

EB/EVC/03/1

January 14, 2003

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: **Independent Evaluation Office—Work Program and Budget for FY 2004**

On behalf of Mr. Callaghan, Chairman of the Evaluation Committee, attached for the consideration of Committee members are the Work Program and Budget of the IEO for FY 2004.

These papers will be discussed at a meeting of the Evaluation Committee, which has been scheduled for 3:00 p.m. on **Thursday, January 30, 2003** in the Committee Room 12-120B.

Att: (2)

Other Distribution:  
Members of the Executive Board  
Department Heads





# Office Memorandum



To: The Acting Managing Director  
The Deputy Managing Directors

January 13, 2003

From: Montek Singh Ahluwalia *MSA*

Subject: **IEO Work Program and the Budget for FY 2004**

The work program of the IEO for FY 2004 has been finalized and a copy is attached for information. As required by IEO's term of reference, the work program has been determined after extensive consultations with staff, management, external stakeholders, and with Executive Directors in the course of a meeting of the Evaluation Committee on December 5, 2002.

The work program will be submitted to the Executive Board for review, along with the IEO budget for 2004, which has to be approved by the Board.

Attachments (2)

cc: The Managing Director (o/r)  
Mr. Tiwari  
Mr. Nord  
Ms. Read





INDEPENDENT EVALUATION OFFICE (IEO)  
of the  
INTERNATIONAL MONETARY FUND

**PROPOSED WORK PROGRAM FOR FISCAL YEAR 2004**

January 13, 2003

1. This note sets out the work program of the IEO for FY 2004 determined, as required under the Terms of Reference, by the Director on the basis of an extensive process of consultation with the Executive Board, management, staff, and external stakeholders. Section I summarizes the consultation process. Section II presents the work program. The note is being submitted to the Evaluation Committee (and subsequently the Executive Board) for review only. A companion note on the Proposed Budget for FY 2004 is being circulated to the Committee for their consideration and will require Executive Board approval.

**I. CONSULTATION PROCESS FOR DETERMINING THE FY 2004 WORK PROGRAM**

2. In November 2001, the IEO circulated to the Board and published on its website a medium-term three-year work program based on extensive consultation with different stakeholders on the priority areas for evaluation and an assessment of the IEO's capacity as well as comparative advantage.<sup>1</sup> Fifteen topics were identified as possible evaluation topics from which three topics were chosen for FY 2003 and the remaining 12 were to be considered in subsequent years. The list of 12 remaining is reproduced in Annex I. The work program for FY 2003 was reviewed by the Board on December 5, 2001 at the time of approving the IEO budget for FY 2003.

3. A similar process of consultation has been followed to determine the IEO work program for FY 2004. The 12 remaining topics from the original list of 15 in the medium-term program were reviewed internally and were narrowed down to the following short list of five topics, which appeared most suitable for the work program for FY 2004.

- (i) The PRSP/PRGF experience based on full PRSPs.
- (ii) Country case study of either Argentina or Turkey.
- (iii) The role of the IMF in providing Technical Assistance.

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<sup>1</sup> See **Proposed Work Program of the Independent Evaluation Office** (EBAP/01/128, November 30, 2001).

- (iv) The IMF's surveillance function.
- (v) The IMF's approach to capital account liberalization.

A discussion paper outlining the main issues in each of these topics was circulated for comments to selected individuals and to all departments in the Fund and also posted on the IEO website.<sup>2</sup> The paper was also circulated to management. The views of Executive Directors on the discussion paper were ascertained in a meeting of the Evaluation Committee held on December 5, 2002.

## II. WORK PROGRAM FOR FY 2004

4. While contrasting views on priorities and timing were expressed in the course of consultations, all the five topics listed above were deemed important subjects for IEO evaluation by a large proportion of stakeholders. However, only a subset of these topics can be included in the work program since the agreed capacity limit was that IEO would begin with three evaluations per year and expand to four in the first instance, with the possibility of expanding to five per year being kept open for decision at a later date.

