CHAPTER 2

THE IEO'S SECOND DECADE

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INTRODUCTION

Since 2012, the Independent Evaluation Office (IEO) has built on the achievements of its first decade and consolidated its role as a core component of International Monetary Fund (IMF) governance. It delivered 17 full-fledged evaluations. It also conducted several stocktaking exercises and developed two new products—the evaluation update and the shorter evaluation—alternative, less resource-intensive approaches to respond more nimbly to current issues and concerns. Moreover, following suggestions by external evaluations of the IEO, significant progress was made to reinforce follow up on responses to Board-endorsed IEO recommendations. All of this was achieved while maintaining a lean organizational structure which required the IEO to focus strictly on issues of key strategic importance to the IMF.

Like other parts of the IMF, the IEO had to quickly adapt and respond to the unprecedented challenges posed by the COVID-19 pandemic. While evaluation was not part of the frontline emergency response that dominated IMF activities for most

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IEO workshop with external experts

of 2020, it was recognized that independent evaluation needed to continue to play its core role. Despite the curtailment of travel, evaluation work continued effectively through virtual means, and greater advantage was taken of opportunities for virtual outreach. While there were short delays to the schedule due to the overwhelming needs of the IMF's immediate emergency response, important evaluations that were highly relevant to the IMF's work program were still discussed by the Board. Moreover, IMF staff has been able to make good progress with follow-up work, catching up with a backlog from the early part of the pandemic.

Looking back over the whole period since the IEO started in 2001, a central question has been how much influence and impact IEO's work has had on the institution. External evaluations of the IEO have found that the IEO has played an important role in improving the governance and transparency of the IMF and has helped develop a learning culture (Ocampo and others 2013). Nonetheless, these evaluations raised concerns that independent evaluation can and should have a larger impact on the IMF's operational effectiveness, as well as on its overall culture and learning environment. The detailed "score card" prepared annually by the Office of Internal Audit (OIA) on how the IMF implements action plans prepared in response to IEO recommendations endorsed by the Board is encouraging in this regard, particularly for recent evaluations. Moreover, recent years have seen many concrete examples of important changes in IMF policies and frameworks that have clearly been motivated or shaped by IEO evaluations. The OIA monitoring report has also identified a backlog of off-track actions, particularly for recommendations from earlier evaluations, but many of these have now been reformulated with the aim of achieving greater traction.

Another indicator of broader IEO impact is the experience with some recurring themes in findings and recommendations across IEO evaluations. Many of these themes were highlighted in an IEO report in 2014. (IEO 2014c). In some of these areas, progress has certainly been made, but these themes continue to be relevant notwithstanding ongoing IMF efforts to address them, in part because they are deeply embedded in the IMF's business model. Some additional issues that have been repeatedly stressed in recent evaluations include the need to ensure that staff has deep expertise in areas at the core of the IMF's mandate to give value-added advice to members, that the IMF works effectively with partner institutions, particularly in areas of joint concern, and that the IMF adapts its policy frameworks in a timely way based on new experience and research.

Against this background, the IEO itself has sought to adapt to address a number of persistent challenges that it has faced. On each there has been some progress, but issues have not been fully resolved. A key task is to choose the right topics where the IEO's involvement can help the IMF enhance future performance, a challenge made more acute by the IEO's limited resources and capacity. Related to this has been the need to find an appropriate balance between taking on issues of current relevance without interfering with the IMF's operational activities, consistent with the IEO's Terms of Reference (TOR) (IMF 2015). At times, this has led to strains with staff, and on occasion with the Board. In addition, there is the continuing challenge that faces evaluation offices in any public organization of increasing the traction of evaluation work to help the organization meet its mandate.

The rest of this chapter begins with an overview of the IEO's main outputs over the last decade and evidence on the impact of these evaluations. The following section identifies some recurring themes that have emerged across multiple evaluations. This sets the stage for a discussion of some of the main issues and challenges that the IEO continues to face in fulfilling its mandate, in particular: extending the product mix to respond in a timely way to issues of current concerns; strengthening the follow-up process to increase impact; and balancing the need for relevance with concerns about potentially interfering with operational activities. The chapter ends with some concluding remarks. Annex 2.1 provides a short description of the main findings, recommendations, and follow up for each of the evaluations completed between 2012–21. Annex 2.2 summarizes the two external evaluations of the IEO completed in 2013 and 2018, after briefly looking back to the first external evaluation in 2006.

MAIN OUTPUTS AND IMPACT

Main Evaluation Outputs

The IEO's work program continued to be mainly devoted to deep and comprehensive assessments across a broad range of topics. Given the IEO's limited capacity, evaluation topics were carefully selected after an extensive consultation process with the Board, management, staff and outside stakeholders to ensure that they covered "issues of importance to the Fund's membership and of relevance to the Fund," taking into account "current institutional priorities," in line with the IEO's TOR (page 1). In most cases, topics dealt with concerns raised by the Board and other stakeholders about the value added and impact of the IMF's work.

The evaluations covered all major areas of the IMF's work: policy advice in surveillance, lending support, and capacity development. Topics have been selected to be relevant to the IMF's capacity to provide value to the full range of the membership, from the larger advanced economies, to emerging markets, to low-income countries, to small states. Most of the evaluations were cross-cutting in the sense of looking at issues that involved multiple departments within the IMF and examining them from multiple perspectives. This work involved extensive interviews with Board members, management and staff, country officials, and external stakeholders. In addition, evaluations included review of internal as well as public documents, wide-ranging data collection and analysis (including internal budgetary and personnel data), and preparation of background papers, often by well-respected outside experts in the relevant field.

Three of the most challenging evaluations have looked at how the IMF has supported member countries at times of particular financing need. Two assessed the IMF's work in the aftermath of the global financial crisis, following an earlier evaluation of the *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07* (IEO 2011). *IMF Response to the Financial and Economic Crisis* (IEO 2014a) provided a general perspective on the IMF's role from September 2008 to 2013, while *The IMF and the Crises in Greece, Ireland, and Portugal* (IEO 2016a) focused on IMF support for three countries affected by the euro-area crisis over 2010–14. Most recently, *Growth and Adjustment in IMF-Supported Programs* (IEO 2021) examined how well IMF-supported programs have been able to sustain economic activity while delivering needed external adjustment.

Two other evaluations look at the IMF's work with particular groups of countries: *The IMF and Fragile States* (IEO 2018a) and *IMF Engagement with Small Developing States* (IEO 2022a). Both of these groups face a number of common challenges while sharing characteristics that have required adaptation of the IMF's usual business model, mainly in the context of surveillance but also in lending support and capacity development.

A number of evaluations examined the IMF's work on policy issues at the core of its mandate and expertise. These evaluations included: *International Reserves: IMF Concerns and Country Perspectives* (IEO 2012), *IMF Financial Surveillance* (IEO 2019a), *IMF Advice on Unconventional Monetary Policies* (IEO 2019b), and *IMF Advice on Capital Flows* (IEO 2020a). By contrast, *The IMF and Social Protection* (IEO 2017) and *IMF Collaboration with the World Bank on Macro-Structural Issues* (IEO 2020b) looked at the IMF's work in areas of macroeconomic relevance where its expertise is more limited, requiring it to work more closely with partner institutions.

Four other evaluations looked at IMF activities: *IMF Forecasts: Process, Quality, and Country Perspectives* (IEO 2014b), *Self-Evaluation at the IMF: An IEO Assessment* (IEO 2015), *Behind the Scenes with Data at the IMF: An IEO Evaluation* (IEO 2016b), and *The IMF and Capacity Development* (IEO 2022b). Two evaluations looked at issues related to the IMF's governance and its relationship with members: *The Role of the IMF as Trusted Advisor* (IEO 2013) and *Recurring Issues from a Decade of Evaluation: Lessons for the IMF* (IEO 2014c).

Beyond full-scale evaluations, the IEO introduced two new products. Evaluation updates, launched in 2012, revisit the topics of previous evaluations about a decade after their completion to assess progress in addressing the concerns raised by the evaluation and to identify related emerging challenges. Ten updates for 11 evaluations have now been completed. In addition, a shorter evaluation format was introduced on a pilot basis in 2019. The shorter evaluations allow IEO to respond more nimbly to new issues and concerns by focusing on a narrower topic based on timely input. The report on *IMF Collaboration with the World Bank on Macro-Structural Issues* (IEO 2020b) was the first pilot for this new format.

The IEO has also undertaken a number of internal stocktaking exercises over the past two years, drawing on previous evaluations to provide lessons on issues of current concern, which are shared with management, staff, and the Board. These reports can be completed quickly because they do not require preparing new evaluative material. Topics included lessons from past crises relevant to the IMF's response to COVID-19; remote work and building back better; resource priorities and scope for efficiency gains; and institutional integrity issues.

Impact of IEO Evaluation

How much impact has IEO work had on the IMF's policies and practices? This is a hard question to answer definitively because impact can occur through multiple channels, results can take many years to fully materialize, and causality is hard to prove. A later chapter looks at impact in greater depth. This section discusses three ways to consider the impact of IEO evaluations: the actions taken in Management Implementation Plans (MIPs); substantial changes in IMF policy frameworks, budgetary allocations, and internal guidelines following IEO findings and recommendations; and feedback from external evaluations of the IEO itself.

Tracking Implementation

The most concrete evidence of the IEO's impact is seen in the implementation of the action items included in the MIPs prepared by staff and approved by the Board following recommendations by the IEO. Implementation is tracked by the Office of Internal Audit's Periodic Monitoring Report (PMR), usually prepared annually.

The PMR has shown a generally positive record with implementation, albeit with some delays and a backlog of items facing serious challenges. The most recent PMR discussed by the Board in September 2021 (IMF 2021a) covered 10 MIPs approved between 2012 and 2020. It found that out of 122 action items, 79 had been completed, 19 were on track, and 16 were overdue by a year or more. In addition, there is a backlog of eight items (identified by a 2019 triage exercise completed just before the pandemic) that faced implementation challenges. These items were reformulated in a separate MIP approved in early 2022. Many of these related to earlier MIPs when less care was taken to ensure that actions were SMART (Specific, Measurable, Attainable, Relevant, and Timely). Finally, as discussed later in this chapter, a further 15 action items were retired in early 2020 as no longer a high priority or duplicative of other workstreams.

New Policies and Frameworks

The PMR is useful for tracking but does not provide much information on the depth of an action and the extent of its likely impact. A better sense of impact can be obtained by focusing on areas where the findings and recommendations in IEO evaluations prompt actions of particular significance for IMF policies and practices, including new Board-endorsed policy frameworks, increased budgetary allocations, and new internal staff guidelines. However, it has to be recognized that success has many authors; typically, the IEO is just one input into a broader process, with end results always involving considerable staff analysis, management guidance, and Board oversight, making strict attribution hard.

Bearing in mind this caveat, one can point to a range of specific areas where the IMF has approved new or modified policy frameworks, increased budgetary allocations, and provided internal guidance on staff practices and procedures in which IEO's evaluations have helped identify and frame problems and influenced recommendations (Box 2.1). New Board-approved policy frameworks include those for data and statistics work at the IMF; for work on social protection; for design of IMF-supported programs with members of currency unions; and for engagement with fragile states (Box 2.1). The institutional view on capital flows and the policy on Financial Sector Assessment Program (FSAP) allocations were both modified.

Budgetary allocations were significantly increased for work on fragile states and for financial sector work. Guidance to staff was provided on assessing reserve adequacy, tenure of country assignments, and best practices in self-evaluation. Further detail on each is provided in Annex 2.1.

Deeper Impact

More broadly, evaluation can have a fundamental influence on the IMF's work by facilitating Board oversight; by fostering a culture attentive to learning from experience and being open to new ideas; by encouraging deeper expertise in key areas; and by increasing outside understanding of the IMF's work and thus supporting the IMF's legitimacy. In these ways, evaluations can have an important impact even if they were not directly followed by implementation of a Board-endorsed recommendation.

One of the key tasks of external evaluations of the IEO in 2006, 2013, and 2018 has been to reach a judgement on these broader aspects of the impact of evaluation, based on extensive interviews and surveys as well as a review of the implementation record. As laid out in more detail in Annex 2.2, all three external evaluations reached a positive conclusion about the quality of the IEO's work, finding that independent evaluation was making an important contribution to the IMF's learning culture as well as providing valuable input for IMF policy development. At the same time, each concluded that the full potential of evaluation was not being realized and made recommendations to reinforce the follow-up process and improve collaborative engagement with staff. These recommendations have played a key role in the progressive development of the evaluation and follow-up processes, described in more detail later in this chapter.

