

EB/EVC/02/1

December 10, 2002

To: Members of the Evaluation Committee (Mr. Callaghan,
Chairman; Ms. Jacklin, Mr. Ondo Mâne, Mr. Padoan,
Mr. Shaalan, Mr. Wijnholds, and Mr. Zurbrügg)

From: Michael DaCosta, Committee Secretary

Subject: **Feedback on the IEO's Report on Prolonged Use of Fund Resources**

As discussed at the meeting of the Evaluation Committee on Thursday, December 5, 2002, attached for your information are the speaking notes of Mr. Goldsbrough, Deputy Director of the Independent Evaluation Office, for his presentation on the feedback received on the IEO's report on Prolonged Use of Fund Resources.

Att: (1)

Other Distribution:
Members of the Executive Board

SPEAKING NOTES OF MR. GOLDSBROUGH ON THE FEEDBACK ON THE IEO'S REPORT

ON PROLONGED USE OF FUND RESOURCES

MEETING OF THE EVALUATION COMMITTEE

THURSDAY, DECEMBER 5, 2002

We have used a variety of means to seek feedback on the evaluation report and its recommendations, including (1) workshops organized in association with external research groups (NBER in US, ODI in London, ASDBI in Tokyo, earlier workshop in Berlin in connection with German Foundation for International Development), all organized in conjunction with outreach on other projects; (2) sought comments proactively from various academics, policy analysts, civil society groups, including through the IEO website. A number of comments received from as wide a variety of observers as Professor Alan Meltzer and Friends of the Earth (which has been acting as lead agency for a group of NGOs on IEO-related issues and has a thoughtful summary and assessment of the report on its website).

The general response to the evaluation has been very favorable. Many said the report was much more candid than they expected, which reflected well on the Fund's ability to engage in critical self examination. To give but one example from an organization that is not usually generous in its praise of Fund-related activities: "The report is very thorough and is a quite even-handed critique of the reasons for prolonged use." (Friends of the Earth website.) Many observers said that the parts of the evaluation report covering internal IMF procedures (e.g., analyzing the internal debate, including the review process, that led to certain approaches being taken and examining internal governance issues, including the implicit incentives faced by staff) was especially valuable, since it provided information that was not be available elsewhere. (Some commentators said that a shorter report would have been more effective, a point that was also made by some Executive Directors at the time of the Board discussion. We will take this into account in our future work.)

While it is difficult to summarize briefly the feedback received, and there is obviously not agreement on all points, the following general messages emerged on the substance of the evaluation.

1. On the extent to which prolonged use is a problem and its causes

Virtually all commentators agreed that prolonged use was a significant issue, and one that the Fund had not sufficiently addressed. Many thought that there were two sets of related problems, for which different solutions were required:

- Repeated failed programs (which raised the issues of greater selectivity; the mismatch of timeframes; the need for policies to be tested first in domestic political debate; and greater emphasis on assessments of political and technical feasibility).

- Prolonged use in low income countries (where the question of an appropriate exit strategy was critical). Many (e.g. most participants in NBER seminar, Prof. Ito and others) thought that the division of labor between the Fund and the Bank was still too blurred. (This blurring reflected, in the view of some, an inappropriate focus on “burden sharing” between the IMF and other donors).

2. On the recommendations

There was broad support for many of the recommendations (especially the need for an explicit definition of prolonged use, as a trigger for greater due diligence; more systematic ex-post assessments; a broader range of instruments to signal the Fund “seal of approval”; encouragement for countries to submit their own proposed programs first as a basis for negotiation, in order to foster greater domestic debate; greater focus on a few critical policy issues; and adapting programs so that they deal better with uncertainty).

There was also a general recognition that greater selectivity was needed in deciding when conditions were right for the implementation of Fund-supported programs, but some commentators stressed that this should not mean that the “IMF gives up on difficult countries”.

There was strong support for a greater separation between technical assessments and political judgments on when programs merited support, although many commentators expressed skepticism that this would eliminate what many judged to be an undue role for political factors in lending decisions in a few cases. Nevertheless, they agreed that greater transparency would help.

The one recommendation on which there was little enthusiasm was the idea of an additional interest rate charge for prolonged users. However, Professor Meltzer strongly favored such charges, as part of a general shift toward greater reliance on incentives rather than conditionality, which he characterized as a “command and control” approach..

Finally, many commentators said the evaluation had usefully reinforced the message that there was a limit to what any outside agency could achieve. Consequently, there was a danger in the Fund taking too expansive a view of its role (or, in Mr. Polak’s comments, that the Fund was “too grandmotherly”).

I should add that we have found this outreach to be very useful as a feedback on how we conduct evaluations and we plan to undertake similar outreach seminars for other evaluation projects, once they are completed. (We are also planning a discussion on the prolonged use evaluation in the Philippines in January.)