5. Given the capacity constraint, the work program for FY 2004 will consist of the studies listed as (i), (ii) and (iii) above, with Argentina as the relevant case study in (ii). Our consultations revealed strong support for the IEO undertaking an evaluation of both Turkey and Argentina, often on the grounds that all cases of exceptional access should be subject to evaluation. Since the Turkey program is scheduled to end in December 2003, this case study could be taken up in FY 2005. In the case of Argentina, there was concern that the study should not interfere with ongoing discussions for a possible future program. This issue has been carefully considered and IEO's judgment is that it is possible to undertake the study without interference with ongoing operations. This is because the proposed evaluation will stop at the collapse of the last program at the end of 2001 and will not pronounce in anyway on the current situation or on any new program, which may be negotiated. Furthermore, the findings of the evaluation will not become available until early 2004. The precise timing of the study will be adjusted to avoid any undue burden on staff which might be otherwise engaged.

6. This work program comes close to the steady state capacity of completing four studies per year because the evaluation of the PRSP/PRGF experience is expected to be an unusually large project equivalent to about 1¾ "average" project.

7. As in FY 2003, it is expected that the IEO will be able to make a start on a fourth project in the latter part of FY 2004, which would be completed during FY 2005. No decision has been taken yet on which study might be chosen for this purpose. A final decision will be

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<sup>2</sup> See **Independent Evaluation Office—Draft Work Program for Fiscal Year 2003-04**, November 7, 2002, available at [www.imf.org/ieo](http://www.imf.org/ieo) under IEO publications.

taken towards the end of 2003 in the context of determining the work program for FY 2005. The projects listed in (iv) and (v) in para. 3 will remain under consideration for possible inclusion in the FY 2005 work program.

8. The main issues to be covered in each of the projects included in the work program are discussed briefly below. Following IEO practice, detailed issues papers/terms of reference will be prepared for each project and the IEO will seek comments from internal and external stakeholders before the scope of each evaluation is finalized. This process is already well under way for the PRSP/PRGF project. The final terms of reference will also be posted on the website and concerned stakeholders will be invited to submit substantive inputs on any aspect of the terms of reference.

**A. Evaluation of the Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility (PRSPs/PRGF)**

9. The Poverty Reduction and Growth Facility (PRGF), which was established in 1999 and with its establishment member countries gave the IMF an explicit responsibility to help low-income countries to deal with structural balance of payments problems in a manner which supports the medium-term objective of promoting pro-poor growth. The programs supported by the IMF to achieve such growth are to be based on Poverty Reduction Strategy Papers (PRSPs), which emerge from a consultative and participatory process. This approach is intended to ensure a country-driven agenda of reforms. The PRSP is also expected to provide a mechanism for effective collaboration with the World Bank, which has primary responsibility for many of the structural reform areas, and for coordination with other donors.

10. The initial experience based on an analysis of "Interim-PRSPs" and associated PRGF arrangements between 1999 and 2001 showed only tentative improvements over the earlier ESAF programs, but this could be because the early PRGFs were based on Interim PRSPs. As of end-December 2002, 21 countries have completed full PRSPs and most are engaged in PRGF arrangements based on these PRSPs. Since PRSPs involve both the IMF and the World Bank it is proposed that aspects of the evaluation related to the PRSPs be undertaken in parallel with the World Bank's Operations Evaluation Department (OED). However, the IEO and the OED would each produce their own evaluation report, to be submitted to their respective Boards, with the focus on assessing their respective institutions.

11. The evaluation would seek to present an overview of experience in all countries, which have prepared full PRSPs based on cross country data combined with a detailed evaluation of about six case studies. Since the evaluation will be undertaken in the course of calendar year 2003, it is too early to evaluate performance against long-term objectives such as the Millennium Development Goals, but the available information on the first two and in some cases three years under PRGF-supported arrangements will provide useful insights on

many important aspects.<sup>3</sup> The focus of the IEO evaluation will be on the IMF's role in the process.

12. Some of the questions which will be addressed are:

- Has the PRSP/PRGF process helped to define more clearly the role of the IMF in low-income countries in a useful way and if not, how could the architecture on the execution by the IMF of these initiatives be improved?
- Have the macroeconomic programs underlying PRGF arrangements been explicitly derived from broader strategies for fostering growth and reducing poverty set out in the PRSPs and are therefore fully consistent with them? Do the latter provide sufficient basis for elaborating such macroeconomic frameworks, or are there large areas of ambiguity which give rise to misperceptions?
- Has the approach to negotiation and program design adopted for PRGF-supported arrangements been substantively altered to conform to the goals of the PRSP/PRGF approach, including especially the objective of making the process more country-driven? In particular, how effectively are alternative policy options and the poverty and social impact of such options considered in practice?
- How effective has Bank-Fund collaboration been in implementing the PRGF/PRSP approach?
- What does experience to date suggest about the IMF's longer-term role in low-income countries, especially "post-stabilization" cases, and the need for an "exit" strategy?

