ABOUT THE IEO

Established in 2001, the Independent Evaluation Office (IEO) conducts independent and objective evaluations of the International Monetary Fund (IMF)'s policies, activities, and products. In accordance with its Terms of Reference, it pursues three interrelated objectives:

- To support the Executive Board’s institutional governance and oversight responsibilities, thus contributing to accountability.
- To enhance the learning culture within the Fund by increasing the ability to draw lessons from experience.
- To strengthen the Fund’s external credibility by enhancing transparency and improving understanding of the work of the IMF.

Independence is the fundamental anchor of the IEO’s work. It is completely independent from the IMF’s management team and staff, and operates at arm’s length from the Executive Board. Its budget is separate from the Fund’s (it accounts for about 0.5 percent of the institution’s total budget), but subject to the same control procedures. The IEO is entitled to access any internal information and documents with very limited exceptions. The office’s work is evaluated periodically by external experts.

For further information on the IEO and its ongoing and completed evaluations, please visit our website IEO.IMF.org or contact the IEO at +(1) 202.623.8623 or at IEO@IMF.org.

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A hallmark of a successful institution is a capacity to learn from experience and find ways to adapt to strengthen performance and be prepared to meet future challenges. The Independent Evaluation Office (IEO) has come to play a crucial role in this respect at the International Monetary Fund (IMF) since its founding in 2001.

This volume draws from a conference held in late 2021 which aimed to look back at the IEO’s second decade and consider how the role of the IEO could continue to evolve to support the Fund’s learning culture and ultimately its capacity to achieve its institutional mandate. The book is built around contributions from recent and current IEO staff reflecting on their work, aiming in effect at a self-evaluation of the IEO’s approach and impact. It also includes reflections from a number of stakeholders who participated in the conference who have worked closely with the IEO, both from inside and outside the Fund.

We hope that the result will be useful in highlighting areas of success and continuing challenges for independent evaluation at the Fund, and also in suggesting some directions for further strengthening the IEO’s role. There is no established recipe for effective evaluation that can be easily applied to a unique institution like the IMF. This makes it even more important to have an open and informed debate about how to best achieve evaluation objectives at the Fund. This book aims at contributing to such a discussion.

CHARLES COLLYNS
Director, Independent Evaluation Office
International Monetary Fund
(_until April 2023)
I am very pleased to celebrate the 20th anniversary of the Independent Evaluation Office.

John Maynard Keynes is often quoted as saying: “When the facts change, I change my mind.” It is this willingness to learn, to analyze and to adapt as the world changes that is the hallmark of the IMF, and why its advice and research is so renowned and respected.

For the last 20 years, the IEO has played a critical role in this. Born in the aftermath of the Asian crisis, the IEO came of age after the global financial crisis and has become a pillar of the IMF’s governance and learning culture—helping us draw meaningful lessons from the past and improve our future work.

This achievement can be credited to the dedication of its staff, together with its robust design and carefully crafted mandate. It is fully independent from the management of the IMF and operates at arm’s length from the Board of Executive Directors. It focuses on issues that are relevant to the Fund’s mandate.

It has three goals: first, to enhance the learning culture within the Fund; second, to strengthen the Fund’s external credibility; and third to support institutional governance and oversight.

**WHY IS THE IEO IMPORTANT FOR THE IMF?**

The simple answer is the IEO provides an external critique of our work. It helps us take a clear-eyed look in the mirror, so we better understand how far we have come and where we can improve further. There is no doubt that the IEO has had a tangible impact on the IMF. Just think about how far we have come in the past 10 years with the help of the IEO.

After the global financial crisis and the European debt crisis, the IEO prompted the Fund to rethink its approach to crisis prevention. The IEO also inspired learnings that applied to the IMF’s emergency response to the COVID-19 pandemic. Our efforts to better integrate social spending in our economic policy advice have also benefited from the IEO’s recommendations. The
evaluation on fragile states has helped inform our new comprehensive strategy for this group of countries. And IEO’s insights have been critical for advancing our thinking on capital flows and the Integrated Policy Framework.

These are just a few examples of how the IEO has helped us learn from past programs. And with more learning comes stronger policies and better outcomes for economies, communities, and people.

THE NEXT 10 YEARS

Since its inception, the IEO has become more agile, streamlined, and responsive.

For our part, the Fund has improved the process by which we feed your recommendations into our work. Now, implementation plans are more focused and include actions that are SMART—that is, Specific, Measurable, Achievable, Realistic, and Timebound. And this increases the impact of the IEO.

What is next for the IEO on the verge of its third decade? The world faces mounting new challenges, making the work of the Fund and the IEO more important than ever.

We welcome the increased agility of the IEO, through analyses that draw insightful lessons based on systematic evidence, and evaluations that are concise and readable. With a range of evaluation modalities, including the short format and updates, the IEO can be flexible and find the right balance when designing its evaluations.

As we start to emerge from a crisis-like-no-other, I look forward to the evaluation of our early response to the disruption caused by COVID-19. This is already underway, and I have no doubt it will provide new and important insights for crisis prevention, crisis management, and for helping us handle future shocks.

Let me conclude. Contributions from the IEO have made the IMF stronger and better over the past 20 years. It’s vital this continues in the years ahead. This conference is an excellent opportunity to celebrate the IEO’s achievements and brainstorm ideas for the future. I wish you productive and fruitful discussions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chapter 7 is based on Ngaire Woods’s keynote address at the conference. It argues that the challenges that the world needs the IMF to help address are different from those in the past and require commensurate changes in evaluation. Among the challenges are: shifting geopolitics (e.g., US-China strategic rivalry); dealing with lingering effects of the pandemic in a manner that provides financial stability without exacerbating inequalities; and addressing climate change. The chapter discusses how the IEO’s goals of enhancing the Fund’s learning culture, strengthening the Fund’s external credibility, and supporting the Executive Board’s governance and oversight responsibilities can best be achieved in the face of these three challenges.
On the first challenge, the chapter notes that geopolitical power has played a role in the IMF in the past, and that not all member countries have been treated equally by the institution. The IEO has a vital role to play in monitoring the governance and evenhandedness of the IMF, ensuring its multilateral character amid the shifting geopolitics of the coming decade and giving assurances to member countries that the Executive Board will call out the IMF’s flaws and faults in this respect. The chapter notes that previous IEO evaluations have signaled a lack of clear direction from the Board on such issues. The IEO can also offer assurance to shareholders and stakeholders by evaluating the performance of IMF leadership—management and the Board itself—in ensuring appropriate governance of the institution.

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

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

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

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

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

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

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

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

- On dealing with shifting geopolitics: The IEO’s role of speaking truth to power, including to management and to the Board itself, was seen as critical. The IEO could help assess how well the Fund is fulfilling its role of providing avenues for countries to preserve multilateralism amid an environment of increased nationalism.
On post-pandemic financial and economic recovery: The IEO has a critical role in assessing how nimbly the Fund is able to advice countries, and whether its country level advice matches its rhetoric of giving adequate attention to equity issues—a point stressed particularly by Daar and Momani.

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

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

Second, panelists cautioned that, in the main, the IEO should remain an evaluator and not become a strategist or consultant; the changes in IEO practices recommended to deal with the challenges outlined above should be at the margin. Panelists said the IEO should resist the temptation to seek to insert itself into urgent policy discussions by becoming a second review or research department at the Fund. According to some panelists, including Moreno, this does not rule out occasionally providing feedback and inputs on Fund activities, as the IEO has done over the last couple of years in distilling the lessons from its past evaluations for some ongoing initiatives at the Fund (e.g., the institutional integrity exercise). Panelists—Pazarbasioglu in particular—added that increasing the synergies between IEO evaluation and staff self-evaluations could allow the IEO to help validate or challenge findings of self-evaluations, making them more useful in fostering change at the Fund.
Third, while there is likely to be an increased need to assess the collaboration between the Fund and partner institutions—as stressed by Tiwari—it is by no means clear that joint evaluations with partner evaluation offices is the way to go. Some panelists, including Bernes and Evans, noted that past attempts in this direction have been far from successful given differences in agendas and timelines, and differences across evaluation offices in the degree of independence from their managements and Boards. This poses the danger, warned Tombini, that joint evaluations, while burdensome in terms of coordination, could yield the lowest common denominator in terms of joint recommendations. Hence, panelists said that building up working relationships and exchange of information may be a more prudent near-term goal than joint evaluations.

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

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
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

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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.
Persisting 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. 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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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. 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. 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

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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.” 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.” 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

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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. 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

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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. 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

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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. 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.

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* 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).
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. 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:

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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.


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 spillovers 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.
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 conditionality was low 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.
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.
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).


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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CHAPTER 3
HOW INDEPENDENT EVALUATION STRENGTHENS IMF GOVERNANCE

CHARLES COLLYNS AND JUN IL KIM

INTRODUCTION

Strong governance is essential for any international organization seeking to achieve enduring success. It must be able to meet the needs of its members by delivering effectively on its mandate. Its decisions and advice must be perceived as legitimate to ensure acceptance and responsiveness. And it must be able to learn from experience and respond to new challenges to retain its relevance and impact as the global environment evolves.

The International Monetary Fund (IMF) is generally regarded as having a robust governance structure. Since its founding in 1946, the IMF has played a crucial role in helping members address balance of payments problems, a key element of the mandate laid out in the Articles of Agreement, and has been a central player in addressing a succession of global economic crises, most recently in response to the COVID-19 pandemic. It has also been able to maintain a staff with a high level of expertise in areas at the core of its mandate, which underpins its policy advice and its financial and capacity development support to members. Decisions on IMF operations are approved by an Executive Board, providing representation to the full membership, largely on a consensus basis. Periodic internal reviews of experience have allowed policy frameworks to be adapted over time as the global economy and the needs of members have changed.

This said, IMF governance has also faced a number of challenges, as laid out in a 2008 Independent Evaluation Office (IEO) evaluation of governance of the IMF (IEO 2008). While the IMF has generally been effective in responding to the membership’s collective needs, there have been long-standing concerns about accountability and representation that have raised questions about its legitimacy. In particular, the 2008 evaluation concluded that accountability was probably the weakest aspect of IMF governance, with no agreed standards against which to assess the IMF, and no adequate mechanisms for the organization and its governing bodies to be held accountable by the membership or by appropriate stakeholders. On representation, the evaluation noted that Board seats and quota shares continued to be
skewed towards the advanced economies, not fully recognizing the rising role of
dynamic emerging markets in the global economy. Moreover, such concerns were
amplified by perceptions that the Board’s decision-making role is comparatively
weak relative to management and staff, contributing to a sense that decision-making
was not evenhanded but dominated by the interests of a small group of wealthy
countries. At times, such concerns have limited some members’ willingness to
come to the IMF for support, particularly financial support involving condition-
ality requiring difficult policy commitments. For example, very few Asian emerging
market countries have sought IMF financing since the traumatic experience of the
Asia crisis in 1998.

There have also been concerns about the IMF’s institutional ability to adapt and
learn, related to issues common to large and successful organizations. These include
tendencies to groupthink, internal silos, lack of openness to ideas from outside
the organization, and compromise decisions to reach consensus that fall short of
achieving objectives. These problems have contributed to some significant short-
comings, including, for example, a failure to anticipate the extent of the buildup in
financial fragilities that culminated in the global financial crisis in 2008 (IEO 2011).

To their credit, the IMF and its membership have recognized these challenges
and over the years have taken a number of actions to address them. Important
steps have included quota and voice reforms that have partially redressed the
imbalance between quota shares and global economic shares, as well as reforms
to the Executive Board to bolster its decision-making role. In addition, internal
reorganization, new policy initiatives, and new frameworks for policy guidance
have aimed to strengthen cross-departmental collaboration; underpin evenhand-
edness; and bring greater attention to risk management and integration of different
work streams, pairing capacity development with surveillance, and programs and
financial sector work with traditional macroeconomic analysis.

The IEO has been a significant part of these broader efforts to strengthen IMF
governance. The IEO was opened in 2001 as part of the institutional response to
the strains that followed the Asia crisis, which raised many questions about the
IMF’s effectiveness and legitimacy. The three tasks identified in the IEO Terms
of Reference (TOR) are all directed, at least in part, at strengthening IMF gover-
nance: “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” (IMF 2015). Previously, evaluation at the IMF had been
largely reliant on external panels to review, for example, research, surveillance, and
financial sector work. However, such reviews were intermittent, not systematic, and did not have well-embedded follow-up mechanisms to ensure impact.

Over the past 20 years, the IEO has become a core component of IMF governance. Through pursuing its mandate, as laid out in Chapter 2, it has helped to address some of the governance shortcomings identified previously, for example, by supporting a stronger Executive Board; raising concerns about institutional integrity, including undue political influence in technical analysis; bringing attention to the interests of less well-represented members; promoting institutional learning from experience and views from outside the institution; and championing a culture of self-evaluation. In addition, it has raised the IMF’s external credibility by providing greater transparency of its activities and outcomes.

This chapter explores the role of the IEO in IMF governance in more detail. The next section provides background on the strengths and weaknesses of IMF governance and discusses initiatives over the past 10 years to strengthen governance, drawing on the findings of the IEO’s update of the 2008 IMF governance evaluation (IEO 2018). The section that follows discusses the role played by the IEO itself in supporting good governance through a range of channels, drawing on IEO evaluations over the past 20 years. The chapter concludes by offering some thoughts about how the IEO can continue to build its role of supporting good governance at the IMF.

**IMF GOVERNANCE—STRENGTHS AND CHALLENGES**

The IEO’s 2008 evaluation of governance of the IMF assessed effectiveness, efficiency, accountability, and voice of IMF governance, focusing on the institutional structure and the formal and informal relationships among the IMF’s main governance bodies—the Executive Board, management, including the Managing Director (MD) and four Deputy Managing Directors (DMDs), and the International Monetary and Financial Committee (IMFC). Overall, the 2008 evaluation concluded that effectiveness had been the strongest aspect of IMF governance while accountability and voice had been the weakest aspects, which if left unaddressed could undermine the legitimacy and effectiveness of the IMF.

The 2018 IEO update revisited the findings of the 2008 governance evaluation to assess their continued relevance. It also offered a broad account of reforms and initiatives taken to strengthen IMF governance since the global financial crisis.

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1 Peretz (2012) provides a brief account of the prehistory of evaluation at the IMF. Examples of external evaluations include Crow, Arriazu, and Thygesen (1999), and Mishkin, Giavazzi, and Srinivasan (2000).
and identified issues that merit further consideration. It concluded that significant progress has been made since 2008 towards reforming IMF governance, notably reforms to realign quota and voice with member countries’ positions in the global economy, and numerous initiatives to strengthen the role of the Executive Board in IMF decision-making. Notwithstanding these advances, however, the report found that the balance of IMF governance structure remained weighted towards efficiency and effectiveness, while continuing concerns over accountability and voice could over time erode the IMF’s legitimacy, and ultimately, its effectiveness.