RECURRING THEMES IN IEO EVALUATIONS

The IEO's retrospective on its first decade highlighted that a number of themes recurred over multiple evaluations (Lamdany and Edison 2012). Five of these themes were identified and discussed in a subsequent report in 2014 on recurring issues in IEO evaluations (IEO 2014c) and have remained relevant notwithstanding institutional efforts to address them. In addition, three other themes have received particular attention in more recent evaluations, although also emerging in earlier evaluation work.

Some of these themes are common among large organizations whose business models are highly effective in achieving their immediate goals but must continue to

BOX 2.1. CHANGES IN IMF POLICIES AND PRACTICES RELATED TO IEO EVALUATIONS

This box provides information on changes in IMF policies and practices that have followed from specific IEO evaluations. In each case, the findings and recommendations made by the IEO played a relevant role, although, since many factors go into the process of changing IMF policy guidelines and staff practices, attribution to evaluation work cannot be definitive.

***International Reserves: IMF Concerns and Country Perspectives* (IEO 2012):** This evaluation fed into a series of staff papers reexamining the IMF's approach to assessing reserve adequacy. It led to a more flexible use of reserve adequacy indicators in bilateral surveillance, culminating in a 2016 Guidance Note to Staff on Assessing Reserve Adequacy and Related Issues (IMF 2016a).

***The Role of the IMF as Trusted Advisor* (IEO 2013):** To foster greater country knowledge and understanding, management issued guidelines to encourage longer tenure in country assignments of mission chiefs and staff. But progress has been slow because of multiple considerations that affect rotation of staff through assignments, and this item has been reformulated.

***IMF Response to the Financial and Economic Crisis* (IEO 2014a):** The IMF worked with multilateral development bank (MDB) partners to develop and implement the G20 principles on coordination with MDBs on policy-based lending. Extensive efforts have been made to rationalize existing risk products and scenario analyses within an integrated and common framework across the IMF aimed at avoiding duplication of work and providing member countries with a clearer and more coherent perspective of how the IMF views the risks facing the global economy.

***Self-Evaluation at the IMF: An IEO Assessment* (IEO 2015):** In 2016, management issued a statement of principles and best practices in self-evaluation (IMF 2016b) that provides guidance for discussing past program results with authorities, conducting policy and thematic reviews, and monitoring.

***The IMF and the Crises in Greece, Ireland, and Portugal* (IEO 2016a):** In 2017, the Board endorsed a staff paper on collaboration with regional financing arrangements and in 2018, it approved general guidance on design of IMF-supported programs with members of currency unions.

***Behind the Scenes with Data at the IMF: An IEO Evaluation* (IEO 2016b):** In 2018, the Board endorsed the overarching strategy on data and statistics at the Fund in the digital age, addressing most of IEO's recommendations and supporting a forward-looking approach to gathering, processing, and sharing economic data and statistics. Unfortunately, operationalization of the new strategy has fallen behind, in part because of pandemic-related delays.

***The IMF and Social Protection* (IEO 2017):** Staff prepared a new framework paper to guide the IMF's work on social protection (IMF 2019a). After an extensive consultation exercise with external stakeholders, staff decided to broaden the paper to cover all aspects of social spending, including health and education.

***The IMF and Fragile States* (IEO 2018a):** The Low-Income Countries Facilities review in 2019 approved higher access limits to emergency financing and greater flexibility in program design for countries facing high near-term uncertainties. A new career path for macroeconomists approved in 2020 strengthened incentives for staff to work on these countries. A new IMF strategy for work on fragile and conflict-affected states (FCS) and increased budgetary resources for FCS work were approved in early 2022 (IMF 2022a).

***IMF Financial Surveillance* (IEO 2019a):** The Comprehensive Surveillance Review and the Financial Sector Assessment Program (FSAP) review in May 2021 sought to deepen macro financial analysis and adopted a new, more risk-based approach to allocating FSAP resources. (IMF 2021b and 2021c). Budget resources for financial sector work were ramped up in the budget augmentation in early 2022.

***IMF Advice on Unconventional Monetary Policies* (IEO 2019b):** A core group of monetary policy experts has been established and a series of papers has been prepared on monetary policies in low interest-rate environments.

***IMF Advice on Capital Flows* (IEO 2020a):** The IMF's Institutional View on capital flows was revised in 2022 (IMF 2022b) based in part on input from the evaluation as well as from staff's work on an integrated policy framework. Staff are deepening and extending monitoring and research work on capital account issues and strengthening cooperation with multilateral partners.

Source: IEO.

evolve to meet new challenges. Others are more particular to international organizations with governance structures seeking to reflect and balance the interests of a large and diverse membership.

As noted in the 2014 report, efforts to address these issues are important to ensuring the IMF's continuing effectiveness and credibility and to overcoming natural tendencies towards institutional inertia.

Organizational Silos

In the 2014 report, concerns were raised that silo behavior, marked by poor coordination among different parts of the organization, can result in weak analysis if it causes insufficient integration of work across IMF departments. Such behavior was observed in multiple evaluations, including, for example, in *IMF Performance in the Run-Up to the Global Financial Crisis* (IEO 2011) and *The Role of the IMF as Trusted Advisor* (IEO 2013).

The High-Level Status Report (HLSR) prepared in 2017 by staff in response to the 2014 evaluation (IMF 2017a) and more recent evaluation reports have found that some progress has been made. The HLSR highlighted efforts to strengthen teamwork across the organization, to promote a learning environment, implement a knowledge management strategy, and more fully integrate work on capacity development, surveillance, and macro-financial issues. The 2019 financial surveillance evaluation confirmed more effective integration of bilateral and multilateral surveillance (IEO 2019a). However, the same evaluation also highlighted the need for greater integration of financial and macro-financial work across Article IV and FSAP bilateral surveillance.

Country and Institutional Context

The 2014 report raised concerns that insufficient attention to country specificity and institutional context had diminished the effectiveness, value added and traction of what the Fund offers. The 2013 evaluation of the *Role of the IMF as Trusted Advisor* (IEO 2013) raised specific concerns about aspects of IMF staffing policies that have led to high turnover of country teams and reduced incentives to develop deep country knowledge, particularly for smaller, lower-income, and fragile countries.

The HLSR highlighted efforts to better tailor country advice in bilateral surveillance, including preparation of guidance and how-to notes. On mission tenure, however, little actual progress has been made, despite issuance of departmental guidelines on minimum tenure. The Tenth Periodic Monitoring Report (IMF 2019d) reported continuing rapid rotation of country teams, with the average tenure of mission chiefs around two and a half years, unchanged since 2013. The evaluations of *The IMF and Fragile States* (IEO 2018a), *IMF Advice on Unconventional Monetary Policies* (IEO 2019b), and *IMF Engagement with Small Developing States* (IEO 2022a) identified the lack of depth of country understanding and short tenure of country working assignments as serious obstacles to the IMF achieving greater impact as a result of its work. This issue will be addressed with new commitments provided in the 2022 implementation plan to reformulate a number of off-track open actions.

Evenhandedness

Evenhandedness—understood at the IMF as providing similar treatment to members in similar circumstances—has been a perennial concern, notwithstanding considerable attention in IMF policies and practices seeking to ensure consistent treatment across the membership. The 2014 report highlighted three concerns arising from asymmetric treatment: differences in analysis, especially between advanced, emerging, and low-income countries; perceptions that political influence was being exercised in a non-transparent way; and differences in the candor of messages to large and smaller members.

The HLSR highlighted actions to address these issues, including introducing a measure of the evenhandedness of surveillance and a mechanism to assess members' concerns about evenhandedness in surveillance. Recent evaluations have also recognized intense efforts to provide policy advice in an evenhanded way. For example, the evaluation of *IMF Advice on Capital Flows* (IEO 2020a) found that the Institutional View on capital flows had been applied in an evenhanded manner across advanced and emerging countries, even though this had raised some concerns about whether the resulting advice was well suited to country circumstances. However, questions about evenhandedness have lingered in the program context. The evaluation of the IMF crisis-response lending programs for Greece, Ireland, and Portugal (IEO 2016a) raised concerns about political influence, including the last-minute change in exceptional access policy that allowed the Greece 2010 Stand-By Arrangement to be approved.

Executive Board Guidance and Oversight

The 2014 report raised concerns about the lack of clear guidance by the Board across a broad range of IMF policies and suggested that this could lead to inconsistency in advice or diminution of the IMF's ability to engage with authorities at the early stage of policy formulation. It also raised concern about weaknesses in oversight, as the

Board was not always provided with necessary information and was handicapped by limited capacity and high turnover. The report noted that some progress had been made, for example, in developing Board-approved frameworks in areas such as the FSAP; retrospective assessments of programs involving the protracted use of IMF resources; and the Institutional View on capital flows.

More recent evaluations highlighted the need for similar policy frameworks for IMF advice on social protection and monetary policies—the former has been delivered and the latter is expected to emerge from the implementation plan of the evaluation on IMF advice on unconventional monetary policies. Progress has also been made toward achieving a more effective Board governance structure as noted in the HLSR and the 2018 update on IMF governance (IMF 2018), including conclusion of the Fourteenth General Review of Quotas and steps to strengthen Board procedures and ensure early Board engagement on challenging policy and country issues. These issues are discussed further in Chapter 3.

However, the governance update concluded that issues still remain concerning representation and the Board's oversight capacity. The euro-area crisis evaluation (IMF 2016a) highlighted particular concerns about the Board decision-making process in an important case affecting advanced economies, finding that the policy on exceptional access had been modified without the usual deliberative process, contributing to the perception that support for European members had been more generous than for other member countries.

Attention to Risks and Uncertainties

Insufficient attention to risks and uncertainties was identified in a number of early evaluations, but the 2014 report noted that such concerns seemed less prevalent in more recent evaluations as the IMF had paid greater attention in this area in its surveillance and program work.

The HLSR emphasized that the Risk Management Unit (now ORM, the Office of Risk Management) had developed a full-fledged risk-management framework and facilitated a common understanding of risk across the IMF. It also highlighted increasing attention to risks, vulnerabilities, and spillovers, and the strengthening of risk-assessment tools. The *Financial Surveillance* evaluation in 2019 (IEO 2019a) acknowledged the improved quality of monitoring and analysis of financial and macro-financial risks in IMF bilateral and multilateral surveillance. At the same time, the evaluation offered recommendations on how this work could have greater impact, including through more open communication and greater integration of Article IV and FSAP surveillance work.

In 2021, OIA prepared an audit of the IMF's enterprise risk framework which recognized significant progress in strengthening enterprise risk management (ERM) but concluded that further progress was needed to reap the full benefits (OIA 2021). Since then, ORM has been developing a roadmap for ERM and an ERM policy.

In addition to these five themes, recent IEO evaluations have highlighted three additional themes: the need for deeper expertise to provide value-added advice, the need to work more effectively with the World Bank and other partner institutions in areas of shared interest and mandate, and the need for continuous learning and adaptation of policy frameworks.

Depth of Expertise

The IMF's professional staff is broadly divided between the macroeconomists, who often spend much of their careers at the IMF and fill most of the managerial-level positions, and the specialists, subject-matter experts who often are hired mid-career and generally have more limited career paths. While this model for managing human resources has generally served the IMF well, it has meant that much of its country advice, particularly in surveillance, is developed and delivered by generalists who sometimes lack expertise and experience that would be valuable when engaging with country officials who often have much deeper background in their policy field.

Such concerns were raised in the recent evaluations of IMF financial surveillance, advice on unconventional monetary policies, and advice on capital flows and capacity development. Each recommended that the IMF pay greater attention to incentives and career paths for subject-matter experts in core areas at the heart of the IMF's mandate. In addition, the evaluation of collaboration with the World Bank on macro-structural issues observed that the IMF needed to build its expertise in these issues in order to benefit from relationships with partners that have longer and more sustained engagement in these areas. The new human resources (HR) model that the IMF is introducing pays some attention to these concerns, including development of an expert track, preparation of a talent inventory, and workforce planning. However, progress to date in advancing these initiatives has been quite slow and it remains to be seen whether these initiatives will succeed in addressing this problem.

Working with Partners

For much of its work on country matters and on multilateral issues, the IMF needs to collaborate with other institutions. Such collaboration has become particularly important as partners provide important alternative sources of external financing and as the macroeconomic importance of issues that were traditionally outside the IMF 's core expertise, including climate, gender, and inequality, are increasingly recognized.

