CHAPTER 1

INTRODUCTION

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Independent evaluation has become a key part of good governance at the International Monetary Fund (IMF) over the past 20 years. Although the Independent Evaluation Office (IEO) is younger and remains much smaller than sister evaluation offices in most other international financial and development institutions, it nevertheless has played a vital role at the IMF in fulfilling its three core tasks: helping the Fund to learn from its experience, supporting the oversight of the Executive Board, and strengthening the external credibility of the Fund. The independence and quality of the IEO's work has been validated by three external evaluations, the last in 2018.

This book has its origins in a conference organized by the IEO in November 2021 which brought together present and former colleagues of the IEO with our internal stakeholders—members of IMF management, the Executive Board, and staff—as well as external experts from think tanks, civil society, and other evaluation offices. It includes a series of chapters prepared by IEO staff members based on presentations at the conference, together with reflections from many of our stakeholders and experts at the conference. It follows a similar conference and book prepared after the IEO's first 10 years (IEO 2012).

The main purpose of the conference and this book is to look back over the IEO's experience over its second decade, consider what has been achieved, and draw lessons on ways to enhance the IEO's capacity to serve its role going forward as the IMF itself faces a multitude of evolving challenges. In many ways, this work is akin to a self-evaluation, and we hope it will be useful to those working in the IEO in the years ahead, as well as to stakeholders considering how independent evaluation at the Fund should continue to develop. In particular, this book may be valuable input for the fourth external evaluation of the IEO scheduled to commence in 2023.

The book may also be interesting to the broader evaluation community as a source to learn more about how the IMF IEO operates and the impact it has. Independent evaluation at the Fund was inspired by the much longer experience of independent evaluation at the multilateral development banks, such as the World Bank, and in many respects follows similar principles and approaches. However, it is also distinct in a number of ways: its output is limited to just a few reports each year, but with a robust follow-up framework to help ensure maximum value and impact; it operates with generally greater autonomy in choosing topics and employing staff, although with an additional constraint "not to interfere with operational activities, including current programs"; and it tends to place less weight on formal evaluative techniques, such as theories of change and counterfactual analysis, while seeking a broad range of evaluative evidence.

Such differences in part reflect the distinct role played by the IMF itself compared to partner institutions, but also deliberate choices made by those setting up the IEO back in 2001 and by those managing and overseeing the IEO over the years since. A recurring theme through this book is whether these choices have been productive for the IEO and its role at the Fund and what the IEO can learn from experience of other evaluators as it continues to develop and evolve.

The remainder of this introductory chapter briefly highlights the key points in the following chapters of the book and then identifies some key themes raised in the stakeholder reflections.

Chapter 2 provides an overview of the IEO's work and impact during its second decade. Since 2012, the IEO has delivered 17 full-fledged evaluations, plus a shorter evaluation and a number of evaluation updates and stocktaking exercises. The broader range of evaluation products responded to a desire at the Board for nimble input from the IEO to provide material relevant for the key challenges being faced by the Fund and followed the experience of other evaluation offices.

The reports continued to emphasize themes from earlier years, including the need to break down organizational silos, to bring greater attention to risks and uncertainties, to reinforce Board oversight, to ensure evenhandedness of treatment across members, and to pay attention to country context. The work also put increasing emphasis on other themes, including the need for greater depth of expertise, for working more effectively with partners like the World Bank, and the need for continuing learning and adaptation.

The chapter lays out evidence on the impact of IEO evaluations, not just in terms of tracking the extent to which commitments to actions in Management Implementation Plans (MIPs) were implemented but also in terms of impact on new policies and frameworks. The considerable impact of the IEO is attributed to both commitment from the Board, management, and staff, and to significant steps to strengthen the follow-up framework. These latter steps were pushed forward by successive external evaluations of the IEO, two of which were completed during the past decade (Ocampo and others 2012 and Kaberuka and others 2018).