Quota and Voice Reforms

Quota and voice reforms took place in two stages. The 2008 quota and voice reforms were adopted by the Board of Governors in April 2008 and entered into force in March 2011. Specific measures included an updated quota formula; an increase in quotas for 54 member countries; a tripling of the basic votes; and an entitlement for multi-country constituencies exceeding 19 members to appoint a second Alternate Executive Director. Overall, the 2008 reforms resulted in a significant shift in representation to underrepresented and dynamic emerging market economies and an increase in the voting share of most emerging market and low-income countries.

In September 2009 at the Pittsburgh Summit, G20 leaders committed to further reforms to modernize IMF governance. Subsequently, a second round of quota and voice reforms were adopted by the Board of Governors in December 2010 and entered into effect in January 2016. The 2010 reforms sought to enhance the IMF’s legitimacy and effectiveness and preserve the quota-based character of the institution. The reforms encompassed commitments to complete the Fourteenth General Review of Quotas, which provided for an overall doubling of quotas and the realignment of quota shares while protecting the shares and voting power of low-income members, and to reduce the number of Executive Directors representing advanced European countries by two, in favor of chairs from Emerging Market and Developing Countries (EMDC). Moreover, the threshold entitling multi-country constituencies to appoint a second Alternate Executive Director was further lowered to seven members.

The 2008 and 2010 reforms were broadly viewed as substantial steps forward in representation at the IMF. Indeed, the 2010 reforms were hailed by the IMF’s

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2 Over 6 percent of quota was shifted from overrepresented to underrepresented members, and more than 6 percent of quota was shifted to dynamic emerging market and developing countries.
Managing Director at the time as “the most fundamental governance overhaul in the Fund’s 65-year history” (IMF 2010).

Nevertheless, these two reforms were not considered sufficient by much of the membership, in particular by emerging and developing countries, and the alignment of “shares and chairs” remains a work in progress. Such differences in views were in part related to how economic weight in the global economy should be measured for purposes of allocating IMF quota shares. The degree of apparent over- or underrepresentation relative to economic weight varies significantly across metrics, contributing to the difficulty in reaching consensus. As illustrated in Figure 3.1, after the reforms, quota shares for different country groupings were much more closely aligned with economic shares measured using GDP at market exchange rates, but the group of emerging and developing countries remained substantially underrepresented relative to economic share when measured using purchasing power parity (PPP) weights.

In February 2020, work on the Fifteenth General Review of Quotas was concluded with no increase in quotas. At the same time, the IMF Board of Governors provided guidance for the Sixteenth General Review of Quotas to continue the process on IMF governance reform in line with the 2019 IMFC commitments, to be concluded no later than December 2023. Accordingly, “any adjustment in quota share would be expected to result in increases in the quota shares of dynamic economies in line with their relative shares in the global economy and hence likely in the share of EMDCs as a whole, protecting voice and representation of the poorest members” (IMFC Communiqué 2019).

**Executive Board**

There have been considerable efforts over the past decade to strengthen the Board’s representativeness, its influence in the decision-making process, effectiveness, and learning.

On the representation front, there was partial success in fulfilling the commitment made in the context of the 2010 reforms to transfer two Executive Director positions from advanced European countries to EMDC. Depending on the precise country classification and metric used, the effective transfer to EMDC was between 1.33 and 1.64 positions. This realignment of chairs, albeit not fully achieved as initially committed, was viewed as contributing to a stronger voice of EMDC at the Board, enhancing their ability to influence decision-making, according to Board members interviewed for the update. While the heterogeneity of views among
FIGURE 3.1 VOTING SHARE RELATIVE TO ECONOMIC WEIGHT, 2007 VERSUS 2020
(In percent)

Sources: IEO estimates based on IMF’s World Economic Outlook, and internal IMF data.
Note: The metrics used for GDP and trade shares in the figure do not precisely mirror the definitions used in the IMF’s quota calculations and discussions. GDP shares (market exchange rates and purchasing power parity) are calculated as three-year averages (2005–07 for 2007 and 2018–20 for 2020). Trade is measured as the sum of total exports and imports, and trade shares are calculated as five-year averages (2003–07 for 2007 and 2016–20 for 2020). Points above (below) the 45-degree line mean overrepresentation (underrepresentation) relative to GDP or trade shares. Country groupings for both 2007 and 2020 are based on the classification used in the IMF’s quota calculations: 26 advanced economies (AE); 20 advanced European countries; 163 Emerging Market and Developing Countries (EMDC); 70 low-income and developing countries (LIDC).
EMDC sometimes resulted in a less articulated position than under chairs from advanced countries, alliances among Executive Directors often shifted across issues and income groups, sometimes providing opportunities for middle-sized countries to play a crucial role.

Extensive changes have been made to Board practices and procedures to strengthen its role in decision-making. Changes included simplifying multiple meeting formats into just two, formal and informal; reducing the indicative time limit on Executive Director interventions; reducing the number of policy items per day; reducing the bunching of items; and lengthening circulation periods for Board papers for formal consideration. Board work on program planning has also been given greater structure with the introduction of the Managing Director’s Global Policy Agenda that sets forth the IMF’s agenda on behalf of the membership.

These changes have been accompanied by efforts to strengthen the Board’s capacity to play a strategic oversight role and provide value added to the institution via learning and transparency. A more flexible budgetary process was introduced for the Board, including modifications to provide supplemental financing for temporary, exceptional workload pressures, and the reallocation of the budget to make additional resources available for offices representing countries above Offices of Executive Directors (OED) staffing norms. Board self-evaluation, which enabled a candid assessment of the Board’s efficiency and effectiveness and how it could improve, was generally viewed as a worthwhile tool for learning.

Benefiting from these efforts, the Board was viewed as generally effective by most Executive Directors and authorities interviewed for the update, especially when compared to other international institutions.

Notwithstanding such overall positive perception, the update identified a number of issues of concern in relation to the Board’s influence and effectiveness. Specifically, concerns remain about the balance of influence across the Board, which leads to questions about representativeness and voice. While there has been a significant shift in shares and chairs, which are now arguably better aligned with members’ economic weight in the global economy, this process remains a work in progress. Executive Directors appreciate opportunities for frequent interactions with management and staff as a means of exerting influence beyond voting shares. Nevertheless, the reality is that not all Executive Directors have the same weight in the eyes of management and staff, because while the Board makes decisions by consensus, this happens only in the shadow of voting power. As a result, the views of management and staff presented to the Board are likely to be more closely aligned
with the interests of the largest shareholders given the need to ensure support from the majority.

There is also a perception among many Executive Directors that the balance of influence over IMF decision-making has remained weighed in favor of management over the Board, notwithstanding efforts to engage with the Board earlier in the decision-making process. This balance seems to stem from a combination of structural factors that hamper the effectiveness and traction of the Board and enhance management’s control over the decision-making process and information flows. The Board’s effectiveness continues to be affected by the heavy workload and bunching problems. Indeed, the number of hours spent on Board meetings has been rising since 2016, after significant moderation during 2010–15, with a further increase in 2020 in the context of the IMF’s strong commitment to respond to the pandemic (Figure 3.2). At the same time, the length and complexity of policy papers and flagship reports presented to the Board have increased.

Further exacerbating agenda and workload issues were capacity and resource constraints faced by a number of OEDs, particularly those with limited support from their capitals, even under the revised budget framework. Given the IMF’s institutional complexities, the extent of experience with IMF issues in the office (or available from capitals) can be crucial in determining Executive Directors’ role and influence. Short tenures for Executive Directors limit capacity to build institutional knowledge, develop

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3 In view of the health concerns related to the COVID-19 pandemic, Executive Board meetings shifted to a virtual format in March 2020 with a subsequent shift to a mix of hybrid and virtual meetings in 2021.
constructive relationships for consensus building, and challenge management when needed. In this regard, it is disconcerting that Executive Directors’ median tenure has continued to decline in recent years (Figure 3.3), falling to less than two years.

The uneven contribution of Board committees has also been an issue for the Board’s effectiveness. The update found that Executive Directors considered many committees to be generally ineffective, although some ad hoc committees and working groups were viewed more positively.4 The problem may be partly due to the rapid rotation of committee chairs and the opaque process for choosing new chairs.5 Committee work is further complicated because attendance at committees by all OEDs has led to committee meetings remaining, in effect, full Board meetings.

Management

The management selection process has remained a cause for concern for IMF governance, as it has been perceived by many as not being merit-based or fully transparent, as well as too limited by geographic preference. Notwithstanding some improvements in the nomination process, the outcome has not changed, as the IMF Managing Director has continued to be someone from Europe. Moreover,

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4 The recent evaluation of IMF engagement with small developing states found that the Board’s Small States Working Group was particularly effective in representing the interests of these countries with relatively small individual voting power but members of constituencies led by much larger countries (IEO 2022).

5 For example, over the five-year period 2017–22, there have been five different chairs of the Evaluation Committee, the committee overseeing the IEO.
an informal nationality convention seems to have become entrenched for the selection of Deputy Managing Directors, which could undermine transparency and the principle of meritocratic selection and expose the IMF to performance and legitimacy risks.

While Executive Directors are consulted by the Managing Director on requisite qualifications and must ultimately approve a new Deputy Managing Director’s contract, they have little real say given the Managing Director’s prerogative to appoint. This limited input by Executive Directors could constitute a significant governance problem, particularly given Deputy Managing Directors’ extensive responsibilities, including as Acting Chair of the Board, and their oversight of staff’s work.

The accountability framework for management, based on a mutual performance assessment between the Board and the Managing Director, was perceived by many Executive Directors as a formality having little practical impact. Many Executive Directors believed the accountability framework should also be strengthened for Deputy Managing Directors to give the Board a more direct role in assessing their performance. In addition, some Executive Directors questioned whether the Managing Director’s dual role as the IMF’s Chief Executive Officer and Chair of the Board is in line with what other organizations view as state-of-the-art governance practice.

**International Monetary and Financial Committee (IMFC)**

The IMFC remains an advisory-only body and there seems to be little support for a further increase in ministerial-level engagement in the IMF’s governance, as it is generally viewed as already sufficient. Instead, with the powers delegated to Executive Directors by the Board of Governors, the Executive Board is considered the appropriate body to provide specific guidance and exercise shareholder oversight of IMF operations and policies. There was a general perception among authorities and Executive Directors interviewed for the update that IMFC meetings were too formal, too choreographed, and suffered from a lack of unscripted interaction among officials at the highest level. While restricted sessions were considered as the most useful venues, greater reliance on them reduced the interest in the IMFC of uninvited principals, indicating that the organization of IMFC meetings is subject

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6 The First DMD (the sole DMD position before 1994) has always come from the United States; there have been five successive DMDs from Japan since 1994 and three successive DMDs from China since 2011. The other DMDs have come from a broader range of countries including Brazil, Chile, Côte d’Ivoire, India, Liberia, and Mexico.
to a difficult trade-off between inclusiveness, which is valuable for representation and broad ownership, and limited attendance, which is more conducive to candid discussion and the effective provision of strategic guidance.

The relationship of the IMF with the G20 is complementary in many respects—the G20 brings in high-level political support for the IMF’s response to global crises while the IMF provides the G20 with useful analytical and policy support. However, views on the relationship between the IMFC (more broadly, the IMF) and the G20 are mixed, reflecting in part the difficult trade-off between effectiveness and representation that underlies the relationship. There was particular concern outside the G20 membership about the G20’s lack of representation as compared to the universal membership of the IMFC, and the G20’s influence has sometimes been considered excessive and risked overshadowing the IMFC. Moreover, the trade-off may change as the G20’s focus broadens and becomes less aligned with the IMF’s core mandate.

**ROLE OF THE IEO IN IMF GOVERNANCE**

This section discusses how the IEO has contributed to IMF governance through six channels:

- Supporting Board oversight and traction;
- Raising concerns about institutional integrity, including undue political influence on technical analysis and lack of evenhandedness;
- Bringing attention to concerns of underrepresented members;
- Supporting institutional learning from experience, including by challenging insider groupthink and bringing in outside views;
- Promoting an internal culture of self-evaluation; and
- Strengthening IMF credibility by providing greater transparency on IMF activities and outcomes.

**Supporting Board Oversight and Traction**

As described previously, the Executive Board is closely involved in Board decision-making, not only approving all aspects of IMF policy but also concluding Article IV surveillance consultations and approving use of Fund credit. However, its capacity to conduct oversight of IMF activities is challenged by a range of factors. As a result,
many Board members feel frustrated by their limited influence over the institution. Executive Directors and their staff face a huge volume of Board meetings and Board documents and have limited capacity to follow up on issues. Management and staff clearly have an advantage in terms of deep knowledge of extensive technical material, controlling the information flow, and setting the timetable for decision-making. Moreover, while all members are represented through the constituency system underlying Board structure, the actual distribution of voting rights and the distribution of Board chairs have evolved gradually, implying that some fast-growing countries are underrepresented relative to economic scale in the global economy and that the voice of many low-income and vulnerable countries is relatively muted.

The IEO provides a useful instrument for increasing Board traction on long-standing issues and concerns. Its evaluations are usually targeted to shed light on areas where the Board has raised doubts about the IMF’s role and value added, and to identify ways to increase the IMF’s impact. Thus, for example, the evaluation on IMF financial surveillance (IEO 2019) examined the influence and value added of IMF work in this increasingly important area and proposed ways to increase the IMF’s capacity and effectiveness. The IEO can also make specific recommendations aimed at strengthening the Board’s oversight, for example, the evaluation of IMF capacity development (IEO 2022b). The IEO’s relationship with the Board is at arm’s length; the Board does not control the choice of topics or the scope of evaluations. But the IEO always takes care to consult closely with the Board on both topic selection and the issues examined in each evaluation, through bilateral discussions with Executive Directors and through informal seminars on future evaluation topics or draft issues papers for individual evaluations.

Perhaps even more important, the robust follow-up process to IEO evaluations that has evolved over time provides multiple opportunities for the Board to press IMF management and staff to address issues raised in evaluations that are of concern to directors. The Board discussion of each evaluation and its associated summing up allows directors to put on the record their reactions to the evaluation’s findings and recommendations. Management and staff are then required to develop an action plan to implement Board-endorsed recommendations within six months, which is reviewed by the Evaluation Committee (the EVC) and must be approved by the Board. The IEO follow-up process gives the Board a fuller role than in some other components of IMF governance. For example, while management and staff must prepare an implementation plan to respond to the Office of Internal Audit reports, these plans are not subject to Board approval.
plan where there is concern that it falls short of adequately responding to Board guidance. Implementation is then monitored on an annual basis by the Office of Internal Audit, whose report is discussed by the Executive Board, providing an opportunity for the Board to express concern where follow up seems to be falling short. While progress in implementing plans has sometimes lagged for a variety of reasons, as discussed in Chapter 4, the recent triage exercise provided an avenue for the Board to press for stronger action in areas of priority concern (IMF 2019).

Taken together, the evaluation reports, the implementation plans, and the monitoring reports also provide a useful source of institutional memory, particularly helpful given the increasing pace of turnover of Board members and their staff. Illustrating this point, Board interventions on policy issues and budgetary priorities quite often refer to issues raised in evaluation reports and the follow-up commitments.

