

EB/EVC/02/2

December 18, 2002

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

From: Michael DaCosta, Committee Secretary

Subject: **Evaluation Committee—Summary Record of Meeting 02/1**

Attached for the information of the Committee and other Executive Directors is the summary record of the December 5, 2002 meeting of the Evaluation Committee.

Att: (1)

Other Distribution:
Members of the Executive Board
Department Heads

**SUMMARY RECORD OF THE MEETING OF THE EVALUATION COMMITTEE
MEETING 02/1**

December 5, 2002—3:30 p.m.

Members present: Messrs. Callaghan (Chair), Baukol, Ondo Mañe, Padoan, Shaalan, Wijnholds, Zurbrügg.

Also present: Mesdames Alcaide and Indrawati, and Messrs. Bischofberger, Campos, Gitton, Ísleifsson, Joicey, Melhem, Mirakhor, O’Murchú, Prader, Reddy, Wei, Yagi, and Zoccali.

IEO staff: Mr. Ahluwalia (Director) and Mr. Goldsbrough (Deputy Director).

I. INTRODUCTION

The Chairman welcomed Executive Directors to the first meeting of the Evaluation Committee which was formally constituted as a standing committee of the Board on November 22, 2002. He thanked members of the committee’s precursor, the Evaluation Group—and, in particular, the Chairman of that Group, Mr. Cippa—for their hard work in setting up the Independent Evaluation Office (IEO).

The Chairman called Executive Directors’ attention to the terms of reference of the committee which are to follow closely the evaluation function in the Fund and advise the Board on matters relating to evaluations. He saw this as encompassing more than the work of the IEO, and suggested that in future meetings, members should discuss the role of the committee’s activities beyond the work of the IEO.

The agenda of the meeting comprised a briefing by the IEO staff on the feedback from the public on the IEO’s first report on prolonged use, and the IEO’s work program for 2003/04.

II. FEEDBACK ON THE IEO’S REPORT ON PROLONGED USE OF FUND RESOURCES

In introducing this agenda item, Messrs. Ahluwalia and Goldsbrough noted that feedback on the report had been obtained mainly through workshops held in the United States, the United Kingdom, Germany, and Japan. Another outreach session will be held in the Philippines in early 2003. Feedback had been provided by a diverse number of individuals and groups—including academics, government officials, and staff of research institutes, NGOs, and donor agencies. The general response to the report had been favorable, with many observers commenting that it was thorough, and reflected well on the Fund’s ability to engage in critical self-examination. They agreed that prolonged use of Fund resources was a significant problem, and broadly supported most of the report’s recommendations. Many feedback providers expressed particular interest in those sections of the report dealing with the internal review and decision-making processes of the Fund, and in how the incentive structure affected decisions. The main comments from feedback providers included the following:

- There is a need for an explicit definition of prolonged use as a trigger for due diligence, and for more systemic *ex-post* assessments of prolonged use cases. Some observers expressed surprise that programs were not already subject to such assessments.
- Regarding prolonged use by low income countries, there is a need for an appropriate exit strategy from Fund financial support, and for a clearer division of labor between the Bank and the Fund.
- Prolonged use is often associated with the repeated failure of programs—pointing to the need for greater selectivity. However, selectivity should not be interpreted to mean that the Fund should give up on difficult cases.
- There was concern about the Fund’s tendency toward too “grandmotherly” an approach in country relations, i.e. having too expansive a view of its role. The need to recognize the limits to what an external agency like the IMF could do was emphasized.
- Greater separation of technical assessments and political judgments by staff was called for, but there was skepticism that this could be effectively achieved. Greater transparency in the Fund’s decision-making process would help in this respect.
- There was little support for the proposal to introduce a surcharge on prolonged users.

Mr. Ahluwalia noted that NGOs—while welcoming the opportunity to give feedback to the IEO—raised an interesting question on process. They wanted to know how they could submit feedback to the Board, management, or the task force so that their views could be taken into account in the work on implementing the recommendations of the IEO report.

