

both country authorities and the IMF to reach an agreement, even though both parties may have doubts about the program’s feasibility.

(3) *Programs as substitutes for surveillance.* Program involvement has at times been extended because of the judgment that surveillance was not a strong enough vehicle to achieve desired results, either in terms of signaling the soundness of the macroeconomic framework, or promoting desired policy changes. Recent efforts to make surveillance assessments more transparent, to focus more sharply on vulnerability issues, and to promote the observance of internationally agreed standards and codes help to strengthen surveillance compared to the situations for much of the evaluation period, but additional steps could be taken in this direction.

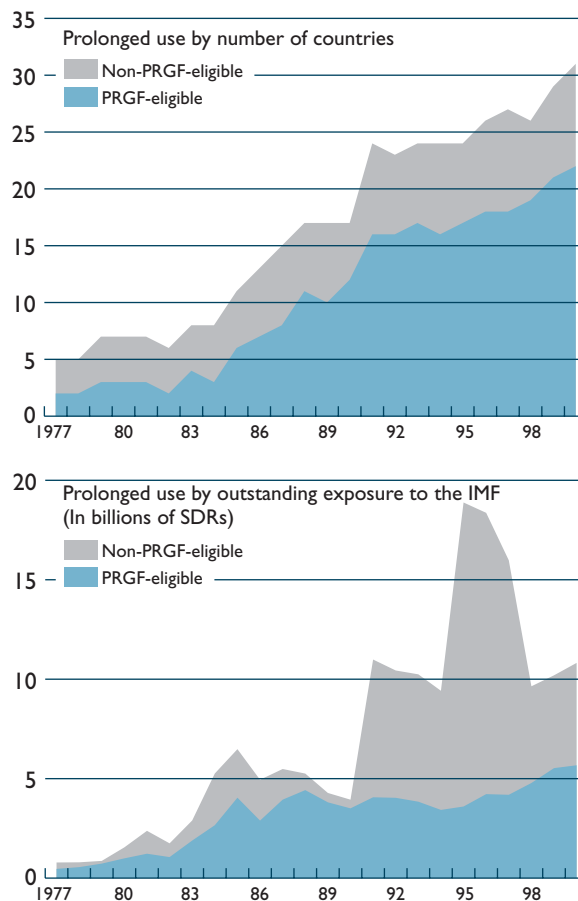
(4) *Weaknesses in program design and implementation.* Prolonged use is sometimes a reflection of program failure, possibly on account of weaknesses in program design, which leads to repeat programs. Many of the reasons why programs were ineffective were not unique to prolonged users:

- Programs are often overoptimistic in projecting real GDP growth, partly because insufficient attention was paid to analyzing how the real economy would respond to key policy measures or to assessing the expected sources of growth.
- Many programs had difficulty dealing with uncertainty, in part because there was limited ex ante discussion of the major risks and how policies would broadly respond to those risks.
- The risk to programs of weak ownership and lack of political commitment was often understated.
- There was insufficient political commitment to core policy adjustments, which is often much more important than the extent and structure of specific policy conditions in IMF-supported programs.
- Conditionality on structural policies was often exceedingly broad, without a clear order of priority among conditions, and its specification did not always ensure a good integration with program design (particularly as far as prior actions are concerned). As a result, compliance with a subset of these conditions was often sufficient for continued access to IMF resources even though it did not ensure that the most critical problems were being addressed.

(5) *IMF governance and other internal institutional factors.* Although the Executive Board has on various occasions approved the elements of a strategy to reduce prolonged use, including strengthened analytical and assessment efforts, more explicit “exit

Figure 1. Prolonged Use Is on the Rise

Countries eligible for the IMF’s low-interest (concessional) loans accounted for most of the increase in the number of prolonged users. However, nonconcessional loans accounted for most of the increase in outstanding exposure.



Sources: IMF Finance Department; and IEO staff calculations.
PRGF = Poverty Reduction and Growth Facility.

strategies” spelling out the circumstances under which IMF support would no longer be provided, and a more proactive use of conditionality, these have not been implemented systematically. One reason for this was the absence of an explicit definition of prolonged use, which made it difficult to enforce due diligence requirements for identified cases. In addition, a number of factors related to IMF governance and procedures also contributed to prolonged use:

- Implementation capacity constraints that a program might face, related to political feasibility and ownership or to administrative capacity, are not given sufficient attention, leading to the failure of programs and repeat programs. Efforts were made to take account of these constraints

ected policy formulation and implementation in the countries concerned. For example, are PRSPs integrated into budget and public expenditure management frameworks, and has a more participatory, country-driven process altered the types of policy trade-offs considered and the actual content of policy implementation in key areas?