While Board members appreciate the valuable role of IEO evaluations in reinforcing Board oversight, it should also be recognized that this role is limited by design. Evaluations are backward-looking by nature. Even though topics are selected in areas of current relevance, as discussed in Chapter 2, there are limits on what can be evaluated given concern that evaluations could potentially interfere with IMF operational activities, including current programs. Moreover, while the IEO has the opportunity to provide input on proposed implementation plans and the Periodic Monitoring Report, it typically does not comment on staff proposals to the Board to fulfill Management Implementation Plan (MIP) commitments, as discussed further later in this chapter.

In addition, the IEO only prepares a limited number of reports each year. It follows a very careful process to ensure that evaluations are evidence-based, balanced, and well documented, including hiring consultants, giving outside experts a chance to comment, and the IMF staff opportunities for fact-checking. Consequently, the process of preparing evaluations is quite lengthy, typically 18 months to 2 years, and 12 months for the new, shorter evaluation pilot product. Moreover, the IEO staff and budget is quite small, both in absolute terms and relative to other valuation offices. As a result, IEO output is limited to around two evaluation reports per year on average. However, a larger budget and a higher number of shorter reports would not necessarily increase the IEO’s impact given the real constraint posed by the institution’s capacity to absorb and respond to evaluation reports.

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8 Examples of recent implementation plans that have been strengthened to address EVC concerns before being approved by the Board include the evaluations of financial surveillance and of unconventional monetary policy.
Raising Concerns about Institutional Integrity

A stocktaking of past evaluations over the IEO’s 20 years provides ample evidence of concerns it has raised on issues related to institutional integrity at the IMF. Recurring concerns have been expressed about undue political influence on staff’s technical work in lending operations, particularly in the context of exceptional access; limits on candor, evenhandedness, and transparency in surveillance; lack of openness to alternative viewpoints, both internal and external; and challenges to the Board’s role in the decision-making process. By contrast, IMF data and analytical work has generally been found to be of high quality and applied in an impartial way across the membership, although concerns have been raised about optimism bias in IMF forecasting.

Concerns about undue political influence on the staff’s technical work underpinning IMF decisions on lending operations have surfaced in a number of evaluations of IMF program work, going back to the IEO’s earliest evaluations. The IEO’s first evaluation in 2002 on prolonged use of IMF resources (IEO 2002) raised concerns that political pressures on technical analysis would inevitably lead the IMF to support programs that have a low probability of success and could encourage a lax approach to implementation by the borrowing country, thereby contributing to prolonged resource use. The evaluation also raised concerns about the uniformity of treatment across countries. The 2003 evaluation of the IMF and capital account crises (IEO 2003) raised concerns about rushed procedures for program approval that bypassed the internal review process and subjected the staff to considerable political pressure. More recently, the evaluation of the IMF’s role in the euro-area crisis (IEO 2016) raised concerns about last-minute changes in the IMF’s policy framework that allowed it to lend to Greece without the usual deliberative processes; the potential political pressure from working within the troika arrangement; and excessively optimistic growth projections. The evaluation noted that the IMF’s handling of the euro-area crisis raised issues of accountability, evenhandedness, and transparency, helping to create the perception that the IMF treated European members differently than those from other regions.

While such concerns have tended to arise most prominently in the most challenging circumstances involving large programs, often with exceptional access, they have also emerged more broadly. In this respect, the IEO has consistently recognized that the IMF is an institution whose decisions are ultimately the responsibility of the Board and will reflect political judgements by shareholders based on their interests as well as their views about how best to achieve the IMF’s mandate. The challenge for the IMF is to make sure that such decisions are always made in a transparent
manner with the benefit of rigorous and impartial technical analysis by staff shielded from political pressures.

A number of evaluations have identified shortcomings in candor, evenhandedness, and transparency that raised related concerns for the institutional integrity of the IMF’s policy advice. A recurrent theme across these evaluations was the need to address weaknesses in internal governance by clarifying the roles and responsibilities of the Board, management, and senior staff in providing incentives to staff for candid and evenhanded assessments. A primary and troubling source behind the lack of candor in surveillance was the staff’s fear of not being supported by management or the Board if a member country’s authorities objected strongly to the staff’s candid but critical assessments. Evidently, staff perceived this as a significant threat to their careers (IEO 2009). Lack of accountability for the quality of advice was highlighted as a serious obstacle to getting the incentives right. Most of these concerns arose in the context of bilateral surveillance, but on occasion, issues have also occurred in the context of multilateral surveillance.

To address such concerns, evaluations considered it critical to improve the mechanisms for monitoring the implementation of governance reforms and evaluating their impact. The evaluation of the IMF’s performance in the run-up to the global financial crisis (IEO 2011) specifically noted that lasting change would require continuous close monitoring and accountability over a lengthy period to ensure that it had taken root in the culture of the institution. As a testament to the persistence of these issues, nearly a decade ago the IEO identified evenhandedness as one of the five categories of frequently recurring issues at the IMF (IEO 2014).

Many evaluations emphasized that a perceived lack of candor and evenhandedness hampered the impact and effectiveness of IMF surveillance and remained a barrier to building trust with the membership. In IMF surveillance of large, systemically important countries, the IEO found that staff and management were often seen as afraid to “speak truth to power” and that staff felt pressures to provide overly cautious country assessments, a major concern given the importance of these countries to the stability of the international monetary system. Among large emerging markets, a widely held perception that the IMF was dominated by the interests of its largest shareholders influenced these emerging-market members’ decisions not to seek the IMF’s advice.

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9 See, for example, the evaluations of recent capital account crises (IEO 2003), exchange rate policy advice (IEO 2007), interactions with member countries (IEO 2009), IMF performance in the run-up to the crisis (IEO 2011) and role of the IMF as a trusted advisor (IEO 2013).
For the most part, the IEO’s findings and recommendations related to institutional integrity were broadly supported by management, staff, and the Board, which clearly indicated their commitment to high standards of institutional integrity. And there have certainly been many actions taken as part of implementation plans in response to IEO recommendations. These included efforts to improve evenhandedness through multiple staff guidance notes; other work to achieve greater transparency and rigor in analytical and policy frameworks; the introduction of channels for alternative viewpoints, including through retrospective assessments and increased attention to risks; efforts to address optimism bias in forecasts; some progress in recruiting more diversified staff; and strengthened procedures for Board oversight and decision-making.

At the same time, in some areas, little concrete action was taken beyond broad commitments. This is most notable in the area of undue political influence in lending but also in areas such as the Board’s decision-making process; encouraging candor and accountability; and developing a culture more receptive to alternative views. To some degree, this pattern may reflect that the issues are embedded deeply within the institution’s DNA, and not readily addressed through concrete but limited SMART (Specific, Measurable, Attainable, Relevant, and Timebound) actions in a single MIP.

**Bringing Attention to Concerns of Less Well-represented Members**

The IEO can play some part in addressing concerns about the adequacy of representation of smaller and more vulnerable member countries. In doing so, it helps to bolster the legitimacy of the IMF as an international institution with near-universal membership responding to the concerns of the full membership, rather than one dominated by its richest and most powerful members.

Of course, to be credible and effective, the IEO must be seen as impartial and independent in considering the views of the range of the membership as conveyed by the Executive Board. The largest shareholders are clearly well placed to present issues of importance to them to the IEO, as well as to management and staff, and provide valuable support to the IEO’s work agenda. At the same time, however, the IEO has the opportunity to pay particular attention to the views and concerns of less well-represented members, whose voice and influence may be held back by their lack of Board seats, their low voting power, their very heavy load of program-related work, and their views, which may be seen as outside the mainstream.
Two examples from the recent IEO work program illustrate this point. First, the 2020 evaluation of IMF advice on capital flows (IEO 2020a) paid particular attention to the use of unconventional measures such as capital controls and foreign-exchange intervention to address the concerns raised by volatile capital flows. In 2012, the IMF approved a new Institutional View (IV) that provided scope for it to support such measures in particular circumstances. However, a number of emerging market countries felt that IMF advice was still too rigid and did not reflect their own experience, vulnerabilities, and policy needs. They were frustrated that as a result, IMF guidance on capital account issues could get distracted by definitional questions and not offer useful practical policy advice. The IEO evaluation (IEO 2020a) sought to draw evidence from both recent country experience as well as academic work to demonstrate that unconventional instruments can play a useful role in a broader range of circumstances than allowed for in the IV and it recommended a review of the IV to take account of these findings. This review was completed last year and led to a number of further refinements to the IV to address these concerns.

Second, the evaluation of the IMF’s engagement with small developing states (SDS) (IEO 2022) looked at how effectively the IMF has supported countries that account for 20 percent of its membership, but a tiny fraction of the global economy, whose specific challenges differ in many respects from those of other members. The evaluation found that the IMF deserves considerable credit for having substantially stepped up its engagement with SDS over the past 10 years, reflecting factors such as the considerable efforts made to develop staff guidance for IMF work on SDS, the increased attention paid to climate-change issues, the increase in resources for capacity development work, and the growing role of regional capacity development centers. That said, the evaluation concluded that the IMF’s engagement with SDS has faced a variety 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 and capacities; issues about limited institutional capacity in small developing states to implement IMF advice; and continuing political economy concerns about conditionality. These issues are addressed in a MIP presented to the Board.

Support for Institutional Learning

The IEO plays an important role in fostering the institutional learning from experience that is crucial for any successful organization to remain relevant and effective in a changing environment. It does this not just through its own evaluations but also by encouraging an open learning culture in the institution.
IEO evaluations encourage institutional learning from experience by focusing largely on broad policies and activities rather than individual operations. Thus, for example, after early evaluations on the program experience of Argentina (IEO 2004a) and Jordan (IEO 2005), the evaluation of the euro-area crisis response (IEO 2016) examined four countries, not just the most problematic experience, that of Greece. Similarly, the evaluation of the IMF’s work on fragile states included a wide range of case studies. This approach emphasizes reaching broader institutional lessons rather than attempting to identify individual accountability for what went wrong in a particular case.

Part of the IEO’s evaluation process is a deliberate effort to counter an “inside the building” culture that is sometimes identified as a key source of the IMF’s failure to identify emerging issues and vulnerabilities. For example, in the evaluation of IMF performance in the run-up to the global financial crisis (IEO 2011), the IEO concluded that long-standing institutional and cultural issues—including a high degree of groupthink, intellectual capture, and lack of incentives to raise contrarian views—caused the IMF to fall short in warning member countries about the build-up of vulnerabilities in their own economies and risks to the global economy.

To address such concerns, evaluations place considerable emphasis on ensuring that they draw on and learn from external perspectives. Evaluation teams consult with external experts during the scoping phase for each evaluation and when deciding on findings and recommendations. In addition, teams will typically involve outside experts as consultants in preparing input for the evaluations. This external perspective is further enhanced by the fact that under the IEO TOR, more than half of the IEO’s professional staff must be hired externally and the IEO Director has always been hired externally.

The follow up after a report is completed is also crucial to ensuring institutional learning. The process of developing and monitoring an implementation plan provides for IEO recommendations endorsed by the Executive Board to feed into IMF policies, practices, and priorities. As described in Chapters 2 and 4, this process has been strengthened over time and the recent implementation record has improved as action plans have become “SMARTer.”

While this formal follow-up process is increasingly quite robust, it is just as important that findings and lessons from evaluations be absorbed more broadly in the institution. Here, the results appear to be mixed. Certainly, the Board pays considerable attention to the IEO reports’ findings and recommendations, as described previously; departments provide a very careful scrutiny when commenting on draft reports; and responsible staff put considerable effort into
preparing implementation plans. However, it is less clear if staff who are occupied with their immediate job-related tasks pay much attention to the IEO’s reports unless their own work is directly involved or affected.

Concern about the uneven absorption of lessons from evaluations has been raised by repeated external evaluations of the IEO and has led to increasing “internal” outreach efforts by the IEO to increase staff awareness. Thus, the IEO has arranged staff seminars to explain evaluation findings and recommendations, involving staff panelists to provide reactions.

Absorption is also encouraged by aiming to ensure that the IEO’s work is seen by staff as offering fair and knowledgeable assessments of the IMF’s work. In its work, the IEO seeks to acknowledge the challenges and trade-offs involved in tackling difficult and complex problems, often under very tight deadlines, and to avoid a nit-picking or antagonistic approach that could make staff less open to listening to and absorbing lessons to be learned from IEO evaluations.

Finally, the IEO has taken advantage of increasing familiarity and comfort with virtual seminar formats to organize a seminar program open to both staff and outside observers. These seminars offer opportunities to highlight recent evaluations and to bring in outside speakers to discuss topics of current relevance and interest that may not be directly related to immediate evaluation work. This provides a way for the IEO to present alternative viewpoints on issues of the day such as capital flows, climate change, the COVID-19 pandemic, and rising inflation.

**Championing a Culture of Self-evaluation**

Beyond its own independent evaluations, the IEO also promotes a learning culture at the IMF by seeking to champion internal or self-evaluations. As noted in the IEO’s 2015 assessment (IEO 2015), there is considerable self-evaluation activity at the IMF, much of it of high quality. Retrospective or ex post evaluations (EPEs) of IMF programs involving exceptional access have been required since 2002 and ex post assessments (EPAs) of long-term program engagement were introduced in 2003 in response to an IEO report on prolonged use of IMF resources (IEO 2002). There are also self-evaluations of IMF capacity development workstreams prepared by the capacity development departments, as well as external evaluations of donor trust funds supporting capacity development work. Moreover, internal reviews of policies and activities, such as the periodic Reviews of Conditionality, Surveillance Reviews, and Reviews of CD Strategy, routinely include self-evaluation, often drawing on input from external experts and surveys of staff and country officials.
However, as concluded by IEO (2015), while recognizing the self-evaluation activity that does occur, the quality is uneven and there are pervasive gaps in coverage and shortcomings in dissemination of lessons. This is due in part because unlike most multilateral development banks, the IMF does not have an institution-wide framework or policy for establishing what needs to be evaluated and how, who is responsible, and how to follow up. Responding to this evaluation, the Board, management, and staff pushed back on the recommendations to develop an overall evaluation policy and conduct evaluations of all programs—in part because of resource concerns that had already led to the EPAs being replaced in 2015 by less onerous peer reviews. Nevertheless, steps in this direction have been taken in recent years, including a Statement of Principles and Best Practices in Self Evaluation.

Evaluation work, particularly in the area of capacity development, was assessed in a recent IEO evaluation (IEO 2022b). This evaluation recognized progress, including development of a common evaluation framework and introducing and extending a system for results-based management. Nevertheless, it concluded that capacity development evaluation could play a larger role in capacity development prioritization and design and recommended devoting more resources to evaluation work; taking a more strategic approach; and putting more attention to dissemination of the lessons of evaluation. An implementation plan for this evaluation will be prepared in 2023.