Recent evaluations have highlighted that the collaboration between the IMF and its partners has been quite uneven. On country issues, the euro-area crisis evaluation (IMF 2016a) raised concerns about the lack of a framework for programs in a currency union and the difficulties raised by the need to work closely with two other key stakeholders within a troika structure. The fragile states evaluation (IEO 2018a) highlighted the need to engage more effectively with other agencies providing support to these countries, especially given their limited institutional capacity. The evaluation of growth and adjustment in IMF-supported programs (IEO 2021) highlighted the need for more effective collaboration with partners such as the World Bank in areas outside the IMF's core mandate and expertise. By contrast, the social protection and financial surveillance evaluations found that the IMF had worked quite effectively with the World Bank on social safety nets and FSAPs. On multilateral issues, the trade policy update (IEO 2019d) found that the IMF has worked much better with the World Trade Organization in recent years after the trade policy evaluation was completed; the social protection evaluation raised concerns that differences between the IMF's targeted approach and the human rights based approach of the UN agencies complicated engagement in this area; and the evaluation on capital flow advice (IEO 2020a) called for a strengthening and institutionalization of collaboration on capital flows with other international organizations working on these issues.

The recent evaluation on *IMF Collaboration with the World Bank on Macro-Structural Issues* (IEO 2020b) was the first to focus squarely on the IMF's work with a partner institution. It found that work with the World Bank on macro-structural issues such as inequality and climate was widespread, but usually quite shallow. The evaluation corroborated findings from earlier evaluations that collaboration was often too reliant on personal relationships and was discouraged by an IMF culture of self-reliance. It found that collaboration was deeper and more consistent when partners agreed on a clear framework laying out the roles and responsibilities of each and establishing incentives for collaboration.

This sustained attention to collaboration may be bearing some fruit. The implementation plan for the IMF-World Bank evaluation included a number of steps to strengthen strategic coordination on climate issues, to increase incentives for staff collaboration, and to facilitate information and knowledge sharing between the institutions. Moreover, the implementation plan for the growth and adjustment evaluation (IMF 2022c) included a commitment to implement the broad principles for coordination with the World Bank under the new Resilience and Sustainability Trust and to review the broader collaborative experience in IMF-supported programs.

Continuous Learning and Adaptation

As mentioned earlier, increasingly the IMF's work is guided by Board-approved policy frameworks, which often require considerable time and effort to build consensus for and put in place. The agreement on a list of systemic jurisdictions subject to mandatory FSAPs and the Institutional View on capital flows are good examples. These frameworks have helped ensure more consistent and evenhanded advice to members.

However, while such policy frameworks are typically subject to periodic review by staff and the Board, modifications can be hard to achieve and often are limited in scope. This leads to a risk that the IMF's policy frameworks may not reflect the latest research, experience, and priorities, and therefore, may not support cutting-edge advice where it's most needed.

Such concerns were raised in the financial surveillance evaluation (IEO 2019a), which called for a more dynamic, risk-based approach to allocating FSAP resources, and in the capital flows evaluation (IEO 2020a), which called for the Institutional View on capital flows to reflect recent work—including the IMF's own research on an Integrated Policy Framework for dealing with external shocks. In both cases, the evaluations contributed to useful subsequent modifications of the relevant policy frameworks that tracked the IEO's recommendations—but the scope of change was less than recommended by the IEO, as staff needed to develop compromise approaches to gain consensus support at the Board.[1]

1 Korinek, Ostry, and Loungani (2022) discuss the update to the Institutional View on capital flows, concluding that although it included welcome fixes, major rethinking is still needed.

PERSISTENT CHALLENGES

Throughout its 20 years, the IEO has worked to provide maximum value to the institution through its independent evaluations, even in the face of persistent challenges, and responded to the findings and recommendations of three external evaluations. This section looks at how three challenges were addressed over the last decade: extending the product mix, strengthening the follow-up process, and setting appropriate boundaries for evaluations.

Extending the Product Mix

The IEO's main work product since its inception has been a full-scale evaluation presented to the Executive Board, with an overview paper containing findings and recommendations and numerous supporting background papers to provide more in-depth coverage of a wide range of supporting evidence. Over its existence, the IEO has prepared 34 of these reports, taking on a broad range of topics "of importance to the Fund's membership and of relevance to the mandate of the Fund," in line with the IEO's TOR. These evaluations have typically taken 18 months to 2 years to prepare and have absorbed substantial IEO staff and consultant resources. The follow-up process as it has evolved over time also takes considerable time and staff resources.

Over the last decade, the IEO has introduced two new, more streamlined products—the evaluation update and the shorter evaluation—to revisit the topics of past evaluations and respond more nimbly to issues of current concern.

Evaluation Updates

In 2012, the IEO decided that it would be helpful to revisit past evaluations to examine whether the original findings and conclusions remained relevant; whether the recommendations remained useful; the degree to which issues identified had been dealt with; and whether new issues were arising. The motivation for these updates came from repeated inquiries from Board members and member countries on the status of issues raised in IEO's earlier evaluations. This had also been an area of interest raised by the 2013 external evaluation of the IEO.

The first two updates revisited two of the initial generation of IEO evaluations, *Evaluation of Prolonged Use of IMF Resources* (IEO 2002) and *Fiscal Adjustment in IMF-Supported Programs* (IEO 2003a) and were included as annexes to the IEO's 2013 Annual Report. These updates found substantial progress in the areas addressed by the corresponding evaluations, but they also determined that many of the initial conclusions and recommendations remained relevant. These first-generation updates were conceived as pilot projects, designed to draw lessons on how best to develop this product.

Shortly after the "pilot" updates were issued, the IEO presented a TOR for this product (EB/EVC/13/15; IMF 2013) to the Executive Board's Evaluation Committee (EVC). The TOR specified that updates would revisit past IEO evaluations 5 to 10 years after they were first issued. They would be brief stocktaking exercises, much more modest in scope than full evaluations: they would summarize the original IEO evaluation, describe follow up, and identify outstanding issues and new challenges. The initiative was well received by the EVC and other Board members, many of whom were relatively new to the IMF and valued the update as a way of getting acquainted with past IEO work.

With the EVC's endorsement, the IEO continued with the preparation of updates, and 10 have been issued so far. They are largely based on desk reviews of IMF documents and interviews of IMF staff, management, and Board members, and do not involve preparation of case studies or background papers, so they can be completed in a shorter time frame, usually less than a year, and at much lower cost than a full evaluation.

Updates are issued as self-standing reports; they are accompanied by a Statement by the Managing Director, and since 2017 have been presented at an informal Board seminar, not a formal Board meeting. The scope of the updates is limited. Updates refrain from presenting recommendations, even if they identify new challenges or issues in implementing earlier recommendations, and thus do not entail any formal follow-up process. In cases where the updates find significant issues, they advise launching a new full-fledged evaluation of these issues.

Given the absence of a formal follow-up process, the impact of evaluation updates is more through generalized learning rather than concrete actions. Nevertheless, updates can bring attention to issues that does lead to concrete follow up. For example, the update of the evaluation on structural conditionality in IMF-supported programs (IEO 2018b), completed in advance of the 2018 review of program design and conditionality (IMF 2019b), prompted a major effort to strengthen oversight of the IMF's MONA database that monitors objectives and outcomes of IMF-supported programs.

Shorter Evaluations

The positive experience with the evaluation updates was one of the factors that led the third external evaluation to recommend that IEO produce shorter evaluation products that could be prepared more quickly as an input into current topics being discussed by the Board. The IEO agreed that there was value in having a more flexible product mix to be able to respond more nimbly to the Board's concerns and feed into staff work on a timely basis, while being cognizant of the need to ensure value added and avoid interfering with operational activities. The IEO proposed a shorter evaluation product that unlike updates would not be limited to previous topics and could involve a follow-up process where justified (IEO 2019c).

Under the IEO's proposal, shorter evaluation topics would normally be chosen with input from management, Board, and staff, making sure that the selected topic is sufficiently specific and narrowly focused to allow for delivery of a high-quality evaluation within a shorter time frame. Particular care would be taken to ensure that shorter evaluations were timed to feed constructively into the staff work program and uphold the principle of no interference with operational activities. Moreover, care would also be taken to ensure that the introduction of shorter products did not significantly increase the burden on the institution in preparing and following up on evaluations. The IEO proposed that a shorter evaluation would be discussed by the Executive Board in a formal meeting when it included recommendations, or in an informal Board meeting when the focus would be to help the organization learn from experience. Recognizing the need to avoid straining the institution's capacity to absorb evaluation reports, the IEO proposed that the total number of evaluation reports would not increase and that the number of new MIPs would not exceed two per year.

The EVC agreed with this proposal on a pilot basis, calling for an external review of experience after the completion of two shorter evaluations. While most directors were in favor of this new product, some raised concern that to be effective, the shorter evaluation would need to incorporate recommendations to be discussed in a formal Board meeting.

To date, one shorter evaluation has been completed, on *IMF Collaboration with the World Bank on Macro-Structural Issues* (IEO 2020b). After consultation with Board members, it was decided that this evaluation would include recommendations and would be discussed by the Board. The Board discussion was delayed by the IMF's emergency COVID-19 pandemic response, but still provided timely input into the Comprehensive Surveillance Review (which was also delayed) and the IMF's increasing work on climate issues. The evaluation was generally well received by the Board, which appreciated the valuable material on an important issue. At the same time, a number of directors brought attention to the trade-offs involved in the shorter format, suggesting that more attention to country perspectives and deeper collaboration between the IEO and the World Bank's evaluation group in preparing the report would have enriched the evaluation.

Comment

In sum, these innovations provide a more flexible set of evaluation instruments that in principle should allow the IEO to respond more nimbly to issues of current interest to the IMF. Experience to date with these new products is still quite limited and it remains to be seen how to optimize the utility of the new evaluation approaches. In particular, it remains an open question how to best manage the trade-off between the greater potential impact of a full-scale, in-depth evaluation with a thorough follow-up process, and a narrower, more focused evaluation that can be completed sooner but receives more limited follow up. A key aspect to answering this question is how evaluation can have the greatest impact: by prompting concrete changes in IMF policies and frameworks or by encouraging institutional learning from experience?

Strengthening Follow Up

As emphasized in repeated external evaluations, a persistent challenge for independent evaluation at the IMF has been to ensure follow through on evaluation work. As discussed earlier, the impact of evaluation occurs through many channels. In this section, the focus is on the formal follow-up process for implementation of evaluation recommendations endorsed by the Executive Board. Over the last decade, this formal follow-up process has continued to be strengthened, mainly following suggestions made by external panels. As a result, the IMF now has in place a follow-up and monitoring framework for IEO evaluations that provides clear guidance on Board decisions, leads to implementation plans with clear accountability, and provides informed, arm's-length assessments of implementation. In many respects, the current framework is one of the most robust approaches across evaluation offices at international financial institutions. It is quite demanding in terms of time and commitment from all parties concerned but has played an important role in increasing the impact of evaluation within the IMF.

The main components of this formal follow-up framework that the IMF uses to guide and monitor the implementation of IEO's recommendations are: the summing up of the Board discussion, the MIP, and the PMR.[2] The process for each of these tools has gradually evolved in light of experience. In addition, in 2019, the IMF went through a triage process to address the backlog of measures from earlier implementation plans that had fallen off track in the face of institutional challenges.

Executive Board Summing Up

A summing up (SU) describing the Board's views on the IEO's evaluation and conclusions is issued following the Board discussion. The SU plays a key role because it states the Board's position with respect to the IEO's recommendations, that is, whether it endorses them or not, and offers directors' views on how the recommendations should be implemented as guidance for the subsequent implementation plan.

- Following the second external evaluation of the IEO (the Ocampo report), the SU process has been fine-tuned, requiring that IEO evaluations explicitly list recommendations, that management clearly indicate its position in a statement ahead of the Board meeting, and that Board members indicate whether they support the Managing Director's position.

- Following the third external evaluation of the IEO (the Kaberuka report), steps have been taken to give the IEO more of a role in ensuring the SU is a fair and accurate reflection of the Board's views. Accordingly, responsibility for preparation of the first draft was shifted from the department responsible for strategy, policy, and review (SPR) to the Secretary's Department, and a process set in place for early consultation with the IEO as well as other relevant IMF departments in preparing the draft.

Management Implementation Plans

Within six months of the Board discussion, IMF staff is required to prepare a forward-looking plan listing actions to address the Board-endorsed recommendations from the SU. MIPs have been produced since 2007 in response to the recommendations of the first external evaluation of the IEO (the Lissakers report). MIPs are discussed by the Evaluation Committee of the Board, which often, especially of late, requests clarifications and revisions in cases where it judged that the draft MIP was insufficient to deliver on the Board-endorsed recommendations. MIPs are then endorsed by the full Board (usually on a lapse of time basis).

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2 A detailed discussion of the evolution of the SU, MIPs, and PMRs through 2012 can be found in "Independent Evaluation at the IMF: Understanding the Evaluation Cycle," by Alisa Abrams and Ruben Lamdany, in *Independent Evaluation at the IMF: The First Decade*, Ruben Lamdany and Hali Edison, IMF Publication Services, 2012.

