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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 93/10

3:00 p.m., January 22, 1993

M. Camdessus, Chairman

Executive Directors

G. K. Arora
T. C. Dawson
E. A. Evans
H. Fukui
J. E. Ismael
D. Kaeser
A. Kafka
G. Lanciotti
R. Marino
L. J. Mwananshiku
D. Peretz
G. A. Posthumus
C. V. Santos
S. Schoenberg
A. G. Zoccali

Alternate Executive Directors

A. A. Al-Tuwaijri
L. E. N. Fernando
Wei B.
J. Prader
A. Törnqvist, Temporary
K.-T. Hettrakul
G. Y. Glazkov, Temporary
J. Papadakis
P. Bonzom, Temporary
O. Kabbaj
B. S. Dlamini
Y.-M. T. Koissy
M. B. Chatah, Temporary
K. D. Langdon, Temporary

L. Van Houtven, Secretary and Counsellor
T. S. Walter, Assistant

Also Present

Administration Department: F. P. Harrison. European I Department: D. N. Lachman. European II Department: T. A. Wolfe. External Relations Department: H. P. Puentes. Legal Department: R. H. Munzberg, Deputy General Counsel. Policy Development and Review Department: J. T. Boorman, Director; M. R. Kelly. Research Department: D. Villanueva. Secretary's Department: A. Jbili, A. Leipold. Southeast Asia and Pacific Department: A. M. Husain. Treasurer's Department: M. A. Wattleworth. Western Hemisphere Department: S. T. Beza, Counsellor and Director. Office of the Managing Director: P. R. Narvekar, Special Advisor to the Managing Director; R. Saunders; Personal Assistant to the Managing Director; A. Coune, J. Hicklin, J. Prust. Advisors to Executive Directors: J. M. Abbott, S. K. Fayyad, B. R. Fuleihan, Hon C.-W., W. Laux, R. Meron, M. Nakagawa. Assistants to Executive Directors: S. Al-Huseini, J. H. Brits, J. R. G. Ferrillo, C. J. Jarvis, R. Kibria, V. Kural, S. McDougall, S. del C. Olgiati, J. K. Orleans-Lindsay, P. L. Rubianes, T. T. Thomas, A. Viirg.

1. EVALUATION OFFICE - PROPOSED ESTABLISHMENT

The Executive Directors continued from the previous meeting (EBM/93/9, 1/22/93) their consideration of a statement by the Managing Director on the establishment of an evaluation office in the Fund (BUFF/92/141, 12/8/92). They also had before them a paper providing background information (EBAP/92/166, 12/17/92).

Mr. Evans made the following statement:

The task force paper provides an excellent treatment of the relevant issues. It is a most perceptive report.

When I spoke favorably regarding the creation of such an independent evaluation unit on previous occasions, I laid particular stress on one point that is noted in both the task force paper and the Managing Director's statement, namely, that evaluation is and must remain an essential part of the staff's and the Board's normal duties. To that, I would add that it is essential that a separate evaluation office not detract from these essential, ongoing evaluation processes.

With that in mind, I would see an evaluation office very much as a safety net, having all of the attributes that safety nets have in their other applications. In particular, the work of the evaluation office should be very carefully targeted. There is no need, for example, for the evaluation office to conduct cross-sectional studies, as that should be the task of the Research Department. Nor is there a need for the evaluation unit to examine a large number of individual cases. In most instances, we are already aware from our current evaluation activities why Fund-supported programs and other Fund activities have been failures or successes; there is no need for an evaluation office to examine such cases. Rather, its work should be confined to the much smaller number of cases in which there is reasonable doubt as to why the program or activity failed or succeeded, and for which a presumption can be established that the success or failure was related to Fund processes. This would be a much narrower mandate than appears to be intended in the Managing Director's statement; however, such a narrow mandate is necessary if the unit is not to intrude upon the ongoing evaluation work of the staff. If that work is downgraded as a result of the establishment of an evaluation office, the Fund will suffer.

Because of these concerns, I would not support an evaluation office with the broad mandate recommended in the Managing Director's statement. If, however, the evaluation office were to go ahead, there would be a question regarding its independence. The unit proposed by the Managing Director is to be staffed primarily by secondment from the normal staff and is to report to

the Managing Director. I believe that this is a feasible model, but I think that we should be clear that an office developed along these lines will not be seen as independent. There is a question as to how much weight we should put on appearances, but the issue receives some attention in both documents and should be considered further.

In that regard, the footnote on the opening page of the task force paper is indicative of some of the problems that will arise in the implementation of the proposed model, and that will provide ammunition to those who wish to question the unit's independence. The requirement that the office report to the Managing Director would not only seem to have no benefits, but would also significantly reduce the appearance of independence of the office. The procedures that are recommended in paragraph 8 of the Managing Director's statement, which would provide an opportunity for management and relevant departments and national authorities to comment on drafts of the reports, furnish adequate scope for management to put forward its views; adding a further stage of review by management would thus merely provide an opportunity for delay. The procedures recommended in paragraph 8, incidentally, would be very useful additions to the treatment of all documents coming to the Board on country matters and would enhance the effectiveness of the Board's evaluations.

On the staffing side, the appearance of independence of the office might be enhanced if some of its staff were seconded not from the staff, but from the offices of Executive Directors. As the prime role of the Executive Directors' offices is evaluation, and as the Assistants and Advisors in these offices typically have more policy experience than does the normal Fund staff, there may be merit in seconding on a rotating basis one or two officers from Directors' offices. Given the recent increases in staffing of these offices, there should be scope for this to be done without replacement of personnel.

In keeping with the emphasis that I have placed on maintaining our existing evaluation capabilities, I believe that if an evaluation office were to be established, it should be established for a fixed term--no longer than five years--and that it should publish nothing.

Mr. Törnqvist made the following statement:

This chair believes that the clear and comprehensive report of the Task Force has set out several good arguments for establishing a separate evaluation office in the Fund. Such an office could enhance the quality, comprehensiveness, and timeliness of the appraisal activities of the Fund. It could also

improve the credibility of the Fund and its work with the outside world.

However, for these ends to be achieved, the evaluation office would have to add a new dimension to the appraisal activities of the Fund. It should be substantially different from what we already have. Otherwise, there is no good case for establishing this office. It should not just be a matter of adding more--and, perhaps, more qualified--resources to these activities. In this respect, I very much share the views expressed by Mr. Posthumus.

Therefore, we believe that the crucial feature of an evaluation office should be that it is truly independent. I want to join earlier speakers in strongly emphasizing this point.

From this, it follows that we have a preference for the alternative of letting the evaluation office report directly to the Executive Board. Such an organizational status would be the best way to secure its independence from management and the staff. It would also clearly demonstrate that independence to the outside world. I agree with Mr. Peretz on the importance of this last point.

We are, however, a bit skeptical about the idea of establishing a special committee in the Board, at least at the outset. We believe that all matters concerning the evaluation office would be of such great interest to the Board that all members would want to participate in the discussions. I think that the experience of other committees shows that, when important matters are discussed, more or less all the chairs of the Board tend to be represented, regardless of whether they belong to the committee or not. I also share some of the concerns expressed by Mr. Prader about the proliferation of Board committees.

As to publication of reports of the evaluation office, good arguments have been put forward for adopting a liberal policy. However, I think that we should be a bit cautious in this respect, bearing in mind the overriding importance of getting very frank and candid reports. In this context, I would also like to say that I share the view of Mr. Posthumus that the office should be required only to express its own views and not be obliged to report dissenting views or comments from various parties. As other speakers have said, it is, of course, essential that the reports are presented unedited to the Board. In this context, I share Mr. Fukui's concerns about giving the staff and management the opportunity to comment on draft reports.

Another point that I would like to make is that to make the establishment of an evaluation office worthwhile, its findings must be taken into account in the Fund's future work. In view of

the crucial importance of this, we feel that it is a cause for concern that the Managing Director's statement is very brief on this point, and that the report of the Task Force does not have very much to say about it either. We have no specific proposals, but we believe that this matter has to be considered very carefully.

Apart from these points, I am in agreement with what has been said in the Managing Director's statement.

Mr. Mwananshiku made the following statement:

I welcome management's proposal for establishing an evaluation office in the Fund, and I support its early establishment. Indeed, this initiative is partly a response to our frequent calls for the establishment of a unit in the Fund that would provide an independent and objective evaluation of the Fund's activities.

The real justification for an evaluation office is that the Fund, like any other organization that wishes to improve its operation and its work, should be able from time to time to look critically at its own activities to see whether it is carrying out its mandate effectively.

Turning now to specific points, I accept the role and objectives of the evaluation office, as spelled out in the background paper and the Managing Director's statement. I am also in broad agreement with the basic elements of the organizational and operational modalities of the evaluation office as proposed, including, in particular, the suggestion that the new body could consult with Executive Directors and national authorities. Of course, its conclusions should be its own. Here, I support Mr. Fukui's point that the evaluation office should complete its reports without consultations with anyone.

