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To: Members of the Executive Board

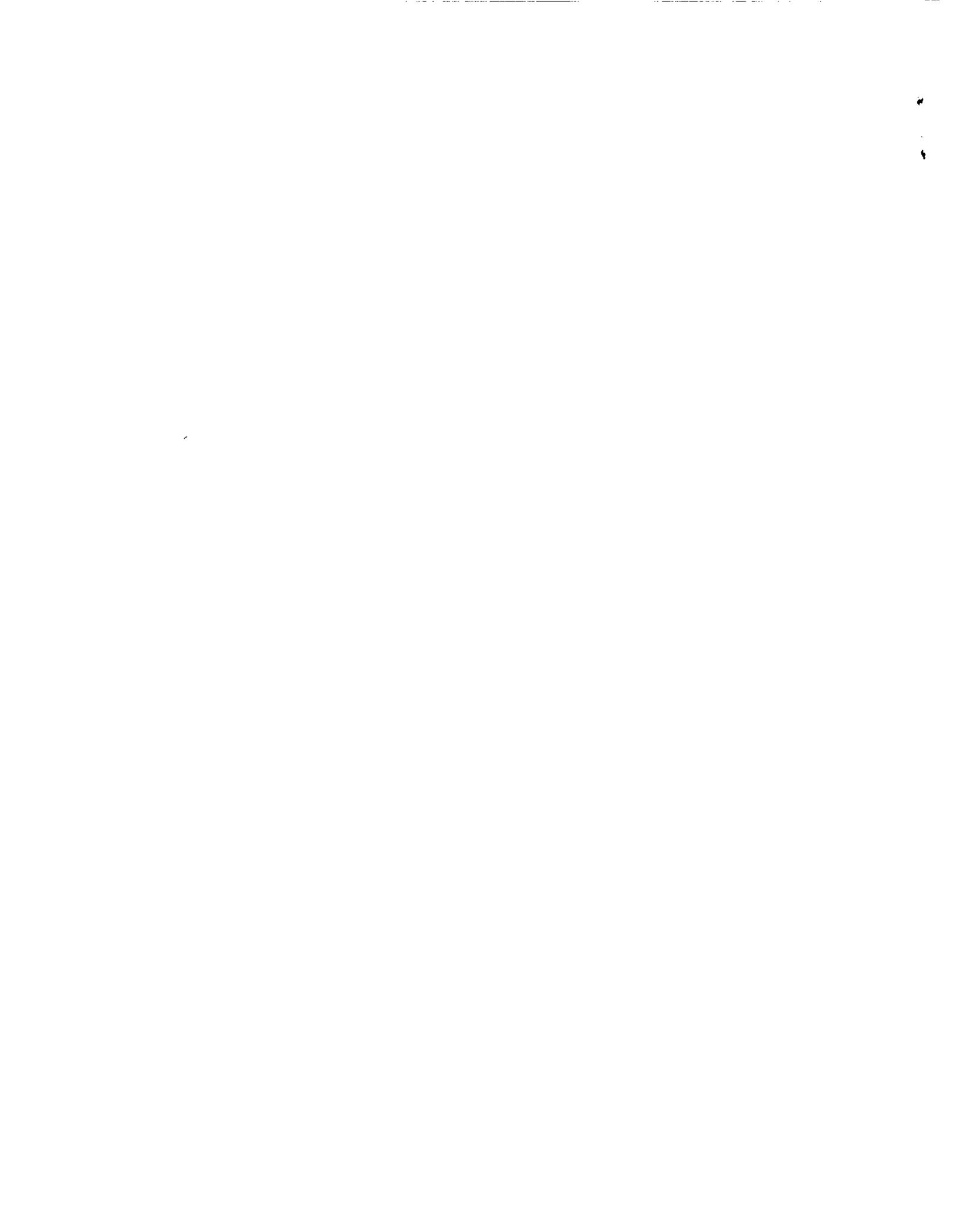
From: The Secretary

Subject: **Review of Experience with Evaluation in the Fund**

The attached page 1 is reissued to take into account the fact that Ms. Jul has replaced Mr. Eyzaguirre.

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INTERNATIONAL MONETARY FUND

Review of Experience with Evaluation in the Fund

Prepared by the Evaluation Group of Executive Directors¹

March 13, 2000

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¹ The Evaluation Group of Executive Directors (EG) is responsible for monitoring the evaluation function in the Fund and advising the Executive Board. It was first constituted in August 1996 with four Directors, and was subsequently expanded to six Directors. At present they are Messrs. Bernes (Chairman), Barro-Chambrier, Mirakhor, Wijnholds, and Yoshimura, on March 14, 2000, Ms. Jul replaced Mr. Eyzaguirre. The EG is grateful for the assistance of the Office of Internal Audit and Inspection in the preparation of this paper.

I. INTRODUCTION

1. This paper reviews the experience with the evaluation of Fund activities in the period 1996-99 with a view to determining how evaluation—and independent evaluation, in particular—can best assist the Fund to carry out its mandate and responsibilities in the future. The paper responds to a request by the Executive Board in June 1996 that such a review should take place. The reasons for the Board's request, and for the authorship of this paper by the Evaluation Group of Executive Directors (EG), are explained in the context of a brief review of the history of the evaluation function in the Fund.²

2. The modalities of Fund evaluation were discussed by the Executive Board on many occasions, including in January 1993 with management's proposal for a separate evaluation office (EVO) that would be independent of the Executive Board, management, and staff. Management's proposal drew on a report prepared in 1992 by a task force of senior staff,³ but there was no consensus in the Executive Board at that time, including on the question of the power of appointment of the Director of an EVO. Many Directors believed that self-evaluation by staff served the needs of the Fund adequately, and many Directors were concerned with the budgetary cost of an EVO and staffing constraints. Establishing an EVO would have required the transfer of experienced staff from operational work at a time when the Fund was under severe pressure from the requirements of many new member countries following the dissolution of the Soviet Union.

3. The issue of independent evaluation was again brought to the attention of the Executive Board in 1995-96 when management, in light of the favorable experience with an evaluation by an outside expert of Fund surveillance in the context of the Mexican crisis, and in an effort to forge a consensus on this issue, proposed an alternative approach. In June 1996 the Executive Board endorsed a "pragmatic approach" to the evaluation function for a trial period.⁴ Rather than establishing an independent EVO, an understanding was reached to continue with existing practices of self-evaluation by the operational departments responsible for the activities being evaluated; to conduct internal evaluations by the Office of Internal Audit and Inspection (OIA) in response to specific needs; and at the same time, to undertake up to 2-3 independent evaluations per year by outside experts under the guidance of the EG. Experience under this approach was to be reviewed after two years. Due to pressures from

² A detailed history of evaluation in the Fund is provided in the background paper authored by the Office of Internal Audit and Inspection (OIA): *Evaluation in the Fund and in Other International Institutions*, to be issued shortly.

³ *Establishing an Evaluation Office in the Fund*, EBAP/92/166 (12/17/92).

⁴ BUFF/96/69, 6/10/96, *Concluding Remarks by the Chairman, Evaluation Function in the Fund – Further Considerations*, EBM 96/55, 6/7/96.