While emphasizing progress made, the chapter also identifies some continuing challenges faced by the IEO: the need to continue to look for ways for evaluation work to respond nimbly as the Fund itself continues to evolve, taking on new roles, and grappling with multiple global shocks; the importance of further steps to strengthen follow up to enhance impact; and the difficulty of setting boundaries related to the timing and scope of evaluations to ensure that the IEO can provide meaningful and timely assessments without jeopardizing its own independence or interfering with IMF operational activities.

Chapter 3 looks in greater depth at how independent evaluation strengthens IMF governance, which is key to the Fund's legitimacy and impact. It sets the stage by drawing on an evaluation of IMF governance in 2008, which concluded that while the Fund's governance structure had contributed to the Fund's operational efficiency and overall effectiveness, it had faced challenges in the area of Board oversight, accountability, voice, and representation. An evaluation update in 2018 recognized that some progress had been made in these areas, but still identified challenges that could undermine the Fund's legitimacy and ultimately its effectiveness if not adequately addressed.

The chapter then argues that the IEO has played an important role in responding to these challenges, and thus in strengthening the IMF's governance structure. In particular, it shows how the IEO has supported accountability by supporting Board oversight and raising concerns about institutional integrity (including undue political influence in technical analysis and lack of evenhandedness); has helped to balance decision-making by bringing attention to concerns of underrepresented members; has supported institutional learning by challenging insider groupthink, bringing in outside views and promoting a culture of self-evaluation; and has provided greater transparency on IMF activities and outcomes through its reports.

Finally, the chapter asks how the IEO's role in supporting IMF governance could be further enhanced. It discusses various possible initiatives that could be considered—each with possible gains but also associated challenges that would need to be addressed, with resource implications as well. First, the IEO could help to strengthen Board oversight of follow up to Board-endorsed recommendations by providing comments on staff papers presented to the Board to meet commitments included in MIPs. Second, the IEO could increase its focus on shorter evaluations produced at an early stage to address current issues. Third, the IEO could play a more involved role in validating self-evaluations prepared by staff, which is commonly done by other evaluation offices. And fourth, the IEO could step up further its collaboration with evaluation offices in other multilateral organizations to provide for more effective evaluation of activities where the IMF works very closely with partner agencies.

Chapter 4 focuses on the traction of IEO evaluation in influencing the IMF's work and impact. It begins by laying out the formal follow-up process and suggests a "theory of change" for how the various element of this process are expected to impact the institution and ultimately the membership. It describes in detail how the follow-up process has been strengthened over the years in response to recommendations made in external evaluations of the IEO, including a commitment to SMARTer implementation plans and greater Board involvement in their adoption and monitoring.

The chapter then provides a number of quantitative indicators to assess the extent to which IEO recommendations were adopted by the Board; the alignment of recommendations and implementation plans; the record of implementation; and factors affecting time to implement. It finds that almost all IEO recommendations were either endorsed or partially endorsed by the Board, particularly in more recent years. It then finds that while IEO recommendations are distributed evenly across outcomes and outputs and have tended towards high-level institutional change, MIP actions have been largely related to outputs, particularly since the commitment in 2018 to SMART (Specific, Measurable, Attainable, Relevant, and Timely) principles, and with a reduced degree of institutional depth. It estimates that more than two-thirds of actions in MIPs for evaluations completed since 2011 have been implemented, but that results have been quite uneven. Progress has been particularly slow for actions at the outcome (rather than output) level for actions at higher institutional depth and actions in the human resources (HR) area.

The chapter suggests a number of directions for further enhancing evaluation traction. In particular, it recommends that output actions be more clearly linked to intended outcomes, with attention to developing trackable outcome indicators. It also suggests that IEO could help to support Board oversight of whether outputs are likely to achieve desired outcomes by providing comments on drafts of policy papers included among MIP actions.