Having said that, let me now touch on several areas of concern. First, we think that, not only should the evaluation office be a separate entity, but that it should also report directly to the Executive Board. This would enhance transparency and independence, and would conform with the practice followed in the World Bank.

On staffing, we appreciate that the strength and quality of the staff will be a major factor in determining the effectiveness and the responsiveness of the office. We hope that future staffing needs will be met in a timely manner to enable the evaluation office to respond to the growth in its responsibilities.

We agree that the Director and staff of the office should be of proven integrity and professional competence. In this regard, we accept the suggested procedure and criteria for appointing the Director by the Board. However, we would like to add that candidates who have spent all their working life in either the Fund or the academic world may not be fully familiar with the situation in the real world. What is required is a person of broad experience in both areas. In addition, I consider a three-year term to be too short for the tenure of the Director; as others have pointed out, a period of five years would be more appropriate.

In the same vein, I am concerned about the proposal to fill the majority of the other positions on a rotating basis from the regular staff. While I have no objection to the redeployment of regular staff to the evaluation office to serve with other experts recruited from outside, I believe that everything possible should be done to ensure the continuity and retention of experienced staff.

Finally, I hope that regular Fund staff will be able to fully cooperate with the new organ, and that the new body will not cause other staff members to be excessively cautious in carrying out their duties. As the Managing Director has emphasized in his opening statement, the evaluation office should evaluate policies, rather than pass judgment on the work of the individual members of the staff.

Mr. Dawson made the following statement:

My authorities have for some time believed that it would be useful to have informed, independent appraisals of the effectiveness of Fund-supported programs, and, more generally, of the effectiveness of Fund activities. A strengthened evaluation process would contribute to the good management of the institution in ways that are well discussed in the paper prepared for today's discussion. I would add that independent evaluation is not just a matter of internal good management; it would also enhance the external credibility of the Fund in member countries.

I have to say that I disagree with other members of the Board who have said this morning that, as it is now, independent evaluation is the function and the role of the Board. Certainly, it is in some sense the Board's responsibility, but I do not believe that the Board, as presently constituted, is capable of handling it in the fashion that it could be handled by an independent evaluation unit.

In the case of my own country, the desire to have an evaluation unit has been made manifest in a way that Mr. Posthumus was perhaps alluding to this morning. In its recent deliberations on

the quota increase under the Ninth General Review, the U.S. Congress was debating the usefulness of the support that the Fund has received since its inception from the United States. While that support was reconfirmed by passage of the Freedom Support Act, numerous questions were raised in the surrounding congressional debate--and, indeed, in the language of the legislation--as to whether the programs supported by the Fund have been effective, and whether the structure of Fund-supported programs has been adequately sensitive to considerations of, inter alia, poverty, social development, the environment, and military spending. In response to these questions, the quota legislation charges the U.S. Executive Director to work for what was called "policy audits" to address these issues.

Therefore, we support the establishment of an evaluation office in the Fund. I will concentrate my remarks on some of the operational issues that were addressed in both the task force paper and the Managing Director's statement, and that have been commented on by earlier speakers.

Like other speakers, I believe that an evaluation office must have a high degree of autonomy if it is to be able to play the role expected of it. I do have some sympathy with the view--expressed by a number of Directors--that the office should report directly to the Board, rather than through the Managing Director, in order to ensure the complete detachment and objectivity of its appraisals. Nevertheless, I believe that such an arrangement may be neither entirely necessary nor very practical. Under the current arrangements, the Board has a high degree of involvement in the major ongoing operations of the Fund, even though the staff reports to the Managing Director and not directly to the Board. Conversely, the Board, as it now operates, is in our view poorly equipped to engage in direct supervision of an important operating unit.

A variation of current Board procedures would in our view probably be sufficient to achieve the degree of autonomy that the evaluation office requires. We could therefore agree that the evaluation office could be an autonomous unit, unattached to any Fund department and reporting to the Managing Director. However, we would want the Board to be closely involved--indeed, more closely involved than suggested in the Managing Director's statement--in the selection of the Director of the evaluation office. The Managing Director should be responsible for proposing nominees, but we would expect the Board to be consulted in detail before a final nominee is put forward for approval by the Board. Moreover, we would insist that the appointment be formally approved by the Board.

To reinforce the autonomy of the evaluation office, we believe that the understanding that the head of the office would not return to the staff after completion of the term should be formalized into a no-return requirement. In addition, a five-year term strikes us as appropriate, although not for the same reasons that Mr. Schoenberg indicated this morning.

The work program for the evaluation office could be submitted by management to the Board for consideration, as is now done with the regular work program. While the formal procedure need not differ from current practice, we would expect that Board involvement would be stronger, and we would expect that the work program would be highly responsive to the Board's direction.

If the rest of the Board believes that it would be better to create a new Board committee to monitor more closely and supervise the operations of the unit, we could go along with such a decision. I have been beaten down in my opposition to the formation of special committees by Mr. Peretz. These proposals seem to proliferate, and I am getting a little tired of always being in the opposition.

However, I am not entirely sure that the Asian Development Bank--which was found by some speakers to be an attractive model in this respect--is an appropriate comparator, given that its board has only 12 members. It is difficult to imagine the full Board of the Fund performing the same function. I trust that, if a committee with restricted membership were created to oversee the evaluation office, it would, like our other committees, permit all members of the Board to attend and speak in its meetings.

Regarding the transmittal of the findings of the evaluation office, the submission of the office's findings to the Managing Director for transmittal to the Board is in our view appropriate for final reports. However, we believe that the Board should also have the option of seeing drafts when they are circulated for comments to national authorities, management, and staff. In this regard, I would disagree with the suggestion made by Mr. Fukui and other speakers that the evaluation office should prepare its reports and "drop them in the mail" for recipients without having had a chance to get some feedback in their preparation.

My own experience with activities such as this includes dealings with the U.S. General Accounting office, which has a habit of circulating its draft reports to the various interested parties. I have found this to be a very valuable practice, as it is possible--believe it or not--for the evaluators to be completely off track from the beginning. The opportunity is thus created for interested parties to make a preliminary reaction to the report, which can avoid embarrassment for all concerned.

As suggested on page 21 of the task force paper, "[t]he terms of reference of the evaluation office could be sufficiently broad to allow for possible investigation of all substantive issues arising in the discharge by the Fund of its obligations to the membership." We believe that the terms of reference should have this scope. There will be a need to set sharper, more specific priorities, particularly during the office's formative period, but we would expect it to be understood at the outset that the evaluation unit will, in principle, have a very broad mandate.

We would agree that the office would initially be expected to concentrate on evaluating individual country programs and looking into the operation of technical assistance programs. The outline of how this work might be organized, as elaborated on pages 20 through 25 of the paper, seems reasonable to us.

Regarding the evaluation of country programs, my new authorities have a particularly strong interest in learning about the impact of Fund-supported programs on the environment and poverty. We would expect the office's findings to comment on these considerations.

To keep the work of the evaluation unit relevant, it is important that its reports be timely. In principle, we take this to imply that evaluation of a country program could begin anytime after a specific program has been concluded or canceled, regardless of whether a successor program has been negotiated with the member. For programs supported by arrangements under the structural adjustment and enhanced structural adjustment facilities, this would imply that evaluations could be conducted after the end of an annual arrangement, rather than at the conclusion of a multiyear program. We recognize that there is some potential for conflict or confusion between the negotiation or execution of a new Fund-supported program and the evaluation of an expired program; however, with good management, we believe that this should not be a barrier to the timely evaluation of important programs.

In-depth case studies of individual country programs will be valuable in and of themselves. To help guide Fund policies, however, we will need to be able to generalize across countries. Sooner rather than later, we think that it will be necessary for the evaluation office to turn its attention to the cross-country examination of various aspects of Fund-supported programs. Contrary to what an earlier speaker indicated, I do not think that this is the task of the Research Department. Certainly, many cross-country evaluations and studies are done by the Research Department; however, the lessons from the evaluations of individual countries should in some sense be generalized, as that is the *raison d'être* for establishing an evaluation office. This

responsibility should in our view be manifested in cross-country studies that generalize on the experience of Fund-supported programs.

Further thought will have to be given as to how this evaluation can be undertaken, but we believe that it can be undertaken without prejudicing the current responsibility of the Policy Development and Review Department to conduct conditionality reviews, for example, and without coming into conflict with the type of cross-country reviews that area departments now conduct. We would expect that, as the evaluation office moves along the learning curve, cross-country evaluations will rather quickly become a higher-priority item.

Likewise, we agree with a number of other speakers that the work program of the evaluation office should incorporate an examination of the Fund's work in nonprogram countries. Surveillance is too important an element of the Fund's operations to be exempted from the sort of oversight that the evaluation office can provide.

With due allowance for confidentiality considerations, we think that a more ambitious program for disseminating the findings of the evaluation office could be developed than is outlined in the paper prepared for us today. The description of the proposed annual report sounds somewhat sketchy; similarly, the suggestions for circulating the results of the evaluation office to the staff seem to be rather pro forma. Given the variety of reports that the evaluation unit is likely to produce--as well as their potential sensitivity--it is hard to be categorical about how the dissemination of its work should be managed; nevertheless, to get the most out of the office's labors--both internally and in member countries--we think that an activist approach to the spreading of its findings should be taken.