The quality and enforceability of MIPs have improved over time. The first few MIPs mostly listed how ongoing IMF work streams would address the endorsed recommendations, even if work streams were not always clearly linked to the corresponding recommendations. MIPs gradually evolved as SUs became clearer on what had been endorsed and as the Evaluation Committee requested that they include monitorable actions specifically linked to the recommendations endorsed by the Board.[3] MIPs now specify which IMF unit is responsible for implementation of each proposed action, provide a timetable for action, and estimate budgetary costs, if any. Moreover, in response to the third external evaluation, the 2018 Kaberuka report, staff have committed to make sure that MIP actions are "SMART," that is, Specific, Measurable, Attainable, Relevant, and Timely, to boost monitoring and accountability.

Periodic Monitoring Report

Since the 2006 Lissakers report, the PMR has been prepared by staff about once a year to track the implementation of actions in MIPs.[4] Preparing the PMR is a complex task that requires assessing the implementation of actions across many different themes and deciding when there has been sufficient progress to discontinue the monitoring. Following the concern expressed in the 2013 Ocampo report about possible conflicts of interest, the OIA assumed responsibility for preparing the PMR, in consultation with, but independently of, the IEO and the departments charged with implementation. OIA has improved the readability and candor of the PMRs, which in turn has allowed for an easier and more transparent tracking of progress.

Over time, the PMRs prepared by OIA made it clear that there was a growing backlog of "open" MIP actions—actions that had not been implemented and could not be closed. As discussed in successive PMRs, for many actions, progress was slow because of unforeseen obstacles or a lack of motivation. For some open actions, there were no ongoing efforts to implement them because the issues had been overtaken by circumstances or because implementation proved to be too complicated or costly.

Until 2018, PMRs were discussed and endorsed by the Evaluation Committee without direct involvement by management or the implementing departments. Given its concerns about lack of traction, the 2018 Kaberuka report suggested that the PMR should be discussed and approved by the full Board, chaired by

[3] In addition to the actions linked to specific recommendations, MIPs had sometimes proposed actions to address challenges described in the evaluation but for which there were no IEO recommendations.

[4] The 2021 PMR was delayed beyond the usual one-year period because of COVID-19-related work pressures on staff.

management, providing the Board with greater opportunity to hold management accountable for long-standing open action items. This occurred for the first time in January 2020.

Categorization Exercise

As a further step to improve traction, the 2018 Kaberuka report recommended that the Board address the backlog of open management actions using a triage exercise that would prioritize different categories of open actions. Following this recommendation, in early 2020, staff presented the Board with *Categorization of Open Actions in Management Implementation Plans* (IMF 2019c), together with the Tenth PMR (IMF 2019d). This paper divided open actions into three categories: those that were on track to be met; those that should be retired from PMR monitoring because full implementation was no longer seen as valuable or viable or because they could be monitored more effectively through a different vehicle (for example, policy and thematic reviews); and those that should be reformulated and reinforced. After considerable discussion, the Board agreed to retire 15 open action items and to reinforce or retain 9 other items.

While work was delayed by the pandemic, a new *Implementation Plan in Response to the Executive Board-endorsed Categorization of Open Actions in Management Implementation Plans* (IMF 2021d) was prepared and presented for Board approval in early 2022. This new MIP reformulated eight actions approved by the Board as benefiting from further follow up, including to strengthen the continuity between the IMF and member countries, enhance knowledge sharing across successive country teams, improve incentives for sound data management, alleviate country authorities' concerns about disclosure, and create a more robust review process for working papers.

Comment

Based on these successive innovations, the IMF now has a follow-up and monitoring framework for IEO evaluations that provides clear guidance on Board decisions, implementation plans with clear accountability, and informed, impartial assessments of implementation. This framework has improved over time, and is likely to continue evolving, but it already facilitates evaluations to enhance effectiveness and learning at the IMF. A key feature of the framework is that it sets out important but distinct roles for the Board, management, and staff, together with the IEO, to help enhance the impact of the IEO's work.

Setting Boundaries

During the past 20 years, the IEO has been able to undertake and successfully conduct the evaluations that it considered appropriate to fulfill its mandate. Nevertheless, in a handful of cases, it encountered some pushback from IMF management, staff, and some Executive Directors, on the timing and scope of these evaluations. This resistance was mostly related to concerns about the potential for IEO interference as it conducts evaluations of the management and resolution of crises, particularly involving large-scale IMF financing. While the IEO encountered resistance only a few times, these situations tested the limits of its independence and usefulness. This section discusses how these situations evolved, how they were resolved, and what could be done, if anything, to further reduce their frequency and intensity.

As laid out in its TOR, the IEO's mandate is "to enhance the learning culture within the Fund, strengthen the Fund's external credibility, and support the Executive Board's institutional governance and oversight responsibilities."[5] This is to be achieved by "systematically conduct[ing] objective and independent evaluations on issues … of relevance to the mandate of the Fund." The work program is to focus on "issues of importance to the Fund's membership and of relevance to the mandate of the Fund … and take into account current institutional priorities."

This very broad mandate is explicitly constrained by a clause in the IEO TOR stipulating (in its latest iteration) that "in conducting its work, IEO should avoid interfering with operational activities, including current programs."[6] A similar clause was included in the original TOR approved by the Executive Board in 2000 to respond to staff concerns that the IEO could "get in the middle of delicate negotiations on country issues," according to the chair of the Board committee responsible

[5] Originally the IEO mandate also included promoting greater understanding of the work of the IMF throughout the membership, but this goal was dropped following the second external evaluation of the IEO, as it was deemed to be less important given the increased transparency of the IMF in the decade since the creation of the IEO. Also, the original reference to avoid "attempting to micromanage the institution" was deleted since that had never been an issue.

[6] The TOR also sets limited restrictions on access and disclosure of information and documents, which have been clarified over time, most recently in the 2017 Guidance to Staff on Cooperation with IEO (IMF 2017b). The IEO cannot disclose information obtained from staff or management that was provided by officials of a member country or other source on a confidential base without the consent of the member or other source. In addition, there are restrictions to IEO's access to information subject to attorney-client privilege, documents containing personal information about IMF employees, and management's confidential communications with persons or institutions outside the IMF, and within and between their immediate offices.

for drafting the TOR.[7] From the summing up of the Board discussion: "There is broad agreement that the [IEO] must avoid interfering with ongoing operational activities or micromanaging the institution. Policies and procedures under active discussion in the Fund and current Fund programs would therefore not be appropriate areas for [IEO] evaluation."

Within this framework, for the past two decades, IEO directors have been able to select topics for evaluation based on their own judgement of what was most relevant to meeting the IEO's mandate, after consultation with the Board, management, staff, country authorities, and civil society. In the conduct of these evaluations, with only a couple of exceptions, the IEO received management's and staff's full cooperation in obtaining the relevant documents and conducting confidential interviews with authorities and other stakeholders.

From the beginning it was understood that the "non-interference clause" was intentionally ambiguous. Indeed, as stated in the 2000 summing up: "As the [IEO] becomes fully operational and gains some initial experience, this issue will become clearer and easier to resolve." In practice, the vague phrasing has meant that when issues have arisen, they have been resolved on a case-by-case basis through discussion among the interested parties, leaving room for significant IEO discretion in the selection of topics as well as for the possibility of pushback from the membership, the Board, and management.

Many if not most IEO evaluations cover ongoing operational activities, certainly those that evaluated ongoing business activities such as surveillance and capacity development, but there were typically no objections as they were not seen as interfering with ongoing IMF work, provided that the evaluation was clearly focused on experience during a well-defined evaluation period.

However, evaluations of IMF lending programs have raised concerns. The first two IEO evaluations, the 2002 evaluation assessing *Prolonged Use of IMF Resources* (IEO 2002) and the 2003 evaluation on *The IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil* (IEO 2003b) covered member countries that had ongoing programs when the evaluations were initiated, but the Board, management, and

7 The clause in the 2001 TOR read: "in conducting its work, IEO should avoid interfering with operational activities, including programs, or attempting to micromanage the institution."

staff did not object at that time.[8] But the first external evaluation of the IEO in 2006 (the Lissakers report) noted that some members of management and staff expressed concern after the fact that releasing the IMF and Argentina evaluation in 2004 had delayed new program negotiations, and argued for a flat prohibition of evaluations involving countries with ongoing programs. The Lissakers report rejected this suggestion. In discussing the report, most directors considered that the IEO should continue to evaluate country cases selectively, refraining from evaluations of ongoing IMF-supported programs, and only review a member's previous IMF-supported program after "a reasonable interval."

Two subsequent evaluations elicited significant initial resistance from management and staff, but the evaluations eventually went ahead as planned; they received full cooperation from staff and their conclusions and recommendations were broadly embraced.

In particular, in 2009, the IEO launched an evaluation of the IMF performance in the run-up to the global financial and economic crisis. Staff initially argued that such an evaluation risked derailing the IMF work in managing the crisis, but this evaluation proceeded with unanimous support from the Board and eventually received full cooperation from management and staff. While the conclusions of this evaluation were hard-hitting, staff built on them for their own self-assessments and to improve surveillance practices.

In 2012, the IEO initiated an evaluation of the IMF response to the global financial and economic crisis that was eventually completed in 2014 (IEO 2014a). By that time, the global financial crisis had morphed into different regional crises. The most profound of these crises was in the euro area, where the IMF was supporting several ongoing programs. Initially, there was significant resistance to the evaluation from staff, management, and many Board members. However, this resistance subsided after the IEO clarified that this evaluation would not include the response to the euro-area crisis, which would be covered in a subsequent evaluation, although some Board members did ask the IEO to include the euro area in its evaluation for the sake of evenhandedness and transparency.

The subsequent euro-area crisis evaluation (IEO 2016a) raised the most contentious debate about the potential for an IEO evaluation to interfere with operational activities. In the fall of 2012 the IEO prepared a list of possible evaluation topics

[8] On the other hand, many senior staff were uneasy about the 2004 evaluation of the programs in Argentina, even though the IMF no longer had an ongoing relationship with the country. But this evaluation had broad support at the Board.

to discuss with authorities at the Annual Meetings in Tokyo. Officials from a wide array of countries asked the IEO to launch an evaluation of the 2010 Stand-By Arrangement in support of Greece's program, which had been canceled earlier that year. On the other hand, authorities from leading euro-area countries strongly argued for the IEO to defer an evaluation of the euro area until after the crisis was completely resolved, on grounds that it could affect the continuing efforts to support Greece. Management and staff also adamantly opposed the launching of such an evaluation. Taking into consideration these views, the IEO Director concluded that it would be premature to begin an evaluation.

The modalities and criteria for the choice of evaluation topics was an important theme in the second external evaluation of the IEO, the 2013 Ocampo report. This report expressed concern about the lack of clear definition in the non-interference clause of what constitutes "current operations." It recommended that IEO's TOR should state that the IEO should be free to review any recent, current, or recurrent Fund activity, except for current lending programs. The panel's and Board's discussions of this issue were implicitly, and sometimes explicitly, conducted in reference to when and whether the IEO should launch an evaluation of the euro-area programs. Eventually, after animated Board discussions, the decision was to modify IEO's terms of reference to say, "In conducting its work, IEO should avoid interfering with operational activities, including current programs," (IMF 2015), a somewhat more specific wording that still left significant room for discretion and did not fully settle the issue of the euro-area evaluation.

In 2014, after the programs supporting Greece (2010 SBA), Ireland (2010 EFF), and Portugal (2011 EFF) had all been completed or canceled, the IEO decided to launch an evaluation of the IMF's support to the euro area, focused on these three programs. This decision elicited immediate and strong opposition from management, staff, and some Board members, mostly from the euro area. As mentioned previously, many other Executive Directors (and some member countries) criticized the IEO for having waited so long to start an important evaluation that they hoped would help them understand and learn from the decision-making process during the initial stages of the crisis. The tone and arguments at the Board discussion on the timing and scope of the evaluation created an environment that led to difficulties in gaining access to documents and cooperation from IMF staff in interviews.

Eventually, when the 2016 evaluation on *The IMF and the Crises in Greece, Ireland, and Portugal* (IEO 2016a) was issued, it was broadly seen as balanced and useful, although management and staff were upset that it discussed the difficulties that IEO had encountered in gathering information. In the end, this evaluation contributed to a better understanding of the IMF's role in the crisis and enhanced its legitimacy, and issues related to IEO access to internal documents were addressed in revised guidelines for staff cooperation with the IEO (IMF 2017b). The report also provided recommendations that will allow the IMF to be more effective when working with currency unions and regional financial arrangements in the future. But the contentious process in preparing the evaluation and differences over timing and coverage led to significant strains in the relations between the IEO and some other parts of the organization (Schwartz and Rist 2016).