Chapter 5 examines how the IEO compares with peer evaluation offices in other international financial and development institutions, drawing on input from colleagues in other evaluation offices. The chapter recognizes that in many ways the IMF's role is unique from other agencies, which inevitably contributes to differences in the role of evaluation from that in multilateral development banks. In some respects, the IEO is seen as benefiting from a greater degree of independence built into its Terms of Reference. At the same time, lessons can be learned from the experience in peer evaluation offices that could be useful to strengthen the IEO's activities and impact.

Compared to other offices, the IEO was also set up with a robust governance structure that provides for a greater degree of autonomy than most other peers in areas like topic selection and evaluation coverage, which makes the IEO's work less susceptible to institutional pressure. Independent evaluation at the Fund is smaller in scale, produces fewer reports, and is more focused on ex-post assessment. The more limited number of outputs has the advantage that each receives more intense attention and follow up from the Board, management, and staff, which contributes to impact—thus "less can be more." The IEO also has an effective quality control process that involves seeking external as well as internal feedback, helping to ensure balanced and convincing evaluations.

The chapter identifies a number of ways in which the IEO could learn from experience of its peers. Other evaluation offices have more focus on early assessments to provide scope for timely learning from experience, and are subject to less concern about possible interference with ongoing operational activities. Evaluations benefit from more systematic use of evaluation methodologies and tools, including theories of change and more formal impact analysis (although some colleagues warned of the risks of methodological dominance). There is more attention given to dissemination of evaluation outputs, particularly internally, and to stocktaking exercises, to draw lessons from earlier evaluations for current problems. Other offices have more clearly articulated evaluation policies, which can be helpful in setting out the respective roles of the Board, management, staff, and the evaluation office.

The chapter concludes that following and learning from the examples of other evaluators can help to strengthen the value and reputation of the IEO in various ways. At the same time, it would be important to ensure that adaptation does not jeopardize the existing strengths of the IEO, including its production of independent and impactful evaluations.

Chapter 6 outlines challenges that the IMF is likely to face over the coming decade and the implications for independent evaluation. The past 25 years have seen both an expansion of the IMF's core work of managing financial crises and an inching forward on an emergent ("non-core") agenda of fostering inclusive growth—including work on ensuring quality job growth; addressing inequalities in opportunities and income, including between genders; and dealing with climate change so future generations can share the benefits of growth. Embracing this broader agenda has required the IMF to modulate its policy advice, particularly on fiscal policies. The chapter notes that IEO evaluations have played an important role in shaping the IMF's work on both core and non-core issues (in the latter case, notably on fiscal policies).

The chapter conjectures that the coming decade is likely to see a continuation of these two trends. Confronting financial crises is likely to remain important as countries deal with the lingering impacts—particularly on their debt levels—of the pandemic and the effects of subsequent economic shocks. Crises may also take the form of "poly-crises"—crises from different sources that have to be tackled at the same time. The emergent non-core work is also likely to expand, particularly because of plans already underway to substantially expand the IMF's work on climate change.

The chapter argues that these trends will require changes in evaluation. The IEO will have to evaluate the IMF's work in the emergent areas of climate change and inequality, where the IMF—and the IEO itself—lack deep expertise. As the IMF adopts important strategies in these evolving areas, the IEO may need to conduct early and fast-paced formative evaluations of how well these strategies are working to allow for timely learning, rather than waiting for years after new approaches are introduced. Moreover, as the IMF's work in these areas should ideally involve active collaboration with partner institutions with greater expertise, the IEO will have to go further in evaluating how well the IMF collaborates with others. In the process, the IEO may have to set a good example itself through stronger collaboration with evaluation offices at other institutions. The IEO could also consider questions related to the IMF's mandate, such as how the institution balances the allocation between core and emergent activities, given differences among its shareholders on the desired allocation and amid the constraint posed by a flat budget.

