

donors. It would really help borrowing countries if the donor community had a coordinated strategy for conditionality, he said.

The IMF also needs to take into account the political constraints countries face at different stages of their programs. Indrajit Coomarasawamy, Acting Director of the Economic Affairs Division of the Commonwealth Secretariat, said that programs should factor in electoral cycles, and many speakers agreed that sustained commitment to reform is very unlikely in a weak political environment: paying more attention to budget and election cycles would improve ownership and strengthen implementation. This requires that the IMF know the countries better; the institution came in for some criticism for limiting staff in the field to one resident representative and for not sending staff missions outside capital cities, which hinders acquiring sufficient knowledge of the countries it works with. Hussain argued that, in the IMF, those with the most knowledge of local conditions (resident representatives and area department staff) had the least power in the programs' decision-making process.

Over the one and a half days of discussions, there was general agreement on the need to streamline and focus conditionality, but participants argued that more than this needs to be done. Reducing the number of conditions would not be enough: it is also important to reduce

the amount of detail in conditionality. As Masood Ahmed of the IMF's Policy Development and Review Department noted, what is important is to distinguish clearly between measures that are critical for the success of a program and measures that are useful for the country but not critical for the program's success. Participants agreed, adding that the IMF needs to avoid trying to micromanage the economies of borrowing countries.

Several speakers called on the IMF to return to its core activities. They said that there was too much overlap in coverage of structural issues by the World Bank and the IMF, resulting partly from a gradual expansion of the IMF's mandate into growth and poverty reduction issues. One participant asserted that the "G" in PRGF (Poverty Reduction and Growth Facility) is not in the IMF's mandate, while another hoped that the only conditionality in poverty reduction programs would be that laid out in the countries' PRSPs. In the view of many speakers, the Bank is much better equipped to deal with poverty and structural issues, and the burden of proof for inclusion of structural conditions in IMF-supported programs lies with the IMF. However, many admitted that, even in low-income countries, market perception is important and that conditionality increases credibility in the reforms implemented by a country's authorities. In that view, the IMF should not back away from its insistence on such structural reforms as improving governance and strengthening financial systems. ■

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Winston Cox (left), Joanne Salop (center), and Masood Ahmed (right) at the seminar.

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- 01/67: IMF Managing Director Köhler Welcomes Argentine Senate Action, July 30
- 01/68: Ethiopia: \$22 Million Disbursement Under PRGF, August 2
- 01/69: IMF to Review Experience with PRGF, August 3
- 01/70: IMF and World Bank Invite Public Participation in Review of Poverty Reduction Strategy Program, August 3
- 01/71: IMF Management to Recommend Accelerated Disbursement for Argentina, August 3 (see page 263)
- 01/72: IMF Management to Recommend \$15 Billion Stand-By for Brazil, August 3 (see page 263)
- 01/73: Turkey: \$1.5 Billion Under Stand-By Arrangement, August 3 (see page 261)
- 01/74: Niger: \$11 Million Disbursement Under PRGF, August 3
- 01/75: Egypt: IMF Managing Director Köhler Welcomes Exchange Rate Move, August 6
- 01/76: IMF Publishes Quarterly Emerging Market Financing Report, August 8

Public Information Notices (PINs)

- 01/76: Comoros, August 1
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- 01/79: Korea: Post-Program Monitoring, August 2
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Speeches

"The Economic Transition in Armenia," given by John Odling-Smee, Director, IMF European II Department, at the American University of Armenia, Yerevan, July 31

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Other

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