In addressing these questions, the evaluation would go beyond process issues and seek to assess the substantive policy changes brought about by these initiatives. It will also assess performance in the two or three years on which data will be available.

13. Preliminary work for this study has already commenced and a draft issues paper has been posted on the IEO website and circulated to Executive Directors and management for comments. The final version of the issues paper is expected to be posted on the website by early February.

### **B. Case Study of the IMF's Role in Argentina**

14. The crisis in Argentina with the collapse of the currency board arrangement and sovereign debt default has raised a number of questions about the effectiveness of THE IMF

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<sup>3</sup> The timeframe of the operations reviewed will need to take account of the IEO's Terms of Reference which require it to refrain from interfering with ongoing operations.

crisis prevention efforts and the quality and impact of its policy advice. This is especially so since Argentina was continuously engaged in THE IMF-supported programs for most of the period since the adoption of the Convertibility Law in 1991 and was often presented as a success story.

15. Although the evaluation will assess the 2000 and 2001 programs, it will also take a larger view of the IMF's involvement with Argentina from 1991 onwards and would seek to address three broad sets of questions:

(i) Did the IMF provide adequate and effective policy advice? Issues to be looked at under this heading would include the quality, timeliness and impact of the IMF's policy advice on the currency board and possible "exit" strategies, on fiscal policy and debt sustainability, and on structural policies required for the successful operation of the currency board arrangement. Reasons for nonimplementation of the IMF policy advice would also be examined, including an examination of the lessons to draw regarding the ownership of policies.

(ii) What was the impact of the IMF's almost continuous engagement in Argentina through lending arrangements over that period? Issues to investigate would include program design adequacy, possible moral hazard effects of continued IMF involvement on both the authorities and financial market participants, the modalities of the internal decision making process at key stages of Argentina's programs, and private sector involvement.

(iii) Could the IMF surveillance have played a greater role in avoiding the crisis? For example, how could the impact of the IMF surveillance have been improved and did the IMF sufficiently take into account the regional dimensions of surveillance in judging the sustainability of the overall strategy?

16. The primary focus of the evaluation would be on drawing lessons from this experience that would contribute to improve the effectiveness of the IMF lending and surveillance activities in future. The timetable of the evaluation and the precise definition of the period under review will ensure that the IEO does not interfere with ongoing operations.

### **C. Technical Assistance by the IMF**

17. Technical assistance (TA) is regarded as critical for capacity building and fostering ownership, which are viewed as increasingly important in both surveillance and program contexts. TA is potentially extremely important in low-income countries, which often suffer from severe capacity constraints that limit the effectiveness of policy formulation and implementation. It is also important in other member countries especially where the growing concern with crisis prevention points to many new areas where TA could help to strengthen the financial system and improve the quality of data provision.

18. A review of the IMF's TA activities was undertaken by an internal evaluation group in 1999 and a number of shortcomings were identified, including uneven effectiveness, owing in part, to weak follow up by the Fund and the lack of satisfactory internal evaluation

and reporting procedures, and an insufficient complementarity between surveillance and TA activities. Several initiatives were taken to address these shortcomings including the establishment of a centralized Office of TA Management, the adoption of a policy framework to ensure that TA supply is suitably prioritized, and the opening of regional TA centers in the Caribbean and in Africa. In the past few years new areas of TA have emerged, including in the financial sector, where an evaluation of what has been done would be useful before expanding the scale of the effort.

19. Some of the questions which the study could address are:

- How effective are internal IMF processes for identifying TA priorities, allocating resources across countries and subjects, and assessing the results? Have the recent initiatives led to significant changes in the way in which TA effectiveness is judged, and has this led to a reallocation away from places in which it is not being used effectively? In this respect, the evaluation will cover the outcome of ongoing efforts to establish a common “best practice” evaluation methodology for all TA-providing departments and whether the results of such efforts are being incorporated into internal decision-making processes.
- Is there enough complementarity between TA and other major IMF activities, such as surveillance and use of IMF resources, and how are these activities integrated in practice?
- How effective has THE IMF TA been in building institutional capacity and fostering sustainable reforms and how could these effects be improved? How is absorptive capacity taken into account and how effectively is the policy advice tailored to the circumstances of each country? How is transfer of knowledge emphasized and what measures are taken to make TA more goal oriented?