- It is too early for a systematic assessment of the impact of the PRSP/PRGF on *final outcomes*. However, the evaluation will collect available evidence on the evolution of various program outcomes (e.g., GDP growth and key macro indicators) compared, for example, with earlier ESAF-supported programs.

In evaluating the PRGF, the evaluation will assess performance in each of the seven key dimensions in which the PRGF was expected to improve upon earlier ESAF-supported programs:¹³

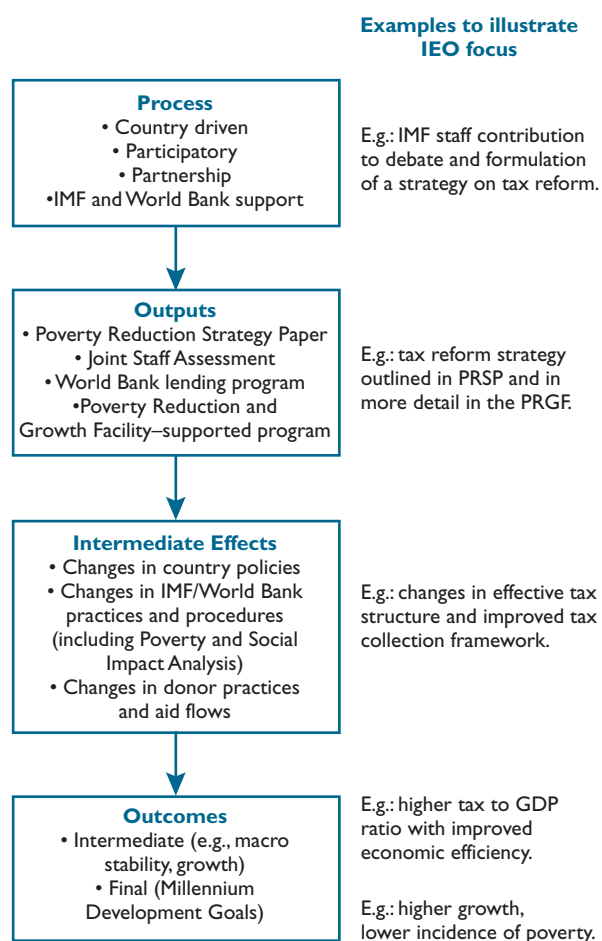
- Broad participation and greater country ownership;
- Embedding the PRGF-supported program in a broader set of measures set out in an overall strategy for growth and poverty reduction;
- Government budgets that are more pro-poor and pro-growth;
- Ensuring appropriate flexibility in fiscal targets;
- More selective structural conditionality;
- Emphasis on measures to improve public resource management/accountability; and
- Social impact analysis of major macroeconomic adjustment and structural reforms.

Methodology and time frame

The evaluation will draw upon both detailed case studies and broader cross-country analysis. Six country case studies will be undertaken: Tanzania, Mozambique, Nicaragua, Tajikistan, Guinea, and Vietnam. The countries have been chosen to reflect diverse regional experiences and economic performance, and to offer a combination of recent and mature PRSPs and PRGF-supported programs, as well as of HIPC and non-HIPC countries. The case studies will involve both deskwork (including reviews of relevant IMF documentation, both published and unpublished, as well as reviews of external evaluative evidence) and field work. They will also seek

¹³See “Key Features of IMF Poverty Reduction and Growth Facility (PRGF) Supported Programs,” IMF (2000). Available on the IMF website (www.imf.org/external/np/prgf/2000/eng/key.htm).

Figure 2. Schematic Logical Framework of the Evaluation



the views of all relevant stakeholders through a combination of interviews and surveys. The studies will place particular emphasis on analyzing changes in the nature of the policy debate by following through several critical policy issues in each country and assessing how their treatment has evolved under the PRSP/PRGF initiative.¹⁴

Cross-country analyses will be undertaken on the full sample of 23 countries, which have a full PRSP as of December 2002. The purpose will be to test on a broader scale the relevance of the findings made in the case studies as well as to bring out other messages of general significance.

¹⁴The first four will be undertaken jointly with the OED and it is expected that a single country report will be prepared for each of these countries. In addition to the four joint country studies, the OED is also undertaking case studies of Albania, Cambodia, Ethiopia, and Mauritania.