



IEO

Independent Evaluation Office
of the International Monetary Fund

2023 Work Program

NOVEMBER 7, 2022

Independent Evaluation Office—2023 Work Program

November 7, 2022

Ongoing Evaluation

The IEO continues work on an evaluation of the IMF's emergency response to the COVID-19 pandemic (see issues paper at ieo.imf.org). We plan to circulate the completed evaluation to the Board in February 2023, for discussion in March.

New Evaluations

Following an informal Board seminar and extensive consultation with IMF management and staff as well as external experts and civil society, and taking into account timing considerations as well as importance and relevance of the topic, the IEO has decided to launch two new evaluations: (i) **Exceptional Access Policy**, which will be a full-scale evaluation; and (ii) **Applying the IMF's Mandate**, which will be a shorter evaluation. Brief descriptions of the background and anticipated scope of the evaluations are provided in the attachment, drawing on the note "Possible Topics for Future IEO Evaluations" (IEO, 2022). IEO teams are now starting more detailed exercises to prepare issues papers for these evaluations.

Further evaluations will be launched as current evaluations are completed, drawing on the menu of possible future IEO evaluation topics.

IEO@20

Work continues on a book to mark the IEO's twentieth anniversary, drawing on material presented at our 2021 seminar. This book should be available in early 2023.

ATTACHMENT¹**Exceptional Access Policy**

The IMF established a formal exceptional access policy (EAP) in 2002 to provide a framework to guide decisions on lending to members in amounts exceeding normal access limits to address particularly large balance of payments (BOP) needs. The EAP specified four criteria to justify exceptional access (EA) and introduced strengthened decision-making procedures in view of the additional risks that arose for the Fund with such lending. This policy has been revised on a number of occasions since then, notably to modify the debt sustainability criterion in 2016, although its last full review dates back to 2004. Since 2002, the Board has approved 42 General Resource Account (GRA) arrangements with EA, roughly one-fourth of all GRA arrangements over this period. Use of EA was particularly heavy during the period following the Global Financial Crisis (GFC) and the euro area crisis. Since 2016, there have been three EA cases under the GRA, the 2018 Stand-By Arrangement (SBA) with Argentina and the arrangements with Ecuador and Egypt in 2020 to help address challenges from the COVID-19 pandemic. There is a separate EAP applied to use of Poverty Reduction and Growth Trust (PRGT) resources, and a policy covering combined use that was introduced in 2020, although use of EA in the PRGT context has been rare.

Under EAP, the Fund has been able to move quickly to deploy large-scale financial support to members in very difficult circumstances. However, issues have been raised about program design in the context of very large external financing needs; whether the EA criteria (including the assessments of debt sustainability and prospects for regaining capital market access and program success) and decision-making procedures were clear and followed with sufficient rigor and evenhandedness; the adequacy of processes to manage and mitigate the risks associated with large IMF lending; and the experience with ex post internal evaluations prepared by staff.

This evaluation would assess the application of more stringent conditions for approving EA programs relative to more normal access and how the balance is struck between mitigating the additional risks involved and the need to act with agility to provide large-scale financial support to members facing extraordinary needs. The focus would be experience with EAP under the GRA since 2016 but comparing it with earlier experience and with the approach under the PRGT where useful. The evaluation would review the application and adequacy of the EA criteria and the functioning of the decision-making and risk-assessment procedures. The evaluation would benefit from the ex post evaluations completed by staff for the recent Argentina and Ecuador arrangements.

Applying the IMF's Mandate

The IMF's legal mandate is set out in the Articles of Agreement, which establish the purposes of the institution in terms of international monetary cooperation and fostering stable international economic conditions. In practice, the Fund's activities to apply this mandate have evolved over

¹ Extracted from "Possible Topics for Future IEO Evaluations" (IEO, 2022).

time in response to the shifting macroeconomic and financial challenges facing the IMF membership and increasing recognition that a broad range of macro-structural issues can affect domestic or external stability, and therefore can be macro-critical and warrant IMF attention. As a result, the Fund's work agenda has broadened substantially over the past decade, increasing attention to a number of topics that were assessed to be macro-critical although outside the Fund's existing core of expertise, such as structural reforms, inequality, gender and climate issues, and digital currencies. The Fund has also adapted its lending toolkit (including for precautionary financing, emergency financing, support for fragile states and longer-term financing for resilience) to be relevant for a broad range of external financing needs and devoted increasing resources to CD work.

The Fund's overall mandate was last discussed by the Executive Board in 2010 in the wake of the GFC, in response to a request from the IMFC. The Integrated Surveillance Decision (ISD) in 2012 established the legal basis for multilateral surveillance. Since then, shifts in the Fund's activities have been guided by regular policy reviews in the areas of surveillance, lending and CD, while the Board has the opportunity to consider overall institutional priorities in the context of regular discussions of the Managing Director's Global Policy Agenda, the Medium-Term Budget Framework, and the Board's work program. However, these occasions provide limited opportunities for longer-term strategic consideration of the evolution of the Fund's activities, leading to concerns at the Board and elsewhere that the Fund is drifting too far from its core functions—the IEO's evaluation of IMF advice on unconventional monetary policies (IEO, 2019a) and the evaluation update on IMF work on trade issues (IEO, 2019b) both raised such concerns. There have also been concerns that Fund budgetary and staffing resources are over-stretched, that the interests of some members receive more attention than others, and that the Fund's activities are increasingly overlapping with those of other international organizations with inadequate attention to realizing synergies and ensuring cost efficiencies. Moreover, while the decision to keep the budget envelope fixed in real terms since 2012 led to serious efforts at cost savings, this occurred without systematic attention to tradeoffs across different activities. The constraints of the fixed real budget were somewhat relieved by the budget augmentation approved in 2021, but this was targeted at specific new activities rather than a broader consideration of the resource needs of existing activities.

The evaluation would explore the governance surrounding the process by which the application of the Fund's mandate has evolved and the Fund's activities have extended over the past decade. Evaluation questions could include: what was the decision-making process for broadening the Fund's work program and increasing attention to new activities beyond the Fund's traditional core expertise? What has been the role of the management, the Board, and other stakeholders? When changes were made, was there adequate consideration of tradeoffs with existing activities and evenhanded consultation with the IMF's membership? Was sufficient attention paid to whether adequate resources were provided to achieve new activities, while leaving sufficient room to enable the Fund to fulfill its core tasks? How was the issue of possible overlap with other international organizations addressed? The evaluation would build on the IEO evaluation of IMF governance (IEO, 2008), as well other more recent evaluations.

REFERENCES

Independent Evaluation Office of the International Monetary Fund (IEO), 2008, *Governance of the IMF: An Evaluation* (Washington: International Monetary Fund).

_____, 2019a, *IMF Advice on Unconventional Monetary Policies* (Washington: International Monetary Fund).

_____, 2019b, *IMF Involvement in International Trade Policy Issues—Evaluation Update* (Washington: International Monetary Fund).

_____, 2022, "Possible Topics for Future IEO Evaluations," September 21, 2022, available at ieo.imf.org.