In 2018, the third external evaluation of the IEO, the Kaberuka report, examined the issue of the selection of topics in light of the experience with the euro-area evaluation and recommended that the IMF adjust the IEO's TOR to ensure that the scope of operational activities, including current programs, does not restrict the IEO from conducting useful evaluations of ongoing activities of the Fund. This recommendation went beyond allowing the IEO to evaluate any completed activity, as recommended by the second external evaluation. In fact, as pointed out by the Managing Director in her comments to the Kaberuka report, the recommendation "would not only require a change to the Terms of Reference but would also imply a reconsideration of the mandate of the IEO." In their discussion of the panel's recommendations, many directors saw merit in clarifying the TOR regarding what activities the IEO is precluded from evaluating. But there was no consensus on the appropriate scope and the Board decided against changing the TOR to clarify the concept of "interfering in current programs."

The issue of possible interference reemerged in 2020 as the IEO adjusted its work program to reflect the impact of the COVID-19 pandemic on IMF activities. This led to renewed tensions with IMF staff who were concerned that it was too early to evaluate the COVID-19 experience and that doing so could interfere with operational activities. The IEO responded that evaluation of the pandemic response was an important part of its evaluations of capacity development and IMF engagement with small states. In addition, the IEO said that in conducting these evaluations, it would evaluate activity only within a set period prior to the launch of the evaluations and would not evaluate current IMF programs. In the discussion of the draft issues papers for these two evaluations, Executive Directors supported the IEO's approach, indicating that exclusion of the early COVID-19 experience would reduce the relevance of these evaluations.

Subsequently in 2021, the IEO launched a new evaluation of the IMF's emergency response to the pandemic (IEO 2021) which explicitly limited the evaluation through end of April 2021 and again avoided evaluating ongoing IMF programs. This scope for the evaluation was broadly supported.

Comment

It is interesting to compare the IEO's experience in this area with that of other evaluation offices. In fact, the TOR or evaluation policies of evaluation offices at the World Bank and the major regional development banks do not include a non-interference clause. Initially these evaluation offices were mainly focused on ex-post evaluations, but over time they have shifted to more "early evaluations," "mid-point evaluations," "formative evaluations," and even "real-time evaluations," responding to strong encouragement from their executive boards and managements to ensure that their work is relevant and timely enough to feed into decision-making. Consistent with this approach, these evaluation offices have worked closely with staff, management, and boards in helping to shape their institutions' COVID-19 responses and develop evaluation frameworks suitable for new COVID-related operations while also providing real-time guidance and early lessons learned from the pandemic experience. (See Chapter 5 for further comparison of the IEO's approach with those of other evaluation offices.)

CONCLUDING OBSERVATIONS

So, what have we learned from the IEO's experience over the past decade? Overall, the record has been very positive, with the IEO consolidating its unique role within the IMF's governance structure and having a substantial impact on a number of important aspects of the IMF's work. The effectiveness of the IEO has benefited from close engagement with the Board, management, and staff, and from innovations to ensure a robust follow-up process and to extend the range of evaluation instruments.

This said, various trade-offs and constraints should be recognized and reflected on to further enhance the IEO's impact.

First, the IEO has remained quite small relative to evaluation offices in other international organizations. The limited number of evaluations allows for a robust follow-up process and enhances the impact of each evaluation without overwhelming the institution's capacity to absorb its findings and act on recommendations that receive Board support. IEO's relatively small size has required it to focus on key strategic issues, based on careful consultation with the major stakeholders.

Second, the IEO's work remains essentially backward-looking and has carefully skirted some topics, particularly related to programs, that could raise concerns about interfering with the IMF's ability to do its operational work.[9] There have been some occasions when such concerns were raised about evaluations proposed by the IEO which were eventually resolved through discussion and adjustments to the timing and scope of these evaluations. It's not clear that further efforts to clarify the language of the non-interference clause in the TOR would succeed; it may therefore make more sense to continue to rely on the Executive Board's Evaluation Committee to provide guidance on what is and is not appropriate for evaluation.

Third, the IEO will need to continue to explore the balance between comprehensive in-depth evaluations and more streamlined approaches that provide insights and lessons more quickly on issues of current concern. There is clearly interest in the IMF and elsewhere in moving toward faster, more timely evaluations, but the appropriate approach will need to be determined pragmatically depending on the topic and the institutional context.

A final point on the evolving IMF learning culture. The IMF is now more willing and able than it was 20 years ago to learn from its own experience and from others. While many factors contributed to this development, it is widely acknowledged among member countries, the Executive Board, and civil society organizations, that the IEO has played a key role in making the IMF a more open organization. IMF management and staff also generally recognize that lessons distilled in IEO evaluations have contributed to the IMF's effectiveness and legitimacy, despite occasional resistance because IEO recommendations may entail additional work assignments amid deadline pressures and tight resources. It bears emphasizing that the IEO shares the underlying commitment to the IMF as an institution, one whose long-term health and success depends on learning from and responding to informed, independent evaluation of its work.

9 An example is that the IEO has not yet evaluated the very large Argentina 2018 Stand-by Arrangement given that the off-track program was not canceled until 2020, and that negotiations on a successor program were not concluded until 2022. However, staff completed a retrospective evaluation of exceptional access under the Argentina program in 2021 (IMF 2021e).

ANNEX 2.1

IEO EVALUATIONS, 2012–22

International Reserves: IMF Concerns and Country Perspectives (2012)

The 2012 evaluation of international reserves examined the IMF's concerns that the large accumulation of reserves by certain emerging markets over the previous decade could jeopardize the stability of the international monetary system. The IMF was advising the countries that it assessed as having excessive reserves to allow greater exchange rate flexibility and adjust other policies to reduce their balance of payments' surpluses and their reserve accumulation.

The evaluation found that the focus on excessive reserves was an indirect and thus less clear way of advancing the IMF's longer-standing concern about the risks from global imbalances. As had been the case with the IMF's advice on global imbalances, the advice on reserves did not have much traction among reserve accumulators that believed IMF analysis was too narrow and did not sufficiently reflect local circumstances. Officials in these countries explained that their demand for precautionary reserves had increased following the global financial crisis, as they saw large international reserves as having helped limit spillovers and restore financial stability. Countries also continued to accumulate reserves as the natural by-product of their exchange rate and competitiveness objectives, allowing them to save the windfall from rising commodity prices and support intergenerational equity.

The Board agreed to IEO's recommendation that metrics of reserve adequacy should be applied flexibly to reflect country-specific circumstances and recognize the multiple trade-offs involved in country-level decisions on reserve adequacy and reserve accumulation. In response to these recommendations and following several Board discussions of staff papers on assessing reserve adequacy in IMF surveillance, in June 2016, management issued a "Guidance Note on the Assessment of Reserve Adequacy and Related Considerations." This note provides guidance on issues to be covered in IMF bilateral and multilateral surveillance.

The Role of the IMF as Trusted Advisor (2013)

The IEO's evaluation of the IMF's role as a trusted advisor focused on its performance during the global financial crisis. The IMF's ability to influence member countries' policies depends not only on members' confidence in the quality of the advice, but also on the relationship established between IMF staff and member-country authorities. Earlier IEO evaluations found that many member countries were hesitant to use IMF staff as a sounding board for policy options because staff was not seen as having in-depth country knowledge and because of concerns that information would be disclosed as part of surveillance, and in some cases could end up in program conditionality.[1] There was also a perception among emerging markets that IMF treatment lacked evenhandedness.

The evaluation found that the IMF's image as a trusted advisor had improved in the aftermath of the global financial crisis. Authorities were more willing to brainstorm with IMF staff about policy options, as they saw the IMF as more open to considering local circumstances and more responsive than it had been in the past. However, the evaluation found that some of the long-standing challenges to the IMF becoming a truly trusted advisor and brainstorming partner remained. Some of these challenges were recognized as inherent to the IMF's mission and governance, for example, the tension between the roles of trusted advisor and policy watchdog, and the perception of lack of evenhandedness across emerging markets and advanced economies. Others were deemed easier to address, for example, enhancing country-specific knowledge to provide tailored advice; creating incentives for staff to remain longer in country assignments and develop the skills to better engage with authorities; and sharing experiences and lessons across countries.

The Board supported IEO's high-level recommendations to enhance the value-added of Article IV consultations; strengthen the continuity of the relationship with country authorities and work closely with them on outreach strategies; reduce disclosure concerns of country authorities; and implement the IMF's transparency policy in a uniform and fair manner. The Management Implementation Plan included commitments to enhance consultations with authorities ahead of policy discussions, to foster longer tenures for mission chiefs and staff on assignments, and

[1] For example, *IMF Interactions with Member Countries* (2009) and *Structural Conditionality in IMF-Supported Programs* (2007).

to enhance surveys of country authorities and offices of IMF Executive Directors to assist in monitoring progress on these measures.[2]

Subsequently, management set targets for the tenure of country assignments, but progress has been slow given multiple competing objectives in the management of human resources. To reduce disclosure concerns, the 2013 Transparency Review clarified the policy on the treatment of confidential information, and the associated guidance note to staff emphasized that this policy should be applied in an evenhanded manner across the membership. Finally, the 2014 review of the IMF's communication strategy noted that communications training had increased for mission chiefs and resident representatives and that efforts had been made to better coordinate external communications through closer consultation with country authorities.

IMF Forecasts: Process, Quality, and Country Perspectives (2013)

In 2013 the IEO concluded an evaluation of the quality and processes involved in IMF forecasts. Forecasts form an integral part of IMF discussions with authorities in bilateral surveillance and are central to the design of IMF-supported programs. The most prominent forecast produced by the IMF is the *World Economic Outlook* (WEO), which constitutes the cornerstone of IMF multilateral surveillance and is universally seen as a key global public good. In addition to the importance of forecasts to the IMF's work, the evaluation was motivated by concerns about the accuracy of IMF forecasts during the global financial crisis and the euro-area crises.

The evaluation found that the processes and methods used to generate short-term forecasts for the WEO were well structured with appropriate quality assurance processes in place; this was also the case for the short-term forecasts used in bilateral surveillance. On the other hand, fewer resources were devoted to the preparation of medium-term forecasts for which processes had sometimes been ad hoc. The accuracy of the WEO short-term forecasts was comparable to that of private forecasts, with positive biases for growth during recessions and crises. Short-term growth forecasts made in the context of IMF-supported programs tended to be overly optimistic at the time of program approval but these biases were typically reduced or reversed at the first program review.

2 Surveys conducted more recently as part of staff surveillance reviews indicate that authorities see staff as more willing than in the past to engage in a genuine dialogue, but they still see substantial room for improvement and would like to see staff make a greater effort to listen to authorities' views and to take greater account of political constraints, particularly in emerging market and low-income countries.

This evaluation led to greater staff efforts to understand the sources of forecast errors in the WEO and at the country level. It also led to greater dissemination of the underlying data and of the methods and processes used to generate the forecasts. Staff posted a high-level description of the WEO forecasting process on the IMF website and a WEO database was created and published in April 2015. Starting in October 2014, WEO reports have discussed the reasons for revisions in forecasts. At the country level, the Strategy, Policy, and Review Department (SPR) increased the attention to forecast errors as part of the review process. Finally, an online course on macroeconomic forecasting was added to the structured curriculum for IMF economists.

However, several actions proposed by staff are still outstanding due to implementation difficulties. The external evaluation of IMF forecasts, initially due in 2015, has been rescheduled several times due to unforeseen changes in external consultants that led to modified terms of reference. The main report of this evaluation was finally published in 2021 together with a follow up working paper prepared by IMF staff.[3] Guidance to desk economists about how best to incorporate advances in forecasting methodologies for short- and medium-term forecasts has yet to be issued, and compliance with data management guidelines (including desk handover procedures) reportedly remain weak. In addition, efforts to improve medium-term forecasting and to develop a multi-country macro econometric model stalled due to heavy resource requirements; these actions were dropped as part of the 2019 categorization exercise.

Recurring Issues from a Decade of Evaluation: Lessons for the IMF (2014)

In 2014 the IEO issued a report identifying major recurring issues from its first 20 evaluations (issued between 2001 and 2013) and assessing where the IMF stood in addressing these issues. The 2013 external evaluation of the IEO had proposed that the IEO prepare a review of major generic and substantive issues that were not "encapsulated in specific recommendations" but that affected the effectiveness of the IMF. It was hoped that identifying these higher-level challenges would be useful to refocus the follow-up process on broader policy objectives. The evaluation grouped the most frequently recurring issues into five broad challenges:

[3] The study, led by Professor Timmermann of the University of California, San Diego, analyzed the predictive accuracy of the WEO forecasts of GDP growth and inflation over the period 1990–2016.

- Organizational silos that complicated the integration of work across different parts of the institution;
- Important instances of insufficient attention to risks and uncertainty in surveillance and program design;
- Shortcomings in country specificity and institutional context in analytical work and policy advice;
- Perceived lack of evenhandedness in IMF analysis and treatment of member countries; and
- Shortcomings of the Executive Board in providing guidance and effective oversight of the institution.