It is striking that in contrast to the IMF, self-evaluation is more deeply embedded in the corporate cultures and practices of the World Bank and the regional multilateral development banks. These agencies have well-articulated evaluation policies and routinely evaluate all lending activity using well-established metrics, with staff-level project completion reports checked by their evaluation offices. Moreover, the evaluation offices also work with staff on a real-time basis to develop appropriate evaluation frameworks and learn early lessons in the face of emerging challenges, for example, most recently when development banks scrambled to help members address the COVID-19 pandemic (ADB 2022; EBRD 2022).

**Strengthening IMF Credibility**

As directed by its TOR, the main way in which the IEO strengthens IMF credibility is by providing a transparent mechanism for the IMF to examine its performance in an open, fair-minded, and evidence-based way, and address shortcomings and issues, thus strengthening its capacity to meet its mandate. Achieving this objective requires that the IEO be viewed as fully independent, that its reports be seen as of high quality, and that its work be seen as influencing the direction of IMF policies and practices.
Periodic evaluations of the IEO by a panel of outside experts appointed by the Executive Board have broadly affirmed that the first two of these standards—Independence and Quality—have been met. While concluding that the IEO’s impact on IMF policies and practices has been uneven, the external evaluations have provided useful guidance for strengthening the impact of the IEO’s work, which has generally been followed (see Chapter 2).

Consistently, other close IMF observers in academia, think tanks, and civil society, have also broadly appreciated the IEO’s work and its contribution to IMF credibility. In this respect, the IMF has gained considerably from the perception that it is a mature institution capable of open self-reflection, including by an independent evaluation office, and prepared to learn and adapt its work.

One point to emphasize is that the IEO can play this role in part because its independence has been carefully nurtured, underpinned by clear provisions in its TOR. While there have sometimes been stresses related to its operations—for example, in choice of topics and access to information, as discussed in Chapter 2—these have been generally resolved effectively, with the Board standing ready as needed to emphasize that the IEO’s independence should not be compromised.

The IEO’s work also contributes to external credibility by increasing the transparency of the IMF’s work through its own reports and background papers, which have always been published, and the detailed information these documents provide on IMF policies, practices, and decision-making. In fact, the original TOR for the IEO approved in 2001 includes as part of the IEO mandate “promoting greater understanding of the IMF’s work throughout the membership.” The IEO TOR were amended in 2014 to drop this element in response to the suggestion in the second external evaluation that this objective had become less important with the increased transparency of the IMF over the previous decade. Nonetheless, while no longer formally part of the mandate, IEO reports still usefully play this role, as demonstrated by their frequent inclusion in academic courses on the IMF’s work.

**HOW CAN THE IEO CONTINUE TO BUILD ITS GOVERNANCE ROLE?**

As was discussed in the previous section, the IEO is now firmly established as a key component of IMF governance structure because it helps to strengthen Board oversight, address concerns about representation and legitimacy, and contribute to effectiveness and efficiency.
How can this role be further enhanced? A number of possible initiatives are suggested here—recognizing possible gains, but also challenges that would need to be faced.

Advisory Role to Board on Follow-up to Evaluations

While the IEO provides the Board with its views on draft implementation plans presented to the EVC by staff, and on Periodic Monitoring Reports on progress in implementing these plans prepared by the OIA, it has generally refrained from commenting on the action items included in these plans as they are implemented. One possibility would be to provide a mechanism for the Board or EVC to request IEO comments on staff papers brought to the Board as part of implementation plans, a suggestion made by the third external evaluation (Kaberuka and others 2018). Thus, for example, the IEO could have offered comments on the staff’s proposals to develop a more risk-based approach to the Financial Sector Assessment Program (FSAP) following the recommendation from the financial surveillance evaluation that was endorsed by the Board as part of the FSAP review completed in 2021. As another example, the IEO could have commented on the proposals for modifications to the Institutional View on capital flows discussed and approved by the Board in 2022.

Such an advisory role would have the benefit of providing IEO’s views as guidance to the Board during its deliberations on the extent to which staff proposals addressed the concerns raised in the IEO evaluation and tracked Board-endorsed recommendations. This would provide input to the Board at a relevant point and give directors the benefit of the IEO’s perspectives and insights from the evaluation.

Against this, management and staff have concerns about preserving their prerogative to implement Board-endorsed IEO recommendations in the way they find to be best and most appropriate. In responding to the third external evaluation report, the Managing Director’s statement suggested that having the IEO make comments on Board papers could raise tensions between the role of the IEO and management (IMF 2018). Staff also felt that an IEO role at this point in the process could complicate the task of balancing Board concerns and developing a consensus approach, particularly for complex issues like the FSAP framework or the IV. From this perspective, such a role could be seen as in conflict with the requirement in the IEO TOR not to interfere with operational activities (see discussion of this issue in Chapter 2).

From an IEO perspective, such a role would involve considerable resources in order to make a worthwhile assessment of proposals, particularly complicated since staff involved in the evaluation may have moved to new roles following completion of the evaluation. It could also lead to further strain between the IEO, staff, and
management should the IEO find that the proposals made fall short. Nevertheless, as a way to strengthen the impact of IEO evaluation work, this does seem a proposal worth further consideration.

**More Focus on Shorter Evaluations on Current Issues**

The IEO has responded to continuing interest from Executive Directors in increasing attention to current institutional priorities, and the recommendation by the third external evaluation to “consider shorter evaluation products that can be done more quickly as an input into current topics being discussed by the Board.” It introduced a shorter evaluation format on a pilot basis in 2019 as a way to provide a nimble response on a focused topic. So far, one such evaluation has been completed, on IMF-World Bank collaboration on macro-structural issues. It was completed within one year and well received, although Board consideration was delayed by the need to reprioritize the Board’s agenda after the outbreak of the COVID-19 pandemic.

Use of this shorter format was considered for an evaluation of the IMF’s response to the COVID-19 pandemic, given the Board’s clear interest in drawing early lessons, but in the end, the standard format was used. This choice in part reflects the assessment that a full evaluation was needed to do justice to the range and complexity of the issues involved, and to offer relevant recommendations for the Board to consider. It also reflects a more practical consideration, that trying to complete a shorter evaluation on an accelerated timetable could put a heavy burden on IMF staff as well the IEO, which already had three full evaluations underway and scheduled to be competed over the next year or so.

In view of the keen interest from the Board in receiving an early readout of the findings on the response to the pandemic, the IEO decided to hold a midpoint engagement with the Board as an opportunity to present some emerging findings from our work. This took the form of an informal seminar with a presentation to the Board but without a written document, 10 months after the Board discussion of the draft issues paper (IEO 2021). This approach had not been tried before but was much appreciated by the Board and could provide a reasonable compromise between the need to do a thorough evaluation of an important set of issues and the strong appetite for an early readout of the evaluation’s findings.

This experience points to one challenge of introducing a shorter format with a quicker turnaround: it risks stretching the absorptive capacity of the institution and in particular, burden staff. It has to be recognized that the evaluation process requires substantial input from staff who provide documents and data and make
themselves available for interviews. In addition, the follow-up process is heavily resource-intensive, particularly the preparation of the implementation plan. For this reason, the IEO undertook to avoid setting a work program that requires more than two MIPs in any given year (IEO 2019).

One possibility to reduce the strain on absorptive capacity would be to treat shorter evaluations as learning exercises without any formal follow up through implementation plans. However, in discussing this option, many directors expressed concern that such an approach would limit the traction of shorter evaluations. The IMF-World Bank evaluation does have a full follow-up process in train based on the usual implementation plan. Under the approved framework, the need for a formal implementation plan for shorter evaluations would be assessed case by case.

A second challenge to shorter evaluations focused on issues of current importance is the requirement in the IEO TOR not to interfere with operational activities, as discussed in detail in Chapter 2. In general, the IEO has refrained from evaluating issues where policies are being actively developed in consultation with the Board. In part, this restraint relates to the difficulty of evaluating a “moving target,” but it also recognizes that providing recommendations on an issue while staff are in discussions with the Board on that issue could conflict with the “non-interference clause.”

For both of these reasons, the draft issues paper for the IEO evaluation of the emergency response to the pandemic was careful to focus on issues related to the emergency phase of the pandemic response (with an evaluation period set to end before the Board discussion of the issues paper) and to avoid matters that were under active discussion with the Board, such as modifications to access limits to the IMF’s General Resources Account (GRA) and Poverty Reduction and Growth Trust (PRGT) facilities, and experience under continuing IMF-supported programs.

**Closer Involvement in Self-evaluation**

Unlike evaluation offices at other international financial institutions, the IEO has relatively limited involvement in the various processes of self-evaluation conducted by IMF staff, although as mentioned previously, in 2015 it did provide an overall evaluation of self-evaluation at the IMF.

Following practices elsewhere, the IEO could contribute to self-evaluation at the IMF in three ways. First, it could help the IMF develop an overall framework for self-evaluation (preparation of which was one of the recommendations from the 2015 report). Second, it could contribute to design of the self-evaluation process to be followed for particular activities. And third, it could provide some form of
validation of the individual self-evaluation products, providing a degree of quality-control assurance.

Clearly, increasing the IEO’s role in this way would first involve a broader decision at the IMF on adopting a more comprehensive and systemic approach to self-evaluation. This is not to suggest that all IMF activities should be subject to self-evaluation, but rather a commitment to developing a strategy for the role of self-evaluation and the principles to be followed.

Increasing the IEO’s role in self-evaluation would also raise practical challenges for the IEO. It would imply a considerable expansion in IEO responsibilities, with significant resource implications, and the risk of diluting the IEO’s focus on its main evaluation function. And it could imply the potential for increased friction with staff in cases where the IEO criticized the quality of individual self-evaluations.

Deeper Collaboration with Other Evaluation Offices

As discussed in Chapter 6, effective collaboration between the IMF and partner institutions has become increasingly important as a broader range of issues are seen to have macroeconomic relevance, extending the IMF’s work beyond its traditional core areas. Indeed, this was one of the key themes of the report by the G20 Eminent Persons Group on Global Financial Governance (EPG 2018). Moreover, in discussing the IMF’s work on topics such as climate change, structural reforms, and fragile states, Board members have consistently stressed the importance of effective collaboration with the World Bank and other partners as a way to increase the IMF’s leverage amid multiple demands and high pressure on overall resources.

Recognizing the growing importance of collaboration with outside partners, the IEO has included an assessment of its effectiveness in many of its recent reports, as described in Chapter 2, and devoted one evaluation to IMF-World Bank collaboration on macro-structural issues (IEO 2020b). These evaluations have encouraged building frameworks to institutionalize effective collaboration with other institutions and reduce dependence on individual relationships that has led to uneven collaboration in the past.

However, the impact of the IEO’s work in this area has thus far been limited because the work is typically asymmetric, evaluating the IMF but not the partner institution, and effective follow up is likely to require some commitment from the partner institution. The IEO’s IMF-World Bank evaluation sought to present the World Bank’s perspective and received generous practical support from the World Bank’s Independent Evaluation Group (IEG). However, preparation of the implementation
plan that followed the evaluation was constrained by the need for the World Bank to participate in, and agree to, some important aspects of the response.

Deeper collaboration between the IEO and the IEG did occur for the IEO evaluation of the IMF’s role in Poverty Reduction Strategy Papers and the PRGT (IEO 2004b). This evaluation was conducted explicitly in parallel with an evaluation of World Bank activities by its IEG, with a coordinated timetable, and drew on a set of case studies jointly prepared by the two evaluation offices. However, this experience has not been repeated.

In approaching the evaluation of the IMF’s emergency response to the COVID-19 pandemic, it was quickly recognized that close collaboration with other evaluation offices that were initiating evaluations of their own institutions’ pandemic responses would be highly valuable. Thus, the IEO team was in close contact with the World Bank’s IEG, other multilateral development banks, and the United Nations, to maximize synergies. This has involved sharing and commenting on scoping notes and exchange of information, and should involve sharing of findings, including on how institutions worked together in responding to the pandemic. IMF Executive Directors have been very supportive of these efforts.

This experience may generate lessons for how to deepen collaboration with other evaluation offices in the future in a way that will contribute to the broader governance structure of the international financial institutions as envisaged by the G20’s Eminent Persons Group. There is already considerable interaction, including through a well-established Evaluation Consultation Group. It formally meets twice a year and regularly exchanges information on recent activities and challenges, develops and shares best practices, and champions the cause of robust independent evaluation at international financial institutions more generally. The collaboration now underway for the pandemic response evaluations could be seen as a useful pilot for deeper collaboration on issues of shared interest across evaluation offices.

The next and most challenging step could be to undertake further parallel or even joint evaluations in which two or more evaluation offices work together on a coordinated timetable on an issue involving the institutions. Such an exercise would be difficult—for many of the same reasons identified in the IMF-World Bank evaluation as complicating their collaboration, including different corporate mandates and procedures. However, more joint and parallel evaluations would potentially offer greater rewards, particularly in areas where effective collaboration is essential for the institutions to achieve their goals.
REFERENCES


INTRODUCTION

As called for in its Terms of Reference (TOR), the Independent Evaluation Office (IEO)’s objectives are to enhance the learning culture within the International Monetary Fund (IMF), strengthen the IMF’s external credibility, and support the Board’s institutional governance and oversight responsibilities. The IEO seeks to achieve these objectives through its contributions to changes in work practices, shifts in priorities in use of budgetary resources, adjustments in policies or development of new policy frameworks, and longer-term efforts to reshape the culture of the institution. While changes may not be solely, or even primarily, motivated by IEO evaluations and recommendations, the IEO complements the self-review and self-evaluation work by the IMF to enhance the institution’s ability to draw lessons from its experience and integrate improvements into its future work.

Taking stock of experience with IEO recommendations from 16 IEO evaluations over 2011–21, this chapter discusses the IEO’s influence on the IMF, focusing on the formal process for following up on recommendations made by IEO evaluations. It explores the extent to which IEO recommendations were endorsed by the Board, the alignment of the recommendations and the Management Implementation Plan (MIP) actions, the implementation of MIP actions, and the factors affecting the time to implement.

A key objective of this chapter is to take stock of the strengths and weaknesses of the current follow-up process with a view to identifying how to further improve the traction and impact of IEO evaluations. In that regard, this chapter complements the discussion of the impact of IEO evaluations in Chapter 2. It provides an overview of the follow-up process embedded in the IEO’s theory of change and how this process has evolved over time, discusses the traction of recommendations, and presents concluding remarks.
THE FOLLOW-UP PROCESS

As discussed in Chapter 2, the formal follow-up process to implement evaluation recommendations endorsed by the Executive Board has evolved and strengthened over time, primarily driven by the feedback from the periodic external evaluations of the IEO. In 2007, in response to the first external evaluation of the IEO (Lissakers, Husain, and Woods 2006), known as the “Lissakers” report, the IMF’s Executive Board approved a more systematic approach for following up and monitoring the implementation of IEO recommendations by establishing MIPs and Periodic Monitoring Reports (PMRs). Further changes to this process were approved following the second and third external evaluations.