Regarding staffing issues, we believe that the proposed initial staffing of 11 people is about right, and we would agree with the proposed composition of this staff. Skepticism was expressed by some Directors as to the proposed number of B-level employees; however, in view of the nature of the work, this should be a relatively top-heavy unit. Unlike the Bank's Operations Evaluation Department, the evaluation office's economists will not spend a great deal of time calculating internal rates of return on water projects. Therefore, it is likely to require a somewhat more senior mix of staff than some Directors perhaps think appropriate.

During the recent budget discussions (EBM/93/7 and 93/8, 1/15/93), Mr. Peretz suggested that some of the present staff of the Research Department might be redeployed to the evaluation

office. Moreover, I have heard an intimation or two during the current discussion that the Policy Development and Review Department might also be a source of employees for this new unit. These suggestions look to us like a good way to meet part of the additional staffing requirements of the office.

The idea was also put forward earlier in the discussion that this new function might in some sense duplicate the work of the Policy Development and Review Department. I do not believe that this is necessarily the case. The Policy Development and Review Department is an active participant in the ongoing development and monitoring of Fund-supported programs, while the evaluation process, as we see it, is an ex post one. In those circumstances, an argument can be made for distinguishing between those two functions.

Mr. Fukui said that the proposed circulation of the reports of the evaluation office in draft form was a cause for concern. His own country's experience suggested that the advance circulation of such reports might open a dialogue between the evaluation office and the regular staff that could result in the production of a watered-down, compromise report.

Mr. Dawson replied that the risk of politicization posed by the circulation of what might be called the interim work product of the evaluation office--about which Mr. Fukui had rightly expressed concern--had to be seen in the context of the politicization that would almost inevitably affect the final version of that work product. In his view, moreover, the production of a report by the evaluation office should be an iterative process, with considerable room given for feedback from the regular staff, management, and the national authorities.

Unfortunately, Mr. Dawson continued, the first interim reports produced by the evaluation office in that fashion were likely to be accompanied by Board discussions on the leaking of those reports. As regrettable as the leaks would be, however, they would be less damaging to the institution than the production and dissemination of error-filled evaluations of Fund-supported programs.

Mr. Peretz said that, in light of the successful evaluation system developed by his own country's national accounting office, he agreed with Mr. Dawson that the evaluation office should circulate drafts of its reports with a view to eliminating errors of fact. A report that reached its conclusions on the basis of incorrect information would be virtually useless. At the same time, obviously, the office would have to resist pressures to change its conclusions that were not justified by the facts. For that reason, it was important to write the charter of the evaluation office in a way that maximized its independence.

The Chairman noted that Directors' opinions--and his own, for that matter--on the issue of the circulation of draft reports were inevitably

colored by the administrative traditions of their home countries. In France, for example, the draft of an evaluation report would first be sent to those who were being evaluated, in order to give them a chance to correct errors and make general comments. The corrected report subsequently issued by the evaluation unit would thus have considerably more credibility. Against that background, he could recommend the circulation of draft reports to the staff, management, and national authorities, provided that, as envisaged, the independence of the evaluation office in preparing the final versions of reports could be guaranteed.

Mr. Arora made the following statement:

As we are going to take a very important decision today, or at least proceed toward one, I think that we need to consider some issues very seriously. Accordingly, I would request the Board's indulgence for a longer statement than I would normally make, as I am going to question some of the assumptions on which much of the discussion has been conducted, namely, the concept of independence.

At the outset, I must confess that I have not been persuaded by the excellent report of the Task Force, which suggests that we need to establish an evaluation office in the Fund. I wonder whether even the Chairman has been convinced of the need for an evaluation office. Reading between the lines of his statement, particularly paragraph 3, I would infer that he has bowed to political necessity. As Mr. Posthumus observed--and I am paraphrasing him--since my neighbors have fur coats, I should have one also. It will make me feel good. At any rate, it will enhance my prestige and credibility, which, after all, are major considerations.

Why does one need an agency to evaluate something that has been done? Simply put, it is to reflect on our experience so that we can avoid the mistakes that we made in the past, and to enable us to work better in the future. There can be no quarrel with this. All decision makers, whether in the private or public sphere, have to reckon with history. When they do not--and, surprisingly, an extraordinarily large number do not--retribution is seldom delayed.

In this sense, evaluation is or ought to be an essential element of thinking that guides decision making of a receptive and responsive management. I should be very surprised if I were told that management activity in this most prestigious of international institutions has so far lacked this vital dimension. What are we saying to ourselves? Are we saying that we, as the Executive Board, the top management body in the Fund, have not done our job? We have either been not independent enough or not competent enough to review from time to time the policies, programs, and procedures

that we approve of. This would be a rather strange self-advertisement of humility.

Moreover, could we now make up for these deficiencies by asking a group of well-qualified staff to do for us what we have failed to do for ourselves? I do not think that anybody believes that the Fund has not continuously reflected as an institution on its past experience and, as a result of such reflection, has not found it possible to make necessary changes in its policies and procedures to better serve the goals and objectives enshrined in its charter.

Indeed, the Fund has not been a static institution. It has evolved continuously while remaining faithful to the fundamental principles that have formed the basis of its activity since its inception. This could not have happened without an internal process of challenge and response.

To my mind, the fact that the Fund has responded with varying degrees of adequacy to the challenges that have arisen from time to time in the international monetary and financial system is sufficient proof that the indispensable function of evaluating policies and programs has continued to be performed. Wherever the response of the Fund has been judged to be inadequate, the reason most certainly has not been--as Mr. Prader pointed out--the absence of a mechanism to evaluate performance; rather, it has been the incapacity of the collective membership of the Fund to agree on solutions that would enhance international cooperation.

We must not forget that the Fund deals with big policy issues--issues that influence social, economic, and political relationships within and across countries. We are not dealing here with specific, discrete projects that come to life within a given macroeconomic framework. It is useful to learn--and it is possible to learn--from an evaluation of such projects, including, inter alia, better techniques for formulating projects, better organizational structures for preventing cost and time overruns, and better ways of managing completed projects to maximize returns. However, we in the Fund deal with the framework itself. More significantly, we deal with the problems involved in changing that framework. The changes that we seek in order to achieve desired outcomes are rooted in a philosophy of a preferred economic order. For our purposes, this philosophy takes the practical shape of conditionality. All our technical work, our research work, our work in area and specialized departments is nothing but a working out of the fundamental themes of conditionality. This Board and the international community in general have wholeheartedly supported the concepts and practices related to conditionality. The Fund as an institution continues to review

the application of conditionality as embodied in actual programs, and, of course, in the broader aspects of surveillance.

The experience may not have been as satisfactory as one could have wished it to be, but it is not because we have not subjected ourselves to the wholesome discipline of introspection--in all cases based on sophisticated models that tell us all that we may hope to know about the relationships among different economic variables.

The task force paper refers to the aspect of judgmental issues, and, as noted on page 4, to the attendant "complex interplay of economic and political considerations." Policymaking and policy implementation in an imperfect world full of uncertainties, tensions, and conflicts are not things that can be reviewed and evaluated according to clear, categorical and cut-and-dried formulae capable of yielding precise quantification. It is difficult to judge what is successful and what is not. Something that looks successful from the perspective of a short time period turns out to be a ghastly mistake from a longer-term perspective; again, something that looks like an unmitigated failure from the point of view of an impatient monitor may ultimately enable institutions to live and to fight another day.

Therefore, when we deal with the big issues of policies and strategies that determine the future of millions, it is wise to be humble before, during, and after the completion of the policymaking and policy implementation cycle. To judge outcomes, and to prognosticate on what would have happened had X and not Y been done, are aspects of creative self-criticism that should be part and parcel of decision-making activity, and that do not require or need a separate mechanism.

Today, we may well add a fifth wheel to the coach and then wonder why the coach is not running as well as it used to. I take it for granted that my point of view will not find favor; hence, I would try to minimize the difficulties that an evaluation office would do to the Fund. This, I would submit, can be done only if we are clear in our minds about the main principles that should guide the establishment of such an office.

In my view, there are several such principles. First, evaluation is preeminently a management function. There should be no confusion on this score. Like all functions of management, this one too is open to review, discussion, and approval by appropriate bodies in the Fund, but it should be understood clearly that evaluation is to be regarded as a tool for decision making by Fund management. It has no existence apart from the decision-making activity of management.

Second, it is management that has to create the conditions in which the evaluation function can be carried out objectively and fairly. It is not for anybody else to create those conditions. In this sense, the independence of the evaluation office is a functional necessity; it is not a constraint imposed on management from outside.

