

## THE ACTING CHAIR'S SUMMING UP

### IEO EVALUATION OF IMF INTERACTIONS WITH MEMBER COUNTRIES

Executive Board Meeting  
December 14, 2009

Executive Directors welcomed the IEO evaluation of IMF interactions with member countries and the important insights it offers into the effectiveness of these interactions, which they saw as key to the Fund's ability to achieve its goals. Directors took note of the finding that the majority of authorities in all country groupings had rated the Fund's overall effectiveness positively. However, they expressed concerns about the indications of a lack of agreement between the Fund and the large advanced and large emerging countries, respectively, on the scope of interactions, and of widely varying effectiveness in areas where the Fund was supposed to excel. Directors observed that the report covers principally the pre-crisis period, and significant progress has been made on several fronts since then. Nevertheless, several of the report's key findings remain a source of concern. If the Fund is to effectively respond to the new opportunities and challenges it confronts, careful consideration needs to be given to the IEO's findings and recommendations, together with other possible areas for enhancement, acknowledging the complexity of interactions with Fund members.

#### Key IEO Findings

Directors noted that the Fund's effectiveness is perceived to have improved since the onset of the crisis, reflecting important reforms and the central role which the Fund has been asked to play in the international community's response to the crisis. A number of Directors observed that the new responsibilities entrusted to the Fund are consistent with the recommendations for a greater role by the Fund in international policy coordination and analysis of spillovers.

Directors stressed that issues regarding the effectiveness and independence of Fund surveillance in large advanced and large emerging market economies merit serious consideration. They acknowledged that interactions with large countries involve special factors, including the extensive analyses of these

countries undertaken outside the Fund. Nevertheless, the perceived lack of candor and value by these countries as well as concerns about evenhandedness in the case of emerging economies point to challenges requiring close follow up. Concerns were also expressed about the survey findings that staff working on all country groupings toned down their assessments to preserve the relationship with the authorities, and that many staff stated that there was a lack of support from management and senior staff when tensions arose between staff and country authorities. Directors stressed that the need for the Fund to provide candid messages was highlighted by the crisis, and that candor will remain essential in the period beyond the crisis. Some Directors highlighted the survey finding that increased outreach appears to have done little to improve traction. Some Directors also highlighted the evaluation finding that the transparency policy had done less well in increasing traction than staff had hoped, given evidence that some authorities had resisted timely dissemination of mission findings. Many Directors underscored the importance of governance reforms to address the perceived problems with evenhandedness and to underpin effective interactions with members, based on mutual understanding and trust. A few Directors cautioned against the illusion that changes in the governance of the Fund would do much to improve member countries' willingness to listen to the Fund's advice.

Directors welcomed the positive assessment of relations with PRGF-eligible countries, although some cautioned that these members' relatively weak capacity and reliance on external official funding could mask underlying challenges in the effectiveness of the Fund's interactions. Directors agreed that a proactive outreach strategy, within overall resource constraints, could help further address some misperceptions about the Fund's engagement with PRGF-eligible countries. Some Directors observed that a key measure of effectiveness would be a continued strong relationship beyond the PRGF. Directors also welcomed the positive assessment of the role of resident representatives and technical assistance provided by the Fund.

A number of Directors highlighted the importance of addressing internal issues related to institutional culture that undermine the Fund's ability to establish itself as a trusted policy adviser to members, and noted that the recommendations could have gone further in considering how the institutional culture of the Fund could be made more responsive to the needs of its members. These Directors questioned whether, in part, the issues raised by the IEO Report reflect a lack of clarity as to who "the client" in the Fund's engagement with members is. At the same time, it was emphasized that membership in the IMF entails obligations for countries.

## Key IEO Recommendations

Directors broadly supported the thrust of the key IEO recommendations to enhance the traction of Fund surveillance and policy advice, improve the effectiveness of outreach, and strengthen the management of interactions. At the same time, they expressed a range of views on several specific proposals, and underlined that the complexity of the issues warrants further analysis and discussion. The point was made that effective interaction also calls for efforts on the part of national authorities and Executive Directors.

Directors stressed the importance of further enhancing the international dimension of the Fund's surveillance and policy work with greater attention to cross-country analysis and spillovers. They emphasized that, building on the flagship products of the *World Economic Outlook*, the *Global Financial Stability Report*, the *Regional Economic Outlooks*, and other products in the Work Program, there is scope for improvements and better integration of multilateral surveillance products into bilateral surveillance. While efforts to improve traction should aim to strengthen existing instruments in the first instance, Directors remained open to exploring other products that could enhance the Fund's cross-country analysis. They also remained open to considering menus of products for different country groupings within resource limits and while preserving the evenhandedness of surveillance.

A number of Directors supported further consideration of the proposal to replace the Surveillance Agenda with "strategic agendas." Other Directors were concerned that such agendas could create an additional burden with little real effect on interactions. Directors looked forward to considering proposals to improve surveillance and its traction, and reference was made to the upcoming review of the Fund's mandate and modalities.

Directors generally supported the proposal to increase mission chief and staff tenure on country assignments.

They welcomed the steps being taken in this regard and noted that this objective should be balanced against the desire for fresh and cross-country perspectives. Directors supported the expanded recruitment of experienced, mid-career professionals to ensure the right skills mix and expertise. Some Directors saw merit in the proposal to bring more experts on country visits, especially when they offer significant value added, but others were concerned that a greater role of experts could run counter to team continuity.

Directors strongly supported efforts to enhance the candor and effectiveness of Fund engagement with country authorities. They acknowledged the critical role of management and the Executive Board in supporting staff analysis involving politically difficult messages. Directors supported continued deepening of guidance and training for staff in conducting country relations. A few Directors supported the establishment of a task force to develop professional standards for staff interactions with the authorities on country assessments. A few Directors supported the IEO recommendation that the responsibilities and accountabilities of management in interactions with members need to be better established.

Directors generally considered that it would be useful to provide greater guidance on outreach efforts, while ensuring sufficient flexibility. They agreed that it is important for the Fund to deal forthrightly with current and past controversies, and that outreach efforts should be regularly updated to reflect ongoing reforms in Fund policies. While outreach efforts were seen to have a critical role in overcoming a negative reputational legacy in many countries, Directors generally did not support the proposal to develop specific guidance in this particular area. Several Directors stressed the need for care in engaging in policy debates outside the official dialogue, and a few asked for further discussion on this issue.

Today's discussion has highlighted that efforts to strengthen the role and relevance of surveillance and policy advice across the entire membership need to be sustained and further enhanced. As we press ahead with efforts to assist members in securing a durable recovery from the crisis, promoting candor in staff's assessments will remain critical. We will need to reflect further on internal cultural changes to enhance the Fund's engagement with its members. Directors' views have provided background for ongoing work on the Fund's surveillance mandate and its modalities, and have also provided some useful input for shaping the Fund's outreach strategy going forward. Management and staff will give careful consideration to today's discussion in formulating the implementation plan.