Current Process

The key components of the follow-up process—the summing up of the Board discussion, the MIP, and the PMR—can be understood by considering a theory of change (ToC) for how IEO evaluations impact the institution. A ToC is used by evaluators to depict:

- The causal pathway from activities to outputs to a sequence of outcomes to final desired impacts; and
- The causal assumptions showing why, and under what conditions, the various links in the causal pathway are expected to work; that is, what has to happen for the causal linkages to be realized (Mayne 2015).

The ToC shown in Figure 4.1 depicts how IEO interventions (evaluations) are meant to work to help the IMF be more effective in supporting its membership to achieve high-level goals of sustainable economic growth and macroeconomic and financial stability.

The results chain, or the causal pathway, of the IEO evaluation work is as follows (Figure 4.1, textboxes in green):

- Inputs and outputs are fully under the IEO’s control. In consultation with stakeholders, the IEO Director selects a strategic evaluation topic with high learning potential and decides on the evaluation format—a full or a short evaluation. The IEO sets up an evaluation team, which collectively possesses evaluation and subject matter expertise, experience in macroeconomic policy analysis, and institutional knowledge. The evaluation team collects evidence through various evaluation methods (interviews, surveys, case studies, empirical methods,
and literature review), analyzes/triangulates the evidence, and produces an evaluation report. Recommendations are typically included in full evaluations, while short evaluations may present recommendations if judged necessary by the IEO. Ten years after the completion of a full or a short evaluation, the IEO may undertake an evaluation update. Updates take stock of progress in areas identified by the original evaluation, assess whether the lessons and recommendations still remain relevant, and identify emerging issues and new challenges. Depending on the findings of an evaluation update or a short evaluation, the IEO may decide to launch a full evaluation.

- Outcomes are expected to take place sequentially at two levels: institutional outcomes for the IMF and outcomes for members.

- Institutional outcomes are the direct contributions of the IEO evaluation work to the IMF’s learning and behavior change. All full evaluations and short evaluations with recommendations are reinforced by a rigorous follow-up process: the IMF develops MIPs for the Board-endorsed IEO recommendations and annually prepares monitoring reports on the implementation of the MIP to the Board. Nevertheless, IMF learning and behavior change are expected to ensue not only from the specific recommendations and the follow-up process, but also from the broader range of IEO findings in all evaluations and evaluation updates.

- Outcomes for members are the higher relevance, traction, and effectiveness of IMF advice to members as a result of improved institutional outcomes and ensuing better immediate economic outcomes for members. Economic outcomes include variables such as tax-to-Gross Domestic Product (GDP) ratio, government spending, exchange rate policy, and macro-critical structural reforms.

- Impact represents the highest level of results in the results chain, corresponding to the contributions of IEO evaluations to the IMF’s mandate of providing support for members and the global economy aimed at achieving sustainable economic growth and macroeconomic and financial stability. Attribution at the impact level is more difficult to assess than at the outcome level given the wide range of factors affecting a country’s economic performance.

The orange textboxes in Figure 4.1 present the causal assumptions, that is, the conditions under which the outcomes and the desired impact will be realized. A successful transition through the results chain, thereby an impactful evaluation,
FIGURE 4.1. IEO’S THEORY OF CHANGE

**CONDITIONS FOR CHANGE**
- IEO consults with Board, staff, country authorities, academics, and non-governmental organizations to choose strategic topics offering high potential for learning, relevant to IMF’s mandate, and important for members
- IEO seeks buy-in for findings and recommendations from staff, Board, and other stakeholders through
  - Strong evidence and analysis (interviews, surveys, case studies, empirical methods, literature review)
  - Recognition of institutional constraints
  - Effective communication (high-quality reports, inreach/outreach)
- Relevance and quality of IMF policy advice improves
- IMF is accountable and transparent
- IMF builds its reputation as an agile, learning institution
- IMF’s credibility and influence increase

**RESULTS CHAIN**
**INPUT**
- IEO identifies evaluation topics and hires external consultants and subject matter experts

**OUTPUT**
- Evaluations assess IMF policies and practices:
  - Collect evidence
  - Develop findings on evaluation questions
  - Make SMART recommendations

**INSTITUTIONAL OUTCOMES**
- IMF absorbs IEO findings, lessons, recommendations, and alternative views into its self-evaluation process

**LEARNING**
- IMF instills longer-term shifts in institutional culture

**BEHAVIOR CHANGE**
- Board approves and IMF implements changes to policies and practices

**OUTCOMES FOR MEMBERS**
- IMF achieves higher relevance, traction, and effectiveness
- Members attain better economic outcomes

**IMPACT**
- IMF is more effective in supporting its membership and global economy in achieving
  - Sustainable Economic Growth
  - Macroeconomic and Financial Stability

**EVALUATION TIMELINE/PROCESS**
- Periodic external evaluations of IEO

**CONDITIONS FOR CHANGE**
- External evaluations of IEO validate analytical independence of IEO work
- IEO’s credibility and influence increase

**FOLLOW-UP**
- Executive Board considers IEO findings and recommendations

**SUMMING UP**
- IMF develops implementation plan for Board-endorsed recommendations

**PMR**
- IMF monitors timely implementation of the MIP

**EVALUATION UPDATES**
- IEO assesses progress in outcomes and identifies emerging challenges 10 years after completion

**CONDITIONS FOR CHANGE**
- MIP actions are SMART and well aligned with the essence of Board-endorsed recommendations
depends on whether the following conditions for change are accomplished at each stage:

- **Input.** Fully informed by the diverse views of stakeholders, the IEO chooses a strategic evaluation topic offering a high potential for learning, relevant to the IMF’s mandate, and important for members.

- **Output.** The IEO prepares the conditions for effective buy-in for its findings and recommendations from staff, the Board, and other stakeholders, which requires the following: the evaluation report is of high quality in substance and presents strong evidence and analysis, well triangulated through a range of evaluation methods; takes into account binding institutional and resource constraints; has SMART (Specific, Measurable, Attainable, Relevant, and Timely) recommendations; and clearly conveys its findings and the rationale for recommendations. Furthermore, the IEO interacts closely with staff during the evaluation to identify constraints to implementation and communicates its findings and recommendations effectively through in-reach/outreach activities.

- **Institutional outcomes.** Improved learning and behavior change at the institutional level would lead to better outcomes for members provided such changes are well aligned with the essence of the recommendations and improve the relevance and quality of IMF advice to members. IEO evaluations and observable changes in institutional outcomes help improve accountability and transparency of the IMF and build its reputation as an agile and learning institution. As a result, the IMF’s credibility and influence increase.

- **Outcomes for members and impact.** Higher relevance and quality of IMF advice combined with stronger accountability, transparency, and credibility help the IMF achieve higher traction with members, better economic outcomes, and higher impact.

Notably, the IEO and the IMF jointly learn from and implement recommendations of periodic external evaluations of the IEO. Such independent “evaluations of the evaluator” validate the independence of the IEO work and assess the traction of Board-endorsed recommendations, helping improve the IEO’s credibility and influence.

The current roles and responsibilities of the various participants in the evaluation and the follow-up process are as follows:
IEO

- Topic selection. The IEO prepares a menu of possible evaluation topics, which is discussed with the Board in an informal seminar. The IEO Director decides on the evaluation topics, in consultation with Executive Directors and management, as well as with informed and interested stakeholders outside the IMF. Topics are focused on issues of importance to the IMF’s membership and of relevance to the IMF’s mandate, in line with current institutional priorities but without interfering with the IMF’s operational activities. The IEO conducts the evaluation and formulates its recommendations, drawing on input from management, staff, the Executive Board, country officials, subject matter experts, and other stakeholders. The IEO typically also includes more detailed sub-recommendations or suggestions on how the top-line recommendations could be achieved.

- Board discussion. The IEO responds to directors’ comments and questions and reviews the summing up (SU) to help ensure that it accurately reflects the Board discussion.

- MIP. As input to the Evaluation Committee discussion of the MIP, IEO assesses how well the MIP actions align with the corresponding IEO recommendations, whether the actions are SMART, and whether the actions are adequate for achieving the goals sought by the recommendations.

- PMR. IEO provides input to staff preparing the PMR and issues a statement ahead of the Board discussion to raise any remaining concerns regarding the information provided about implementation status. During the internal review process of the PMR, IEO also reviews and comments on staff proposals to retire open MIP actions.

Management and Staff

- Topic selection. Management and staff can suggest evaluation topics and comment on the IEO’s menu of options.

- Evaluation. Management approves staff comments on the draft IEO report and recommendations for IEO’s consideration during the internal review process.
Board discussion. In preparation for Board discussion of the IEO evaluation report, the Managing Director provides a written statement of her position on each IEO recommendation, which is circulated to the Board along with any written comments on the more detailed specific suggestions made by the IEO.

MIP. Within six months of the Board discussion, management and staff are required to set out a forward-looking implementation plan identifying actions to follow up on Board-endorsed IEO recommendations, together with a timeline and cost estimates.

PMR. Once a year, staff prepares a PMR on the state of implementation of actions contained in approved MIPs and not judged completed in the previous PMR. Since 2014, the Office of Internal Audit (OIA) has been responsible for preparing PMRs and reporting to the Board. The OIA reports directly to the Managing Director and has no direct operational responsibility or authority over any of the activities audited or reviewed.

The Executive Board

Topic selection. Executive Directors can suggest evaluation topics and comment on the IEO’s menu of options.

Board discussion. The IEO’s evaluation report is discussed by the Executive Board. Executive Directors typically issue written statements laying out their reaction to evaluation findings and recommendations. Under the IMF’s “rule of silence,” if they do not comment on one or more recommendation(s), that is interpreted as support for the Managing Director’s view. Directors may also comment on the more specific suggestions made by the IEO evaluation. Directors may then further refine or even alter their views during interactions at the Board meeting. A summing up (SU) of this meeting conveys the response of the Board to the evaluation and its support for the recommendations made by the evaluation. Directors are given the opportunity to ensure that SUs accurately reflect their views.

MIP. The Board endorses the MIPs, usually on a lapse of time basis, after review by the Evaluation Committee to ensure that IMF management and staff are adequately pursuing the Board-endorsed recommendations. The Evaluation Committee may request changes to the draft MIP to provide stronger or timelier follow up to Board-endorsed recommendations.
PMR. Since 2019, the PMR is discussed and approved by the Board (prior to 2019, the PMR discussion was delegated to the Evaluation Committee). Decisions to retire action items can be made at each PMR discussion. A triage exercise to identify actions to be reformulated took place on a one-off basis in 2019.

**EVOLUTION: HOW DID WE GET HERE?**

Concerns raised by external evaluations of the IEO helped improve the key components of the follow-up process.

**Recommendations**

Articulation of IEO recommendations provides the jumping-off point between the evaluation and follow up on its findings and conclusions. Formulation of concise and well-targeted recommendations helps lay the basis for clear decisions by the Executive Board about whether and how the IMF should respond. Over time, the IEO has received varying advice and feedback on its recommendations—including, on the one hand, calls to provide more specific proposals to address issues it identifies and, on the other, to keep its advice at a high level and refrain from micro-managing the institution.

The second external evaluation of the IEO (Ocampo, Pickford, and Rustomjee 2013) henceforth referred to as the “Ocampo report,” expressed concern that IEO recommendations had become “too process-oriented” and called for recommendations to “be aimed at the outcomes to be achieved by the IMF, leaving it to Management and the Board to design the appropriate actions to deliver those outcomes.” (Ocampo 2013, p. 3).

In 2018, by contrast, the third external evaluation found that some recommendations had been “too general and hard to implement,” with “too little attention given in IEO reports to explaining the usefulness and effect of the recommendations made,” and too much attention to laying out evidence and “pointing out gaps and shortcomings” (Kaberuka, Jiun, and Meyersson 2018, pp. 10–11). The report, henceforth referred to as the “Kaberuka report,” thus called for the IEO to design “impactful” recommendations that are practical, as well as SMART. The report essentially asked the IEO to achieve a balance between competing priorities—calling for the IEO both to provide directions that were “broad enough … to give management room to find the best way to implement,” and to articulate proposals that were “fully appropriate in the operating context” and provided “adequate guidance” for development of follow-up plans.
Summings Up

The initial draft summing up is prepared in advance of the Board discussion by IMF staff in the Secretary’s Department, in consultation with the IEO, the Strategy, Policy, and Review Department (SPR), and other IMF departments as relevant, drawing on Executive Directors’ written statements (known as “grays”). The explicit role of the IEO in the summing-up process was strengthened following the Kaberuka report in 2018. Most substantively, the IEO has the opportunity to comment on Secretary’s Department’s initial drafts of the summing up ahead of, as well as after, the Board meeting.

MIPs

MIPs were introduced in 2007 following the first external evaluation of the IEO, the “Lissakers report.” The report identified the lack of a formal mechanism for the Board to follow up specific recommendations made by the IEO after observing that “the implementation of IEO recommendations appears to remain firmly under the control of Management. Unless Management initiates follow-up, nothing happens.” (p. 25) The Lissakers report suggested several ways to strengthen monitoring and follow-up that envisaged a more active role for the Board and the Evaluation Committee: “One would be for the IEO periodically to issue, for Board discussion, an evaluation of follow-up and implementation of its recommendations and findings on specific issues that appeared to enjoy support from the Board. Another measure would be for the Evaluation Committee to play a more active role. Soon after an IEO report has been presented and discussed by the Board, the Evaluation Committee could schedule a meeting with Management or relevant department heads, together with the team leader for the IEO, to discuss what follow-up is being planned or considered. The Evaluation Committee could continue to monitor and report back to the Board” (p. 26).

Subsequent external evaluations have led to substantial reinforcement of the MIP process. The Ocampo report cautioned about the significant delays from the finalization of the IEO evaluations to the approval of the MIP and recommended that “Management should present the MIP within one to three months following the Board discussion. The Evaluation Committee should review the MIP on behalf of the Board and ensure that it is approved no later than two months after its release” (p. 34). Subsequently, it was decided to introduce a requirement to present the draft MIP within six months of the Board discussion, to provide adequate time for staff to develop a comprehensive plan to meet objectives while being consistent with the IMF’s broader agenda and work processes. The Kaberuka report recommended that the Evaluation Committee should enforce clear expectations for Management
Implementation Plans to meet the SMART test. Subsequently, management and staff have been committed to be tightly guided by the SMART principles to accountability.

**Periodic Monitoring Reports**

With the introduction of a formal follow-up process in 2007 came a PMR, initially prepared by SPR, on the status of implementation of actions included in the MIPs. Beginning with early reports, directors raised questions about the extent to which recommendations were being addressed without the impact always being seen. Some issues, such as staff tenure on country teams, were raised repeatedly during PMR discussions and kept “on the table” for monitoring. The Ocampo report pointed to the conflict of interest in management’s dual responsibilities in preparing the MIP and monitoring its application. The report recommended that “Periodic Monitoring Reports should continue to be prepared annually, but by the Internal Audit Office (OIA) … given its mandates, its experience in evaluation, its arm’s-length relationship with management and the capacity and skills base of its staff” (pp. 26 and 34). Beginning in 2014, preparation of the PMR—and thus the assessment of whether actions had been completed—was moved to the OIA. Relatedly, the Ocampo report did not support a more central role for the IEO in the follow-up process, noting that “the comparative advantage of the IEO is to identify policy issues and desirable outcomes … [Monitoring of specific recommendations] is not its primary responsibility and would detract from its core objectives and mandates” (pp 25–26). The Kaberuka report found that the PMRs prepared by the OIA were detailed and professional, and that “candor and usefulness” had continued to improve with each report (p. 16).