20. In accordance with IEO practice, the work program will be posted on the IEO website after it has been reviewed by the Executive Board.

**Topics for FY 2004 or FY 2005**

1. Poverty Reduction and Growth Facility (PRGF)/Poverty Reduction Strategy. Paper (PRSP) (to be undertaken jointly with the World Bank's OED).
2. The IMF's advice on financial sector restructuring after a crisis.
3. Structural conditionality in Fund-supported programs.
4. The role of THE IMF surveillance in crisis prevention.
5. The IMF's advice on exchange rate policy.
6. Financial Sector Assessment Program (FSAP)/Financial System Stability Assessments (FSSA).
7. IMF Technical assistance.
8. Private Sector Involvement (PSI).
9. The IMF's approach to capital account liberalization.
10. The role of multilateral surveillance.
11. Additional country case (possibly Argentina or Turkey).
12. Low-income country case.





INDEPENDENT EVALUATION OFFICE (IEO)  
of the  
INTERNATIONAL MONETARY FUND

**Budget Proposal for the Independent Evaluation Office (IEO), FY 2004**

January 13, 2003

1. This note sets out, for the consideration of the Evaluation Committee, a report on implementation to date of the IEO's FY 2003 budget and a proposed budget for FY 2004. The proposed budget reflects the work program for the coming year, which is discussed in detail in a separate document, which has also been circulated to the Evaluation Committee. The work program consists of three projects, one of which will be close to two projects, in terms of "average" size.

**I. IEO BUSINESS PLANS FOR FY 2003 AND FY 2004**

**A. Implementation of FY 2003 Business Plan**

2. The IEO's business plan for FY 2003 called for the completion of three evaluations during the year and initiation of work on one project for FY 2004 (Table 1). This work program is on track.

3. The first evaluation on Prolonged Use of IMF Resources was discussed by the Executive Board in September 2002 and has been published. The other two evaluation reports on Capital Account Crises in Korea, Brazil, and Indonesia and the Role of Fiscal Adjustment in Fund-Supported Programs will be completed shortly and circulated in March/April 2003.

4. Work on one of the projects to be completed in FY 2004—the evaluation of the PRSP/PRGF—has already begun. A draft issues paper has been posted on the IEO's website and comments have been received from staff and outside stakeholders. The final terms of reference of the project, taking account of comments received, will be posted on the IEO website by early February.

5. The business plan also involved outreach activity to disseminate the results of each evaluation to a wider audience. A number of initiatives have been taken to disseminate the results of the Prolonged Use project and a similar approach will be adopted for subsequent projects.

- The full report has been posted on the IEO website in English and French and advanced hard copies of the report have been provided to a wide range of interlocutors. The published version of the report will be available in early February.
- Seminars were held in several places involving a broad range of stakeholders from both industrial and developing countries: in Berlin in collaboration with the German Foundation for Economic Development; Boston in collaboration with the National Bureau of Economic Research (NBER); London in collaboration with the Overseas Development Institute (ODI); Sussex in collaboration with the Institute of Development Studies; and Tokyo in collaboration with the ADB Institute.
- A seminar is planned in the Philippines (one of the three case studies) and we also plan to have one or two in Africa (in conjunction with mid-pipeline workshops on the PRGF/PRSP evaluation) during FY 2003.
- Short articles summarizing the main messages of the prolonged use evaluation have also appeared in Finance and Development and the IMF Survey. IEO is also considering preparation of a short pamphlet summarizing the main lessons of the prolonged use evaluation, the summing up of the Board discussion of the evaluation, along with the summing up of any follow-up Board discussion on the recommendations of the task force set up by management.

The larger-than-planned number of outreach seminars (Table 1) reflects the strong demand for discussing the IEO activities and output, reflected in significant offers of cost-sharing by host institutions, which have allowed for an increased level of outreach within the existing budget.

6. The business plan had originally called for the preparation of an IEO Annual Report in calendar 2002. However, it was decided that it would be better to produce the first Annual Report in the summer of 2003, after the first three evaluation reports are considered by the Board and made public.

#### **B. Business Plan for FY 2004**

7. The business plan for FY 2004, is based on the following evaluations to be completed in FY 2004 (see the companion paper on the work program for further details):

- (i) Poverty Reduction Strategy Papers (PRSP) and the Poverty Reduction and Growth Facility (PRGF);
- (ii) The IMF's role in Argentina through 2001; and
- (iii) IMF technical assistance.

