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To: Members of the Executive Board  
From: The Secretary  
Subject: Evaluation Activities in the Fund

There is attached for the information of Executive Directors a paper on evaluation activities in the Fund.

Mr. Friedman (ext. 36858) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

Evaluation Activities in the Fund

Prepared by the Secretary's Department

(In consultation with other departments)

Approved by Leo Van Houtven

August 2, 1995

I. Introduction

The Fund has traditionally made substantial efforts to examine its policies and procedures in an objective manner. Many of those efforts have taken the form of periodic reviews, for which staff papers have been prepared for discussion by the Executive Board. More recently, in response to encouragement by the Board and management, these efforts have included evaluations which have been undertaken with the explicit purpose of having thorough and critical ex post examinations of some principal activities of the institution carried out by objective and independent persons from outside the Fund. The purpose of these evaluations has been to draw lessons from the past to guide and strengthen activities in the future. For such evaluations, outside experts are given access to internal documents and relevant staff and they are responsible for the preparation of final reports, with the staff having the option of providing analysis and comments in separate papers.

Section II of this paper describes the evaluations by outside experts either recently completed or currently under way. Section III describes recent periodic reviews, carried out largely or entirely by the Fund staff, of Fund policies and practices in various areas.

This paper does not attempt to provide cost estimates of the evaluation activities described. Such estimates are difficult to make and would be of limited value. Estimates of Fund staff time used in the assessments usually include only time provided in the originating departments and by economist staff and exclude time spent by staff in other departments in support of the assessments and by support staff. Also, as assessments are often an ongoing process and an integral part of country work, it is difficult to distinguish between the time spent on various aspects of the work. The direct costs of external evaluations are incomplete, as they do not include the considerable Fund staff time in support of the evaluations.

## II. Activities Subject to Evaluation by Outside Experts

(i) In 1992, a consultant prepared a review of all the programs with countries in the European I Department with a view to drawing lessons for program design. The paper served as the basis for a seminar, organized in Paris and chaired by the consultant, with two senior officials from each country, the mission chief for each country, and other senior staff from the European I, Policy Development and Review, Fiscal Affairs, Monetary and Exchange Affairs, and Research Departments. Following the seminar, a staff paper was prepared for discussion by the Board on the experience in Eastern Europe, with the consultant's paper also available as background for the discussion.

(ii) The Whittome Report, prepared over a period of about two months, assessed the effectiveness of Fund surveillance as an early warning system in the case of Mexico and for the Fund as a whole in 1994. The report, discussed in the Board on March 23, 1995, made a number of recommendations for strengthening Fund surveillance.

(iii) An evaluation is currently under way to assess program design in the transition economies covered by the European I and European II Departments. The assessment involves three studies--on exchange rate, fiscal, and monetary policies in the stabilization and transformation phases--with one outside consultant or a team of consultants conducting each study. The intention is to review experience and draw lessons from it in order to improve program design. It is planned to bring the review to the Board for discussion in the spring of 1996.

(iv) A panel of three experts is currently conducting a comprehensive evaluation of the technical assistance provided by the Monetary and Exchange Affairs Department (MAE). The evaluation is focusing on MAE's delivery of technical assistance and its relationship with the Department's review and analysis functions. The panel plans to assess the quality of the analysis and technical advice; the usefulness of technical assistance to the recipient authorities in policymaking and structural reforms and institution building; the tailoring of technical assistance to the specific circumstances and requirements of recipient countries; and the effectiveness of the mode of delivery of the technical assistance, with particular attention to in-house versus outside experts, and missions versus resident experts. The panel will visit a number of member countries in order to reflect the views of recipient institutions and will meet with additional country authorities during the 1995 Annual Meetings. The panel has met with representatives of MAE, Area Departments, and the World Bank to discuss country cases. The intention is to complete the assessment by December 1995.