Much has been made of the so-called independence of the evaluation office. We seem to be turning independence into a philosophical abstraction. Are the Executive Directors independent of the views and beliefs held by their national governments? Are we--as well as management and staff--independent of the dominant paradigm that governs the way in which we look at national economies and the international economic system? Do we feel ourselves to be free to critique the fundamental assumptions on which the Fund's work is based? If not, then what is independence? In the context of the Fund, independence can only mean the provision of adequate space for unfettered professional activity. Do we then imply that, although we have to go to great lengths to ensure such professional integrity for the evaluators, the staff in the area and other departments of the Fund can do with much less? It is not a question of presentation or appearance; it is a question that goes to the very root of the functioning of the Fund as a professional institution with the highest standards of integrity. Thus, we should not do anything that will set up an artificial confrontation between the evaluation office and the rest of the Fund, with the former being placed in a "holier-than-thou" position.

Third, we should be extremely cautious in designing a charter for the evaluation office. We must make a gradual start and test the usefulness of what we have created as we go along. We should narrow the focus of evaluation activity to things that lend themselves to a reasonable appraisal of results. In other words, notions of a blueprint for a "brave new world" should be politely but firmly set aside.

Fourth, I cannot overemphasize the importance of discretion and initiative in the functioning of the staff and management. Anything that impedes the staff's discretion and initiative--and even its unorthodox experimentations--should be a prime candidate for exclusion from the charter of the evaluation office. Thus, attempts to prescribe rigid methodologies for evaluating performance should be deliberately eschewed.

Finally, we should, at least to begin with, look upon an evaluation exercise as basically a specialized research activity that, while useful to management and the staff, does not become an input into national political debates on Fund-supported programs and policies.

I will comment on the specific proposals made by the Managing Director in light of these principles. I would begin by fully endorsing the proposal that the evaluation office should be a separate entity, reporting to the Managing Director. Furthermore, I do not see the need for limiting the term of the Director of the office to a three-year period. Perhaps a longer period--say, of five years--may be helpful, particularly at the beginning, when time is needed to establish the right traditions and the right working relationships with other departments in the Fund.

I think that the appointment of the Director of the office should follow the normal practice, namely, nomination by the Managing Director and informal consultation with the Executive Board. I am strongly opposed to the proposal that the candidate should be approved by the Executive Board. Independence is not something that resides in a particular mode of appointment, or in a particular procedure of reporting. It depends almost entirely on the character, professional reputation, and competence of the man or woman chosen for the job.

I agree that, initially, the full Board should review the evaluation office's work program and findings. I also agree that, in the initial years, the office should concentrate on the evaluation of selected Fund arrangements and technical assistance operations. We can come to other aspects later, when we have a clearer idea of what the evaluation office is equipped to do.

I am not too sure that reports of the evaluation office should be submitted for comment to national authorities. I think that it is sometimes inadequately realized that Fund-supported programs and policies are matters of intense and lively political debate in countries that have such programs. Politics is basically about winners and losers. If programs are successful, no problems arise with evaluation reports; everyone is anxious to claim credit. However, when a program is not successful or only partially successful, actors on the national scene will be keen to avoid blame and the consequences that blame brings. Circulation of such reports with a potentially large and politically relevant readership would create awkward situations for political leaders. The process would also give rise to suspicion and skepticism regarding the staff's advice, which will no longer be seen as disinterested, but as motivated to secure an unfair advantage for the Fund. Therefore, while it may be useful to get informally a flavor of the perceptions of national authorities, it will be risky in the extreme to insist on a formal presentation of their views in evaluation reports. That is why--at least to begin with--I see considerable advantage in treating evaluation reports as research/working papers, which have acquired through usage a character that is more in harmony with the ideal of a smooth working relationship between the Fund and its membership.

I agree that the evaluation office's reports should be submitted to management, which will forward them to the Executive Board with such comments as it thinks necessary. I also agree with the Managing Director that there is no need to institute formal arrangements for operational use of the office's reports. I fully agree with the task force paper that evaluation cannot be had "on the cheap"; I would support the Managing Director's proposal for an initial complement of 11 positions, and for additional budgetary appropriations.

I would like to underscore the Managing Director's observation that we cannot expect an evaluation office to deliver incontrovertible truths and simple answers regarding Fund policies and activities. We should not generate unrealistically high expectations about what an evaluation office in the Fund would be able to do. As I said, the Fund deals with large policies that have immense social, economic, and political consequences. Such policies are shaped not in obedience to models that may be currently fashionable, but in response to a multitude of bargaining situations. There is no perfect ex post method for evaluating policies. We may gain something from evaluation of the kind that is being proposed; however, such gains will be modest and could perhaps have been obtained through other, less institutionalized means.

Mr. Kaeser made the following statement:

First, I would like to thank the Task Force for its valuable background paper and the Managing Director for his statement. I agree with other speakers that the creation of an evaluation office in the Fund is not as necessary as in other financial institutions, which are mainly involved in project financing. However, this chair can concur with the idea that the Fund could benefit on balance from the systematic appraisal of its activities by an evaluation unit if its organizational status and staffing guarantee the quality of its work and the independence of its findings.

If the independence of the evaluation office is not firmly established, its creation would do more harm than good. On the one hand, it would not be in a position to provide candid and constructive criticism, and, because of its lack of credibility, management could hardly be comforted by any positive assessment that it would make. On the other hand, an evaluation office that lacked the necessary independence would not only be worthless, but would also add an unnecessary work burden on management, the staff, and the Board, and possibly upset the existing balance among these entities. It is obvious that, sooner rather than later, such a unit would be attracted into the orbit of management.

In other words, this chair is in full agreement with the assertion in the Managing Director's statement that the "evaluation office must be truly independent in reaching and presenting its findings." However, I do not think that this independence is truly guaranteed if the evaluation office has to report to the Managing Director; if the Managing Director nominates only one candidate for the Board to appoint as Director of the office; if this appointment is limited to three years; if the Managing Director has to be satisfied with the work program before it is submitted to the Board; if the reports of the office must not only record clearly and fully any significant differences of views with management, relevant departments, and national authorities, but also be accompanied by any supplementary or dissenting comments that management might wish to append; and, finally, if the majority of the office's staff positions have to be filled on a rotating basis by individuals assigned from the regular staff.

To conclude, this chair would be ready to support the establishment of an evaluation office only if its independence from management were significantly enhanced. We think, in particular, that the evaluation office should be directly responsible to the Board, as this is the case in the World Bank. The appointment of the Director should be for a period of at least five years. The Managing Director would have to present to the Board more than one candidate for the position of Director. The evaluation office would submit its work program directly to the Board, which would consider it while paying due regard to the comments of management. The same procedure would apply to reports of the office. Its Director and senior staff would not be allowed to join--or rejoin --the Fund or the offices of the Executive Directors.

These comments do not reflect any lack of confidence in management. My statement during the recent discussion on the budget demonstrated our support of management. However, we believe in the virtue of maintaining a clear division of powers. The same philosophy motivated the reservations expressed by my Swiss authorities concerning the organization of the Administrative Tribunal.

Mr. Glazkov made the following statement:

I share the concerns of management and the members of the Executive Board that prompted this project--which is now under way--of establishing an evaluation office in the Fund. The new situation, in which the Fund has become a truly global institution encompassing a huge area of the world, seems to be putting new tasks and new responsibilities before the Fund, thus underlining the need for the organization to develop further. That is why we appreciate the idea of establishing an evaluation office. We also

think that, if properly run, this very small office can help the Fund to meet the very big challenges that it is facing.

At the same time, many Directors have expressed strong practical reservations about the necessity and the usefulness of an evaluation office. Many questions have emerged. For instance, why not reinforce the responsibilities of the Executive Board in this matter? We agree with those Directors who consider that the Executive Board should become more involved in evaluating the activities of the Fund. Also, the proposed size of the evaluation office is very small, compared with the size of the Policy Development and Review Department, which also deals with evaluation work. Therefore, some speakers have suggested that it might be better to reinforce the appraisal activities of that Department.

We understand all these reservations; however, we think that an evaluation office would be useful because practice has shown that neither the Executive Board, the Policy Development and Review Department, nor any other office in the Fund is capable of performing these appraisal tasks.

Because of its special qualities, the Fund finds itself in a unique position. The best way in which it can develop as an institution is to open itself more to the outside world. Of course, the Fund would have no need for an evaluation office if it were a kind of research institute, as its activities would already be transparent. However, because of its special mission, the Fund is more finance oriented than research oriented, and it would be unable to engage in its day-to-day activities if it were completely open. For that reason, a buffer--a compromise between these competing visions of the institution--is necessary, and we think that the evaluation office, as proposed in the task force paper, represents a valid attempt to fill that need.

With respect to the way in which the evaluation office will function, we think that the scope of work that is proposed in the task force paper--and which was supported by Mr. Dawson--is somewhat exaggerated. Account must be taken not only of the small capacity and manpower of the office, but also of the fact that it will be supplementing the work of the other staff members and the Executive Board. Therefore, the evaluation office must be very selective in its work. It is not necessary to analyze 50 percent of the programs supported by the Fund; the evaluation office should concentrate on the principal aspects of Fund policies, rather than duplicate the evaluations made by the staff on a regular basis.

