

Statement by Bernd Esdar Chairman of the Evaluation Group of Executive Directors, on the Report of the External Evaluation of the ESAF

March 11, 1998

This very interesting and stimulating evaluation report on the Enhanced Structural Adjustment Facility (ESAF) is a first concrete outcome of our newly developed approach to external evaluation agreed upon in 1996. Therefore, I should like to express gratitude to Dr. Botchwey, Prof. Collier, Prof. Gunning, and Prof. Hamada.

The external evaluation instrument was adopted, for an initial period, to build upon and complement our in-house evaluations with a view to obtaining an independent and fresh outside perspective on crucial Fund policies. The Board agreed that it would be enlightening as well as prudent to ask for a view that is not clouded by routine or limited by institutional constraints.

When the Executive Board chose the ESAF for an external evaluation, it was aware that this topic was complex and challenging. While there can be no doubt that the macroeconomic and the structural reform framework agreed upon under ESAF arrangements is *one* important determinant for the success and the progress of the development process in individual countries, it is still only one element. Crucial factors in this regard certainly include the role of the government, its policies, and the political, institutional, and social environment in the countries themselves. But there are also close interactions with the structural reform and development support of the World Bank and the regional development banks and with bilateral development assistance as well as with private, nongovernmental organization-led efforts, not to mention the critical role of private economic agents and investors. It is also not easy to clearly differentiate between the influence of policy design and policy implementation.

Therefore, there can be no doubt that the external evaluators were confronted with extremely complex problems when the Board asked them to review aspects of ESAF programs. The study concentrates on three topics:

- social policies and the composition of government spending during ESAF-supported programs;
- development in countries' external positions during ESAF-supported programs; and
- the determinants and influence of differing degrees of national ownership of ESAF-supported programs.

In line with the request of the Board, the evaluators have based their findings on a sample of individual country studies that adequately reflects that the challenges differ from country to country—or, to put it in their words: “The average experience across all ESAF programs conceals as much as it reveals, while a case study of an individual country is liable to be highly particular.”

The study reveals very interesting findings on all three topics. Some of the findings and suggestions blur the established division of institutional responsibilities between the international institutions that envisages for the IMF in particular the role of providing temporary balance of payments support based on macroeconomic and structural reform programs.

The study complements the Fund's latest internal ESAF review, which was discussed in the Executive Board on July 18, 1997, and subsequently published as IMF Occasional Paper No. 156: *The ESAF at Ten Years* (1997). I would also like to thank staff for their comments on the evaluation study that have been cir-

culated for today's discussion. These comments show that the external evaluators and staff agree on the objective to better focus ESAF by improving protections for the poor, by improving the cooperation with other international financial organizations and bilateral donors, and by strengthening "ownership." However, while there is encouraging agreement on the objectives and the overall strategy, there are areas where views divide slightly and where different emphasis is given to certain aspects as could be expected given the different perspectives and experiences of staff and external evaluators. Therefore, we can look forward to very enlightening and stimulating discussions.

Our joint objective continues to be to target the ESAF even better, with the objective of improving the living conditions in the poorest countries, to better integrate them into the world economy based on a viable growth and development process in which all groups of the population can participate. Also, the ESAF is only one instrument within the Fund's over-

all responsibilities, defined by the three pillars of economic surveillance, policy and technical advice, and lending for balance of payments support,

I would suggest that both the external evaluation report and staff's comments be made public, supplemented by the summing up of today's discussion. This would not only help the public to better understand the role and the functioning of ESAF programs, but it would also contribute to the transparency of this institution.

To conclude, I would like to thank the external evaluators again for their tremendous efforts in presenting this study within the envisaged time frame. I would like to include in this appreciation the cooperation and support of my colleagues of the Evaluation Group for providing and designing the framework of this study and for following up on its implementation. My thanks also go to the Head of the Office of Internal Audit and Inspection, Eduard Brau, and his team, who provided valuable support.