### III. Internal Reviews/Assessments

Reviews and assessments conducted largely or entirely within the Fund were recently completed, or are under way, on a wide range of activities. In the area of surveillance, the 1995 Surveillance Review assessed the implementation of surveillance in 1994-95 and Fund policy advice in the context of Article IV consultations, focusing in particular on the Fund's ability to identify emerging tensions at an early stage. It included, inter alia, cases studies of adjustment in Finland, Japan, Papua New Guinea, Sweden, and Turkey. The paper was discussed by the Board in February 1995.

In the area of use of Fund resources, the most recent (mid-1994) of the periodic conditionality reviews that have been undertaken since 1980 covered stand-by and extended arrangements approved during 1988-91 and included studies on various policy aspects. <sup>1/</sup> During the Executive Board's discussion, Directors noted that the staff documentation for that review was noteworthy for, inter alia, its candor as well as its comprehensiveness. In addition, the most recent (May 1993) of the SAF/ESAF reviews that have been undertaken since 1988 examined the experience of 19 countries that had entered ESAF arrangements as of mid-1992. The review (March 1995) of the operations under the STF through December 1994 included an assessment of experience under eight programs supported by STF purchases.

The reviews of conditionality and Fund facilities attempt to formulate broad lessons about the content and effectiveness of programs and, as necessary, to suggest adaptations in the operational features of the facilities (e.g., access, conditionality, and duration).

Regarding specific policy areas, a study is under way to examine the responses of investment and growth to adjustment policies of eight countries in a medium-term context to draw lessons for program design. This involves separate case studies that are being prepared in the context of the respective Article IV consultations; an overview paper distilling the main conclusions; and a companion study examining the links between the quality of fiscal adjustment and growth.

Other studies and reviews have included trade reforms in Fund-supported programs (with the assistance of an external consultant); theoretical aspects of the design of Fund-supported adjustment programs; exchange rate policy in developing countries; overview of policy experiences and issues in the Baltic countries, the Russian Federation, and other countries of the former Soviet Union; and the Fund's policies relating to capital account convertibility.

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<sup>1/</sup> The use of the exchange rate as a nominal anchor; the role of wage controls in Central European; the effectiveness of policy measures for raising private savings; the countries' composition and monitoring of fiscal adjustment; and the behavior of interest rates in the context of financial liberalization and changes in fiscal financing.

In the area of technical assistance, under current practice, the Fund's technical assistance activities are assessed in a number of ways that have been developed to correspond to the various forms of technical assistance, such as missions, expert assignments, and training seminars and courses, the magnitude and duration of the technical assistance effort, and the type of funding supporting the activity. Work of experts in the field is monitored through inspection visits and an end of assignment report. The effectiveness of courses and seminars provided by the IMF Institute is reviewed through surveys conducted by the staff and, for a recent survey, an external agency. Technical assistance financed by the UNDP is the subject of tripartite reviews involving the Fund, the UNDP, and the recipient country. Projects financed by the Japan Administered Account are assessed following each expert assignment and seminar.

In late 1994, the Technical Assistance Committee initiated a study of the Fund's current multifaceted effort at assessment and evaluation, as well as the approaches used by other organizations. The purpose of the study is to determine the desirability of implementing a more standardized approach to evaluation of technical assistance provided by the Fund. In this connection, a consultant has been contracted to examine the experiences of other selected donor organizations and to draw possible implications for the Fund. It is envisaged that a paper will be submitted to Management by the Technical Assistance Committee by October 1995.

Finally, it should be noted that the Fund's policy of greater openness in the area of Fund publications, and especially the availability of background papers to the public, and in providing statistical and other information through other channels, should, over time, facilitate increased much better informed evaluation of Fund activities by the public at large.

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All in all, through the diverse efforts described in this paper, undertaken from different angles and using various methods, the Fund has, over time, availed itself of a flexible system of evaluation that has certainly contributed to the performance of the institution. However, there is no room for complacency. To meet the objective of better serving the needs of the membership, efforts will be needed to further strengthen the Fund's evaluation process. To that end, the results and effectiveness of the ongoing evaluation exercises will be carefully assessed to determine how the evaluation function should best be undertaken in the Fund so that it may make the fullest contribution to the performance of the institution.