The main task--and the main difficulty--confronting the evaluation office is to find a subtle balance between two opposing dangers. One danger is that the office will become something like

a secret police force watching over the rest of the staff; the other is that the evaluation office will become a toothless institution. A balance must therefore be found, and we would especially underscore in that respect that, as a priority, extra constraints must not be put on the staff.

There is no ideal solution to this problem. The Managing Director's statement and the task force paper propose that the evaluation office report to the Managing Director; however, we fully share the many reservations that have been expressed today about the ability of the office to maintain its independence in those circumstances. Nevertheless, I think that the best available solution at present is to have the office report to the Managing Director; its independence will be provided by other means, including through the role that the Board will play. The Executive Board is not an institution that can be easily manipulated; however, the need to avoid conflict between the evaluation office and the rest of the staff can be met only by making the evaluation office report to the Managing Director.

We are not sure that it would make sense to establish a special committee of Executive Directors to oversee the work of the evaluation office. Moreover, if a special committee were to be established, we are not sure that it would be appropriate for the Managing Director to chair it.

As for the circulation of the reports of the evaluation office, we think that it is too premature to judge whether that would be appropriate or not. That decision could be delayed until we see how the office really operates and what papers it produces.

Finally, I would, of course, agree that there are many obstacles to the establishment of an evaluation office, many of which have been described today. Moreover, I am sure that many other obstacles will arise that we are not yet aware of. Despite these obstacles, however, I think that we must go forward with our attempt to establish an evaluation office.

Mr. Bonzom made the following statement:

As I fully support the main elements of the proposals before us, I would like to focus, first and briefly, on the rationale for having an evaluation office; second, on its organizational status; and, third, on a few more specific topics.

First, we agree with the arguments that were made in the documents in favor of the creation of an evaluation office. Drawing lessons from all of the Fund's past experience, learning those lessons through a frank and independent process, and incorporating those lessons into the collective wisdom and future work

of this institution would certainly add to its efficiency and credibility.

Second, in order to define the organizational status that is most appropriate for the evaluation office, one must look with great care at the relevant comparator institutions. One must also take into account the particularity of the Fund, especially the quite innovative character of an evaluation that will unavoidably be more complex and judgmental than any evaluation of project-related activities.

With this crucial consideration in mind, I would stress the importance of several issues related to the organizational status of the proposed office. We favor the institution of the evaluation office as a separate unit. It is essential that judgment be passed by people not involved in the Fund's current operations. It is also paramount, in our view, that the Board be fully involved in assessing the results of the work of the office; by this, incidentally, I mean the full Board and not just a committee of the Board.

The work of the office will deal with conditionality, technical assistance, and surveillance. Most of these issues will be of interest to each chair, as opposed to the situation in other institutions, where evaluation work naturally concentrates--on many occasions, at least--on issues of more limited sectoral or geographic interest. It is also rightly stressed on page 4 of the task force paper that evaluation will sometimes involve judgment on "the complex interplay of economic and political considerations." In our view, these are quite clearly matters for scrutiny by the full Board.

It is equally important not to isolate the office from the other work of the institution. On the contrary, we should ensure that all conditions exist for a fruitful dialogue inside the Fund. We fully agree that the logical link between the office, which will produce the evaluation work, and the Board, which will assess the results of this work, will be the Managing Director in his capacity as both the head of the staff and the Chairman of the Board. We therefore find that the structure proposed in the Managing Director's statement is very relevant in every regard.

In our view, the independence of the head of the office will also be adequately ensured by the process proposed for nominating its Director, namely, informal consultation between the Managing Director and the Executive Directors, followed by a decision submitted by the Managing Director for the approval of the full Board.

As regards the qualities that a candidate will need to occupy this prestigious new position, we would not like to make the range of options available for future selections too narrow; nevertheless, we see the rationale behind the Task Force's suggestion that someone without a clear inclination to return to another department in the Fund would normally be appointed to this post. One could achieve this aim by implementing a rule of no return, as was proposed by previous speakers. We could also provide that the return of the Director to another department--which perhaps should not be fully precluded--would have to be submitted to the Board for approval.

As a final comment on the envisaged organizational status, we welcome the proposal to forward to the Board via the Managing Director the unchanged work of the evaluation office. It is a common feature of such work that the accompanying comments and answers provided by involved parties, including management and the national authorities, constitute very enriching and useful complements to the core study.

With respect to the work that the evaluation office should be engaged in, we have no basic disagreement with the proposals before us. We would see advantages in reaching an understanding that the Board's input would be even more substantial in the case of the evaluation office than for the rest of the work program. We would suggest that, if there is a need to make this understanding more formal, the discussion of the office's work program could specifically be made a part of the discussion of the general work program.

As an aside to the work program, I would like to caution against setting overly ambitious annual quantitative objectives with respect to the number of studies to be conducted by the office.

My third point consists of a series of remarks on a number of issues. We fully agree with the Managing Director's statement that the evaluation of surveillance should be considered an important part of the work of the office. Moreover, we quite agree with the task force paper that a prespecified, rigid method should not be constructed for use in the evaluation work. On the question of publication, we would support a pragmatic, case-by-case approach. Finally, we have no particular problem with the proposed level of staffing, which seems quite reasonable compared with other evaluation offices, and perhaps even quite lean. This level of staffing would be in the best tradition of the Fund.

On all these questions, in fact, we would stress the importance of allowing for the full development of a learning-by-doing process.

Mr. Zoccali made the following statement:

This chair has in the past expressed doubts about the proliferation in the number of task forces and interdepartmental committees organized to critically appraise some of the activities carried out by this institution.

In this context, a detached evaluation unit devoted to the systematic examination of these activities has potential merits. The difficulty, however--given the judgmental nature of an ex post evaluation--lies in achieving its central objective, namely, to draw lessons from the rich experience of the past in an independent fashion.

Moreover, the practical contribution of an evaluation office must be assessed in light of the Board's own responsibility for policy evaluation, and against the parallel in-house efforts in this area. On pure efficiency grounds, I share the doubts of Mr. Posthumus and other speakers regarding the need for, or the efficacy of, a full-fledged independent evaluation office.

This having been said, if the majority favors it, I am prepared to join the consensus regarding the establishment of an evaluation office. In this connection, I would like to make some observations regarding the proposal before us. First, management's commitment to respect the integrity of the new office is appreciated. This commitment is also essential to enhance the efficacy of the evaluation procedures while easing the creative tensions that the office's findings could raise among the staff.

Second, an evaluation office reporting directly to the Executive Board is deemed to be more compatible with that unit's inherent objective of promoting independence and accountability while making possible the investigation of all substantive issues arising in the discharge of the Fund's obligations to its members. An autonomous unit reporting directly to the Managing Director would require at the outset an agreement on its *modus operandi*, in order to ensure its independence and detachment from normal staff procedures.

In addition, I join Mr. Fukui and Mr. Ismael in considering that, during a representative initial period, the involvement of the full Board with the evaluation office is warranted before we decide whether to create an evaluation committee to oversee its future activities. More important, given the validity of the reservations raised on pages 4 and 5 of the task force paper, the issues of timeliness and the role of national authorities become especially relevant. I support procedures, albeit informal ones, to ensure that all circumstances are duly taken into account in preparing the evaluations, particularly at those times when the

available institutional memory bank might not fully reflect the views of the relevant authorities.

Third, I agree that, in view of the uniqueness of the position, which requires not only solid professional qualifications, but also a demonstrated impartiality and an ability to communicate with the entire Fund membership, the person nominated to head the proposed evaluation office should be formally approved by the Executive Board. This goes beyond the normal Rule N-12 for appointments. Like other speakers, I consider that the pool of nominees should not be restricted to present or retired members of the staff; preferably, the nominee should initially come from outside the Fund. With respect to the period of appointment of the Director, I favor adoption of a five-year term. I also think that the procedure for recruiting accompanying staff should facilitate its detachment and objectivity; the size of the staff should be left to the discretion of the Managing Director. This, however, is not necessarily in line with the strict application of the mobility requirement for regular staff. In addition, the new unit's growth potential suggests the advisability of providing--again, at the discretion of the Managing Director, initially--a critical mass of staff and then freezing its size, particularly during the initial phase of operations, in order to ensure the adequate prioritization of tasks and reduce budgetary uncertainties.

Fourth, while the scope of the evaluation office's activities would not preclude it from investigating any substantive issues relating to Fund policies and activities, I share the concern expressed about the need for selectivity. This having been said, it is also a cause for concern that the evaluation of surveillance over both industrial and developing countries would not be an initial priority. The deterioration in international cooperation and its impact through traditional transmission mechanisms on investment and growth in adjusting countries could also benefit from a more timely and systematic evaluation.

Finally, I endorse the remaining aspects of the Managing Director's constructive proposal.

Mr. Kabbaj made the following statement:

First, like previous speakers, I would like to commend the Task Force for the excellent and candid report that serves as the basis for our discussion today. The establishment of an evaluation office in the Fund has been called for since the early 1970s, as stated in the report, and we are pleased that we seem to be agreeing to it today. This chair is on record as being in favor of such an initiative, and, while we regret that it took so long

to reach a consensus, we believe that, as the saying goes, "better late than never."

