

IEO Launches New Site Aimed at Broadening Dialogue with Stakeholders

Welcome to the inaugural newsletter of the International Monetary Fund's Independent Evaluation Office!

The IEO was established in July 2001 as a means of providing an objective and independent evaluation of IMF activities.

This newsletter is part of an effort to help those of you interested in the IMF to better understand what the IEO does, why it matters to you, and what you can do to help us achieve our mission.

"We're eager to broaden the dialogue with our stakeholders" said Tom Bernes, director of the IEO. "We hope this newsletter will be an open and accessible venue for those interested

in the latest news and developments on evaluation."

Along with this newsletter, the IEO is taking steps that include a redesign of its Web site to make information about the IEO and its work available in a more organized and user-friendly way. The redesign is being done in a way that will make the site accessible to as many types of computer systems as possible in the world.

In addition, the IEO is unveiling a new logo, which you can see on the first page of this newsletter, designed to emphasize its independent mission within the IMF.



Tom Bernes, Director of the IEO

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Evaluation of the IMF and Aid to Sub-Saharan Africa (SSA)

The IEO report on the IMF and Aid to SSA was discussed by IMF Executive Directors on March 5. The report presented evidence from 29 SSA countries that had borrowed from the IMF through the Poverty Reduction and Growth Facility (PRGF) between 1999 and 2005. It found "ambiguity and confusion" both inside and outside the institution about IMF policies and practices in important aid-related areas and "miscommunications to external audiences".

The report¹ along with the responses from Management and staff, IEO comments on those responses, and the Acting Chairman's Summing Up of the Board discussion are available at www.ieo-imf.org. Since the Board discussion, the evaluation team has participated in a number of seminars on the report—in the headquarters of the African Development Bank in Tunis as well as in Berlin, Paris, and London. Other seminars

¹ Also available on the website in French and Portuguese.

in Sub-Saharan African capitals are currently being planned.

The Report

IEO Director Tom Bernes said that "the overarching message of the evaluation is that the IMF should be clearer and more candid about what it has undertaken to do on aid and poverty reduction, and more assiduous, transparent, and accountable in implementing its undertakings." The evaluation unearthed considerable lack of clarity about IMF policy, both inside and outside the institution, and major disconnects in external communications.

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The IEO is a unique resource for those who want to help the IMF improve its work. Because it is part of the IMF, the IEO has access to the Fund's internal documents and decision-makers. Yet, it is fully independent of the management of the IMF and operates at arm's length from the Executive Board. The IEO counts on stakeholders from outside the Fund to help inform its work and work program.

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The IEO is only a few years old, but already it is making a difference. Its most recent projects are evidence of that.

One is a comprehensive review of IMF policy vis-à-vis aid to Africa. The report, just finished, found shortcomings in the IMF's strategies to deal with aid related policies, and the IMF Board and management are already promising changes to its operations as a result.

Another is a review of IMF multilateral surveillance activities. This is a critical aspect of the IMF's work in promoting global economic stability.

To visit the new site, or for further information on our work, please go to www.ieo-imf.org.

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Main Findings. Specific findings included that (i) IMF staff work on macro and aid were in line with IMF policies, but not well communicated; (ii) there was ambiguity and confusion about IMF work on poverty reduction and aid, both inside and outside the IMF; and (iii) there were major communications disconnects on the aid and poverty reduction agenda—both in SSA beyond the authorities and more generally. Joanne Salop, the lead author of the report, said that “Fund communications oversold what the institution committed to do—and did—on aid and poverty reduction and undersold the institution's contribution through its support for enhanced macroeconomic stability, fiscal governance, and debt relief.”

Institutional Drivers. Underlying the lack of clarity, the evaluation found differences of views among members of the Executive Board about the IMF's role and policies in low-income countries. According to Tom Bernes, “Management—along with the Board—should have done more to resolve these differences.” Instead, a weakening consensus on the Board, the Fund's strong macro professional culture, and changes in Senior Management had undermined follow-through on the ambitious poverty reduction and aid agenda originally foreseen under the PRGF.

Recommendations. To improve the effectiveness of IMF activities in SSA, the report's recommendations stressed the need (i) to clarify policies on the mobilization of aid, the analysis of alternative aid scenarios, poverty and social impact assessments of macroeconomic policies, and pro-poor and pro-growth budget frameworks; (ii) to monitor staff implementation of the clarified policies; (iii) to communicate candidly and openly with external audiences about its policies on aid and poverty reduction; and (iv) to clearly define the role of the resident representatives in SSA and elsewhere especially in their dealings with local donors and civil society.

Reactions inside the IMF

Management Response. In his statement to Executive Directors, IMF Managing Director Rodrigo de Rato welcomed the report, noting

that it covered the period (1999-2005) before the introduction of the Fund's Medium-Term Strategy. He said that the report will make an important contribution to making the Fund's engagement with low-income countries more effective. “The report should be considered,” he said, “in the context of the Fund's Medium-Term Strategy, which reiterates the Fund's commitment to low-income countries and sets the framework for more focused engagement in those countries.”

