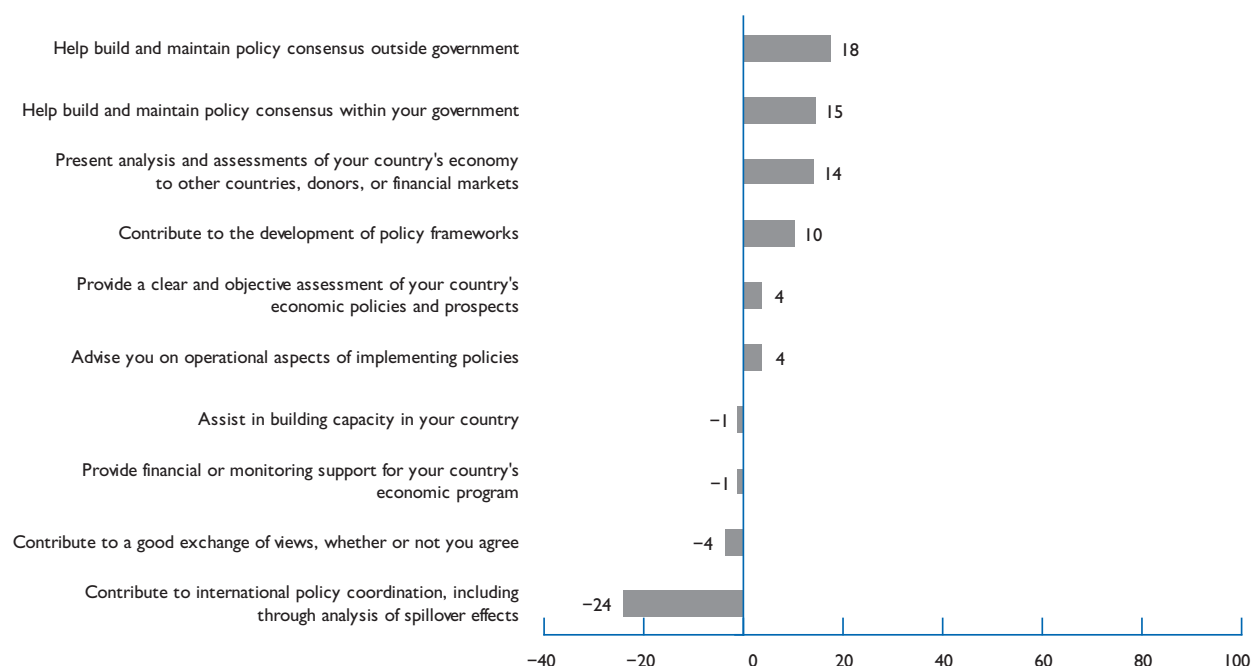
¹At an early stage of policy discussions.

²Shows the share of authorities who responded that they would have wanted the IMF to engage "somewhat more" or "much more" with each group.

intensifying conflicts between the Fund's confidential advisor role and the increased focus on outreach and transparency. And in other countries, such as Nigeria, memories of the structural adjustment era necessitated a very cautious and low-key approach, working with think tanks and the private sector, and increasingly with parliamentarians, while emphasizing that there was currently no program involvement with the Fund.

IV. Management of Interactions with PRGF-Eligible Countries

44. This chapter looks at three instruments in the management of interactions—strategy, staffing, and relationship management. It asks how and how well each was calibrated to promote effective interactions. The analysis and evidence point to the following:

Figure 14. PRGF-Eligible Countries: Strategic Alignment Between Authorities and Staff*(Percent of staff who thought IMF "aimed" to perform each role minus percent of authorities who "wanted" the IMF to do so)*

- First, the Fund did a good job of articulating an institutional strategy for much of its operational work with PRGF-eligible countries, especially when compared to its work on the other country groups. But it did less well in systematically customizing its strategy to individual country conditions, especially with respect to: (i) the management of face-to-face interactions with the authorities in the first half of the evaluation period; (ii) the repositioning of the Fund with stakeholders beyond the authorities around a more positive message than structural adjustment and privatization; and (iii) the development of country-focused technical assistance programs, ensuring coherence across functional departments and other service providers.
- Second, the style of Fund interactions with PRGF-eligible countries improved over the last two years of the evaluation period. Most authorities think disrespectful staff behavior is largely, though not entirely, a thing of the past. The bad news is that it was perceived as a widespread problem during the first half of the evaluation period—in part related to the difficult negotiations referred to above—and remains a component of what many critics and counterparties see as the Fund's signature style.
- Third, relationship management in PRGF-eligible countries has generally taken a back seat to time-sensitive and stressful interactions on program negotiations and reviews between headquarters-

based mission chiefs and the authorities. The resident representative program could be managed more strategically, especially by clarifying roles and accountabilities on the country team and in interfacing with the authorities.