Chapter 7 is based on Ngaire Woods's keynote address at the conference. It argues that the challenges that the world needs the IMF to help address are different from those in the past and require commensurate changes in evaluation. Among the challenges are: shifting geopolitics (e.g., US-China strategic rivalry); dealing with lingering effects of the pandemic in a manner that provides financial stability without exacerbating inequalities; and addressing climate change. The chapter discusses how the IEO's goals of enhancing the Fund's learning culture, strengthening the Fund's external credibility, and supporting the Executive Board's governance and oversight responsibilities can best be achieved in the face of these three challenges.

On the first challenge, the chapter notes that geopolitical power has played a role in the IMF in the past, and that not all member countries have been treated equally by the institution. The IEO has a vital role to play in monitoring the governance and evenhandedness of the IMF, ensuring its multilateral character amid the shifting geopolitics of the coming decade and giving assurances to member countries that the Executive Board will call out the IMF's flaws and faults in this respect. The chapter notes that previous IEO evaluations have signaled a lack of clear direction from the Board on such issues. The IEO can also offer assurance to shareholders and stakeholders by evaluating the performance of IMF leadership—management and the Board itself—in ensuring appropriate governance of the institution.

To deal with the lingering effects of the pandemic, the IMF will have to advise countries on how to find policy pathways that permit them to recover without jeopardizing financial stability. In this context, the IEO's evaluations of the fiscal and monetary policy advice offered by the IMF will remain critical, particularly when considering whether the IMF advice is alert to the need to avoid policy choices that deepen inequalities, and whether IMF advice is handicapped by lack of expertise and contextual knowledge due to frequent rotation of country teams. The IEO's work here can bolster the IMF's credibility with external groups such as civil society organizations, which have tended to be critical of the thrust of IMF policy advice and the extent to which it is tailored to country circumstances.

Finally, the IMF's work in new and fast-moving areas such as climate change requires early and mid-course evaluations, creating challenges for the IEO to fulfill this role within the constraint that it not interfere in ongoing operations.

Chapter 8 consists of remarks by 13 experts who served as panelists at the conference and discussed the challenges facing the IMF and the IEO over the coming decade. The list of experts consists of Masood Ahmed, Thomas Bernes, Nadia Daar, Alison Evans, John Hicklin, Sean Hagan, Harold James, Bessma Momani, Pablo Moreno, Ceyla Pazarbasioglu, Moisés Schwartz, Siddharth Tiwari and Alexandre Tombini.

While the emphasis differed across panelists, they agreed with the three main challenges outlined by Ngaire Woods in her keynote lecture (**Chapter 7**), namely dealing with geopolitical tensions; mitigating the lingering effects of the pandemic; and addressing emergent (non-core) issues such as environmental and social sustainability.

On the first of these, panelists—particularly Ahmed, James, and Momani—noted that while dealing with shifting geopolitics was not a new challenge for the Fund, the tensions between national security and economic concerns require deft maneuvering on the part of Fund management and staff. Ideally, the Fund could offer a safe space for countries to deal with common areas of concern. The danger is that the Fund itself could become an instrument for geopolitical sparring. The Executive Board is seen as critical in keeping the Fund closer to the ideal outcome. While the Board often has had to strike a balance between economic and political imperatives, Hagan and other panelists expressed hope that the Board would be able to do so over the coming decade in a manner that is considered by shareholders and stakeholders as broadly evenhanded and conducive to fostering multilateralism.

Maintaining debt sustainability and bringing about economic recovery in the aftermath of a crisis is also not a new challenge for the Fund, noted James. But the task is more difficult this time around because of the scale of the preceding crisis, the role of new creditors and a more dispersed creditor base, and the higher interest-rate environment as central banks battle inflation. The IMF's commitment to supporting countries' efforts to attain fiscal sustainability without jeopardizing inclusive growth adds to the challenge, according to Daar and Momani.