Executive Board Discussion. The IMF Executive Board broadly supported almost all of the evaluation's recommendations at its March meeting on the report. Executive Directors asked IMF staff to come back with specific and costed proposals on how to implement them. One recommendation not endorsed by the Executive Board was the evaluation's call for the clarification of the performance thresholds on inflation and international reserves underpinning the accommodation of aid in PRGF macroeconomic programs. Rather, Executive Directors called for a case-by-case approach to country program design.

Reactions outside the IMF

African Development Bank. The evaluation team launched its outreach with a seminar at African Development Bank headquarters in Tunis on March 23. Chaired by the Bank's Chief Economist Louis Kasekende, the seminar included as discussants three Executive Directors representing different Sub-Saharan African and donor constituencies. Key topics included the division of labor between the IMF and the multilateral development banks within the international aid architecture; and the parallels with the challenges faced by the African Development Bank, especially with respect to the functioning of a headquarters-based institution in an increasingly decentralized world and managing change away from business-as-usual approaches.

InWent. The Berlin discussion of the report on March 27 was part of a larger discussion of IEO evaluations, hosted by the German government. It convened experts from around the world, including Zambia's Central Bank Governor Caleb Fundanga and the coordinator of Mozambique's civil society debt-relief group,

Building the Fund’s Culture of Learning through **Independent** Evaluation

Dr. Iraê Lundin, as well as other participants from SSA and donor countries, to discuss the implications of the evaluation’s findings and recommendations. The discussion focused on the weak links between PRSPs and PRGFs; the IMF’s aloofness from civil society in much of SSA; and the need to better integrate supply-side analysis into IMF program designs to improve their growth orientation.

The Development Assistance Committee.

The evaluation team briefed DAC delegates and OECD staff working at the Development Cooperation Directorate (DCD) on March 29, at a session chaired by DCD Director Richard Carey. One focus of the discussion was the implications of the ongoing shift towards general budget on the role of IMF resident representatives. Other topics of interest included the report’s findings on weak IMF-World Bank collaboration on (i) poverty and social impact analysis and (ii) the implications of the composition of public expenditures (as between health and education on the one hand and infrastructure on the other) for growth and poverty reduction.

IMF Paris Office. On March 30, the European Office of the IMF organized a high-level seminar of with representatives of SSA and donor authorities, researchers, and civil society. Keynote speaker Michel Camdessus, the former IMF Managing Director, recalled the creation of the PRGF, which was seen as a vehicle for moving the IMF from a narrow “business as usual” focus on macroeconomic stability. Participants welcomed the IEO report on IMF and Aid to SSA as an “important contribution to making the Fund engagement in Africa more effective”. At a session chaired by Ambassador Tertius Zongo,

former Minister of Finance of Burkina Faso, civil society and research representatives said that the report’s analysis was evidence-based and systematic. Regarding the report’s findings, they expressed particular concerns that the PRSP and PSIA had been so little reflected in PRGF program design. Ministers and donor representatives agreed with the need to clarify the Fund’s role on the aid issues raised by the report; they also stressed the need to strengthen the dialogue with donors and stakeholders in the field, as recommended by the report.

discussion was the rationale for the IMF Board’s failure to endorse the evaluation’s call for the clarification of IMF policy on the performance thresholds for accommodation of aid. Participants complained that IMF policy had to be inferred from revealed-preference estimations of IMF practices rather than through a transparent articulation of policy. The Rwanda case study was cited by a participant as a particular example in which IMF staff never clarified the policy rationale for the spending limits in the 2004 PRGF, despite repeated requests from the authorities

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ODI. The Overseas Development Institute (ODI) organized a well-attended seminar in London on April 2, mainly for the research community and civil society representatives. The event was chaired by Alison Evans of ODI, with Tony Killick (also of ODI) commenting on the report. A key topic of the follow-on

and others. The discussion also covered problems in IMF-World Bank collaboration on poverty and social impact analysis—and the implications for PRGF design.

Periscope

The IEO welcomes Dr. Sarat Chandran, who has recently accepted a position as an advisor. Before joining the IEO, Dr. Chandran held several senior economic policy-making positions, both in India’s Finance Ministry and with the state government of Orissa.

He also held the position of Secretary General of the Colombo Plan, Colombo, Sri Lanka, an intergovernmental organization for promoting economic and social development and South-South cooperation in Asia and the Pacific. Dr. Chandran holds an M.A. in development economics from Williams College, in Massachusetts, and a Ph.D. in economics from University of Wisconsin, Milwaukee.

During the World Bank and IMF spring meetings in Washington, the IEO will host a meeting with African Finance Ministers and Central Bank Governors and co-host an event with the “New Rules Initiative” to discuss the IMF and Aid to Sub-Saharan Africa.

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