

Executive Summary

This evaluation examines factors influencing the effectiveness of IMF structural conditionality in bringing about structural reform, and assesses the impact of the streamlining initiative launched in 2000 and of the 2002 Conditionality Guidelines. These aimed at reducing the volume and scope of structural conditionality by requiring “parsimony” in the use of conditions and stipulated that conditions must be “critical” to the achievement of the program goals.

The evaluation finds that during the period 1995–2004 there was extensive use of structural conditionality in IMF-supported programs, with an average of 17 conditions per program/year. Most of these conditions had little structural depth and only about half of them were met on time. Compliance was only weakly correlated with subsequent progress in structural reform. Ownership of the reform program by the economic team and by the line ministries in charge of the specific measures was necessary both for compliance and for continuity of the reform. Compliance and effectiveness were higher in the areas of IMF core competency, such as public expenditure management and tax-related issues, and lower in areas such as privatization and reform of the wider public sector.

The streamlining initiative did not reduce the volume of conditionality, partly because structural conditions continued to be used to monitor other initiatives such as donors’ support programs and the European Union (EU) accession process. But it helped to shift the composition of conditionality toward IMF core areas and new areas of basic fidu-

ciary reform. At the same time, the IMF moved away from controversial areas where it had little impact and that largely fall within the World Bank’s areas of expertise. Nonetheless, Fund arrangements still included conditions that seem not to have been critical to program objectives.

Recommendations include reaffirming the need to reduce the volume of structural conditionality. As a practical first step, a notional cap could be set, possibly at four or five conditions per year—half the current average for performance criteria and prior actions. The use of structural benchmarks should be discontinued and measures with low structural content should not be part of conditionality. Normally, conditionality should be restricted to the core areas of IMF expertise. In other critical areas such as the wider public sector, the IMF should play a subsidiary role to that of the World Bank, which has greater expertise in these areas. Explicit Board guidance would be needed when reforms in non-core areas are deemed critical but effective cooperation with the Bank is unlikely to crystallize in time. The Fund should develop a monitoring and evaluation framework linking conditions to reforms and goals, which would provide a more robust basis for assessing programs results. Program documents should explain how the proposed conditionality is critical to achieve explicit objectives. For PRGFs, in particular, program requests should be accompanied by an operational roadmap covering the length of the program, explaining the proposed reforms, their sequencing, and expected impact.