A. Strategy

45. The Fund's evolving approach to interactions with PRGF-eligible countries is catalogued in a series of papers for the Executive Board. The 2008 staff paper "The Role of the Fund in Low-Income Countries" (IMF, 2008a) was the latest in a series that, along with discussion by Executive Directors, aimed to clarify the purposes and scope of Fund interactions in PRGF-eligible countries.²⁹ As noted in Chapter I above, that paper covers the policy dialogue, capacity building, use of Fund resources, and cooperation with partners, synthesizing a range of policy decisions and developments from previous few years. Though its immediate audience was the IMF Board itself—in light of continuing debates there on the role of the Fund in PRGF-eligible countries³⁰—the 2008 strategy (and its predecessors) was also meant to provide helpful clarification to PRGF-eligible country authorities and partners. Indeed, the PIN for the paper's Board discussion noted the Board's support for the strategy, while observing that "it is important that the Fund's

²⁹See, for example, IMF (2003a and 2004).

³⁰As documented in IEO (2007) and elsewhere.

PRGF-eligible country-related objectives and responsibilities are well-articulated, consistent, and understood both within and outside the institution.”³¹

46. The evaluation survey evidence supports the view that the Fund generally succeeded in this goal. As discussed in the main report—and reprised in Figure 2 and Chapter II of this paper, the evaluation’s strategic alignment indicator is considerably higher for the PRGF-eligible countries than for the other country groups: 8 percent higher than for the other emerging economies and 20 percent higher than for the advanced and large emerging economies. In turn, these differences reflect the relatively greater meeting of the minds between the authorities and staff working on PRGF-eligible countries on the purposes and priorities of their interactions with each other. See Figure 14 above.

47. Even so, the clarity of purpose and scope articulated at the institutional level in “The Role of the Fund in Low-Income Countries” was not always as visible at the country level.³² As one senior area department staff member indicated in an interview with the evaluation team, generally there was no systematic strategic plan for considering Fund engagement at the country level; he said that it depended very much on individual factors largely at the discretion of the mission chief. This had three important dimensions that are highly relevant for the evaluation.

- First, management and senior staff did not always pay sufficient attention to the management of face-to-face interactions with the authorities of PRGF-eligible countries, which was delegated to individual mission chiefs. In many cases, this worked fine even in program situations, if either country implementation was broadly on track or if there were implementation issues but a mature and diplomatic mission chief to manage the situation. But as discussed in Chapter II, in several cases in the first half of the evaluation period, interactions between the authorities and staff associated with program interruptions and delays ran aground, leaving the authorities (and staff) feeling bitter towards the Fund—feelings that linger on both sides despite the passage of much time.
- Second, there was uneven treatment of the adverse reputational legacy issue in outreach, which is a factor in many PRGF-eligible countries, reflecting

the Fund’s association with the structural adjustment era of the 1980s and 1990s. As noted in Box 2, in two of the three West African countries visited by the evaluation team, there was progress on this front. In Togo it reflected a hiatus in country relations with other donors and the Fund’s playing the role of first responder to the changing conditions in 2006. In Senegal it reflected the conscious attempt by the country team, including the resident representative as a key member, in repositioning the Fund around fiscal transparency. But in Cameroon, despite the urging of the authorities, the dialogue with civil society remains stuck in the past. A more systematic cross-country approach is needed to deal with the past and rebrand around a positive message for the future, such as fiscal transparency, which is central to the Fund’s mandate, mission, and work program and popular.

- Third, there was uneven attention across mission chiefs to the building and coherence of technical assistance across functional departments and to discussions of it with the authorities and partners. The costs of such omissions have not been so large to date, as they would have been in a more complex organization, given the relatively narrow choice of products and services on offer by the Fund. However, they are relevant for the growing and increasingly complex Fund business of technical assistance, where the importance of ensuring a strategic perspective in the identification of priorities, including for the Regional Strategy Notes remains paramount. Going forward, ensuring work program coherence will become more of an issue. This is an area where the lessons learned from the World Bank’s country assistance strategies are relevant, especially for prioritizing across different functional departments’ possible services and making sure that the whole of the Fund package adds up to more than the sum of its parts, and is supportive of the country’s and the Fund’s medium-term objectives.

B. Style and staffing

48. The Fund’s success in assisting countries to achieve their objectives depends critically on its staff. Considered below are three dimensions of central relevance to interactions with PRGF-eligible countries: attitude, skills, and turnover.