It is expected that the reports on these evaluations will be circulated to the Board between January and April 2004. Work on at least one additional project will begin in the second half of FY 2004.

**Table 1. IEO Business Plan Summary**

	FY 2003		FY 2004
	Budget	Projected	Proposed budget
<b>Evaluation projects</b>			
Projects in progress	4	4	4
Projects completed	3	3	3 1/
Estimated baseload of "average" projects 2/	3.25	3.25	3.75
<b>Outreach activities</b>			
Published evaluation reports	3	3	3
Internal seminars to disseminate lessons	3	3	5
External seminars to disseminate lessons	3	7	7-8
Shorter notes summarizing main evaluation messages	3	3	3
Annual Report of IEO	1	--	1
<b>Number of full-time regular staff</b>	12	12	13
B1-B5 3/	4	4	4
A9-A15	5	6 4/	7
A1-A8	3	2	2

1/ Includes PRGF/PRSP evaluation which is close to a double-sized project.

2/ Estimated baseload is a measure of the IEO's output during the year in terms of "average-sized" products including work on projects not completed during the year.

3/ Including Director of IEO.

4/ Reflects expected replacement of senior (A8) research assistant by economist towards end of year. This change is within the overall approved salary budget.

8. We propose to continue with at least the current level of outreach activities in FY 2004, and will aim wherever possible to combine external seminars to disseminate the results of completed evaluations with mid-pipeline workshops on ongoing projects. As part of the effort to strengthen further the outreach process, IEO is developing a list of policy analysts, researchers, and media outlets, especially in developing economies, who will routinely receive copies of IEO reports and issues papers. We have also enhanced our efforts to make the IEO website contents and, where appropriate, other publications available in languages other than English.

## II. ASSESSMENT OF BUDGET FOR FY 2003 AND UNIT COST OF PROJECTS

9. The FY 2003 projected outturn (see Table 3) indicates that total expenditure will be somewhat lower than originally estimated. This is largely because expenditure on regular staff is likely to be below the budget estimate partly due to some delay in staff coming on board but mainly because the cost per regular staff position has turned out to be lower than originally estimated. This reflects the fact that the IEO budget was prepared at an earlier stage than the regular IMF administrative budget, and some standard costs had to be estimated.

10. Although the total expenditure has been below the level budgeted, the unit cost per project is actually higher. In the paper presenting the FY 2003 budget for approval, it was noted that the average unit cost per project were tentative estimates which would need to be refined as experience is gained. Unit costs were based on the following assumptions (see EBAP/01/126, 11/29/2001).<sup>1</sup>

- 140 staff-weeks of professional time (excluding administrative support and general managerial overhead). About 40 percent of this requirement was to be provided by consultant resources, as full capacity was reached;
- an average travel budget per evaluation of \$69,000,<sup>2</sup>
- cost of outreach activities of \$60,000 per evaluation project.<sup>2</sup>

Using these assumptions we had estimated a unit cost per project (excluding administrative support and managerial overhead) of \$733,000 at FY 2002 prices. Adjusting to FY 2003 prices and adding the costs of administrative support (now estimated at \$42,000 per project), this would be equivalent to a unit cost of \$800,000 per project, excluding managerial overhead.

11. The actual costs of the three projects based on the FY 2003 outturns are presented in Table 2. These estimates yield an average cost of \$932,000 (including costs of administrative support).

**Table 2. Costs of Evaluation Projects: FY 2003 Outturns**

	Prolonged Use	Role of Fiscal Adjustment	Capital Account Crisis Cases	Average Per Evaluation
	(In weeks)			
Staff time <sup>1/</sup>				
- professional	110	196	137	148
- research assistant	48	86	60	65
- administrative support	28	28	28	28
	(in thousands of U.S. dollars at FY 2003 prices)			
Estimated total cost (including administrative support and outreach activities)	819	984	993	932

1/ Excludes uncompensated overtime of A9-B5 staff, which is estimated at about 15 percent of regular time. Includes 44 and 80 weeks, respectively, of local country consultants for the fiscal adjustment and capital account crises projects. The prolonged use evaluation did not use local country consultants.

<sup>1</sup> Further details were provided in the note on the **Budget Proposal for the Independent Evaluation Office** that was circulated by Mr. Cippa to Members of the Evaluation Group on November 2, 2001.