The evaluation found that the IMF had made significant progress in addressing the first two challenges by strengthening the mechanisms of coordination across the institution and establishing processes to focus on risks in analytical and operational work. The other three challenges were more difficult to tackle and progress on them was difficult to measure.

The report recognized that to varying degrees, each of the challenges identified was inherent to the nature of the IMF as a large, complex, multilateral institution, with mandates and governance structures that have evolved over time. Therefore, these challenges were likely to remain as continuing concerns for the institution in the future. The report contained no explicit recommendations but urged that the Executive Board and management continue their efforts to address these seemingly intractable challenges, because doing so is important for enhancing the IMF's effectiveness and credibility. In discussing the evaluation, directors suggested that IEO prepare a similar review every five years and most directors agreed that staff should prepare a separate high-level report on the status of initiatives, which could initially be delivered within two years; however, the Management Implementation Plan left open the question of whether subsequent status reports should be prepared by staff. Staff followed up by preparing a High Level Status Report (HLSR) in 2016 on progress made in addressing these issues, but in light of the need to streamline the work program and the existence of other monitoring processes, it was decided that this would be a one-off exercise.

IMF Response to the Financial and Economic Crisis (2014)

The evaluation covered the IMF response to the global financial and economic crisis through 2013, but excluded programs in the euro area, which were examined separately. The evaluation concluded that the IMF played an important role in the overall response, worked closely with other international organizations, and made a timely and influential call for global coordinated fiscal stimulus. It responded rapidly to requests for financial support, ramping up its non-concessional lending by $400 billion during 2008–13, enabling large and front-loaded access and streamlining structural conditionality. The IMF also showed flexibility in its advice, reconsidering its premature support in 2010 for a shift to fiscal consolidation in some of the largest advanced economies when the growth outlook worsened.

To be better prepared to warn about, respond to, and resolve future crises, the evaluation recommended ensuring that the IMF has sufficient resources for the task by completing the Fourteenth General Review of Quotas; ensuring that quotas keep up with growth in the global economy; developing guidelines for structuring engagements with other organizations; and consolidating and simplifying the IMF's frameworks to identify and assess risks and vulnerabilities. In addition, the evaluation recommended that financial surveillance focus more narrowly on the five to seven most systemic financial centers, but management and the Board considered that fully embedding macro financial analysis in Article IV consultations would be a more effective way to deepen the assessment of risks and vulnerabilities.

Significant progress has been made in implementing these recommendations. IMF quota resources have been increased, reducing dependence on borrowed resources, and the New Arrangements to Borrow facility was extended and made more flexible. The Board endorsed a staff paper on collaboration with regional financing arrangements, setting modalities for engagement on surveillance, lending, and capacity development, and the IMF signed on to the G20 principles on coordination with multilateral development banks on policy-based lending. Finally, continuing efforts are being made to rationalize existing risk products and scenario analyses within an integrated framework across the IMF, aimed at avoiding duplication of work and minimizing demands on area departments.

Self-Evaluation at the IMF: An IEO Assessment (2015)

In 2015, the IEO issued its first report assessing self-evaluation at the IMF with the goal of promoting the organization's learning culture. Although the IMF does not have an explicit, conscious, institution-wide approach to self-evaluation, the evaluation found that considerable self-evaluation activities were taking place, that many self-evaluation activities and reports were of high technical quality, and that self-evaluation was generally a key input in major reviews of IMF policies and operations, including the regular surveillance reviews and reviews of conditionality. Yet, the evaluation also found gaps in coverage, some weaknesses in quality, and shortcomings in the distilling and dissemination of lessons.

The IEO recommended that the IMF formalize the role of self-evaluation by adopting an overall, institution-wide policy establishing what needs to be evaluated and how, who is responsible for these evaluations, and how to follow up on lessons learned. In particular, the IEO recommended that the IMF conduct self-assessments of every IMF-supported program, as is general practice in other international financial institutions, and that country authorities be given the opportunity to express their views on results of each program as well as on IMF performance.

The Executive Board and management agreed on the importance of self-evaluation in promoting a learning culture and in improving the effectiveness of an overall policy framework for self-evaluation. Many directors considered it more useful to build on existing processes while allowing them to evolve with the policy and operational environment. They did not support expanding self-evaluation to cover all IMF-supported programs because of budgetary pressures.

Following up, in 2016 management issued, and the Board endorsed, a Statement of Principles and Best Practices in Self-Evaluation that provides guidance for discussing past program results with authorities, performing policy and thematic reviews, and monitoring. Further improvements in self-evaluation practices include issue of a new guidance note for the conduct of retrospective assessments of members with long-term program engagement, finalization of a new common evaluation framework for IMF capacity development, and the establishment of a dedicated unit in the Institute for Capacity Development aimed at supporting self-evaluation of IMF capacity development work, building on the results-based management (RBM) system.

Behind the Scenes with Data at the IMF: An IEO Evaluation (2016)

In 2016, the IEO completed an evaluation examining whether the IMF's policies and practices with respect to data and statistics were adequate for fulfilling its mandate and generating data as a global public good. Since its founding, collection and publication of data has been an important role of the IMF (for example, the

International Financial Statistics and WEO datasets). Over the years, usually in the aftermath of a crisis, the IMF launched initiatives to improve the production and dissemination of data internally and by member countries (for example, the Special Data Dissemination Standard, and the Reports on the Observance of Standards and Codes). But several prior IEO evaluations had identified inadequate availability of high-quality data as an impediment to IMF surveillance, research, and forecasting.

This evaluation found that many factors contributed to these persistent problems, ranging from institutional incentives for IMF staff to capacity constraints in member countries. During the evaluation period, several initiatives were ongoing across the institution to improve data provision by member countries as well as data management within the IMF, but these were piecemeal and did not address the need for an IMF-wide data framework covering all departments and integrating all databases. Lastly, the evaluation found that there was confusion regarding the ownership of and responsibility for the quality of the data the IMF disseminates.

The evaluation recommended that building on ongoing initiatives, the IMF adopt a long-term overarching data strategy that would go beyond data management and recognize data as a strategic institutional asset. The evaluation also provided suggestions on some of the elements of the data strategy, including to define and prioritize the IMF's data needs, and then support data provision by member countries and reorient the IMF's institutional structures and incentives accordingly.

These recommendations were broadly supported by the Board, setting the stage for an ambitious overhaul of the IMF statistics function. In 2018 the Board endorsed the *Overarching Strategy on Data and Statistics at the Fund in the Digital Age*, addressing most of IEO's recommendations and supporting a forward-looking approach to gathering, processing, and sharing economic data and statistics. Unfortunately, implementation of this new strategy is advancing slowly, in part because of broader delays following the COVID-19 pandemic. However, some of the actions related to data management incentives are being reformulated following the 2020 triage exercise.

The IMF and the Crises in Greece, Ireland, and Portugal (2016)

In 2015, IEO launched an evaluation of the IMF's response to the euro-area crisis, focusing on its surveillance and crisis management in Greece, Ireland, and Portugal. This was more than four years after IMF-supported programs had been approved and well after they had been completed, and after several organizations, including the IMF itself, had already conducted initial assessments of the IMF's performance.

The evaluation covered only programs, surveillance, and technical assistance that had already been concluded. While there was broad support for this evaluation among member countries, the evaluation's launch was delayed by significant opposition from IMF management and from a couple of European countries that considered that an IEO evaluation could interfere with the continued management of the crisis. The back and forth on whether it was appropriate for the IEO to conduct the evaluation is covered earlier in this chapter.

The evaluation found that well before the crisis, IMF surveillance had identified the risks that would trigger the crisis. However, it underestimated the magnitude of these risks and did not convey a sense of urgency because it shared the widely-held view that large current account imbalances in individual countries were not a concern and that sudden stops could not happen within the currency union. In consequence, the IMF had not considered how it would interact with European organizations if it were to lend to a member of the euro area, nor how such a program would be designed and monitored. Moreover, the evaluation concluded that the IMF lost its characteristic agility as a crisis manager under the "troika" arrangement with the European Commission and European Central Bank, and that its projections were too optimistic and underestimated the difficult growth and debt dynamics. At the same time, the evaluation found that the IMF's internal decision-making process had not been sufficiently transparent and that IMF policies had been modified without the usual deliberative process, contributing to the perception that support for euro members had been more generous than for other countries.

The evaluation made a number of recommendations: that procedures should be developed to minimize political intervention in the IMF's technical analysis; that processes should be strengthened to ensure that existing policies are followed and not changed without careful deliberation; that guidelines on program design applying to currency unions and cooperation with regional financing arrangements (RFAs) should be clarified; and that there should be a recommitment to accountability and transparency and the role of independent evaluation in fostering good governance at the IMF.

The Board and management considered that given the extraordinary circumstances, the IMF-supported program had succeeded in preventing the crisis from spreading and in buying time to build a European crisis management framework. Management did not agree about political influence in lending decisions but did make a broad commitment to strengthening the IMF's analytical toolkit in response to Board comments. Management and the Board supported the call to ensure that a transparent process is followed when modifying policies, which should be applied evenhandedly across the membership, and supported the recommendation to strengthen policy guidelines on working with currency unions and RFAs. Subsequently, in 2017 the Board endorsed a staff paper on collaboration with RFAs and in 2018 it established general guidance on design of IMF-supported programs with members of currency unions. In addition, management circulated a revised protocol for information-sharing with the IEO to underline the principles in this area in response to difficulties the IEO experienced in gaining access to confidential internal documents.

With the benefit of hindsight, the fact that this evaluation was conducted was in itself an important and long-lasting contribution to the IMF, beyond its findings and recommendations. The evaluation enhanced the legitimacy of the IMF as a transparent and accountable organization. It also led to a salutary discussion within the IMF on the importance of following procedures when changing rules in times of crisis, on the need to involve the membership in important decisions, and the need to share relevant confidential material with the IEO on a timely basis.

The IMF and Social Protection (2017)

This evaluation assessed the value added and impact of the IMF's increased attention to social protections in the aftermath of the global financial crisis, the impact of commodity price shocks, and other economic stresses on low-income groups and the most vulnerable. This is a policy area outside the traditional core of the IMF's expertise and one where it has had to work closely with development partners.

The evaluation found that starting in the 1990s, but particularly over the past decade, the IMF has given greater attention to social protection in its policy dialogue with member governments, while IMF-supported programs have almost always paid attention to the need to mitigate potential adverse effects on the most vulnerable, albeit with mixed success in implementation. At the same time, there has been wide variation in the extent of IMF involvement in social protection across countries and time, with high-quality work in some cases, but more limited treatment in others. To a degree, this variation has reflected the work already being done by others and was an appropriate response to country-specific factors, including whether attention to social protection was critical for macroeconomic stability. But idiosyncratic factors also seem to have played a part, as staff have different understandings of the kind of work they are expected to do, as well as different levels of interest and expertise in this area. In surveillance, attention to social protection sometimes devolved into a box-ticking exercise. In the program context, the record was mixed and authorities sometimes found staff to be insufficiently attuned to local conditions and implementation constraints. The report also found that while the IMF has generally worked well with the World Bank, collaboration with other agencies has been more challenging, and that the IMF's external communications efforts have not fully convinced stakeholders, especially civil society, of the IMF's concern for social protection.

The report's main recommendation was that the IMF should establish a clear strategic framework to guide its involvement in social protection among multiple competing priorities at a time when budgetary resources are tight. Clarity on the scope, objectives, and boundaries of IMF involvement in social protection is essential for setting appropriate expectations—internally and externally—as to the IMF's responsibilities. The Executive Board supported the report's findings and endorsed all its recommendations.

Follow up on the evaluation has centered on the preparation of a new framework paper to guide the IMF's work on social protection. After an extensive consultation exercise, staff decided to broaden the framework paper to cover all aspects of social spending, including health and education. This paper, "A Strategy for IMF Engagement on Social Spending," was discussed and approved by the Board in June 2019. Other completed actions include issuing a guidance note on how to engage on social safeguards in low-income countries, and stepped-up interaction with international partners on social protection issues. One action still pending is to follow the new social spending strategy with a staff guidance note; this has been delayed by the COVID-19 pandemic response.

The IMF and Fragile States (2018)

This evaluation assessed the IMF's engagement with countries in fragile and conflict-affected situations (FCS). Not only do these countries have enormous needs, but persistent domestic instability has dangerous implications for regional and global stability. With its crisis response and prevention mandate, the IMF has a key role to play in supporting macroeconomic stabilization and building core institutions in these countries and has been very active over the past two decades through policy advice, financing, and support for capacity development. However, the continuing strains in many FCS raise the question of whether the IMF, as well as its international partners, can and should do more to help these countries.