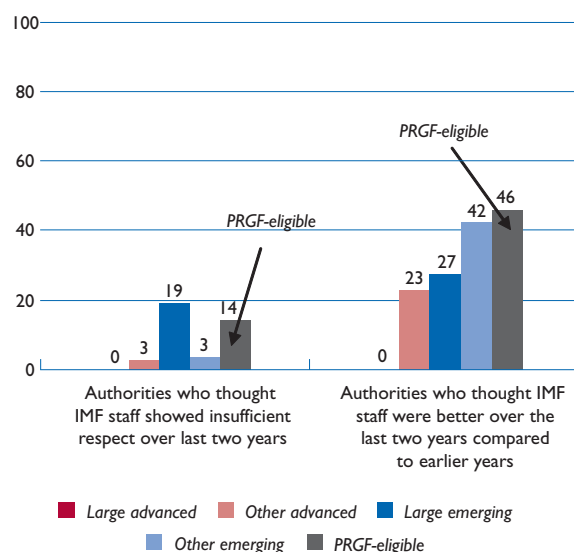
Style

49. Interviewed authorities readily volunteered that people matter for the Fund’s effectiveness. In this connection, and focusing on mission chiefs and resident representatives, they offered high praise for some staff

³¹IMF (2008b).

³²The Fund has experimented over the years with initiatives that have been likened to country strategies or that have contained elements of country strategies, but during the evaluation period its approach to strategy at the country level remained scattered and unsystematic. Fund experiments included country strategy papers, including one for Uganda in 2001, the ex post assessments program introduced in 2002, and the preparation of surveillance agendas, which had some potential as a strategic vehicle before being discontinued in 2008.

Figure 15. Staff Respectfulness Towards the Authorities
(Percent of authorities who responded “agree” or “strongly agree”)



members and sharp criticisms of others. More generally, they said that the Fund’s style had been improving, and that the days of the Fund’s “dictatorial approach” were a thing of the past. Following up on such a critique of Fund style, the survey asked the authorities whether the staff had shown insufficient respect to them and their colleagues. The comparative results are shown in Figure 15 alongside the answer to the query about whether performance had improved over the past two years. Fourteen percent of official survey respondents from PRGF-eligible countries said that respect was a problem respect was a problem in the 2007–08 period. This number was indeed higher than for the advanced economies, although lower than for the large emerging economies. The good news is that 46 percent said that respectfulness had improved over the past two years—the largest improvement of all country groups. The bad news is that the two numbers taken together suggest that for the 2001–06 part of the evaluation period about which a direct question was not asked, the situation had been worse.

50. Looking at several other behavioral issues in the 2007–08 period, Figure 16 asks whether the survey evidence suggests that Fund staff treated rich countries better than poor countries. To this end, it compares the results for the PRGF-eligible countries with those for the other country groups on issues such as listening, responsiveness, and accountability. In so doing it finds Fund behavior to be comparable or better in the PRGF-eligible countries than elsewhere. This is not to say that the performance levels, generally in the 60–80 percent satisfactory range, are acceptable; but it simply says that problems the Fund may have with listening, responsiveness, and accountability in PRGF-

eligible countries are not the result of staff’s treatment of the least powerful countries, but rather reflect more pervasive tendencies across the institution.

Skills

51. As regards staff skills, the authorities’ most pronounced concern was that staff had insufficient country knowledge, including about the decision-making process and constraints. This kind of knowledge is especially important to PRGF-eligible countries, which—as illustrated in Figure 17—look to IMF staff in much greater proportions than do other country groups to “help build and maintain policy consensus within government.” It is highly relevant to the staff’s ability to customize a country strategy to local conditions, taking into account political economy and other considerations affecting the feasibility and sequencing of policy reforms. The survey results suggest that the authorities of PRGF-eligible countries found fewer problems with staff technical skills, practical experience, and language skills than other country groups.³³