We fully agree with the definition in the Managing Director's statement of evaluation as "a thorough and critical ex post examination of the principal activities of the organization in an unquestionably independent manner designed to enable decision makers to learn from past experience and thus work more effectively in the future." We also agree that considerable and valuable work of the type sought is already done in the Fund, and that this work would not overlap with the duties to be carried out by the evaluation office. Moreover, we can concur with the six principles emphasized in the statement, which should guide all of us in setting up an evaluation office.

Turning now to the concrete proposals, we believe that they form an acceptable package, at least for the initial stage, and that the situation should be reviewed after, say, two or three years in light of the accumulated experience. Nevertheless, we have comments on some of the issues and, where appropriate, some suggestions for the consideration of the Board.

First, regarding the organizational status of the office, we would prefer that the Director of the office report to the Executive Board, that the term of office be for a five-year period with no possibility of reappointment, and that, upon completion of the term, he or she not be allowed to return to the staff, or, if recruited from outside the Fund, to join it. We believe that these terms will better guarantee the independence and credibility of the office, which are even more important characteristics, in our view, in connection with the starting up of the office.

On the question of the nominee for the position of Director, we agree with the proposals of the Task Force, and with the additional comments in the Managing Director's statement. Similarly, we have a preference for setting up a committee of Executive Directors to oversee the work program and the functioning of the office. It is understood that, as with other committees, attendance should be open to all members of the Executive Board, and that the committee should report to the full Executive Board.

Second, as to the scope of the office's work, we fully agree with the Managing Director's proposals, particularly with respect to the inclusion of surveillance. We would suggest the addition in this regard of the evaluation of the Fund's policy in a regional context. Also, the possibility that the office could hold discussions with national authorities is welcome.

Third, on the reports to be issued by the evaluation office, we would like to support and underline the Managing Director's proposal that the office could accept or reject comments by the staff, national authorities, or management while recording any significant differences of view in its reports. With this provision, we do not see the need for management to add dissenting views and would prefer that the report be forwarded by the office simultaneously to the Executive Board and management. Our concern is that, with the ongoing and foreseeable increase in the size of the Fund, another type of reporting could involve the work of the office in lengthy reviews of the type to which staff reports are subjected, thus undermining the required candor and jeopardizing in the process the independence of the office. Management has, indeed, the prerogative to make its views known to the Board if the report of the evaluation office does not take due notice of them.

As to how the office findings will be taken into account in the Fund's future work, while agreeing with the Managing Director's proposal, we would suggest that flexible guidelines be adopted in the future.

Fourth, on the costs involved, we do not have much to add, as we find the proposals in the Managing Director's statement to be both appropriate and reasonable; in any event, the Board already approved them a week ago on the occasion of the midyear review of the budget.

Finally, we agree on the day of May 1, 1993, as the starting point for the operation of the office.

Mr. Santos made the following statement:

We welcome the Managing Director's statement on the establishment of an evaluation office in the Fund and the report of the Task Force, which was set up by the Managing Director to study the matter. The Task Force should be commended for producing such a comprehensive and balanced assessment of the issues related to the establishment of an evaluation unit in the Fund.

We agree with the proposal for the creation of an evaluation office. We are persuaded that the establishment of such an office would make a positive contribution to the effectiveness of the Fund's operations. In particular, it would provide a frank and independent judgment of the Fund's performance, which could further enhance the institution's credibility with the media and the public at large; moreover, in our view, the independent evaluation process could strengthen the information resource base, thus helping the Fund's operations and policy formulation in the future.

We also endorse the main considerations that guided the Managing Director in making his specific proposals, particularly those relating to the need for credibility and transparency in the findings and the functioning of the evaluation unit, as well as the necessity for its Director to be a highly qualified, impartial professional, supported by an equally competent staff.

Regarding the proposed organizational status, we agree that the evaluation office should be truly independent. In this regard, we would have favored the option that provides for the office to report directly to the Executive Board. Nevertheless, in light of the considerations put forward, including, inter alia, the need for broad cooperation with the staff and the avoidance of isolation, and if the majority so agrees, we can go along with the proposal for the office to report to the Managing Director. We do not see a need to set up a special committee of the Executive Board to review the office's work program. We also endorse the arrangements for the appointment of the Director for a five-year period, with the constraints already proposed by previous speakers.

We could also go along with the arrangements that were formulated with respect to the office's work program. Here, we would suggest that, instead of an annual work program, a half-yearly work program could be presented to the Executive Board in the same way that the Managing Director's regular work program is presented. This would enable the Board to comment on work priorities in the context of the scope of the work envisaged for the evaluation office. I can therefore go along with the recommendation that the Board should generally review the office's work program and findings, including its work priorities. In this connection, we envisage that the Board procedures on the evaluation office would evolve with developments.

Concerning the scope of the evaluation office's work, I believe that, along the lines proposed by the Task Force, the office should as a start concentrate on the evaluation of selected programs supported by Fund arrangements, as well as on technical assistance operations. Evaluation of the Fund's surveillance responsibilities should also be an important aspect of the mandate of the evaluation office. However, topical studies could be undertaken on an ad hoc basis by the evaluation office. Moreover, an annual report recapitulating the office's activities and major findings could be published.

On the staffing of the evaluation office, I can go along with the proposed incorporation of 11 positions into the fiscal year 1993/94 budget, and I have no objection to positions being filled on a rotating basis by individuals assigned from the regular staff.

Finally, provided that the number of required staff can be recruited, I see no reason why the evaluation office cannot start operations on May 1, 1993.

Mr. Wei made the following statement:

At the outset, I would like to thank the Managing Director for the views expressed in his statement and commend the Task Force for presenting us with a very comprehensive and thoughtful paper on the establishment of an evaluation office in our institution.

As I said a few days ago, during the discussion on the budget papers, we support the establishment of such an office in the Fund. The reasons for our support have been well elaborated in the Managing Director's statement, which, for the sake of saving time, I do not want to repeat. I am also broadly supportive of the main points in his statement and the thrust of the views expressed in the paper. I would, nevertheless, like to respond to some of the major issues outlined in that statement.

On the staffing requirements of the evaluation office, we are of the view that an adequate number of high-quality staff is essential to ensure its effectiveness. As is estimated in the task force paper, some 30 Fund-supported programs expire each year, of which approximately half must be evaluated. In addition, technical assistance evaluation and other general studies would need to be done. In order to enable this office to function effectively from the outset, we support the Managing Director's reasonable and fully justified proposal of an initial complement of 11 positions.

With respect to the choice of candidates for the position of Director, we agree that present or recently retired members of the staff or the Board--or outside individuals who are familiar with the Fund's work--may be suitable candidates. Regarding the appointment of the Director, the term of office should be somewhat flexible; it could range from a minimum of three years to five years. A relatively longer period of service will enable the Director to accumulate valuable experience and thus contribute more to the position.

On the organizational status of the evaluation office, we agree that this entity should be a separate office. As to the question of whether the Director of the office should report to the Managing Director or the Executive Board, we are flexible and can go along with the consensus. Although the entire Board will need to review the evaluation office's work program and findings at the outset, it will soon become more efficient to establish a special committee of Executive Directors for this purpose. The

committee members could be selected on a rotating basis. As it will be only a partial Board committee, perhaps the most senior Executive Director could be its Chairman.

With respect to the distribution of the office's reports, it is understood that they would be circulated to the staff. As stated on page 3 of the task force paper, "[t]he information and appraisal thus provided may go beyond anything the Fund Board receives from the staff." I am concerned that, although some member governments might agree to provide management and the Board with important facts, they might not be willing to agree to an overly wide circulation of this material. Perhaps the circulation of such reports should be limited to what the government concerned wishes.

Mr. Marino made the following statement:

Let me start by welcoming the proposal for the establishment of an evaluation office in the Fund. We are thankful to the Task Force for preparing a very candid paper on the different aspects of this office. We fully agree with the principal objective behind the establishment of an evaluation unit, namely, to enable the Fund to better carry out its mandate and responsibilities, and thus to better serve the needs of its members.

We are in broad agreement with the principles and functions of the evaluation office as laid out in the report by the Task Force, and as summarized in the Managing Director's statement. The emphasis of the office's work should certainly be on evaluating Fund-supported programs and technical assistance, and, more generally, on the Fund's advice in the context of its surveillance responsibilities. Additionally, it should serve as a vehicle to incorporate the lessons of experience in program design.

For some years now, our chair has voiced the need to have evaluations of past experience with Fund-supported programs carried out through an independent unit, and not through the same channels that were responsible for the work under evaluation. This is not to underestimate the value and contribution of the internal evaluation effort and the importance of the conditionality review as a learning experience for the staff and the member countries. However, it is imperative for an institution such as the Fund--with the central role that it has to play in the international monetary system--to conduct a systematic evaluation of its involvement in member countries that is perceived as independent and disinterested.