<sup>2</sup> All dollar costs referred to in this paragraph are in FY 2002 prices.

12. The higher unit cost is mainly because the staff resource time per project was underestimated. The amount of research assistant time was significantly larger than anticipated, partly because the first three projects all involved analysis of data from a large number of countries, including cross-sectional data from various databases which proved to have several unanticipated gaps. The amount of economist time used was also larger than anticipated because each of the projects involved multiple country case studies and because the process of internal and external consultation proved more time consuming than anticipated.

13. The extent of external consultation built into IEO procedures is substantially greater than is the case in evaluation offices of other IFIs. This element of cost could be reduced, but this would not be desirable since the lateral consultation process has been well received: it was favorably described as “state of the art” in the Economist magazine. Scaling back this aspect would reduce the credibility of the evaluations.

14. Nevertheless, gains in productivity should be expected as greater experience is acquired. Consequently, in preparing next year’s budget we have assumed that costs for the “average” project can be reduced by 10 percent compared with the average in FY 2003. This yields a unit cost of around \$840,000 in FY 2003 prices, which is only 5 percent higher than the unit cost originally estimated. Clearly, given the heterogeneous nature of the evaluation projects, all such estimates can only be approximate.

### **III. FY 2004 BUDGET PROPOSAL**

15. The FY 2004 budget proposal is presented in Table 3. It reflects (i) some increase in average output in line with capacity buildup agreed earlier; (ii) a higher-than-expected (+5 percent) unit cost per evaluation; and (iii) a proposed change in the mix of regular staff and consultant resources (para.18 below).

16. In terms of output, the budget assumes the completion of three evaluation projects (PRSP/PRGF, Argentina, and IMF technical assistance) by the end of FY 2004. The PRSP/PRGF evaluation is expected to be the equivalent of about 1¾ times an “average” project. The other two projects are expected to be closer to average size, with the TA evaluation costing more than average and the Argentina project somewhat less. Since the Argentina project and the PRSP/PRGF project will be completed before the end of FY 2004, an additional project for the FY 2005 program is expected to be initiated in the second half of FY 2004. In total, therefore, the budget assumes that the IEO’s output in FY 2004 will be about 3.75 “average-sized” projects. This is broadly in line with reaching a steady state level of four evaluations per year in FY 2005 and is higher than the comparable figure of 3.25 in FY 2003 (see Table 1). The issue of expanding capacity to five projects was discussed last year and is being kept open for the present. This issue will be reviewed at the time of consideration of next year’s budget.

17. In broad terms, therefore, the total project budget of the IEO for FY 2004 is  $3.75 \times 840,000 = \$3.15$  million. These costs do not include the front office costs (including general outreach and preparation of the Annual Report), which raise the total budget to \$3.746 million. The nominal increase in the total budget over the FY 2003 budget is  $5\frac{1}{2}$  percent.

18. Total costs of regular staff plus consultants would rise to \$3.2 million, a 5 percent increase over the FY 2003 budget (15 percent compared with the estimated FY 2003 outturn). The combination of full-time staff and shorter-term consultants is another critical issue. At the time of the FY 2003 budget approval IEO had argued that the use of shorter term consultants provides much needed flexibility in terms of matching the necessary skills to each project and ensuring external input of people with diverse backgrounds. Annex I provides details of the consultants who have been utilized on the various projects. However, our experience in the first full year of operation also indicates that the use of shorter term consultants involves unavoidable "fixed" learning costs, and these resources are also less flexible for multitasking. As the IEO comes to maturity, there is merit in increasing the regular staff component relative to consultants' time while staying within the total resource envelope. Consequently, we propose to recruit one additional full-time staff member for FY 2004. This will not alter the total unit cost of evaluation, but only alter the mix by requiring less consultant resources.

19. The cost for regular staff in Table 3 takes account of this proposed addition of one full-time professional staff, which would take the total complement of the IEO to 13 full-time positions (including Director). Total regular staff costs would rise to \$2,570,000.

20. Consultant costs (including a small allowance for methodological studies) are budgeted at \$630,000 representing a small (1 percent) real decline. This is consistent with the request for an additional regular staff position. If the latter request is not agreed, it would be necessary to increase the consultant budget appropriately.