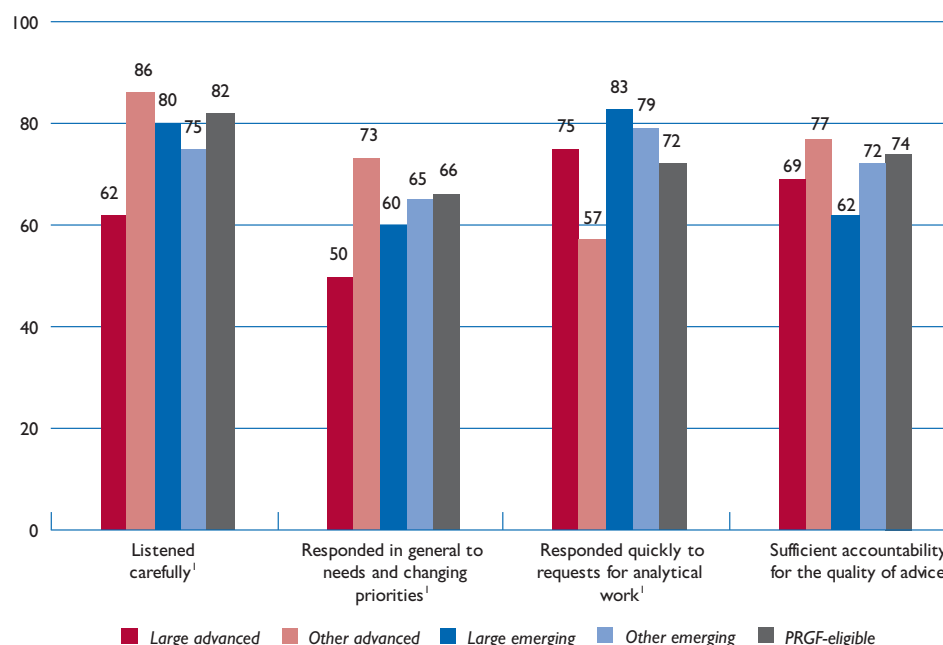
52. Nevertheless, as indicated in the interviews with the authorities, skills gaps were beginning to emerge during the evaluation period, especially among PRGF-eligible countries that began the transition to emerging economy status. In one case-study country, ministry of finance staff said the mission skills mix was increasingly a problem, especially among the fiscal staff on the core team (though not among the technical assistance and ROSC missions to that country). Interviewed officials from two other case-study countries raised concerns about the Fund’s handling of requests for help with inflation targeting. They felt they had received the brush-off from country teams which said their countries did not meet the pre-conditions. In one case, a subsequent technical assistance mission provided the requested advice and technical support. In another the authorities sought and received the necessary assistance elsewhere.

53. Language skill gaps, raised by 12 percent of surveyed officials, were also raised by several interviewees. One official said that his authorities had been dismayed by the arrival of a mission chief who did not speak the local language. Another said that where members did not speak the local language, it was considered to be a handicap. An official of a third country said that the problem for his team was more with the mission documents, such as the letter of intent and the technical memorandum, which needed to be quickly translated into the local language, than with the discussions. Interviewed staff stressed the importance of local language skills for resident representatives, but less so for mission chiefs. One mission chief said the Fund should make knowledge of the local language (or of a language that

³³See Figure 15 of the main report.

Figure 16. Did Fund Staff Treat Other Countries Better or Worse Than PRGF-Eligible Countries?

(Percent of respondents)

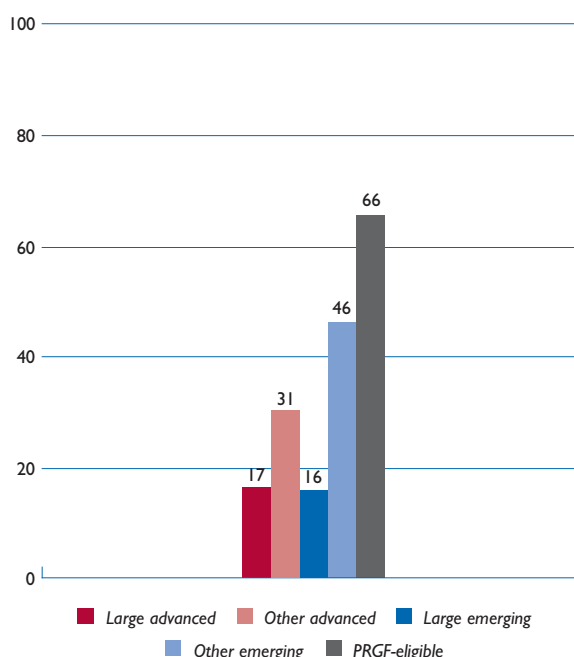


¹Shows the share of authorities who responded that the IMF did a “good” or “excellent” job.

²Shows the share of authorities who responded “disagree” or “strongly disagree” that there was insufficient accountability for the quality of Fund advice.

Figure 17. Authorities’ Views on How Much They Wanted the IMF to Help Build and Maintain Policy Consensus Within Government

(Percent of authorities who responded that they wanted the IMF to perform the role “a fair amount” or “very much”)



is widely spoken in the country) a strict requirement for resident representative positions, and should also provide sufficient language training prior to the assignment. For mission chiefs and mission members, many interviewed staff shared the view of one interviewee, who said that language skills were important but at the end of the day, it was professional skills that mattered the most. This view was expressly shared by some officials, as well, especially for technical experts.

