

June 3, 1996

**Statement by the Managing Director on  
Evaluation Function in the Fund - Further Consideration  
Executive Board Meeting 96/54  
June 5, 1996**

In recent months we have established much common ground on how to carry forward the evaluation function in the Fund, including at the February 26, 1996, Board discussion of my Buff statement 95/125. I note that Executive Directors attach considerable importance to maintaining the existing practices of in-house evaluation, both by the staff and by the Executive Board as part of their regular activities; they stressed the importance of building on the record of constructive criticism, objectivity, and detachment that have characterized our in-house evaluations. It is also clear that there cannot be a uniform approach to evaluation, and we must be prepared to experiment and to learn from experience.

Most recently, at the discussion of the work program of the Executive Board, on May 22, 1996, Executive Directors expressed views on my proposals for evaluation work in the year ahead (see BUFF/96/61, and BUFF/96/67), and asked for a separate further discussion on evaluation issues. I think the June 5 meeting would be an appropriate occasion for the Board to decide on the topics for the period ahead, and to resolve the remaining issues relating to procedures for the evaluation projects that we will undertake.

It will be recalled that the Executive Board accepted on February 26, 1996 my proposals to strengthen the Fund's evaluation function on the basis of a pragmatic approach over a trial period of two years, with a review of the experience by February 1998. I think there is also a feeling that, as a practical matter, we should undertake no more than two or three evaluations a year.

There was strong support at the May 22 meeting for the proposed review of the experience with ESAF-supported programs, with a view to learning where we can improve, and to ensure that the Fund does its best in supporting the adjustment programs of its members. I suggest that this evaluation should be undertaken by the Policy Development and Review Department, in conjunction with a panel of outside experts. I propose that the study examine the experience with ESAF-supported programs from a medium-term perspective (e.g. 1986-95); it would not address questions about the basic macroeconomic policy strategy of these programs (which have been consistent with well-established consensus that emphasizes financial stability, outward orientation of policies, and reliance on market mechanisms). Rather, the review would survey the general performance of countries with ESAF arrangements, with a specific focus on a few key issues of concern in ESAF programs, such as the following: why some ESAF countries have succeeded in making faster progress than others toward stronger growth, lower inflation, and improvements in the external position; what has been achieved in the first stage of the liberalization policies and how program design and implementation for the second stage can be strengthened; and the incidence and effects of discontinuities in programs, and analysis of influences underlying developments in external debt and debt service. We should reach a common view on the role and tasks of outside experts in this evaluation exercise.

In addition, there was support for the proposed study of the issue of **"ownership and implementation support"**, which would cover both ESAF and non-ESAF programs. This is a topic in which we could involve outside experts to assist in evaluating the ownership issue for a sample of ESAF, SBA, and EFF-supported programs. The study could be designed to include a number of ESAF-supported programs covered by the proposed ESAF review and to identify issues and conclusions specific to these programs. This would help to assure a productive interaction with the proposed ESAF review.

As a possible third project, I noticed some support among Executive Directors for an evaluation of the **effectiveness of performance criteria** in Fund programs. I would invite further comments on the possible scope of this study, and on what Executive Directors would consider the key issues, before we consider the choice of evaluators and the timing of this evaluation.

There was less support for other possible topics mentioned in my work program statement. Executive Directors referred to the analysis by an outside expert of the **Fund's forecasting record in the WEO exercises**, which had already--some years ago--been commissioned as part of the continuing effort to improve our methodology. The results will be circulated as background information for the Fall WEO exercise, but it is not clear that this topic will require a Board discussion. Also, in response to suggestions at the May 22 meeting, we will give further thought to the issues of Fund work in support of **banking sector reforms**, and our collaboration with the World Bank in this area.

It would be useful to know if Executive Directors have further views on the choice of topics for evaluation in the first year, or on the scope of the studies.

On the procedural questions, it has been broadly agreed that the Board should be closely involved in establishing, with Management, the **terms of reference** for each evaluation exercise and whether **outside experts** should be involved. Mr. Clark has put forward the idea that a small group of **Executive Directors be designated to monitor the evaluation function** during the two-year trial period. If Executive Directors can endorse that idea, I will present a proposal for such a group, which could work on the implementation issues, and the budgets of the projects, with the assistance of the Director of the Office of Internal Audit and Inspection (OIA). It would be envisaged that proposals resulting from this work would be presented to management and brought to the Executive Board for approval.

Finally, as mentioned in my work program statement, I have decided to strengthen the office of what is now called *Internal Audit and Inspection*, and Executive Directors may be interested in the planned work of this office. I have asked OIA to undertake, in FY 1997, a work program that will include the following: provision of secretariat support, as requested, for evaluation projects selected by the Executive Board; financial audits of the Fund's accounts; operational audits of selected activities (including major procurement contracts, Phase III construction, devolved travel budgeting, technology system projects, technical assistance seminars and workshops); and effectiveness reviews, particularly of the business processes used in delivering administrative services in the Fund, and of the resident representative program (the latter possibly in conjunction with other departments). On this latter review, Mr. Brau will contact Executive Directors to identify the issues that are the most important, and of course the OIA's review of the resident representative program will be made available to the Executive Directors.