In the discussion, Directors said that they were encouraged by the positive feedback and the constructive comments received on the report, especially those from normally critical parts of civil society. They agreed with the IEO representatives that the outreach exercise had confirmed the need for consultations with external observers as an essential part of the evaluation function.

Directors’ comments and questions centered on (i) the feedback regarding the Fund’s governance; (ii) procedural aspects related to how should comments and feedback from the public be channeled to the Board, management, and the task force working on the IEO’s recommendations on prolonged use, and (iii) ensuring that feedback on the IEO’s work is received from a wide cross-section of groups in developing and emerging market countries, including in Africa.

Directors took note of the strong interest in the feedback sessions on the governance of the Fund, and some suggested that this could be a topic which the IEO might want include in its work program in future. In the meantime, the IEO should continue to provide in its future reports details on the Fund’s internal processes. On the channeling of feedback to the

Executive Directors and management, suggestions ranged from offering the IEO website as a depository for comments which would be passed on to the Board, to the submission of feedback directly to the Evaluation Committee. Regarding the importance of thorough feedback from developing countries, the IEO staff indicated that representatives from the Africa region participated in the London and Berlin outreach sessions, and that a session will be held in Africa in 2003, in which the IEO will try to link the discussion of prolonged use with that of the review of the PRSP/PRGF process.

III. WORK PROGRAM FOR 2003/04

Directors generally expressed a preference for focusing on three of the five options short listed by the IEO during 2003/04, especially if the PRSP/PRGF evaluation were undertaken, since this was recognized to be significantly larger than a normal single project. The three items that received the most support from Directors were the reviews of (i) the PRSP/PRGF experience, (ii) technical assistance, and (iii) surveillance. Key comments on the work program were as follows:

- On the PRSP/PRGF review, a few Directors felt that it was too early to conduct a review, as this initiative remained a work in progress. However, most Directors considered that it would be useful to conduct a review focusing on process issues, especially given the interest that this topic generates among civil society, and the scope for mid-term adjustments in the process, if warranted.
- Regarding the proposals on country studies, a number of Directors favored conducting a case study of Argentina (compared with Turkey). However, several others felt that such a study would be premature—notwithstanding assurances that the study would not cover the ongoing discussions—and that the choice of cut-off date for the review period would be arbitrary. A number of Directors saw greater merit in conducting a case study of Russia, or of cases of successful Fund involvement, such as in the transition countries of central Europe.

The Director of the IEO observed that there was clearly widespread support for the PRSP/PRGF study, and that a draft issues paper on this topic will be circulated shortly. This would be followed by a workshop with staff, as well as with Executive Directors, if needed. He indicated that a final decision on the work program would be made in January 2003 based on the comments provided by Directors, management, staff, and the outreach sessions. Those items not included in the work program for 2003/04, but which had received substantial support from Directors would likely be included in the work program for the following year.

IV. NEXT MEETING OF THE COMMITTEE

The Chairman proposed to hold the next meeting of the committee at the end of January 2003. At that time, the Director of the IEO could present the final work program for 2003/04, which the Evaluation Committee could then submit to the Board for information. Also at that meeting, Committee members and other Executive Directors will consider the IEO's budget

for 2003/04, and it is hoped that they will recommend approval of the budget, subject to the endorsement by the Committee on the Budget. The Chairman proposed that additional topics for discussion at the next meeting could include:

- The appropriate scope of the activities of the Evaluation Committee beyond the work of the IEO--in line with its revised terms of reference, as discussed above. A first step could be to undertake a comprehensive stock-taking of the evaluation activities currently underway within the Fund;
- The arrangements for handling feedback from external parties; and
- Procedural aspects related to the production of IEO reports, including their timing, and whether the establishment of a task force appointed by management would be the standard procedure for addressing the findings of future reports.

The meeting concluded at 5:25 p.m.