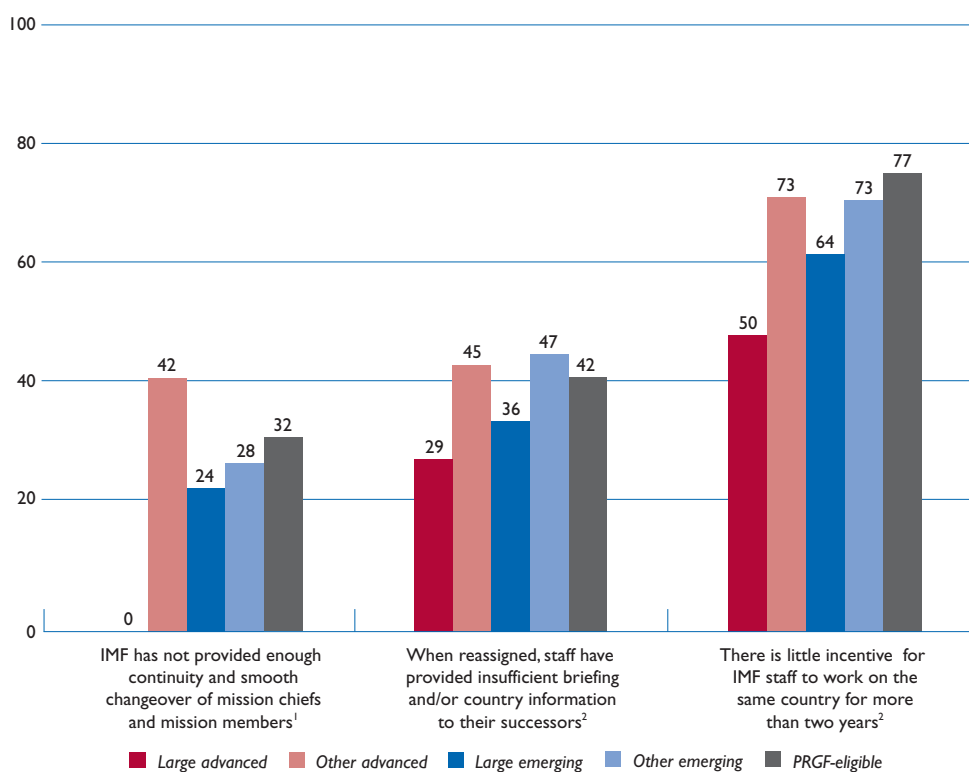
Turnover

54. Turnover among mission chiefs is more than an irritant for many PRGF-eligible countries. Nearly one-third of the surveyed authorities of PRGF-eligible countries said that the Fund had not provided enough continuity—this proportion is higher than in the emerging economies and the large advanced economies, though considerably lower than in the other advanced economies (Figure 18). Meanwhile, staff pointed to internal incentives that drive rapid turnover; 77 percent of surveyed staff working on PRGF-eligible countries said they had little incentive to work on a country for more than two years—a proportion broadly comparable to those for some other country groups.

55. In the evaluation interviews, almost all country officials complained about staff turnover, and many staff

Figure 18. Staff Continuity and Turnover: PRGF-Eligible Countries Compared with Other Country Groups

(Percent of respondents who answered “agree” or “strongly agree”)



¹Authorities' survey.

²Staff survey.

Figure 19. Authorities of PRGF-Eligible Countries Rate the World Bank over the IMF, but the IMF over the UNDP

(Percent of respondents)