The evaluation found that the IMF has provided essential services to FCS, playing an important role that no other institution can, particularly when a country first emerges from conflict. Even though it has provided relatively little direct financing, it has catalyzed donor funding through its support for the sustainable policies and the core institutions needed for macroeconomic stability. Despite this overall positive assessment, the evaluation concluded that the IMF's approach to its FCS work seemed conflicted and its impact had fallen short of what could be achieved. Past efforts have often not been sufficiently bold or adequately sustained, and the staff tended to treat fragile states using IMF-wide norms, rather than approaching them as countries needing special attention.

Based on these findings, the report proposed six recommendations focused on building a more robust institutional commitment to FCS work than in the past, all of which were supported by the Executive Board and management. Subsequent follow up has been wide-ranging, including a high-level statement of commitment from the International Monetary and Financial Committee; creation of a high-level committee on engagement on FCS; preparation of country engagement strategies; higher access limits to emergency financing and greater flexibility in program design for countries facing high near-term uncertainties; greater attention to the special capacity development needs of FCS; and increased incentives for staff to work on FCS under the new career path for macroeconomists approved in 2020. These efforts culminated in the approval of a new IMF strategy for fragile and conflict-affected states in March 2022 (IMF 2022a).

IMF Financial Surveillance (2019)

This evaluation assessed the value added and impact of the IMF's financial surveillance work. Monitoring the stability of the global financial system and warning about risks and vulnerabilities both at the multilateral and country level are at the very core of the IMF's mandate.

This evaluation found that since the global financial crisis, the IMF's financial surveillance work has been substantially upgraded. The Financial Sector Assessment Program (FSAP) has delivered high-quality, in-depth assessments of the most globally systemic jurisdictions as countries have strived to make their financial systems more resilient. The IMF has contributed to the development of stress tests and a broad range of diagnostic tools, explored new policy approaches, and shared these innovations with the membership. Article IV surveillance has paid increased attention to macro financial linkages. In addition, the Global Financial Stability Report and Early Warning Exercise are widely considered as leading sources of analysis and insight on the global financial system.

While recognizing these achievements, this evaluation found considerable room for further improvement. The IMF's financial surveillance has been uneven. With the expansion of products and activities, the IMF has faced difficult trade-offs in the face of resource constraints. Strengthening the integration of the FSAP with Article IV surveillance remains a key challenge. The value added of the FSAP could be increased by moving to a more dynamic and risk-based approach to allocation of resources across countries and issues. The report also identified potential for greater rigor and transparency in multilateral surveillance, as well as enhanced contributions by the IMF to the global regulatory agenda. Fundamental to progress will be accelerating the build-up of expertise needed for macro financial surveillance, including by recruiting and developing the needed in-depth experience and skills.

The report set out six recommendations aimed at strengthening IMF financial surveillance through a combination of new initiatives and adjustments to existing programs, all of which received broad support from the Managing Director and from Executive Directors. The implementation plan included considering a more risk-based allocation of FSAP resources, increased integration of financial and macro financial analysis in Article IV and FSAP work, and a significant increase in budgetary resources.

Good progress has been made on advancing these recommendations, particularly in the context of the Comprehensive Surveillance Review and FSAP review, both completed in 2021. In particular, the Board approved a new, more risk-based approach to country participation in the FSAP, as well as supporting deeper and more extensive macro financial analysis. Some progress has been made on increasing the number of staff with financial-sector expertise, although some aspects, including development of an expert track and a talent inventory, have been delayed, and a further expansion in staffing of financial sector work is pending consideration of proposals to augment the IMF's overall budget.

IMF Advice on Unconventional Monetary Policies (2019)

This evaluation assessed the value added and impact of the IMF's advice on unconventional monetary policies since the global financial crisis, as central banks in the largest advanced countries innovated aggressively to restart growth and combat persistent deflationary risks while policymakers elsewhere faced spillovers from extremely easy global liquidity conditions.

The evaluation found that in many ways, the IMF's response to these issues at the core of its surveillance mandate was wide-ranging and, in many respects, impressive. From the outset, it provided timely validation of unconventional monetary policies to central banks leading the way, while pressing for similar action where monetary support was slower in coming. It monitored incipient financial stability risks from these policies and helped develop a macroprudential policy toolkit to manage such risks. The IMF also mobilized to analyze cross-border spill-overs through new products, developed a framework for giving advice on managing ensuing capital flows, assisted the G20 in its efforts to promote greater international policy cooperation, and introduced new precautionary instruments to help deal with global financial volatility.

At the same time, this evaluation identified some shortcomings in IMF engagement on unconventional monetary policies. Limited depth of expertise on monetary policy issues and rapid rotation on country teams impeded the IMF's capacity to provide persuasive, cutting-edge advice tailored to country circumstances. The report also found that the IMF could have done more to explore the merits of alternative policy mixes that could have limited side effects from unconventional monetary policies, and that some countries felt that the IMF had yet to fully appreciate the challenges that emerging markets faced from volatile capital flows. Longstanding limits on the IMF's traction in fostering international cooperation, and challenges to designing attractive precautionary financing instruments, also emerged from the evaluation.

The report set out four recommendations aimed at strengthening the IMF's engagement on monetary policy issues, all of which were broadly endorsed by the Managing Director and by the Executive Board. Good progress has been made with the implementation plan, with 11 of 122 action items completed according to the Eleventh PMR. Completed steps include establishing a core group of monetary policy experts, advancing a work program on monetary policy at very low interest rates, and increasing attention to spillover analysis and advice on dealing with capital flows through an integrated policy framework.

IMF Advice on Capital Flows (2020)

This evaluation assessed the value added and impact of IMF advice on handling capital flow volatility and capital account liberalization. Giving advice to countries on these issues has been a longstanding challenge for the IMF. Since the global financial crisis, emerging and developing economies have continued to be exposed to strong surges and sudden reversals in capital flows, including most recently amid the COVID-19 pandemic. The IMF's advice in this area has evolved and since 2012 has been guided by the so-called Institutional View on the Liberalization and

Management of Capital Flows (IV), which sought to provide a coherent framework for IMF advice in this core area.

This report found that the approval of the IV represented a considerable step forward. Together with other IMF policy frameworks, it has endowed staff with a stronger conceptual template for engaging with country authorities on how to contain risks from capital flow volatility while garnering long-term benefits from international financial integration. The evaluation found that in practice, most countries' policy approaches have been in line with the IV and that countries have avoided using unconventional tools as a substitute for warranted macroeconomic adjustment.

Despite these accomplishments, the evaluation pointed to a number of concerns about IMF advice that is undercutting its impact. The guidance in the IV discouraging the preemptive or long-lasting use of capital flow measures is at odds with country experience and recent research finding that such use can be helpful to address financial stability concerns and to provide more space for macroeconomic policy. The IV could have paid more attention to the impact of capital flow measures on distribution and other social objectives, such as housing affordability. In practice, labeling distinctions required by the IV have proven both contentious and unproductive, crowding out attention to policy discussion. The report also finds that the IMF could have provided more nimble support on dealing with capital outflows outside a "crisis or imminent crisis" context.

The report set out three recommendations aimed at refreshing the IMF's advice on capital flows management, all of which were broadly endorsed by the Managing Director and by the Executive Board. Under the implementation plan approved in March 2021, the findings from the evaluation will be considered in the context of the review of the IV scheduled for 2021, together with lessons from the Integrated Policy Framework work by staff. Staff are also advancing work to deepen and extend monitoring and research on capital account issues and strengthen multilateral cooperation.

IMF Collaboration with the World Bank on Macro-Structural Issues (2020)

This report assessed the IMF's collaboration with the World Bank to raise the quality and influence of its work on issues such as inequality, gender, energy/climate, and macro-structural reforms, where the World Bank has deeper experience and expertise. It was the first evaluation to focus squarely on how the IMF partners with its Bretton Woods sister institution, the World Bank, as well as the first pilot for the shorter evaluation framework under which the evaluation would be more focused to allow a nimble response on an issue of current concern.

The evaluation found that overall IMF collaboration with the World Bank on macro-structural issues has been broad but uneven. Informal consultation was widespread, but initial aspirations that the IMF would be able to systematically leverage World Bank expertise proved overoptimistic, and there were relatively few examples of in-depth collaboration. This reflected in part the decentralized approach adopted in the pilots, but also resulted from IMF staff's tendency toward self-reliance and the institutional complexities of working with the World Bank, including accessing the right people and information and aligning the two organization's goals and timetables.

The evaluation concluded that collaboration could bring significant benefits to the quality and influence of the IMF's work but also poses challenges and is not a panacea for extending the IMF's ability to cover a widening range of issues. Recognizing that more effective collaboration depends not only on the IMF but also on its partners, the report recommended four broad steps that the IMF itself can take to foster more effective collaboration. These include developing tailored frameworks for collaboration in areas of key strategic importance, in particular, on climate issues; taking steps to improve information exchange between the institutions; strengthening incentives for engagement with the World Bank and other partners; and increasing the Executive Board's role.

The evaluation's findings and recommendations were broadly supported by the Executive Board and Managing Director.

An implementation plan was approved in September 2021 after extensive discussions with the World Bank on how to strengthen collaboration. The plan includes a number of steps to strengthen IMF-World Bank strategic coordination, raise incentives for collaboration at the staff level, and support information and knowledge sharing across the institutions. It does not seek to provide a tailored framework for collaboration on climate issues, as called for by the evaluation and endorsed by Directors, stressing the need for flexibility as both the IMF and World Bank step up work on climate issues. Instead, the plan commits to further assessment of IMF-World Bank collaboration in a staff review to be completed by FY2025.

Growth and Adjustment in IMF-Supported Programs (2021)

The evaluation assessed how well IMF-supported programs have helped to sustain economic growth while delivering adjustment needed for external viability, focusing on IMF financing arrangements over the period 2008–19. The evaluation found that the IMF's increasing attention to growth in the context of IMF-supported programs has delivered some positive results. The evaluation did not find evidence of a consistent bias towards excessive austerity in IMF-supported programs. Indeed, it found that programs have yielded growth benefits during the program relative to a counterfactual or no IMF engagement and have boosted post-program growth outcomes. Notwithstanding these positive findings, program growth outcomes consistently fell short of program projections. Such shortfalls imply less protection of incomes than intended, fueling adjustment fatigue and public opposition to reforms, and jeopardizing progress towards external viability. The evaluation examined how different policy instruments were applied to support better growth outcomes while achieving needed adjustment. Fiscal policies typically incorporated growth-friendly measures but with mixed results. Despite some success in promoting reforms and growth, structural conditionalities were of relatively low depth and their potential growth benefits were not fully realized. Use of the exchange rate as a policy tool to support growth and external adjustment during programs was quite limited. Lastly, market debt operations were useful in some cases to restore debt sustainability and renew market access, yet sometimes were too little and too late to deliver the intended benefits.

Based on these findings, the evaluation concluded that the IMF should seek to further enhance program countries' capacity to sustain activity while undertaking needed adjustment during the program and to enhance growth prospects beyond the program. Following this conclusion, the report sets out three recommendations aimed at strengthening attention to growth implications of IMF-supported programs, including the social and distributional consequences. First, attention to growth implications of IMF-supported programs should become more thorough, systematic, realistic, and sensitive to social and distributional consequences. Second, greater attention should be paid to supporting deep, more growth-oriented structural reforms through effective capacity development and collaboration with the World Bank and other relevant partners. Third, there should be continued investment in building a toolkit of models and monitors that can be applied in the program context to assess growth-related developments, including social and distributional implications.

In discussing the evaluation in August 2021, Executive Directors broadly supported all the recommendations and welcomed the Managing Director's supportive statement. The implementation plan was approved in March 2022 and included commitments to:

- Revise the operational guidance note on program design and conditionality with the objective of ensuring thorough, systematic, and realistic attention to growth in program documents;
- Encourage greater attention to supporting deep, more growth-oriented reforms, including through effective collaboration with the World Bank; and
- Develop new analytical tools for growth forecasts and risk assessment.

IMF Engagement with Small Developing States (2022)

This evaluation assesses how effectively the IMF has supported its 34 members from small developing states (SDS), given their distinctive vulnerabilities and needs, focusing on the period 2010–20. It finds that the IMF deserves considerable credit for having substantially stepped up its engagement with SDS. This improvement reflects a number of factors, such as the considerable efforts made to develop specific staff guidance on SDS, the increased attention paid to climate-change issues, the rising resources on capacity development work, and the strong role of regional centers.

That said, the IMF's engagement with SDS has faced a number of serious challenges that have adversely affected its value added and traction. Key concerns include difficulties in staffing SDS assignments that have contributed to high rates of turnover; questions about whether the IMF lending architecture is well suited for SDS needs; issues about limited institutional capacity in SDS to implement IMF advice; and continuing political economy concerns about IMF conditionality.

