The Acting Chair's Summing Up

Independent Evaluation Office—The IMF and Aid to Sub-Saharan Africa

Executive Board Meeting
March 5, 2007

Executive Directors welcomed the evaluation by the Independent Evaluation Office of the IMF and Aid to Sub-Saharan Africa, which they regarded as especially timely in view of its relevance for the planned Board discussions on aspects of the Fund's role in low-income countries and the report of the External Review Committee on IMF–World Bank collaboration, as well as the Fund's external communications strategy. They considered that the report's candid findings and useful recommendations would provide important inputs to the Fund's continuing efforts to clarify the institution's mandate and policies for helping Sub-Saharan Africa, and low-income countries more broadly, achieve growth and reduce poverty. Directors stressed that, although the external perspective provided useful background, the report should be considered in the context of the Fund's current mandate, as well as its priorities envisaged in the Medium-Term Strategy (MTS), which provides the framework for more focused engagement in low-income countries. Directors took this opportunity to reiterate the Fund's commitment to the Monterrey Consensus and the critical importance of the Fund's continued involvement in low-income countries, including through well-designed financial and policy support in the context of surveillance, Fund arrangements, and technical assistance.

Directors were encouraged by the report's confirmation of the improvement in macroeconomic performance in Sub-Saharan African countries over the past decade. While recognizing the contribution of the authorities' own efforts and exogenous factors, they noted the role of the Fund's advice and actions. The Fund's policy advice had been instrumental in promoting sound macroeconomic policies and in better accommodating the use of aid. In addition, the HIPC Initiative and the MDRI had greatly reduced debt-related vulnerabilities and the costs of debt servicing. Directors also noted the various improvements in the Fund's assistance to low-income countries that had occurred since the introduction of the Poverty Reduction and Growth Facility, including the adaptations related to the promotion of higher domestic resource mobilization and higher social spending, and the Fund's efforts to support fiscal governance. More generally, Directors were encouraged by the IEO report's finding that the assessment by the country authorities of their working relationship with the Fund was generally positive.

Notwithstanding the Fund's positive contributions to the use of aid in Sub-Saharan Africa, Directors generally agreed with the report's assessment that considerable scope remains for further improvements. They considered that any improvements in the Fund's engagement in low-income countries should, in line with the MTS, continue to be focused on its core mandate of providing advice and support for sound macroeconomic policies as a prerequisite for sustained growth and poverty reduction. In this context, most Directors confirmed that distributional policies generally lie outside the Fund's core mandate and that poverty and social impact analysis (PSIA) should be conducted by other agencies in the context of the PRSP process, although others saw a continuing role for the Fund. Directors noted that PSIAs have not systematically supported PRGF program design, and emphasized the importance of improving Fund collaboration with development partners, in particular the World Bank, to take these issues into account when helping countries formulate their macroeconomic policies.

Directors confirmed the importance of accommodating higher aid flows through higher spending and net imports, provided that this would not jeopardize macroeconomic stability. They considered that this approach should continue to be implemented on a case-by-case basis and in the context of a multiyear strategy—with the general objective being to bring all low-income members to a situation in which aid can be fully absorbed and effectively spent. Directors concurred on the need for improved transparency and clear communications by the Fund on its stance regarding the use of aid, and on the trade-offs involved.

With regard to other aid-related issues noted in the report, Directors also offered a range of views. On the role of the Fund in developing alternative aid scenarios, many Directors indicated that, in the context of the

PRSP, the staff should be available to prepare scenarios that illustrate the macroeconomic challenges of scaling up aid, including, in the view of some Directors, those based on estimates by others of additional resources needed for the MDGs when available. Most Directors emphasized, however, that the Fund's role should be limited to assessing the consistency of additional aid flows with macroeconomic stability and the absorption capacity of the country, with more normative advice and the preparation of less likely aid scenarios falling outside the Fund's mandate. On budget frameworks, Directors generally considered that the World Bank and other multilateral development banks should be the lead agencies in providing advice related to expenditure composition issues.

Directors supported the report's recommendation on the need for further clarification of Fund policy on several aid-related issues, including the mobilization of aid, alternative scenarios, poverty and social impact assessments of macroeconomic policies, and pro-poor and pro-growth budget frameworks. Directors asked the staff to come back with specific and costed proposals on how to clarify relevant policies and implement the report's recommendations.

Directors welcomed the report's recommendation to establish transparent mechanisms for monitoring and evaluating the implementation of the clarified policy guidance. In this context, they agreed that existing mechanisms for follow up, such as ex post assessments of past Fund arrangements, might be strengthened. They also noted the usefulness of broader stocktaking in the context of periodic Board reviews of the PRGF. They asked for staff proposals in these areas.

Directors also welcomed the final recommendation in the IEO report to clarify expectations under Fund policies—and resource availabilities—for resident representatives' and missions chiefs' interactions with local donors and civil society groups. They emphasized that, in particular, the concerns raised by donor groups called for improved coordination and communication, while stressing that the Fund should not itself play the role of coordinator or convener of donor activities and assistance. In addressing these challenges, in their view, attention should be paid to changing aid modalities and increasing decentralization of donor operations, while also taking into account the Fund's budget and staffing constraints. Most Directors recognized the particular importance of the role played by resident representatives in this context, but stressed that any further consideration of their role should be informed by a careful cost-benefit analysis, given the high costs involved and the Fund's current resource pressures. Directors agreed that the Fund's engagement with development partners would benefit from ensuring that institutional communications—both internal and external—are consistent with Board-approved operational policies.

More generally, Directors noted that a common theme in the IEO recommendations is the need for improved and more realistic Fund communications. Directors were concerned over the disconnect between the Fund's communication on aid and poverty reduction policy and what is the actual experience at the country level in low-income countries; the resulting expectations gap might put the Fund's credibility at stake. Thus, Directors supported the report's call for greater clarity in the Fund's external relations on what the Fund can and cannot do in its low-income country work. Directors welcomed management's intention to take further steps to build on the efforts to strengthen the communications process that is already under way. They also underscored the importance of a stepped-up internal communications effort across the Fund to align better staff's ongoing work with institutional priorities. At the same time, Directors emphasized that, given the budgetary constraints, improvements in coordination and communication would need to be implemented in a strategic manner.

Directors looked forward to management's proposals on implementing the IEO's recommendations. Some Directors suggested that the IEO may also usefully provide comments to the Board on implementation plans. Noting that several policy issues raised in the IEO report would benefit from greater clarity regarding delineation of Bank-Fund responsibilities, Directors looked forward to reviewing these issues further in the context of their forthcoming consideration of the report on IMF-Bank collaboration. In particular, they noted that greater clarity of the respective institutions' objectives, responsibility for expected deliverables, and accountability for quality would be crucial to help address several of the issues raised by both the reports.