We agree with the Task Force that, to be credible, evaluation must be carried out by qualified persons who are independent of

the formulation and implementation of the activities being assessed, and whose impartiality cannot be questioned.

These considerations lead me to the issues of the organizational status and staffing of the evaluation office. We would favor an office reporting directly to the Executive Board, as this would give a clear signal of its independence from the staff and management. It would be our duty, and that of the Managing Director, in his capacity as Chairman of the Executive Board, to assure the provision of adequate cooperation by the staff. We recognize the risks of an evaluation office attached in a *sui generis* fashion to the Executive Board; however, in our view, the independence gained by this type of arrangement and the symbolism that it carries, as emphasized by Mr. Peretz, compensates for the possible risks of isolation.

With respect to the staffing of the evaluation office, we concur that the staff of this office should be of high caliber, possess a solid background in macroeconomics and finance, and display good analytical judgement. In addition, ideal candidates should have experience in program negotiations, preferably representing the interests of a program country. Former senior officials of central banks or finance ministries who at some point in their careers also had Fund experience would constitute ideal candidates. In order for evaluation to bear the greatest fruits, the head of the office should possess the broad view provided by being on the "other side of the negotiation table." The Fund has been a fertile ground for the cultivation of this type of official through its secondment program, and through the broad nationality distribution of its staff; it should therefore not be too difficult to find someone with these attributes.

Given, therefore, that the main objective and the reason for the creation of the unit is to have an independent evaluation, my authorities would not consider a recently retired member of the staff or the Executive Board to be adequate for the position of Director of the office. This should not be taken as questioning the capacity or integrity of any of these potential candidates, but as a matter of procedure--of rules that have to be laid out in order to avoid any possibility of conflict of interest.

We do not feel very comfortable with the mobility that has been proposed between the staff of the evaluation office and the mainstream staff of the Fund. We recognize the value of incorporating the experience gained in the evaluation process into practical applications in the field. Nevertheless, the independence of the unit would again come into question, and the incentives could operate in an undesirable direction. In the view of my authorities, the best approach would be to encourage as much outside recruitment as possible, thereby incorporating into the

staff of the office distinguished scholars from the academic world and senior officials from the financial sectors of member countries.

In conclusion, the evaluation office must be born with the essential attributes identified by the Task Force and the Managing Director, namely, independence of judgement, objectivity, and unrestricted ability to reach and present its findings. Therefore, extreme care should be taken in deciding on the organizational status and initial staffing of the office. The unit should not only be independent, but be perceived as independent. Therefore, we would prefer that the office report directly to the Executive Board, and that its senior staff be recruited from a universe of persons who have been detached from the staff of the Fund for a considerable amount of time, and who would not have an incentive to return to the mainstream staff afterward. In the initial stages, the evaluation office should report to the whole Executive Board; perhaps at a later stage, it could be found useful to establish a subcommittee. Moreover, as with any new project, refinements and adaptations can be made as the first reports emerge, and as the evaluation office gains operational experience.

Ms. Langdon made the following statement:

I support the setting up of an independent evaluation office in the Fund. It is essential for the success of the measure that it be both independent and seen to be independent. To these ends, I suggest that the evaluation office report to a committee of the Board, chaired by the Managing Director, rather than report directly to the Managing Director. I am sure that this need not clash with the provisions in the Fund's Articles of Agreement.

In the same vein, I wonder about the suggestion in the Managing Director's statement that the reports of the evaluation office be accompanied by management's comments or otherwise added to before they get a more general circulation. It seems preferable that these reports should go to the committee of the Board to which I have suggested the evaluation office report, with simultaneous circulation to the Board. The committee can, if it wishes, get Management's comments or initiate whatever procedures it feels would fit the circumstances. The important thing is not to introduce from the word "go" procedures that seem to suggest a certain defensiveness on the part of management.

I can agree with the proposals made for finding a Director for the evaluation office. However, while not ruling out an outsider, I think that we should start with an insider, at least for the setup phase of the operation. In this context, an insider could be defined as an officer coming to the end of his or her

career or in the process of retiring, or a former member of the Executive Board or senior staff who is currently in another occupation, to which he or she would return subsequently. It is most important that this post be seen to be an independent one, not linked to future promotion possibilities within the Fund. Again, the emphasis should be placed on independence and the appearance of independence.

I support the staffing proposals. Although some switching from other employments into the evaluation office might be envisaged--with a corresponding reduction in resources elsewhere--we have discussed staffing in the Fund generally as a separate matter, and cuts or low increases should be dealt with on their own merits in the context of a general review of staffing. If the evaluation office is worth doing, it should get its staff for its own sake--not through a linkage to other, more general decisions about Fund staffing.

I have a concern about the references in both the task force report and the Managing Director's statement to the discussions with national authorities and, where appropriate, visits to the relevant countries that would be expected of the staff of the evaluation office. While not wishing to rule out these discussions and visits, they should, in my view, be rare. What we do not need is the evolution of the evaluation office into a sort of "court of appeal" within the context of the ongoing development of relationships between the Fund and its members. Only a select number of cases will be going to the evaluation office for examination, and the emphasis should be on learning to improve the Fund's performance, not on redressing a particular wrong or giving a member leverage in ongoing program discussions or other aspects of its relationship with the Fund. Accordingly, discussions with authorities should be kept to a minimum, given that all cases will be documented, and that there should be no desire to accumulate a revisionist history.

Mr. Chatah made the following statement:

Taking into account the potential pluses and minuses of establishing a separate evaluation office in the Fund, and also keeping in mind that some of the benefits and pitfalls cannot be foreseen in advance, we agree on balance with the recommendation of both the Task Force and the Managing Director that an evaluation office should be established. Obviously, some ex post evaluation already takes place in this institution, not to mention routine reviews of policies and procedures. Generally speaking, however, we share the view that a strengthening and rejuvenation of the evaluation process is called for.

For example, we have felt for some time that a more in-depth and critical appraisal of program failures was needed. In our view, the Executive Board should probably spend more time looking into programs that have been abandoned or terminated to try to understand better the underlying reasons for failure. We believe that this is not being done explicitly or methodically at present, and that it should be done--regardless of whether an evaluation office is established or not. Given the Board's time constraints, this has to be at the expense of other activities, and, in our view, there is probably room for reducing the time spent on these other activities. However, I will leave this subject for an occasion on which the Board will have a chance to review its functions and procedures more comprehensively.

Coming back to the issue at hand, we believe that the main benefit of an evaluation office may well be the effect that it would have on the quality and frankness of the evaluations undertaken by the mainstream departments. In a way, the evaluation office has the potential to inject competition into the evaluation process, thereby perhaps strengthening the normal evaluation mechanisms, which are clearly better staffed and cover a wider range than would an evaluation unit of the size that is being contemplated.

This brings me to the question of the scope of the work to be covered by the evaluation office. While we do not disagree that a critical and independent assessment of most, if not all, Fund activities may have some merit, one has to be careful not to spread the limited available resources over too wide an area. Here, we would give priority to adjustment programs, not necessarily because we consider surveillance to be less important, but because the emphasis should be on areas where the existing evaluation mechanisms are seen as requiring some strengthening. In our view, changes are not needed at present in the surveillance process.

I would like to make several observations on organizational issues. First, on the question of whether the evaluation office should report to the Executive Board directly or through the Managing Director, we agree with other speakers that it is most important to avoid any screening of the judgment of the staff undertaking the evaluation. Any appearance of screening should also be avoided. Obviously, the reports produced by the evaluation office should be factually correct, and, before those reports can be circulated, it will be necessary to install some mechanism to ensure their accuracy. However, if it is understood that draft reports will not be changed beyond factual corrections--and to the extent that comments by various parties, including management and relevant departments, are presented separately--we do not see a great deal of difference between reporting directly

to the Board or to the Board through the Board Chairman. To some, perhaps the question is one of appearances, but we can live with either approach.

On staffing, we can go along with the Managing Director's recommendation, which, in any event, foresees a rather gradual filling of the envisaged positions. Let me add here as an aside that, in our view, 11 or even 8 positions can be justified only if the evaluation office is given a full chance of success. Listening to a significant number of speakers today, I am a bit concerned that the impression may be created that we are doing this only because it is politically necessary or expedient. That impression should be avoided because that would reduce the chances of success for an endeavor that is risky, even in the best of circumstances.

We have nothing to add to the profile of the Director of the evaluation office presented in the Managing Director's statement and the task force paper. However, we do see some merit in appointing the Director to a single five-year term, as some speakers have suggested.

As to the question of establishing an oversight committee, we have mixed feelings; to put it differently, we see the role of the Board subcommittees as a broader issue that perhaps needs to be looked at as part of the review of the functioning of the Executive Board. We are not sure whether there is room for such subcommittees and Board functions, including an evaluation committee. Meanwhile, we are keeping an open mind on the recommendation.

On the question of publication, we find it difficult under the current policies and practices on confidentiality to go beyond what the Managing Director is proposing as a maximum. In fact, we could even support Mr. Evans's proposal not to publish anything. One could argue for a totally different policy on confidentiality and publication, but I find it odd to single out or start with evaluation reports as part of this reassessment.