21. Evaluation travel costs are budgeted to rise by  $2\frac{1}{2}$  percent in real terms in FY 2004 (assuming 6 percent inflation), reflecting some underestimation in the original per unit cost estimates and higher anticipated travel costs associated with the planned case studies for the PRGF/PRSP evaluations.<sup>3</sup> Outreach travel costs would remain unchanged in real terms.

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<sup>3</sup> We now estimate that travel costs per "average" project were around \$75,000 (in FY 2003 prices) for the first round of evaluations; after taking account of inflation, this is about five percent higher than originally assumed. The FY 2004 budget projections assume that, compared with this initial outturn, some efficiency gains can be achieved so that the travel costs of an "average" project in FY 2004 prices will be about \$77,500 (i.e. an increase lower than inflation). Such an average cost would be significantly below the average cost of a typical surveillance or UFR mission. (Updating the estimates contained in the Budget Workbook, Table 1, EB/CB/013, January 25, 2001 to FY 2004 prices, the cost of the latter is estimated at about \$100,000.)

**Table 3. Administrative Budget: Independent Evaluation Office**

	FY2003 1/		FY2004 2/
	Budget	Estimated	Proposed budget
<b>Regular staff</b>	<b>2,431,000</b>	<b>2,180,000</b>	<b>2,570,000</b>
<b>Discretionary budgets</b>			
Consultants costs	585,000	590,000	605,000
Methodological studies	25,000	10,000	25,000
<b>Subtotal: Experts, Contractuals and Contractual Services</b>	<b>610,000</b>	<b>600,000</b>	<b>630,000</b>
Evaluation travel	239,000	...	260,000
Outreach travel	80,000	...	84,000
<b>Total business travel budget</b>	<b>319,000</b>	<b>315,000</b>	<b>344,000</b>
<b>Outreach seminars</b>	<b>180,000</b>	<b>160,000</b>	<b>190,000</b>
<b>Other fungible budgets</b>			
Books and periodicals	3,000	...	3,100
Information services	1,500	...	1,500
Supplies and equipment	2,000	...	2,000
IT discretionary	600	...	600
Representation	3,000	...	3,500
Sundries	2,000	...	1,800
<b>Sub-total</b>	<b>12,100</b>	<b>12,000</b>	<b>12,500</b>
<b>Total 3/</b>	<b>3,552,100</b>	<b>3,267,000</b>	<b>3,746,500</b>
<b>Memorandum items:</b>			
Publications (in centrally managed budget)	120,000	...	140,000

1/ In FY 2003 dollars.

2/ In FY 2004 dollars.

3/ Excludes publication costs, which are part of the centrally managed budget.

22. The cost of outreach seminars is expected to remain unchanged in real terms at \$190,000. Other fungible budget items at (\$12,500) would remain unchanged in real terms, with minor reallocations between the sub-groups.

23. The total proposed IEO budget for FY 2004 of \$3,746,500, is under 0.5 percent of the IMF's total administrative budget. This means that the IMF would be allocating a much smaller share of its budget to independent evaluation than other international financial institutions.<sup>4</sup> The proposed budget is also significantly lower than the initial projection of about \$4.1 million (excluding publication costs) for FY 2004 that was projected in the note of November 2001, with most of the savings reflecting lower consultant costs.<sup>5</sup> This is partly due to the decision to limit the work program to the equivalent of close to four projects per year for the present, but, even if this is expanded to five projects per year, an issue which can be considered at the time of approving the Budget for FY 2005, the increased budget required would still keep IEO expenditures as a percentage of the IMF's administrative budget well below that of other IFIs.

24. To give an indication of the impact of any incremental changes in the proposed budget envelope, we have examined how a 2½ percent reduction (or increase) in the overall dollar budget would be accommodated. In this event, we would cut back (or expand) outreach activities and drop (or add) one of the country case studies for either the technical assistance or PRGF/PRSP evaluations.

25. We have identified a number of **training** needs in the evaluation area, such as the use of specific evaluation methodologies, design of questionnaires, etc. However, such training would also be of use within the Fund as a whole, especially if greater emphasis is given to ex-post assessments. Consequently, rather than including a specific training component within the IEO budget, we suggest that the IMF Institute incorporate a number of such courses within its internal training program, beginning in FY 2004.