At the Board discussion of the first PMR in 2008, directors agreed to refer future PMRs to the Evaluation Committee for initial consideration and review in order to make more efficient use of the Executive Board’s time. According to this framework, if the Evaluation Committee discussion did not raise any issues, the committee would recommend endorsement of the PMR by the full Board on a lapse of time basis. The committee could also recommend a Board discussion of the whole PMR or just a few issues that would merit further consideration. The Kaberuka report recommended that discussion of the PMR be restored to a formal Board meeting with management and staff present. The Kaberuka report elaborated that “The current practice is for the EVC to discuss the PMRs, but … neither management nor the staff responsible for the implementation of open items have been required to explain the delays in person to the EVC; instead it has been the OIA, charged with monitoring implementation, and SPR, that have been in attendance… the current
BOX 4.1. CATEGORIZATION OF OPEN ACTIONS IN MIPS IN 2019 TRIAGE FRAMEWORK

**Category 1.** Actions that are open with no obvious challenges; routine follow up in the PMR. These actions are clearly defined, measurable, and monitorable; progress is being made and they are expected to be implemented in reasonable time.

**Category 2.** Actions for which desired outcomes are not being achieved despite implementation guidelines being in place; revisions are needed to embed greater incentives or stronger enforcement. Management will propose revisions that seek to achieve the same goal as the original action, while enhancing monitorability, embedding compliance incentives, and/or strengthening accountability mechanisms.

**Category 3.** Actions that are insufficiently specific and have no clear measures of success; revisions are needed to make them SMART (Specific, Measurable, Attainable, Relevant, and Timely). Management will propose revisions to the actions to make them more specific, measurable, attainable, relevant, and time bound.

**Category 4.** Actions that involve long-term technical or culture change and are not suitable for a binary open-closed classification; better addressed through other mechanisms. Actions in this category would be followed up in five reporting cycles of the PMR, following their original approval, to review progress. After this period, management will propose (with an explanation of the progress to date) that the action should be retired from the PMR monitoring process, unless a longer monitoring period is required—in which case the period of PMR monitoring would be extended. If needed, at the time an action is proposed to be retired, management, jointly with the accountable departments, would identify other mechanisms of the Board where future updates could be available (for example, a Board policy or administrative review that looks into the broad topic of concern).

**Category 5.** Actions for which full implementation is no longer seen as valuable, have duplicates in other MIPs, or have become redundant; retire from PMR. Management will propose that such actions should be retired from the PMR because it has encountered significant challenges or other factors that make full implementation unlikely (with no obvious remedy), or because the actions have become redundant, having been superseded by subsequent events, priorities, or MIPs.
In 2020, the Board placed eight actions into categories 2 and 3 to retain them under PMR monitoring, as these actions were not fully covered under other workstreams, emphasizing particularly the reformulation of actions on staff tenure and handover of country assignments. The Board asked staff to take a holistic approach to ensure mission teams’ deep understanding of country circumstances, and their strong relationships and traction with member countries. These eight actions were reformulated in 2021. The Board retired 15 actions under categories 4 and 5 while stressing that most of these actions remained highly relevant. Five out of six actions in category 4 had met the five-year PMR reporting requirement and had been substituted by other implementation workstreams and monitoring mechanisms. For one action in category 4 on regional and gender diversity, annual monitoring through the PMR was extended for five additional PMR cycles to help provide additional progress on regional and gender diversity objectives. Ten actions under category 5 were retired as they were assessed to be superseded by new workstreams and further PMR monitoring was considered redundant.


process gives insufficient attention and importance to the implementation progress” (pp 16–17). Since 2020, PMRs have been considered in formal Board meetings.

The 2019 Triage Framework

Despite improvements in the PMR process, the number of actions to be monitored continued to grow. Actions in new MIPs outpaced the implementation of outstanding actions as some items, particularly from earlier MIPs (before the greater emphasis on SMARTer commitments), continued to lag. This motivated the most recent innovation in the process: to triage open actions by determining whether some were no longer relevant and could be retired, and identifying those that were still important and needed new impetus. The Kaberuka report stated clearly that “too many items have remained open for too long,” noting that action on some was difficult to assess because they were “too broadly phrased” or were focused on general calls to strengthen culture in a continuing way; others remained open “simply due to poor enforcement and insufficient accountability,” and some may have been “overtaken by events and therefore are no longer relevant in the current form” (p. 16). The report recommended that “the Board should comprehensively address the backlog of open management actions on the basis of an enhanced Periodic Monitoring Report containing recommendations to deal with each category of open action items” (p. 22).
In 2019, the Board approved a framework to address open management actions in response to Board-endorsed IEO recommendations (IMF 2019). The framework was implemented in “Categorization of Open Actions in Management Implementation Plans” (IMF 2020), which undertook a triage of the backlog of open actions into five broad categories (Box 4.1). As a result, 15 open actions were retired, 1 item was retained, and 8 items were to be reformulated. In January 2022, the Board endorsed the MIP for eight reformulated actions, which included a number of outcome indicators for monitoring and reporting progress (IMF 2022b). These two reports were prepared by the OIA, in consultation with the IEO, SPR, and other IMF departments.

Recurring Issues

Over the years, some observers have pointed to a weakness in the follow-up process, namely that it tracks only specific actions arising from formal recommendations, without considering whether sufficient attention is brought to bear on broader issues raised by IEO evaluations that also represent important areas for learning and change. The Ocampo report articulated that “the more generic and substantive issues raised by IEO reports, which are often not encapsulated in specific recommendations, also need monitoring… this type of review should be carried out biennially by the IEO itself…[and] should be selective and concentrate on the ‘bigger issues’ that are particularly relevant… It would be for the Board to decide whether further actions are needed in light of these IEO reviews” (p. 26). The IEO subsequently prepared a review of recurring issues raised by IEO evaluations (IEO 2014). (Progress on these issues is discussed in Chapter 2.) The Board supported the recommendation that the IEO conduct similar evaluations every five years and that staff prepare a separate high-level report on the status of initiatives, addressing the recurring issues identified by the IEO. Staff prepared a High Level Status Report in 2016 on progress made in addressing these issues. However, in light of the need to streamline the work program and the existence of other monitoring processes, the formal process for tracking recurring issues was discontinued.

Evaluation Updates

IEO evaluation updates, introduced in 2013, provide a vehicle to assess how issues raised in earlier evaluations may have evolved and point to areas that may need further attention. However, updates do not include recommendations and are only discussed informally by the Board, rather than for action, so they do not have a formal follow-up process.
This section covers the traction of recommendations from IEO evaluations completed during 2011–21. Two phases of traction will be covered sequentially: first, the Board consideration of recommendations; and second, the follow-up of MIP actions related to the Board-endorsed recommendations. This analysis covers 16 evaluations for which monitoring data is available in the Twelfth PMR (IMF 2022a).

Discussion of the first phase covers the extent to which each recommendation in IEO evaluations was endorsed by the Board. It specifically takes stock of recommendations that were rejected or only partially accepted, and why. The discussion of the second phase presents some descriptive analysis on the nature of IEO recommendations versus MIP actions, using two metrics: proximity to higher-level results (result score); and the depth of institutional change (IC-depth score). Finally, the traction of the MIP actions and the factors affecting the time to implement the actions will be explored, using descriptive statistics as well as some empirical methods.

### The Board Response to IEO Recommendations

Overall, IEO recommendations appear to have been selective and focused on key issues. Across 16 evaluations completed over 2011–21, the IEO made 75 recommendations with 3 to 6 recommendations for each evaluation (Figure 4.2). On average, the Board fully endorsed almost three-quarters of the 75 recommendations. Only 4 recommendations were not endorsed while 15 recommendations were endorsed with qualifications.\(^1\) Annex 4.2 presents the recommendations not endorsed or only partially endorsed, along with the Board response in the summings up.

The Board rarely rejected IEO recommendations outright. For evaluations completed in the earlier part of the decade, the Board did not endorse three recommendations in the evaluation of *International Reserves: IMF Concerns and Country Perspectives*, and one recommendation in the evaluation of *The Role of the IMF as Trusted Advisor*. In addition, some sub-recommendations in the evaluation of *IMF Performance in the Run-Up to the Financial and Economic Crisis* were not endorsed. The key reasons stipulated in the summings up for not endorsing some

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\(^1\) In two evaluations, *IMF Performance in the Run-Up to the Financial and Economic Crisis* and *The Role of the IMF as Trusted Advisor*, some top-line recommendations were not sufficiently specific. Therefore, a bottom-up approach based on sub-recommendations is used for these evaluations. Accordingly, a recommendation is considered endorsed if all relevant sub-recommendations were endorsed by the Board, and not endorsed if all relevant sub-recommendations were rejected by the Board. A recommendation is considered partially accepted if it is not wholly accepted or rejected.
recommendations, and thus not having any corresponding MIP actions, were as follow:

- Already addressed by existing policies, products, or analytical tools. Three recommendations contained in the evaluation of *International Reserves: IMF Concerns and Country Perspectives* fell under this category: first, “targeting policy distortions directly,” second, “embedding the discussion of reserve accumulation in the multilateral context in a more comprehensive treatment of threats to global financial stability that was informed by developments in global liquidity and financial markets,” and third, “Policy initiatives that were meant to deal with systemic externalities must take into account the relative size of countries’ contributions to the externality” (pp. 17–18). Directors agreed with these approaches but considered that these were already addressed by existing IMF policies, tools, and multilateral surveillance products, such as the External Sector Report, spillover reports, and reserve adequacy assessments.

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**FIGURE 4.2. BOARD RESPONSE TO IEO RECOMMENDATIONS, 2011–21**

<table>
<thead>
<tr>
<th>Year</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>GFC, RSR, IRES</td>
</tr>
<tr>
<td>2012</td>
<td>ADV, FOR</td>
</tr>
<tr>
<td>2013</td>
<td>CRISIS, SELF</td>
</tr>
<tr>
<td>2014</td>
<td>DATA, GIP</td>
</tr>
<tr>
<td>2015</td>
<td>CRISIS, SELF</td>
</tr>
<tr>
<td>2016</td>
<td>DATA, GIP</td>
</tr>
<tr>
<td>2017</td>
<td>SP</td>
</tr>
<tr>
<td>2018</td>
<td>FCS</td>
</tr>
<tr>
<td>2019</td>
<td>FIN, UMP</td>
</tr>
<tr>
<td>2020</td>
<td>CFM</td>
</tr>
<tr>
<td>2021</td>
<td>ADG</td>
</tr>
</tbody>
</table>

Source: IEO evaluation reports and the author’s calculations.

Note: Covers all recommendations for 16 evaluations completed over 2011–21. The acronyms used for the evaluations are presented in Annex 4.1.

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Limited value. With regard to *The Role of the IMF as Trusted Advisor*, directors did not see the merit of the recommendation to “Incorporate early and openly the views of all countries—particularly those that stand to be most affected by changes in the Fund’s policy stance—during the preparation of major policy papers on which analytical debate is still ongoing” (p. 29). Directors supported the need for extensive consultation with the IMF membership, but there was limited support for setting out all views in policy papers. Similarly, the directors were wary of introducing a more bureaucratic process they saw resulting in the context of this sub-recommendation: “in close consultation with country authorities, develop a medium-term strategic plan which is expected to be actively used as a guidance for subsequent mission teams and would allow Management to monitor continuity as well as progress with key medium-term objectives” (p. 28).

Disagreement with substance. The Board did not endorse the substance of two sub-recommendations in *IMF Performance in the Run-Up to the Financial and Economic Crisis*. The first stated that “In order to promote more effective bilateral surveillance, consideration must be given to the possibility of issuing staff reports without the need for Board endorsement. This could be followed by a peer review process structured to give surveillance greater traction” (p. 22). The second stated that “On issues of systemic importance, the Fund should be ready to err more often in the direction of emphasizing risks and vulnerabilities, rather than focusing on possible benign scenarios. This change in approach would need to be discussed and agreed by the membership at large” (p. 23). On the latter, a number of directors cautioned that the recommendation to err more often emphasizing risks and vulnerabilities could lead to more false alarms and thereby reduce the credibility and traction of surveillance. In *The Role of the IMF as Trusted Advisor*, directors did not support the sub-recommendation of “developing incentives for mission chiefs and resident representatives that make their role as trusted advisors an important part of their performance,” as they were concerned about how such incentives might affect the independence of staff advice (p. 29).

Weak or vague formulation. The Board accepted management’s view that this sub-recommendation in *IMF Performance in the Run-Up to the Financial and Economic Crisis* was vague: “Encourage the staff to be more candid about the ‘known unknowns,’ to be more ready to challenge their own preconceptions, and to frankly disclose the limitations of data and technical tools underlying its analysis” (p. 22).
Comment and Suggestions

It is worth emphasizing that the extent to which the Board endorses IEO recommendations should not be considered as a performance metric for the success of an IEO evaluation. Rather, the IEO’s key role of “speaking truth to power” with an independent and well-informed voice is critical for helping the IMF achieve its mandate. Delivering timely and, at times, uncomfortable messages is a crucial part of the job.

Nevertheless, a recommendation that is not endorsed does not lead to any explicit follow-up process and is thus likely to have limited traction, unless it somehow contributes to changing mindsets. Some of the factors leading to a negative response from the Board were due to unforced errors that the IEO has been addressing in its second decade. The main lessons are as follows:

- Improve the clarity and precision of recommendations. Clarity and precision should be sought in two dimensions: The first is complementarity. When making recommendations on IMF policies, the IEO should recognize whether they overlap with or complement the existing policy and practices, while highlighting what else is needed and gaps in implementation. The evaluation of IMF Advice on Capital Flows provides a good example of an evaluation clearly identifying the gaps in the IMF’s policy and providing timely, clear, and specific policy recommendations for updating the IMF’s Institutional View (IV) on capital flow measures, although not all of IEO’s detailed suggestions were accepted in a subsequent review of the IV. Moreover, an explicit recognition of how recommendations overlap with existing policies and recent initiatives may strengthen staff buy-in by giving credit to staff work. A good practice would be to report the baseline of existing policies and practices, both at the beginning and end of the evaluation, reflecting any evolution over the course of the evaluation. A recent example was the introduction of the Resilience and Sustainability Trust as the evaluation of IMF Engagement with Small Developing States was being prepared (IEO 2022). The second dimension regards SMART formulation. As discussed extensively in the previous section, following the Kaberuka report, the IEO has been paying particular attention to formulating SMART recommendations, focusing on providing detailed, actionable suggestions for how top-line recommendations can be implemented.