Panelists, particularly Evans and Hicklin, emphasized that addressing the effects of climate change is the most pressing issue of our times and that the IMF cannot sit on the sidelines. But some panelists, particularly Ahmed and Moreno, stressed that the Fund's role should be circumscribed to dealing with the macro-financial effects of climate change (e.g., the consequences of stranded assets on the financial system); the Fund should not pretend to have or build expertise in, say, assessing the technological aspects of climate change (e.g., appropriate technologies to reduce carbon emissions in the power sector). The Fund could also play a role in sifting through data and evidence to bring about a better understanding of the economic costs of climate change, added James.

All three challenges were seen as having implications for the work of the IEO in coming years.

- On dealing with shifting geopolitics: The IEO's role of speaking truth to power, including to management and to the Board itself, was seen as critical. The IEO could help assess how well the Fund is fulfilling its role of providing avenues for countries to preserve multilateralism amid an environment of increased nationalism.

- On post-pandemic financial and economic recovery: The IEO has a critical role in assessing how nimbly the Fund is able to advice countries, and whether its country level advice matches its rhetoric of giving adequate attention to equity issues—a point stressed particularly by Daar and Momani.

Assessing the IMF's work on emergent issues, particularly on climate change, would require changes in the IEO's standard practices in a few important respects, according to Evans, Hicklin, and others. First, the IEO would need to provide a high-level assessment of the Fund's strategic positioning on the topic: what is the merit in the Fund becoming more active within its mandate on climate change and how well does the Fund's agenda fit in with the work of other multilateral agencies? Second, since failure to deal with climate change over the coming decade can lead to irreversible and costly consequences, panelists argued that the IEO ought to offer early assessment of whether the IMF is on the right course in its advice to countries.

While urging the IEO to be open to adapting its practices to the coming challenges, panelists—Bernes and Hicklin in particular—were at pains to emphasize that there are also important aspects of the IEO's work that should be preserved. First, while the IEO has the dual responsibilities of fostering a learning culture and ensuring accountability, the panelists asserted that the IEO should continue to lean in the direction of the former. The acceptance and appreciation of the IEO's role by Fund staff has come about slowly over time as the IEO is increasingly seen as helping staff learn from experience, rather than chastening them for failure, a point emphasized by Moreno and Schwartz. While there have been and will be occasions for ruthless truth-telling, the panelists stressed that it is important that the IEO be seen as genuinely seeking to help the Fund do its work more effectively, rather than being antagonistic.

Second, panelists cautioned that, in the main, the IEO should remain an evaluator and not become a strategist or consultant; the changes in IEO practices recommended to deal with the challenges outlined above should be at the margin. Panelists said the IEO should resist the temptation to seek to insert itself into urgent policy discussions by becoming a second review or research department at the Fund. According to some panelists, including Moreno, this does not rule out occasionally providing feedback and inputs on Fund activities, as the IEO has done over the last couple of years in distilling the lessons from its past evaluations for some ongoing initiatives at the Fund (e.g., the institutional integrity exercise). Panelists—Pazarbasioglu in particular—added that increasing the synergies between IEO evaluation and staff self-evaluations could allow the IEO to help validate or challenge findings of self-evaluations, making them more useful in fostering change at the Fund.

Third, while there is likely to be an increased need to assess the collaboration between the Fund and partner institutions—as stressed by Tiwari—it is by no means clear that joint evaluations with partner evaluation offices is the way to go. Some panelists, including Bernes and Evans, noted that past attempts in this direction have been far from successful given differences in agendas and timelines, and differences across evaluation offices in the degree of independence from their managements and Boards. This poses the danger, warned Tombini, that joint evaluations, while burdensome in terms of coordination, could yield the lowest common denominator in terms of joint recommendations. Hence, panelists said that building up working relationships and exchange of information may be a more prudent near-term goal than joint evaluations.

Finally, panelists—including Hagan, Moreno, and Pazarbasioglu—suggested that the required fine-tuning of IEO practices could be done without requiring modification of its Terms of Reference, for example, revisiting the "non-interference" clause. In the panelists' view, a case-by-case application of the clause, in consultation with Board members, should provide flexibility for the IEO to undertake the evaluations that are needed in the coming decade.