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**Statement by Mr. Yakusha and Mr. Christofides on the Implementation Plan in
Response to Board-Endorsed Recommendations Arising from the IEO Report on the
IMF and Aid to Sub-Saharan Africa
(Preliminary)
Executive Board Meeting 07/56
June 29, 2007**

General remarks

We welcome the opportunity to provide feedback on the implementation plan. We believe that it is based on an appropriate interpretation of the Board-endorsed recommendations. Being the first such plan, we think that it deserves to be allowed to be implemented as designed, so that lessons drawn from further *ex-post* assessments or backward-looking reviews can give an accurate assessment of the process. The plan seems to be well-designed. It harnesses existing plans that are consistent with the work program and the medium-term strategy of the Fund, which have already been presented to and endorsed by Executive Directors.

A harnessing of existing projects has the additional advantage of keeping a strict control over costs, which would possibly be higher under a more expansive design. Of course, to be successful, the implementation plan would need to influence the behavior of the Fund staff, as well as relevant outside groups (including the World Bank staff). It would also need to be reflected in higher quality analysis here at headquarters followed by strong implementation on the ground. Paying attention to how to communicate the plan to reach the various groups will be critical. Finally, we believe that any proposals to expand the implementation plan would need to be presented during the next discussion of the work program and the medium-term budget, as they should first be vetted against competing projects so that a concrete comparison of resource costs and expected benefits can be made.

The Board-endorsed recommendations

We are pleased to note the continuing improvement in the economic circumstances of low-income members, and agree that this forms the context for assessing the need for changes to the Fund's approach in such cases. Indeed, we are struck by the visible signs of progress that come to the Board when program reviews or Article IV Consultations are conducted for low-income countries. A happy conjuncture of lower debt payments (achieved through deep and meaningful debt relief operations, to which the Fund contributes not only through its various supportive mechanisms, but also through its institutional financial

resources), strong commodity prices, better domestic policies, and responsive FDI in mining and related sectors, can be expected to continue to improve the situation.

On the specifics of the recommendations, we agreed before, and agree now, that the Fund should maintain its traditional macroeconomic and financial sector focus when providing aid to low-income countries. The Fund should not attempt to expand its role in analyzing or designing distributional policies or normative aid scenarios. It can, however, provide its input on whether such normative scenarios are feasible, and on how to manage their macroeconomic consequences. We also agree with the various recommendations on communications' policy, and continued efforts to improve coordination with the World Bank, which maintains a pivotal role for low-income countries. At the same time, we see scope for further clarifying the separate roles of the Fund and the Bank, each applying a stricter focus on its core mandate.

The implementation plan process

We think that the plan appropriately captures the roles and specific competencies of management/staff, the Board, and of the IEO. Allowing the process to work through as designed (only a few months ago, in January, in response to the *Lissaker* report) as a kind of "pilot project" is common-sensical. Follow-up work can then be based on more than one case, to assess whether changes need to be made while avoiding the danger of drawing conclusions from a possibly unrepresentative single instance.

Harnessing the work program and keeping control over costs

The implementation plan, especially the summary contained in Table 1, may seem rather complicated. Yet, it is based on the work program, which in turn reflects the existing medium-term strategy. The work program itself is somewhat streamlined relative to earlier work programs, at least in terms of the number of project items. Of course, this is in itself a recognition of the need to better focus of the Fund's activities, in order to be more effective as well as more cost-effective. Subsequent work programs can always revisit aspects of the implementation plan to add projects that are deemed worthy.

Regarding the staff-provided cost estimates of the IEO recommendations, an argument could be made that they are higher than a strict application of a "marginal cost" principle might imply. Yet, the situation is more complicated for, even as projects were planned before the implementation plan was created, it is not inconceivable that staff and the Board were reacting to a perceived need to improve our work on low-income countries. This would mean that part of existing project costs could reasonably be assessed as being part of an implementation plan to improve our activities in low-income countries. But also, the cost estimate in a way captures the degree of expansiveness of the IEO recommendations, which is an indicator of independent interest and significance (especially in providing a basis for comparison with future implementation plans). Therefore we welcome its inclusion in the implementation plan, noting also that costing was something that the Board itself had requested.

An additional specific issue

Paragraph III.8, especially the text on clarifying existing policies, barely takes into account possible changes in policy, due to the Fund's Medium Term Strategy (MTS). In the context of the MTS, the Fund aims for a deeper but more focused form of engagement in low-income countries. *We wonder if this overarching objective, which is broader than the four themes (8A,B,C,D) of the implementation plan, could be brought into the implementation plan to help outside readers better understand its underlying strategy.*

The way forward

Again, this being a first implementation plan, there are reasonable questions to be raised on how detailed it should be. Should it have a more detailed time table? More specific monitoring devices? Regular updates? To us, such proposals are not yet obviously necessary. The staff, in the normal course of their work (for example, while preparing for the next PRGF review) will prepare tracking mechanisms and monitorable indicators. This does not mean, however, that periodic reports of such work are necessary. In the past, the staff have used informal Board seminars to involve the Board and seek our views on such matters.

All-in-all, we see merit in proceeding along the lines suggested in the implementation plan and evaluating the outcome at some later date, before altering its details.