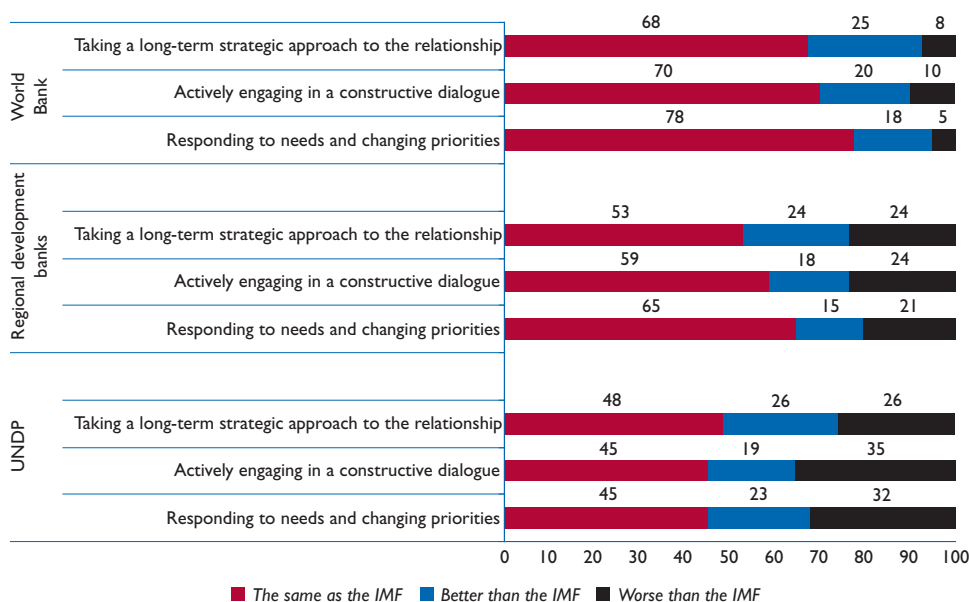
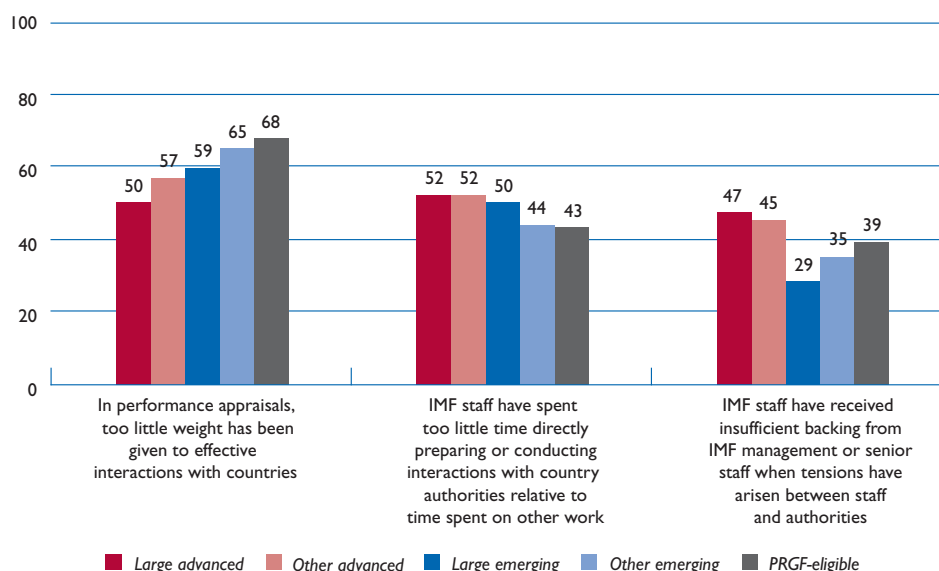


Figure 20. Staff Incentives
(Percent of staff who responded “agree” or “strongly agree”)



agreed. They spoke of significant turnover of mission members, with adverse consequences for interactions. One said that he said his staff had to continually “retrain” Fund staff, as old Fund team members left and new ones came. Another said the Fund’s “revolving-door” approach undermined rather than supported capacity building. Several officials raised special concerns when the mission chief and resident representative changed at the same time, compounding the loss of institutional memory, and called for better management of succession planning in country team coverage. One finance minister referred to a year in which the ministry team had to deal with three different mission chiefs in quick succession.³⁴ Many staff members said that they thought that current tenures were too short to establish relationships of trust with the authorities—although several staff members cautioned that longer tenures carried risks of staff becoming too close to the authorities and losing objectivity.

C. Relationship management

56. The authorities’ survey results give mixed signals on the Fund’s strategic management of its relationship with them. For PRGF-eligible countries, over 90 percent of authorities’ and staff survey respondents said the Fund’s relationship management was conducive to effective interactions. But only 61 percent of authorities rated highly the Fund’s

performance on “long-term strategic approach to the relationship.”³⁵ Meanwhile, when the authorities were asked to compare the Fund’s approach to long-term relationship management to those of other organizations, the World Bank’s approach scored better (Figure 19). The Fund scored about the same as the United Nations Development Program (UNDP) and the regional development banks.

57. The evidence also points to several qualitative concerns, discussed below: staff incentives; the role of the resident representative in IMF country teams; and the conduct of IMF management’s interactions with the authorities.

Staff incentives

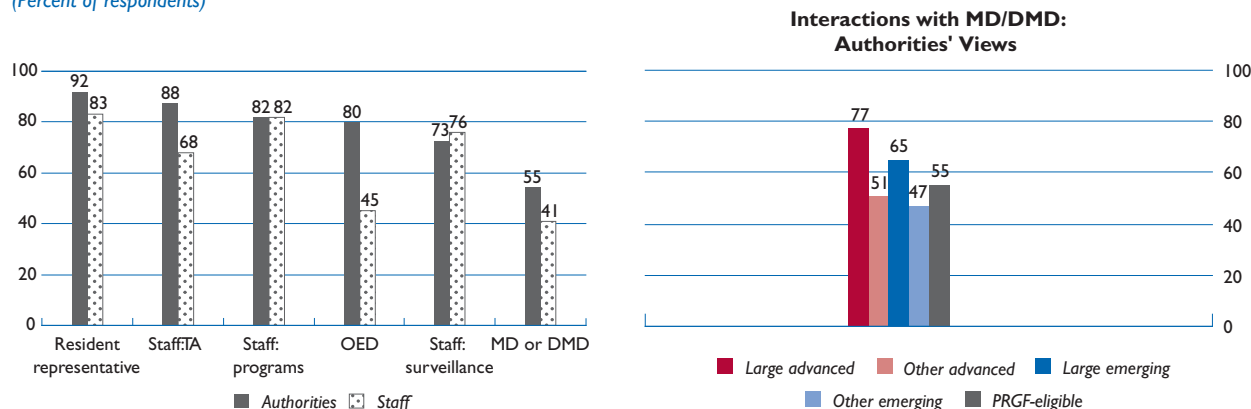
58. Area department staff painted a grim picture of how they see the management of their own interactions with the authorities—a picture that was not unique to work on PRGF-eligible countries. As shown in Figure 20, 68 percent of staff working on PRGF-eligible countries said that their interface with the authorities was given too little weight in their annual performance reviews. More than 40 percent said they thought too little time was devoted to interactions, relative to other work, such as servicing the Board and management and responding to reviewers’ comments. Almost 40 percent reported not getting adequate support

