

January 13, 2003

Mr. Montek Ahluwalia
Director
Independent Evaluation Office
International Monetary Fund
700 19th Street, NW
Washington, DC 20431

Dear Dr. Ahluwalia:

We are writing to express our views on the draft Issues Paper, “Evaluation of Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility”, dated December 13, 2002. We commend the IEO for selecting this exceptionally important and ambitious topic for evaluation in 2003.

We note with appreciation that the paper already incorporates many of the recommendations made in the November 20th letter sent to you by various civil society organizations, commenting on the proposed work plan for 2003. The paper overall shows keen awareness of and openness to many of the observations, analyses and critiques of PRSP and PRGF that have been made by civil society organizations. Therefore the following additional observations will focus on setting out any issues that may have been overlooked, as well as offering comments on the priority setting of those issues.

Part One: Background

We welcome the IEO’s beginning from a neutral position regarding the conclusions of the PRSP Comprehensive Review (as distinct from endorsing the conclusions). We believe this demonstrates a necessary openness of mind.

Part One sets out, as noted above, a thorough review of civil society concerns about PRSP process and content. One important omission, however, is the observation that with few exceptions the PRSPs pay inadequate attention to gender issues. This is distinct enough to warrant mention in its own right, rather than being assumed to be included in the criticism that PRSPs give insufficient weight to certain actors within civil society. The same is true of the environment. Environment is nowhere mentioned in this section (nor elsewhere), but is crucial to agricultural productivity for smallholders and often provides income for rural people, and hence has potential poverty impacts.

Part Two: Issues for Evaluation

The paper states that the evaluation’s approach is to address three broad sets of questions:

“Are the objectives of these initiatives suitably defined and does their design ensure cost-effective and sustainable progress?”

Is the IMF delivering on the promises embedded in the PRGF/PRSP and did it effectively change its working methods?

What needs improving, either in the design of these initiatives or in their implementation as far as the IMF is concerned?"

These are excellent questions. But in addition we suggest that the following possibility should be added to the third question: should any part of the program be omitted if it cannot be improved or is inappropriate?

Figure 1, the Schematic Logical Framework of the Evaluation (pages 10 - 11) sets out the process, outputs, intermediate effects and outcomes of reform. While we understand that the example given is merely illustrative, it would be improved by the addition of poverty and social impact assessments (PSIA) as an intermediate effect that should be made explicit in all PRGF programs.

On page 12, point 3 might examine how the IMF helps not only governments but also how civil society capacity in domestic policy formulation is impacted by (in)adequate provision of information and funding. Point 4 could add that whether PRGFs are derived from the PRSP should also be evaluated in light of the PRSP process and the extent to which it is country-owned in that country or self-censored and written with IMF approval in mind. This point is dealt with in Part One, but bears repeating in Part Two. A PRGF that closely tracks a PRSP does not uphold PRSP principles if the PRSP was written to conform to IMF strictures.

Point 10 might question whether JSAs draw upon a range of information sources to assess the process or substance of PRSPs. In the past, we have expressed concern that the JSAs rely too heavily on government sources for information, and as a result might minimize problems in the participatory process.

Point 14 should include discussion of how external financing assessments are influenced, if at all, by multiple scenario analysis—for example, fluctuations in aid flows and commodity prices. It should also include discussion of the question whether capping social spending or limiting external aid in favor of macroeconomic stability is appropriate in countries facing serious development crises such as HIV/AIDS.

In Point 17, it is not clear whether the question is referring to the nature of the policy debate within a borrowing country, or between the IMF and the country.

Point 19 excludes environmental and social indicators or the Millennium Development Goals (MDGs) as outcomes, focusing only on GDP growth and key macro indicators. Appropriately, this is because the IEO is evaluating the PRGFs based on the IMF's own stated goals: to reduce inflation and boost economic growth. You may wish to assess whether these are sufficient goals. Potentially, intermediate indicators such as employment levels, enrollment rates, and others, could be considered as intermediate indicators. We look forward to World Bank involvement in addressing these questions.

Point 20 might add two further questions. First, it is appropriate to question whether JSAs would ever fail to endorse a country's PRSP and if so, on what grounds. Second, and more important, what is the role of other donor agencies in assessing the adequacy of a country's PRSP process and substance, if it is to serve as the framework for all donor aid?

Part Three: Methodology

Finally, the paper's proposal for a desk review of countries that opted out of the PRSP process altogether is intriguing and should move forward.

We hope that these comments are useful in shaping the IEO's Issues Paper and consequently this important evaluation, and we look forward to continued engagement as the evaluation proceeds.

Sincerely,

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