- Engage more closely with stakeholders to increase buy-in. Some cases of “limited value” or “disagreement in substance” could be avoided by closer engagement with staff and the Board during the evaluation, especially when formulating the recommendations, to fully understand their concerns and
potential constraints to implementation. Such close engagement does not necessarily, and should not, come at the expense of the IEO’s independent voice. The IEO has increased efforts to reach out to stakeholders to get their views on recommendations and explain IEO’s rationale for them. At times, IEO recommendations were met with defensive responses from staff, especially when perceived as requiring additional budgetary resources in an environment of “no real increase” in the institution’s budget and staff already overstretched. In that regard, the IEO has made recommendations on how the IMF can economize in some areas to create space for changes that will require more staff and budgetary resources. Examples include its recommendations in the evaluation of IMF Financial Surveillance for more flexible, dynamic, and risk-based allocation of Financial Sector Assessment Program resources; its recommendations in Behind the Scenes with Data at the IMF: An IEO Evaluation on prioritizing the IMF’s data requirements and weighing the benefits and the costs for any additional requests; and its recommendation in IMF Engagement with Small Developing States for further streamlining the application of data-demanding diagnostic tools.

Avoid too many recommendations. It is important to focus recommendations on a few prominent issues with high potential impact, well supported by the evidence, and actionable by the IMF. This allows the Board discussion to focus on the most important high-level recommendations while allowing management and staff to develop SMART actions that take institutional constraints into account.

Recommendations vs. MIP Actions: Were They Aligned?

The MIPs for 16 evaluations completed over 2011–21 had 185 actions to address the IEO recommendations. An important question is to what extent these MIP actions responded to the essence of the corresponding IEO recommendations. This question is multifaceted and hard to tackle with high confidence. The alignment of recommendations and the MIP actions can be examined at three levels: policy content at the output level; results achieved at the outcome level; and the depth of institutional change.

Policy Content

There are three crucial points in time for assessing the alignment of MIP actions and recommendations in terms of policy content. The first is at the time of the MIP endorsement by the Board; the second is at the time of the Board approval of changes to the related policies and practices committed by the MIP; and the third
is at the time of the PMR approval. One important point to emphasize is that many MIP actions relate to processes rather than end results: in many cases, the MIP actions involve preparing policy papers to establish or update IMF policies and practices. Such MIP actions do not prejudge the substance and conclusions of the corresponding papers but note that the IEO recommendations will be considered. Therefore, at the time of the MIP approval, it is not possible to fully assess whether the final policy changes will be aligned with the essence of the IEO’s recommendations. In addition, at the time of the changes to policies, the IEO is not involved in the internal review process for the policy papers, nor does it make a statement to the Board conveying its views on the alignment of policy changes with its recommendations. At the time of the PMR approval, the OIA reports on implementation on the basis of whether such a policy paper was discussed and approved by the Board. However, the OIA and the IEO do not formally assess or validate the extent to which the policy paper and final approved policy changes align with the essence of the IEO’s analysis behind its corresponding recommendations.

**Results and Institutional Change**

We analyze the alignment of recommendations and MIP actions based on two metrics introduced in this chapter: proximity to higher-level results and depth of institutional change. The results metric refers to the (implicit) results chain or the theory of change for the IMF intervention evaluated by the IEO and assigns a rating corresponding to whether the recommendation is pitched at the input, output, outcome, or impact level respectively, on an escalating order of one to four. Ideally, such ratings would be assigned based on an explicit theory of change for the IMF intervention, prepared as part of the evaluation by the IEO in consultation with the stakeholders. The metric showing depth of institutional change assesses the significance of the institutional change on a rating scale of one to three, from low or no depth, moderate depth, to high depth, in escalating order. Each metric is applied to 75 IEO recommendations and 185 MIP actions covering all evaluations completed between 2011 and 2021.

The distribution of ratings by proximity to higher-level results is quite distinct for IEO recommendations versus MIP actions (Figure 4.3, panel A). While the IEO recommendations cover a range of actions primarily tilted towards output and outcome levels, the MIP actions addressing the Board-endorsed recommendations are specified overwhelmingly at the output level. The follow-up process by the PMR monitors whether the outputs are delivered but does not assess or monitor whether

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2 The details of these metrics along with their respective rating scales and examples are presented in 4A.3.
Sources: IEO evaluations, MIPs, and the author’s calculations.

Note: Covers all recommendations and MIP actions for 16 evaluations completed over 2011–21.
the intended outcomes for underlying recommendations are being achieved by the MIP actions.

Notably, none of the recommendations or the MIP actions were formulated at the impact level over 2011–21. While it’s hard to assess the contribution of IMF interventions at the impact level, the recent evaluation of *Growth and Adjustment in IMF-Supported Programs* (IEO 2021) employed a range of empirical methods to estimate the impact of IMF-supported programs on economic growth. The evaluation found that IMF-supported programs over 2008–19 yielded growth benefits relative to a counterfactual of no IMF engagement, and that stabilization and reforms implemented in the program context boosted post-program growth performance. *Growth and Adjustment in IMF-Supported Programs* made three recommendations to further enhance program countries’ capacity to sustain activity while undertaking needed adjustment during the program period, and to enhance growth prospects beyond the program.

While the IEO recommendations involved institutional changes predominantly at high depth, MIP actions were tilted more heavily towards moderate to low-depth actions (Figure 4.3, panel B). As explained earlier, at the time of the MIP approval, the degree of policy changes to be contemplated in the final Board paper is not known with certainty, and such an assessment can be made accurately only when the new or revised policy is approved by the Board. The assessment here is based on the formulation of actions at the time of the MIP approval. While a thorough retrospective assessment of approved Board papers is beyond the scope of this chapter, anecdotal evidence points to instances of substantial differences between the approved policy paper and the IEO recommendations. An example is referenced earlier in this chapter on *IMF Advice on Capital Flows* (IMF 2002a) regarding the updated Institutional View on capital flows.

To assess the effect of the shift towards SMARTer recommendations and MIP actions in 2018, Figure 4.3 panels C through F presents the same histograms for evaluations completed before and after 2018. The proximity of actions to higher-level results and their institutional depth both seem to have been affected, as no MIP action was formulated at the outcome level and the metric on depth of institutional change was heavily tilted towards low-depth activities. The composition of IEO recommendations appears to have shifted somewhat to inputs at the expense of outcomes. On the other hand, the depth dimension of IEO recommendations improved significantly, suggesting that the post-2018 recommendations envisaged greater transformational changes in the policy content.
Comments and Suggestions

Key lessons from experience have already started to influence the IEO’s and the IMF’s approach to formulating and monitoring the implementation of MIP actions and the Board-endorsed recommendations. Recent progress and some ideas for the path forward in the follow-up process are as follows:

- Monitor outcomes. Recommendations and MIP actions could be linked more explicitly to the intended higher-level results, where feasible and cost effective. As highlighted in the results-based management literature, when setting performance expectations for outcomes, it is crucial to avoid distorting behavior by focusing on higher-level outcomes that are closely related to the true objectives of the activities, and by regularly reviewing and updating the outcome indicators to ensure they remain relevant and useful and are not causing perverse behavior that could undermine the achievement of high-level objectives (Mayne 2007). In most cases, the MIP commitments aim at changing IMF policies and practices, which are outputs and interim steps necessary, but not necessarily sufficient, to achieve the desired outcomes.

To address this issue, the recent MIP reformulating eight long-standing open actions in previous MIPs (IMF 2022b) more systematically incorporated some outcome indicators to stipulate how to assess success for MIP actions at the outcome level (for example, regular surveys with specific and time-bound targets for satisfaction metrics are being used to monitor progress in improving handover of country assignments and to assess satisfaction of country authorities with IMF country teams’ handling of confidential information).

It should also be recognized that in some cases, monitoring outcomes may not be feasible or cost effective. For example, a MIP action for the evaluation of research at the IMF (IEO 2011) was to “adopt new procedures to ensure the quality of working papers” to improve the technical quality of analytical work. Although new guidelines for research were introduced in 2012, this action had remained open owing to no process for measuring compliance with the guidelines and difficulty in assessing the quality of working papers. The action was reformulated in 2022 but noted that measuring and monitoring the quality of individual working papers
was neither feasible nor meaningful from a cost-benefit analysis and in light of limited resources.³

The Kaberuka report also weighed in on outcome monitoring for recommendations involving culture change. The report classified recommendations into two groups: first, recommendations that are more specific and actionable with a shorter time frame; and second, qualitative recommendations aimed at changing culture, which are likely more long-term in nature and where success in implementation is less directly measurable. The report suggested separating follow-up processes for these two groups. It noted that while simply monitoring the status of implementation as open or closed would suffice for the former, the latter would require identifying proxy or qualitative measures of impact, and tracking continued progress over several years.

- Assess impact where feasible. It is notoriously difficult to monitor the achievement of higher-level results at the impact level. This is especially so at the IMF, whose mandate is to provide support for members and the global economy aimed at achieving sustainable economic growth and macroeconomic and financial stability. The methods used in *Growth and Adjustment in IMF-Supported Programs* offer a promising avenue to explore the impact of various IMF interventions through one particular lens—that of sustaining and fostering growth in the program context—but also illustrate the empirical challenges involved.

- Validate substance at the output level. To help bridge the gap between outputs and outcomes, the IEO could provide comments, in a focused manner on drafts for the selected, key policy papers listed among the MIP actions and convey its views to staff on whether the policy paper—hence, the suggested revisions to IMF policies and practices—was aligned with the essence of the IEO recommendations and whether any divergence was justified from the IEO’s perspective. The IEO could then issue a written assessment to the Board ahead of the Board discussion, which would support the Board’s oversight of the implementation of Board-endorsed recommendations. A similar process does occur with the PMR prepared by OIA. The IEO has an opportunity to comment on the draft report circulated to departments for review, and then provides a

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³ The reformulated MIP action includes the following output-level commitments: “Identify and disseminate good practices on the departmental review of WPs; update Fund guidelines on publication of WPs and departmental procedures on the review of WPs; increase transparency and accountability for the interdepartmental review of WPs; and improve outlets for disseminating country analytical work.” (IMF 2022a, p. 13)
written comment circulated to the Board for discussion. The IEO could also use public channels to convey its views more broadly. As discussed in Chapter 2, a recent example is an opinion piece by Korinek, Ostry, and Loungani (2022) on the update to the Institutional View on capital flows (IMF 2022c). The authors, two of whom took part in the evaluation of *IMF Advice on Capital Flows*, conclude that the updated framework includes welcome fixes, but major rethinking is still needed.

**Traction of MIP Actions**

Traction, as measured by the implementation of the MIP commitments, has been quite strong, but with uneven progress across evaluation topics. The OIA, in its PMRs, assessed that 128 out of 185 actions included in the MIPs for 16 evaluations completed during 2010–21 were implemented: thus, the overall completion rate is already around 70 percent, and this rate will go up as actions in the more recent implementation plans are achieved.4

Each evaluation had 5–18 MIP actions, with the lower and the upper end of the range recorded by *International Reserves: IMF Concerns and Country Perspectives* and *Behind the Scenes with Data at the IMF: An IEO Evaluation*, respectively (Figure 4.4, panel A). With one exception, all of the actions for the evaluations completed during 2011–15 were fully implemented, retired, or reformulated: for one action, the Board extended annual monitoring for five additional PMR cycles to help provide additional progress on regional and gender diversity objectives.5

The average implementation rate was 84 percent for the evaluations completed during 2011–15, although only *International Reserves: IMF Concerns and Country Perspectives* and the evaluation of *Self-Evaluation at the IMF: An IEO Assessment* were fully implemented. The implementation rates for others ranged between 65 percent for *IMF Performance in the Run-Up to the Financial and Economic Crisis* to 91 percent for the evaluation of *IMF Response to the Financial and Economic Crisis*. (Figure 4.4, panel B).6 Notably, fully implemented evaluations completed

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4 The implemented actions include three retired and two reformulated actions deemed completed in the categorization exercise and the Twelfth PMR, respectively.

5 The action formulated in response to a recommendation in *The Role of the IMF as Trusted Advisor* and proposed to be retired in 2019 was to “implement measures to raise the share of nationals from underrepresented regions among senior staff and set targets for representation of women at senior levels.” (IMF 2021, p. 5)

6 The time to implement each MIP action is calculated in years from the date of the MIP approval to the date of the PMR confirming the action as completed.
during 2011–15 had fewer than 10 MIP actions while those with the lowest implementation rates had 11 to 17 MIP actions.

For the evaluations completed over 2016–21, the average implementation rate was 71 percent. The implementation rates across evaluations ranged from full implementation for *IMF Advice on Unconventional Monetary Policies* to 10 percent for *Growth and Adjustment in IMF-Supported Programs*, the most recent evaluation covered in the Twelfth PMR and completed only in 2021. According to the Twelfth PMR, which examined 88 open actions from 10 MIPs over 2015–22, 39 were completed, while 49 remained open, of which 12 were overdue by more than one year. While the completion rate for the more recent six years seems a bit lower, this is largely because less time has gone by. In fact, the rate at which actions are completed has increased for recent evaluations.

As for the pace of implementation, *IMF Advice on Unconventional Monetary Policies* was the front-runner, with all of its actions fully implemented in three years after the MIP approval, followed by *IMF Performance in the Run-Up to the Financial and Economic Crisis*, with a 91 percent implementation rate in three years. Notably, several evaluations achieved implementation rates around 80 percent in two years, including *The IMF and the Crises in Greece, Ireland, and Portugal*, *IMF Collaboration with the World Bank on Macro-Structural Issues*, *IMF Advice on Unconventional Monetary Policies*, and *Self-Evaluation at the IMF: An IEO Assessment*. This may suggest that the IMF attached a high priority to learning from the global financial crisis and the euro-area crisis, including the use of unconventional monetary policies, both through its own reviews already in the pipeline and through the IEO recommendations. At the other end, the lowest implementation rate after four years was for *Behind the Scenes with Data at the IMF: An IEO Evaluation*. Though its implementation rate caught up sharply in the Twelfth PMR, it remained the lowest in more than five years after the MIP approval. As highlighted in Chapter 2, the slow implementation for this evaluation is partly explained by broader delays in the review timetable due to the COVID-19 pandemic, as well as the complexity of the tasks involved.