³⁴Such a case seems to be exceptional, however, being partly associated with the removal of a failed mission chief before his/her time and replacement by an interim mission chief while an appropriate successor was being identified.

³⁵Mission chiefs were more sanguine than the authorities: 82 percent of them thought the Fund did a good or excellent job. But resident representatives were less: 53 percent of them thought the Fund did a good or excellent job.

Figure 21. Fund Interlocutors: Who Is More Effective? Who Is Less?

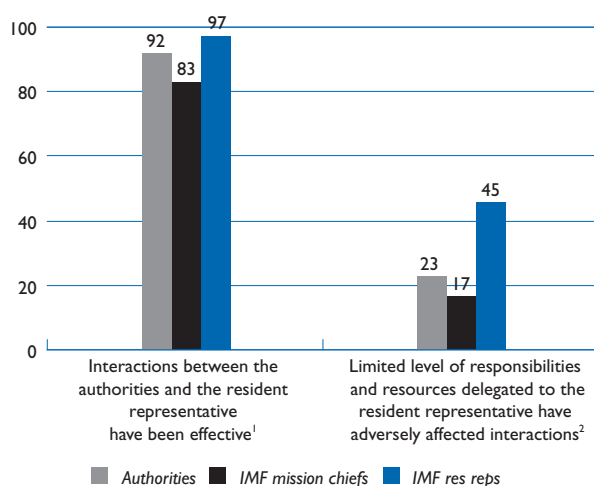
(Percent of respondents)



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

Figure 22. Views on Resident Representatives in PRGF-Eligible Countries

(Percent of responses)



¹Shows the share of respondents who answered "effective" or "very effective."

²Shows the share of respondents who answered "agree" or "strongly agree."

from senior staff and/or management on disagreements with the authorities.

Interlocutors

59. The survey asked the authorities and staff about which they thought was the Fund's most effective channel for interactions. As shown in Figure 21, authorities gave the highest scores to the staff, especially resident representatives and to the Executive Directors' offices (OED). From the staff survey, the results

were similar, albeit with lower marks for the Executive Directors' offices. The authorities and staff both gave much lower ratings to the Managing Director/Deputy Managing Directors. The dip in staff votes for technical assistance staff reflects the lower marks given to them by program mission chiefs and resident representatives. (The right-hand panel of Figure 21 provides a comparative perspective on authorities' views on the effectiveness of MD/DMD interactions.)

Resident representatives

60. As shown in Figure 21, surveyed authorities rated their interactions with IMF resident representatives as the most effective of all Fund interlocutors, followed closely by their ratings for technical assistance missions. But many resident representatives interviewed for the evaluation felt undervalued and neglected by IMF headquarters. Some (by no means all) expressed bitterness about the Fund's treatment of resident representatives and what they described as the headquarters-centric approach to interactions, which they found ill-advised. In the survey, 45 percent of the resident representatives said that Fund interactions suffered because of their lack of resources and power (Figure 22). But only 22 percent of the surveyed authorities and 17 percent of the mission chiefs made such an assessment.³⁶

³⁶The apparent split between the views of resident representatives and the views of the authorities parallels a similar finding from IEO's evaluation of IMF work in Sub-Saharan Africa (IEO, 2007), which found that the work pressures on the resident representatives came less from the relationship with the authorities, who were satisfied with the services they received, than from the growing burden of coordinating with the donors of decentralizing budget support and of doing outreach, which many resident representatives felt was outside their comfort zone.

61. Interviewed authorities expressed a range of views about resident representative offices, but most said they were comfortable with current arrangements. In terms of staff profile for the job, several officials indicated that their authorities preferred junior staff members, with strong technical skills, who could work well with their own technical staff. They said more senior staff as resident representatives were viewed with caution, given past experience in some cases and general concerns with how senior staff might be perceived by the wider public in others. In praising the current representative, officials of one country spelled out their ideal resident representative, as someone with a good balance of technical, managerial, and diplomatic skills—and good judgment.