26. As in the previous year, it is proposed that the costs of **publication of IEO reports** be incorporated into the centrally managed budget. Estimates of the outturn for FY 2003 are not yet available, but are likely to be substantially less than originally estimated, reflecting the fact that an Annual Report was not prepared and that publication of the hard copy of the report on the role of fiscal adjustment in IMF programs is likely to slip into the next financial year. This will have corresponding implications for the FY 2004 budget. So far, the editorial activities associated with preparing IEO reports for publication have been undertaken within

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<sup>4</sup> Based on data assembled by the Evaluation Coordination Group of IFIs, the average evaluation budget (excluding those that perform significant internal audit functions) is about 1.2 percent of the total administrative budget of their parent institution. The figure for the World Bank's Operations Evaluation Department is 1.3 percent. (See Table 5 of the note on **Budget Proposal for the Independent Evaluation Office**, November 2, 2001)

<sup>5</sup> See Table 4 of the November 2, 2001 note.

EXR's editorial division (with the administrative support undertaken within IEO). IEO proposes that this approach be continued, in order to preserve economies of scale and to avoid setting up parallel operations with IEO—which would run counter to the approach set out in the IEO terms of reference, which call for the IEO to utilize the general administrative facilities of the IMF wherever possible. However, these activities will need to be taken into account in the FY 2004 work plan and budget of EXR's editorial division.

**CONSULTANTS EMPLOYED BY IEO**

IEO has employed a range of consultants, including short-term high-level advisors to comment on the overall design of the evaluation projects, local in-country consultants in connection with a number of the country case studies, and various research assistant activities. In identifying potential consultants, we have sought suggestions from a range of multilateral and bilateral research and policy-oriented institutes around the world. Subject to the overriding goal of obtaining the highest quality and most directly relevant expertise available, we have sought to achieve as broad a geographic balance as possible. The full list of consultants employed by the IEO since its formation through end-December 2002 is given below.

Name	Nationality	Evaluation Project	Other Comments
<b>I. Short-term consultants (up to 30 days)</b>			
Mr. Shauquie Azar	Indonesia	Capital account crises	Local
Mr. Minkyung Kim	Korea	Capital account crises	Local
Prof. Yung-Chul Park	Korea	Capital account crises	Local
Mr. Leandro Rothmuller	Brazil	Capital account crises	Local
Prof. Takashi Shiraishi	Japan	Capital account crises	
Mr. Rouben Atoian	Russia	Fiscal adjustment	
Mr. Mario Blejer	Argentina	Fiscal adjustment	
Prof. Patrick Conway	U.S.	Fiscal adjustment	
Prof. Arnold Harberger	U.S.	Fiscal adjustment	
Prof. Andreas Wimmer	Germany	Prolonged use	
Prof. Graham Bird	U.K.	Prolonged use	
Prof. Jong-Wha Lee	Korea	Prolonged use	
Mr. Sergiy Peredriy	Ukraine	Prolonged use	
Mr. David Peretz	U.K.	Prolonged use; PRGF/PRSP	
Prof. Arne Bigsten	Sweden	PRGF/PRSP	
Dr. Kerfalla Yansane	Guinea	PRGF/PRSP	
Mr. Narendra Jadhav	India	PRGF/PRSP	
<b>II. Medium-term (30 Days to 6 months)</b>			
Prof. Afonso Bevilaqua	Brazil	Capital account crises	Local
Prof. Jeffrey Frankel	U.S.	Capital account crises	
Prof. Stephen Grenville	Australia	Capital account crises	Local
Prof. Mohamad Ikhsan	Indonesia	Capital account crises	Local

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Name	Nationality	Evaluation Project	Other Comments
Prof. Jai-Won Ryou	Korea	Capital account crises	Local
Ms. Misa Takebe	Japan	Capital account crises	
Mr. Gustavo Arteta	Ecuador	Fiscal adjustment	Local
Ms. Carolina Gutierrez	Bolivia	Fiscal adjustment	
Mrs. Rosario Gregorio-Manasan	Philippines	Fiscal adjustment	Local
Mr. Ricardo Martin	Argentina	Fiscal adjustment	
Mr. Cornel Tarhoaca	Romania	Fiscal adjustment	Local
Prof. Samuel Wangwe	Tanzania	Fiscal adjustment	Local

### III. Longer-term (6 months or over)

Mr. Alex Segura	Spain	Fiscal adjustment	
Ms. Mimi Tesser	U.S.	Fiscal adjustment	
Mr. Kevin Barnes	U.K.	Prolonged use; capital account crises	
Mr. Mwaffak Taib	Syria	Prolonged use	
Mr. Daouda Sembene	Senegal	PRGF/PRSP	

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