Drawing on these findings, the evaluation offered four broad recommendations together with a number of specific suggestions. The four broad recommendations are:

- The IMF should pursue a targeted recalibration of its overall approach for engagement with SDS to strengthen the value added and impact of its work;
- Steps should be taken at the operational level to enhance the focus and traction of the IMF work on SDS in the areas of surveillance and capacity development;

- The IMF should consider how to use its lending framework in ways that better address the needs and vulnerabilities of SDS; and
- The IMF should adopt further HR management and budgetary commitments to increase continuity and impact of staff's engagement with SDS.

Evaluation Updates

Since 2013, the IEO has prepared evaluation updates that revisit evaluation topics about 10 years after an original evaluation, both to assess progress in dealing with issues of concern in the original evaluation and to identify new issues. There have been 10 of these updates.

The updates have typically found that the passage of time has proven the findings and conclusions of the original evaluations generally relevant and helpful to the IMF. Moreover, many of the recommendations have been implemented, at least to some extent, and progress has been made in addressing the challenges identified by the evaluations. These updates do not themselves have recommendations or a formal follow-up process. Nevertheless, by highlighting ongoing challenges, some of the updates have reenergized implementation and a few of them led to new initiatives.

The next paragraphs briefly discuss key ongoing challenges identified by three of these updates, and actions that were subsequently taken by the IMF to address these challenges.

The 2013 update on *Fiscal Adjustment in IMF-Supported Programs* found that many of the core issues and recommendations raised in the IEO's 2003 evaluation remained relevant. The update reported that the IMF had made progress in providing a coherent justification for the fiscal adjustment proposed as part of IMF-supported program. However, more work was still needed in calibrating the fiscal multiplier in the context of program design, in particular in incorporating the private sector's response to policy measures. The update found that in responding to the global financial crisis, IMF analysis had sometimes underestimated the fiscal multipliers, as had been the case during the East Asian crisis. These findings, which were also reported in other IEO evaluations, as well as in research and review conducted by IMF staff, led to further rethinking of how the private sector reacts to fiscal contraction and the implication on how multipliers are calculated when designing stabilization programs.

The 2014 update revisiting two early evaluations dealing with low-income countries—*2004 PRSP/PRGF and 2007 Aid to Sub-Saharan Africa*—found that the IMF had made significant progress strengthening operational policies aimed at protecting social and other priority spending in IMF-supported programs, key challenges identified by the 2004 and 2007 IEO evaluations. At the same time, it identified several strategic issues that led management and the Board to take some action. For example, it pointed at the need to systematically integrate poverty and social impact assessments into PRGT program design, including by clarifying respective roles and responsibilities with the World Bank. Second, the update brought to the attention of the Board and management the urgency to address the implications for program design and IMF-World Bank collaboration following the World Bank's decision to eliminate the requirement of Poverty Reduction Strategy Papers (PRSPs).

The 2018 update of the 2007 evaluation on *Structural Conditionality in IMF-Supported Programs* found some progress since 2007 in streamlining the volume of structural conditions (SCs) in IMF-supported programs and in focusing their use in areas of IMF expertise, along the lines of the evaluation recommendations, although it observed some increase in the use of SCs since 2013. Following the evaluation, the IMF eliminated structural performance criteria and replaced them with review-based assessments of progress in implementation of structural conditions—a shift that was broadly welcomed and that was aimed at reducing stigma and enhancing country ownership of the program. However, the update found that some country authorities considered that little had changed and that negotiation practices were similar to those that had been in place for structural performance criteria, implying that country ownership may not have been enhanced by this change. The update also identified challenges in cooperation with partners in designing and monitoring conditionality in areas outside of the IMF's core expertise. In addition, it found continued quality and usability shortcomings in MONA, the IMF's database on IMF-supported programs. The update analysis on these issues fed into the preparation of the 2018 Review of Conditionality and into increased efforts at upgrading MONA.

ANNEX 2.2

EXTERNAL EVALUATIONS OF THE IEO

Regular external evaluations of IEO's work and impact have played an important part in the institutionalization of independent evaluation at the IMF and in solidifying the role of the IEO. In addition to providing an assessment of the quality of the IEO's work, they have provided the opportunity for the Board, management and the IEO to discuss and agree on changes to the framework for independent evaluation that have helped to improve the relevance and impact of IEO work.

The IEO's Terms of Reference (TOR) state that within three years of the launch of its operations, the IMF Executive Board would initiate an external evaluation of IEO to assess its effectiveness and to consider possible improvements to its structure, mandate, operational modalities, and TOR. The first external evaluation was completed in 2006 and was followed by evaluations in 2013 and in 2018. Each external evaluation was conducted by a high-level panel of experts selected by the Executive Board.[1]

Each panel carefully reviewed the IEO reports prepared during the corresponding period and examined their relevance, technical quality, and impact. They conducted extensive interviews with authorities from around the world, with IMF Board members and management, and with the IEO Director and IEO staff. They also conducted surveys and interviews of senior and other IMF staff members and met with members of civil society. The final report of each evaluation was discussed at a Board meeting, which provided follow-up guidance to the IEO, as well as to IMF management and staff.[2] After careful Board consideration, each of the external evaluations was followed by an implementation plan.

The three external evaluations have had some common themes and their recommendations addressed similar challenges, the main among these being: building a productive relationship between IEO, staff and management; IEO's

[1] The panels and reports of these external evaluations are commonly referred to by the name of their team leaders, Lissakers (2006), Ocampo (2013), and Kaberuka (2018), respectively.

[2] The TOR, full reports, and the summings up of the Board deliberations and decisions can be found on the IMF and IEO websites.

access to information; selection of evaluation topics; and the process of follow up and monitoring of implementation of IEO recommendations. These are perennial challenges common to independent evaluation offices in all international financial institutions and in other similar organizations.

Each of the three external evaluations took place against the background of sensitive IEO evaluations of the IMF involvement in major crises, namely the East Asian crisis, the crisis in Argentina, the global financial crisis, and the crisis in the euro area. Much of the panels' deliberations and their recommendations, as well as the corresponding Board discussions, were in reference to how the IEO, management, and staff had dealt with the previously mentioned challenges in the context of evaluating the IMF in these crises.

Lissakers Report (2006)

The first external evaluation (Lissakers and others 2006) was conducted by a panel led by Karin Lissakers. The Lissakers report confirmed that the IEO was contributing to the goals for which it was created and found that in only a few years of existence the IEO was already enjoying strong support among member governments, Executive Directors, non-governmental organizations, and many IMF staff (although less so from IMF management and senior staff). It identified many instances where IEO reports and recommendations had led to changes in IMF policies and practices and reported that staff attest that the IEO has created greater space for debate and criticism, thus contributing to the IMF's learning culture. The report's main recommendations aimed at further strengthening IEO's independence, relevance, and potential impact, focusing on IEO's access to information, the selection of topics, including their timing, the balance between issues of process and issues of substance, and how to improve follow up and monitoring of the implementation of IEO's recommendations approved by the Board.

The Board endorsed most of the panel's recommendations, in particular the recommendation that a more systematic approach, including more involvement by the Board, was needed to follow up and monitor the implementation of IEO's recommendations. To this end, two new instruments were created—the Management Implementation Plan (MIP) that is prepared after the Board discussion of each evaluation and lists the actions that will be taken to implement each of the IEO recommendations endorsed by the Board, and the Periodic Monitoring Reports (PMRs) that track implementation of actions in MIPs. These instruments are discussed further in Chapter 4 on the traction of IEO work.

Ocampo Report (2013)

The second external evaluation of the IEO was conducted by a panel led by José Antonio Ocampo (Ocampo and others 2013). Like its predecessor, the panel concluded that the IEO had contributed to strengthening the effectiveness, learning culture, external credibility, and transparency of the IMF, and that its reports were highly relevant and of high quality. The panel observed that the IEO provided alternative views and analyses that in several cases had subsequently been accepted by the IMF and had led to changes in IMF analyses, processes, and operations. The panel indicated that during the evaluation period, the IEO had received full access to internal information, overcoming an issue raised by the previous external evaluation.

The panel found that the IEO, staff, and management had made progress in implementing the recommendations of the Lissakers report and presented new recommendations to build on this progress and to further enhance IEO's effectiveness. The Board endorsed some, but not all, of these recommendations, focusing on the selection and timing of evaluation topics and the follow-up process.

On topic selection, directors generally agreed with the panel that language in the TOR on the selection of topics and timing of evaluations was not sufficiently clear and could excessively restrict the IEO's work but, as detailed in this chapter's section on Setting Boundaries, they could not reach consensus on the Ocampo report's recommendation for clarification and only agreed to relatively minor wording changes. Less controversially, directors decided to drop the objective of promoting greater understanding of the Fund's work throughout the membership, as this was less needed given the IMF's increased transparency.

On the follow-up process, the panel concluded that the process had not been working as expected and suggested changes to each step in the process, from the preparation of the summing up of Board discussions to the assessment of implementation. In response, it was agreed that the IEO would have the opportunity to see and comment on the draft summing up circulated for comments among Executive Directors after the Board discussion; that staff would prepare MIPs within six months of the Board discussion of the corresponding evaluation and closely align MIP actions to the Board-endorsed recommendations; and that the Office of Internal Audit (OIA) would be in charge of preparing the PMR—at arm's length from staff and the IEO.

The panel recommended that in addition to the PMR, staff and the IEO should revisit some of the key issues that had been the subject of past evaluations, possibly with a focus on the broader policy objectives of the Board-endorsed recommendations. In part in response to this recommendation, the IEO launched two initiatives—the evaluation updates and the evaluation on recurring issues, discussed earlier. The staff also prepared a review of progress in meeting the high-level broader policy objectives of IEO recommendations (which was discontinued after only one report).

Kaberuka Report (2018)

The third external evaluation, led by Donald Kaberuka, was completed in 2018 (Kaberuka and others 2018). The panel found that the IEO had a firmly cemented reputation for high quality and independent reports among country authorities and the Board, and that it has played a critical role in promoting the Fund's accountability, external credibility, and, to a certain extent, learning culture. Notwithstanding these findings, the evaluation raised concerns that the IEO had had limited traction, which constituted a missed opportunity for the IMF.

In responding, the Board stressed that improving traction was a shared responsibility among all concerned parties: the Board, management, staff, and the IEO. Thus, as suggested by the panel, the Board sent a strong signal reaffirming the importance it attaches to the IEO's work and it welcomed management's statement that the work of the IEO has been highly relevant, helping to strengthen the IMF's learning culture and supporting institutional governance and oversight. The Board appreciated learning that IEO had already increased consultations with staff and was encouraged by management's statement that it was looking forward to stronger engagement with the IEO.

On topic selection, the panel believed that tensions between IEO and management would have been reduced had there been greater clarity regarding which evaluation topics would constitute interfering with operational activities, including current programs. Like previous external evaluations, the panel recommended revising IEO's TOR to ensure that it does not restrict the IEO from conducting useful evaluations of ongoing activities, such as technical assistance, and timely evaluations on current issues of interest to the Board. The Board, however, considered that the IEO already enjoyed a high degree of freedom in selecting evaluation topics and that the TOR remained appropriate.

As recommended by the panel, the IEO undertook to pilot shorter, focused evaluation products that could be completed more quickly to provide timely inputs into topics being discussed by the Board (further discussion follows). The IEO responded to the recommendation to be more transparent with a short note to the Board explaining the criteria and reasons for the selection of each evaluation topic, as well as laying out the proposed approach for shorter evaluations (IEO 2019).

The panel made a number of other recommendations, aimed at strengthening the follow-up process and increasing traction, which were adopted. First, it recommended making sure that IEO recommendations and MIP actions were "SMART" (Specific, Measurable, Attainable, Relevant, Timely). Management agreed and explained that OIA was already advising staff on ensuring that MIP actions are "SMART." Second, the panel recommended, and the Board agreed, that the preparation of the draft summings up for Board meetings on IEO reports should be more closely aligned with the standard summing-up process, giving the IEO an early opportunity to comment on a draft prepared by the Secretary's Department. Third, to increase the effectiveness of the PMR process, it was agreed that the Board would hold formal meetings to discuss the PMR, providing management with the opportunity to explain the causes for major delays in implementation and plans to address these issues, and that the staff would undertake a triage exercise to address the backlog of incomplete actions

The panel found that IEO had difficulties recruiting high-performing mid-career IMF staff for a temporary assignment, as they considered that this would not benefit their later career at the IMF. This has been a problem since the creation of the IEO and was discussed in the previous external evaluations. The Board welcomed management's statement that this would be assessed and addressed in the context of the IMF's comprehensive human resources strategy.

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