62. Staff attitudes were more complicated, especially as regards relations between resident representatives and mission chiefs. Interviewed missions chiefs were unanimous in highlighting the importance of the resident representative function, characterized by one mission chief as the most underestimated asset of the Fund. However, some resident representatives pointed to tensions with mission chiefs about their functions—with some mission chiefs seen to be laissez-faire while others are very controlling—including with respect to the residents representatives' role during missions, where they felt their effectiveness vis-à-vis the authorities was undermined. Summing up the debate, one senior staff member said that in his view, the job of resident representative was not well understood at headquarters, with most resident representatives isolated and not appreciated given the breadth of their responsibilities, but that the converse was also likely true (i.e., that the resident representatives probably did not understand headquarters).

63. Interviewed mission chiefs and resident representatives did share one concern—that resident offices were being cut back. All agreed that relationships with authorities would suffer if resident representative offices were to be closed down, because they have more interactions with the country than the rest of the Fund as they engage in daily and weekly meetings.

V. Conclusions

64. The weight of the evidence presented in the paper points to the high value that the authorities of PRGF-eligible countries attached to Fund products and services. The authorities of a large majority of these countries sought Fund monitoring and program support at some time during the evaluation period; they

saw this support as helping them to secure debt relief and donor funding, although many had concerns about specific aspects of conditionality. Most appreciated the Fund's technical assistance, and wanted more. They also appreciated the Fund's analysis and exchange of views on surveillance, although the dialogue on the preparation, negotiation, and review of programs tended to crowd out the time allocated for more reflective processes.

65. The resulting abundance of traction in Fund interactions with PRGF-eligible countries put the Fund in a position of power, raising questions about how the staff's exercise of that power affected interactions with the authorities in both substance and style. Some authorities saw the Fund's power as useful to them in engaging with the Paris Club and donors, and in disciplining their own spending ministries. But others saw it differently, with particular flash points surrounding difficult face-to-face interactions related to program interruptions and delays especially during the 2002–04 period. Despite the passage of much time, affected authorities—and staff as well—recall these interactions vividly and with bitterness. The authorities' recollections focus on what they perceived as arrogant and/or rigid staff behavior; while the staff's on what they perceived as a lack of clear signals and support from senior staff and management. Meanwhile, for many stakeholders outside government, the adverse reputational legacy of structural adjustment and privatization defined the Fund's image throughout the evaluation period.

66. The evaluation found evidence of progress in the second half of the evaluation period, especially in the last two years. The Fund's policy tool kit, staff attitudes, and external outreach have evolved. Higher priority has been attached to the management of face-to-face interactions, including in times of substantive disagreement between the authorities and staff. These changes, which preceded the onset of the recent global crisis and the steps the Fund has taken to modify its instruments and approach to conditionality, coincided with the graduation of some PRGF-eligible countries from program support into surveillance-only relationships or into formal monitoring arrangements under the Policy Support Instrument (PSI), for which accessing authorities feel greater ownership. Going forward, strong efforts will be needed to ensure the Fund maintains and appropriate balance between flexibility and firmness, to further improve staff attitudes, and to rebrand around a popular message attuned to the Fund's core mission such as fiscal transparency, while also honestly acknowledging problems in its past.

Annex I. PRGF-Eligible Countries

Afghanistan	Djibouti	Madagascar	Solomon Islands
Albania	Dominica	Malawi	Somalia
Angola	Eritrea	Maldives	Sri Lanka
Armenia	Ethiopia	Mali	St. Lucia
Azerbaijan	Gambia, The	Mauritania	St. Vincent and the Grenadines
Bangladesh	Georgia	Moldova	Sudan
Benin	Ghana	Mongolia	Tajikistan
Bhutan	Grenada	Mozambique	Tanzania
Bolivia	Guinea	Myanmar	Timor-Leste
Burkina Faso	Guinea-Bissau	Nepal	Togo
Burundi	Guyana	Nicaragua	Tonga
Cambodia	Haiti	Niger	Uganda
Cameroon	Honduras	Nigeria	Uzbekistan
Cape Verde	(India) ¹	Pakistan	Vanuatu
Central African Rep.	Kenya	Papua New Guinea	Vietnam
Chad	Kiribati	Rwanda	Yemen
Comoros	Kyrgyz Rep.	Samoa	Zambia
Congo, Dem. Rep. of	Lao PDR	São Tomé and Príncipe	Zimbabwe
Congo, Rep. of	Lesotho	Senegal	
Côte d'Ivoire	Liberia	Sierra Leone	

¹Included in emerging economies.

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