The Special Advisor to the Managing Director said that, with respect to the circulation of the evaluation office's draft reports to different parties, the Task Force's intention--as some Directors had noted--was simply to ensure that errors of fact or interpretation were avoided. At the same time, the possibility that, as other speakers had suggested, that practice could result in attempts to negotiate the results of the evaluation should not be dismissed too readily. Nevertheless, in the view of the Task Force, the benefit of working with reports that had been checked for factual and interpretive accuracy outweighed that risk. Ultimately, of course, the success of the evaluation office would depend on the depth of its Director's commitment to resist attempts at self-censorship.

The Chairman remarked that the Directors had agreed that political considerations were not the prime motivation for establishing an evaluation office. An evaluation unit in the Fund would help to satisfy a much deeper need; it would equip the institution with a tool that it could use to improve its performance.

Mr. Arora's reading of BUFF/92/141 was correct, the Chairman continued: he had been lukewarm to the idea of establishing an evaluation unit when it had first been proposed about four years previously. It had seemed to him at that time that the Fund had been devoting a sufficient amount of resources to an analysis of its own activities; meanwhile, however, a long series of bilateral discussions with Executive Directors had convinced him, first, that, it would be useful to convene a task force to study the idea, and, second, that establishment of an evaluation unit could serve the Fund's purposes.

In those circumstances, the Chairman added, he was delighted to note that, in the current discussion, Directors had expressed--admittedly, with varying degrees of enthusiasm--their broad support for the creation of an evaluation office. Directors who had indicated their misgivings about aspects of the draft proposal had also stated that they could join the consensus, provided that certain key principles were respected. As Mr. Posthumus had pointed out, establishment of such a unit was no light affair; therefore, the present discussion could have profound implications for the future of the Fund.

On the scope of the office's work, some speakers had rightly noted that its surveillance function had not been sufficiently emphasized in either of the two papers before the Board, the Chairman recalled. Indeed, improved surveillance--with respect to developed and developing countries alike--should be from the very beginning a principal component of the evaluation office's work program. In that respect, the office should pay more than pro forma attention to the weaknesses in the Fund's surveillance of developing countries. For instance, the Fund could--and should--be pushing developing countries to move more quickly to accept full currency convertibility.

With respect to the post of Director of the evaluation office, the Chairman commented, he would take into consideration when submitting his nomination to the Board speakers' comments about the qualities and work experience that the person entrusted with that important responsibility should have.

On the question of the office's staffing requirements, no major objection had been raised to his proposal to establish the unit with an initial complement of 11 positions, the Chairman noted. The recognition thus shown by Directors of the need for a certain critical mass to begin operations in convincing fashion was gratifying.

Directors had also correctly placed great emphasis on the need to ensure the independence of the evaluation office, the Chairman observed. In that connection, he had clearly outlined in his statement his personal commitment--which, he hoped, would be carried on by his successors--not only to respect, but also to promote and facilitate that all-important characteristic.

His commitment to maintain the independence of the evaluation office did not derive simply from a spirit of fair play or openmindedness, the Chairman added. An evaluation unit that was not independent would not enable management to learn from past experience and thus work more effectively in the future. However, the evaluation office had to be structured in a way that safeguarded its independence while encouraging the staff to respond positively to its recommendations. It would be counterproductive to establish an office that created a climate of repression in the Fund and induced the staff to become overly cautious in crafting its policy prescriptions.

It would be critically important to maintain a delicate balance between the independence of the proposed evaluation office and what might be called the dynamism of the Fund's ongoing work, the Chairman considered. In that respect, the question of whether the office's findings should be submitted directly to the Board or indirectly via the Managing Director or a Board subcommittee--a question that had elicited a wide range of suggestions from speakers--was of secondary importance. Defining the organizational status of the office was a necessary but not sufficient condition for maintaining that critical balance.

In light of the objective of establishing an 11-person evaluation office by May 1, 1993, the Chairman stated, he intended to prepare as quickly as possible a statement that would incorporate the comments made by Directors during the current discussion. That statement could then be used as the basis for a final consideration of the issue by the Board before the end of the first quarter of 1993.

Mr. Dawson said that, although it was understandable that a section of the task force paper had been devoted to the evaluation experience of development institutions, the current discussion had perhaps focused too much on that issue. Whatever their motives--and, for some speakers, it might have been no more than that skepticism with respect to external surveillance that was typical of many central bankers--Directors were right to argue that development banks were not appropriate models for the Fund, given the unique functions of that institution.

Moreover, as other speakers had suggested, introspection and self-analysis were already very much a part of Fund culture, Mr. Dawson continued. Certainly, the Policy Development and Review Department played a large role in ensuring the quality and consistency of Fund-supported programs. Nevertheless, there were benefits to be gained from institutionalizing to an even greater extent that introspective attitude,

including, inter alia, a heightened awareness in the outside world of the accountability and transparency of the Fund's actions.

For that reason, Mr. Prader's suggestion to limit the size of the proposed office to one or two token staff members was unacceptable, Mr. Dawson added. It was critical to convince the national authorities that the Fund was serious about instituting a more systemic appraisal of its day-to-day activities.

Mr. Peretz said that he agreed with the Chairman that, in establishing an evaluation office, every effort should be made to guarantee both the independence of that office and the continuing dynamism of the Fund's work. However, another factor--outsiders' perceptions of the Fund--should not be forgotten. As many speakers had emphasized, an evaluation unit should not be established primarily for political reasons; nevertheless, in the absence of profit and loss sheets and other measures of success or failure, such an entity could provide accountability by furnishing at least one tangible indication of the effectiveness of the Fund's work.

For that reason, management should not minimize the importance of the perception of the evaluation office's independence when defining that unit's organizational status, Mr. Peretz considered. Similarly, the scope of the publication program currently envisaged for the new office--merely an annual report--should be reassessed. Certainly, not all of its work should be published; however, a general dissemination of information about Fund-supported programs would serve two purposes. First, it would demonstrate to the Fund's membership that it was doing a very good job. Second, the publication of the details of program country "success stories" would induce government officials and the general public in other countries to listen more attentively to the Fund's advice.

Mr. Posthumus said that so-called political reasons--which should perhaps more accurately be referred to as "outside" reasons--should not be dismissed as grounds for setting up an evaluation office. Those considerations were facts of life; as such, they had certainly been instrumental in his coming to terms with the Managing Director's proposal.

The Chairman commented that, as Mr. Peretz and Mr. Posthumus had pointed out, there were good external reasons for creating an evaluation unit. For example, as Mr. Peretz had suggested, the work of the evaluation office could improve the Fund's public image by focusing more attention on successful Fund-supported adjustment programs. Nevertheless, as both his statement and the task force paper had attempted to make clear, the internal reasons for establishing the office were even more compelling.

Mr. Arora said that he was pleased to hear that management would reflect further on the points that Directors had raised during the discussion. In that respect, he urged the Chairman to avoid taking any action to bolster the independence of the proposed evaluation unit--or for the sake of outside perceptions--that would fracture the unity of management. The

ability of the Fund to respond with a degree of cohesion to the critical changes that, although difficult to foresee, were almost certainly likely to take place throughout the 1990s, should not be called into question.

Mr. Evans said that, in light of the comments made by Directors during the current discussion, he commended the Chairman's decision to give further thought to the organizational status of the evaluation office before making his final recommendations to the Board. He agreed with those speakers who had emphasized the need to construct a clear mandate for the evaluation office at the outset, as that would make clear to the regular staff both its limitations and its responsibilities.

In order to solidify the perception of the evaluation unit's independence, it might be useful to name it the Independent Evaluation Office, Mr. Evans suggested.

The Chairman observed that it would be necessary to define very clearly the scope of work and the organizational status of the evaluation office, in order to dispel any anxiety that its establishment might provoke in the staff. The unit should be seen as a positive element that would improve the work performance of all concerned--the staff, management, and the Board.

Mr. Kabbaj said that the suggestions that he and other speakers had made with a view to safeguarding the independence of the evaluation office had not been intended to fracture the unity of the Fund's management. The creation of the Operations Evaluation Department in the World Bank, which he had witnessed, had neither aimed for nor produced such a debilitating effect. He agreed with the Chairman that the office should be structured in such a way that it could both serve the purposes of the institution and elicit a positive response from management and staff. He also agreed with Mr. Peretz's point, namely, that it was important to strengthen external perceptions of the Fund's accountability.

Mr. Dawson remarked that, based on his experience as both an observer and former employee of the World Bank, he did not believe that its Operations Evaluation Department was quite as independent in reality as it appeared to be in theory. In any event, the need to foster the perception of an independent evaluation office in the Fund was paramount; his statement had accordingly focused more on that issue than on the office's formal structure. Along those lines, he could support the proposal to add the adjective "independent" to the name of the new unit.

The Chairman said that he would reflect carefully on the range of comments made by Directors and return to the issue for final consideration by the Board.

APPROVED: November 11, 1993

LEO VAN HOUTVEN
Secretary