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7 The number of open actions reported in the Twelfth PMR differs from the actions classified as open by the methodology adopted in this chapter. The PMR dropped the retired and reformulated actions and added 22 new actions replacing 8 reformulated actions (IMF 2022b). The methodology described in Annex 4 classified some retired actions as open as they were superseded by other workstreams and/or more recent IEO evaluations. Furthermore, the reformulated actions were retained without adding the 22 new actions; however, the status of their implementations was tied to the full implementation of all new actions that replaced them. Finally, only the unique MIP actions were included to avoid double counting the same action listed as addressing several IEO recommendations.
Overall, the pandemic shock appeared to have affected some evaluations more than others: the IMF has made good progress in implementing the MIP actions in response to evaluations of *IMF Financial Surveillance*, *IMF Advice on Unconventional Monetary Policies*, *IMF Advice on Capital Flows*, and *IMF Collaboration with the World Bank on Macro-Structural Issues*, while progress on implementation for *Behind the Scenes with Data at the IMF: An IEO Evaluation*, *The IMF and Social Protection*, and *The IMF and Fragile States* have been more adversely affected. Amid the pandemic, progress on recommendations on *IMF Advice on Capital Flows* within the first year of the MIP approval is particularly noteworthy, a feat achieved only for two other evaluations, *Self-Evaluation at the IMF: An IEO Assessment*, and *Growth and Adjustment in IMF-Supported Programs*. Faced with pressing decisions to reallocate staff resources to pandemic-related work, the IMF nevertheless appears to have protected progress in its policy agenda on core areas of its mandate.

**What Determines the Time to Implement?**

It is plausible to expect that the MIP actions that are closer to higher-level results and entail deeper institutional change may take longer to implement. In fact, the distributions of time to implement are remarkably similar for actions at the input and output level (Figure 4.5, panel A). In most cases, these actions were implemented during the second year after the MIP approval. However, at the outcome level, implementation has taken considerably longer—or was not achieved. Of eight MIP actions at this level, only five were completed, while one was retired and two were reformulated. All but one of the completed actions took at least six years to implement while the one implemented in one year was achieved by the long-awaited approval of the IMF’s 2010 quota and governance reforms, an artifact of lucky timing.⁸ Time to implement tends to rise by the depth of institutional change (Figure 4.5, panel B).

For the 41 open MIP actions, the average time since approval, as of the Twelfth PMR, was 3.6 years. There were long-standing open actions at all three levels of results (Figure 4.5, panel C) and mostly at moderate and high institutional depth (Figure 4.5, panel D). Almost half of open actions were from the more recent IEO evaluations (*IMF Advice on Capital Flows*, *IMF Advice on Unconventional Monetary Policies*, *IMF Financial Surveillance*, *IMF Collaboration with the World Bank on Macro-Structural Issues*, and *Growth and Adjustment in IMF-Supported Programs*)

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⁸ In survival analysis of factors affecting time to implement the MIP actions, this data point was treated as an outlier.
FIGURE 4.4. STATUS AND IMPLEMENTATION RATE FOR THE MIP ACTIONS

A. Number of MIP Actions by Implementation Status

<table>
<thead>
<tr>
<th>Year</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>GFC</td>
</tr>
<tr>
<td></td>
<td>RSR</td>
</tr>
<tr>
<td>2012</td>
<td>IRES</td>
</tr>
<tr>
<td>2013</td>
<td>ADV</td>
</tr>
<tr>
<td>2014</td>
<td>FOR</td>
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<tr>
<td></td>
<td>CRISIS</td>
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<tr>
<td>2015</td>
<td>SELF</td>
</tr>
<tr>
<td>2016</td>
<td>DATA</td>
</tr>
<tr>
<td></td>
<td>GIP</td>
</tr>
<tr>
<td>2017</td>
<td>SP</td>
</tr>
<tr>
<td>2018</td>
<td>FCS</td>
</tr>
<tr>
<td>2019</td>
<td>FIN</td>
</tr>
<tr>
<td></td>
<td>UMP</td>
</tr>
<tr>
<td>2020</td>
<td>CFM</td>
</tr>
<tr>
<td></td>
<td>BFC</td>
</tr>
<tr>
<td>2021</td>
<td>ADG</td>
</tr>
</tbody>
</table>

B. Percentage Implemented Over Time

Source: Periodic Monitoring Reports and the author’s calculations.
Note: Covers all MIP actions for 16 evaluations completed over 2011–21. Panel B presents the percentage of MIP actions implemented over one to five plus years from the date of the MIP approval. The implementation rate for five plus years is calculated as of the date of the Twelfth Periodic Monitoring Report and includes three retired and two reformulated actions deemed completed (4A.4).
and remained open for less than three years. Slightly more than a third of open actions were retired or reformulated, as explained in 4A.4, with an average time since approval of 5.8 years (ranging from 2.9 years for an action resulting from *The IMF and the Crises in Greece, Ireland, and Portugal,* to 7.7 years for 5 actions related to *IMF Performance in the Run-Up to the Financial and Economic Crisis*). The remaining open actions were 23 for evaluations completed after 2017, 4 for *Behind the Scenes with Data at the IMF: An IEO Evaluation,* 2 for *The IMF and Social Protection,* and 1 for *The Role of the IMF as Trusted Advisor.* The latter has been open since 2013 and is the longest-standing open action: it seeks to raise the share of nationals from underrepresented regions among senior staff and set targets for representation of women at senior levels.

A complementary perspective is provided by survival analysis, a frequently used empirical method well suited to analyze time to occurrence of an event, which allows using full information on both implemented and unimplemented actions, as well as exploring the effects of different factors in a multivariate analysis.

The results from survival analysis are presented in 4A.4. Compared to the base category in regressions represented by low depth output-level actions, the MIP actions at the input and outcome levels take about 10 percent and 215 percent longer to implement, respectively, though only the latter is significant. As for institutional depth, on average, it takes significantly longer to implement actions that involve institutional change at moderate and high depth compared to the base category, by about 60 percent and 72 percent, respectively. Finally, the MIP actions that involve long-term technical or culture change take 319 percent longer to implement than the base category.

Notably, a dummy variable for three input-level actions that involved structural shifts in the IMF’s human resource (HR) structure and practices turns out to be highly significant, indicating the prolonged challenges in making progress in this area. These actions in MIPs for *IMF Performance in the Run-Up to the Financial and Economic Crisis* and *The Role of the IMF as Trusted Advisor* included the following:

- Continue efforts to broaden the professional diversity of staff, including their educational background and skill mix, with more staff being hired with financial sector experience;

- Target three years average tenure for country assignments, to be monitored by Human Resources Department (HRD) and reported to the Board on a regular basis; and
Implement measures to raise the share of nationals from underrepresented regions among senior staff and set targets for representation of women at senior levels.

Acknowledging the limited progress on these actions, in 2020 the Board extended annual monitoring for five additional PMR cycles for the last item and in 2021, reformulated the action on average tenure. The reformulated action strengthened the monitoring and accountability framework towards three-year average tenure for country assignments and introduced interim targets to be monitored at a more granular level across country groups. Moreover, by end-2023, staff will prepare an analysis of issues surrounding mission chief and country team turnover, including recent trends and drivers and their effect on tenure in country assignments, and propose policy options and targets, if necessary, to ensure adequate tenure in country assignments.

To control for the correlation within groups, dummy variables are included in the regression for each evaluation. After controlling for the effects for other explanatory factors, the results across evaluations highlighted significant differences in time to complete the MIP actions. At one end of the spectrum, the actions in response to IMF Advice on Capital Flows are estimated to have been completed significantly faster than for other evaluations, while at the other end, it appears that actions in response to Behind the Scenes with Data at the IMF: An IEO Evaluation, are taking the longest to implement.

According to the sensitivity analysis, input/output level actions that are low depth have a high predicted probability of being implemented in less than two years, while outcome level actions that also involve changing institutional culture still have a low probability of implementation even after eight years (sensitivity analysis, Figure 4.6). As for the mean estimated time to implement in years, when culture change is set to zero, the predictions range on average from 1.2 years for input/output level actions at low depth to 6.6 years for outcome level actions at high depth (4A.3). For actions that involve culture change, the predicted average time to implement increases to 5.1 to 9.6 years for input/output level actions while outcome level actions take significantly longer, at 16 to 27.5 years.
Comments and Suggestions

- Enhance monitoring of outcomes/culture change. The results suggest that for MIP actions that are specified at the outcome level, especially when they also involve culture change, the monitoring framework should be significantly extended, or other longer-term continuous monitoring and reporting mechanisms should be considered. Targets or milestones should be set where feasible, with due regard to what constitutes realistic but sufficiently ambitious progress over time. Furthermore, the IEO’s evaluation updates that return to topics after around 10 years can be a useful tool to provide an assessment of progress with a longer horizon and at a deeper level than in the MIP and PMR processes.

- Sustain momentum on structural HR actions. Making progress on actions that involved structural shifts in the IMF’s HR structure and practices has proven to be very challenging. It is critical to understand the root causes of the limited progress on such actions. A recently strengthened monitoring and accountability framework, as well as a forthcoming analysis of the drivers of staff turnover and policy options to address them, are welcome steps in the right direction, but staff and the IEO need to sustain the momentum on HR actions.
FIGURE 4.5. DISTRIBUTIONS OF TIME TO IMPLEMENT AND TIME SINCE APPROVAL FOR COMPLETED AND OPEN MIP ACTIONS BY PROXIMITY TO HIGHER-LEVEL RESULTS AND DEPTH OF INSTITUTIONAL CHANGE

A. Distribution of Time to Implement by Proximity to Higher-level Results

B. Distribution of Time to Implement by Depth of Institutional Change

C. Distribution of Time since Approval for Open Actions by Proximity to Higher-level Results

D. Distribution of Time since Approval for Open Actions by Depth of Institutional Change

Source: Periodic Monitoring Reports and the author’s calculations.
Note: Covers all MIP actions for 16 evaluations completed over 2011–21 and followed up in the PMRs. Reformulated actions, except for those under category 3, were included as still open as of the date of the categorization exercise. All but 4 of 15 retired actions were classified as open, with 3 completed and 1 dropped (4A.4).
CHALLENGES AND OPPORTUNITIES

The IMF has substantially strengthened the follow-up framework for the implementation of Board-endorsed IEO recommendations over time, driven primarily by recommendations in the external evaluations of the IEO’s work. In-reach to staff to promote awareness of evaluation findings and lessons is also expected to complement the follow-up framework to support institutional learning but may not be as effective in overcoming institutional inertia and driving change. Attention to formulating SMARTer actions seems to have helped implementation but also tilted the actions more towards inputs and outputs rather than outcomes. Overall, the current framework is quite robust, with some state-of-the-art good practices and clear roles and responsibilities for management, the Board, and the IEO.

Nevertheless, this chapter identifies some challenges as well as opportunities to build on the progress already made.

Linking Outputs to Intended Outcomes

While the IEO recommendations cover a range of actions primarily tilted towards output and outcome levels, the vast majority of MIP actions addressing the Board-endorsed recommendations are specified at the output level. The follow-up process assesses whether the output has been delivered but has not systematically monitored whether the intended outcomes in the recommendations are being achieved by the MIP actions. Recommendations and MIP actions could be linked more explicitly to the intended higher-level results, where feasible and cost effective. It is encouraging that staff has started to incorporate some outcome indicators in the recent MIPs, which will help reverse the shift in the composition of actions towards input and output levels after the introduction of SMARTer actions.

Assessing Substance at the Output Level

MIP actions often provide commitments to Board reviews of IMF policies and practices (that is, specified at the output level), some of which are new and others already planned. Such MIP actions do not prejudge the substance and conclusions of the corresponding review papers but note that the IEO recommendations will be considered. At the time of the MIP approval, it is not possible to prejudge whether the final policy changes will be aligned with the essence of the recommendations. To address this gap, the IEO could provide input, in a focused manner, specifically providing comments to staff on drafts of selected policy papers listed among the MIP actions, conveying its views on whether the approved paper is
aligned with the IEO recommendations and whether any divergence was justified from the IEO’s perspective. Ahead of the Board discussion, the IEO could issue a statement to the Board that assesses how well staff proposals meet the objectives of the recommendations, thus supporting Board oversight of the implementation of its recommendations.

**Monitoring Impact**

It is notoriously difficult to monitor the achievement of higher-level results at the impact level. This is especially so at the IMF, whose mandate is to provide support for members and the global economy aimed at achieving sustainable economic growth and macroeconomic and financial stability. IEO’s 2021 evaluation, *Growth and Adjustment in IMF-Supported Programs*, employed a range of methods to estimate the impact of IMF-supported programs through one particular lens—sustaining growth in the program context. The use of such techniques offers a promising avenue for IEO’s evaluations to explore the impact of various IMF interventions.

**Cultural Change**

Recommendations that involve a change in the institutional culture may take a very long time to have an impact, and hard to monitor in substance. This suggests value in evaluation updates that return to topics after around 10 years, which can provide an assessment of progress with a longer horizon and at a deeper level than in the MIP and PMR processes.

**Budgetary Implications**

At times, recommendations are met with defensive responses from staff, especially when perceived as requiring additional budgetary resources in an environment of “no real increase” in the institution’s budget and staff already overstretched. Similarly, recommendations that would require substantial reallocation of budgetary resources tend to take much longer to implement. The IEO could look more systematically into operational efficiency and cost-benefit analysis in its evaluations, presenting management and the Board with some options on what the IMF could do less of, or differently, in the area under evaluation, fully informed by the stakeholders’ views. While the IEO may conclude that some increased resources may be justified to raise value added, it could also present prioritized recommendations intended to be budget neutral.
FIGURE 4.6. SENSITIVITY ANALYSIS: PREDICTED PROBABILITY OF IMPLEMENTING MIP ACTIONS
(Lognormal Regression Estimates)

Source: The author’s calculations.
Note: Based on the benchmark lognormal regression in Table 4.2. Dummies for evaluations, structural HR actions, and two outliers are set to zero.
<table>
<thead>
<tr>
<th>Acronyms for IEO evaluations</th>
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<tbody>
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<td><strong>ADG</strong></td>
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## ANNEX 4.2
### IEO RECOMMENDATIONS NOT ENDORSED OR PARTIALLY ENDORSED BY THE BOARD

<table>
<thead>
<tr>
<th>EVALUATION</th>
<th>IEO RECOMMENDATIONS NOT ENDORSED BY THE BOARD</th>
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</thead>
<tbody>
<tr>
<td>GFC</td>
<td><strong>Recommendation (Rec).</strong> Actively seek alternative or dissenting views by regularly involving eminent outside analysts in Board and/or management discussions.</td>
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<tr>
<td></td>
<td><strong>Executive Board (EB).</strong> At the time the MIP was discussed, the Board did not support making this a more regular aspect of Board and/or management discussions.</td>
</tr>
<tr>
<td>GFC</td>
<td><strong>Rec.</strong> Encourage the staff to be more candid about the “known unknowns,” to be more ready to challenge their own preconceptions, and to frankly disclose the limitations of data and technical tools underlying its analysis.</td>
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<tr>
<td></td>
<td><strong>Staff.</strong> Staff considered this sub-recommendation to be vague.</td>
</tr>
<tr>
<td>GFC</td>
<td><strong>Rec.</strong> In order to promote more effective bilateral surveillance, consideration must be given to the possibility of issuing staff reports without the need for Board endorsement. This could be followed by a peer review process structured to give surveillance greater traction.</td>
</tr>
<tr>
<td></td>
<td><strong>EB.</strong> Not endorsed by the Board.</td>
</tr>
<tr>
<td>GFC</td>
<td><strong>Rec.</strong> On issues of systemic importance, the IMF should be ready to err more often in the direction of emphasizing risks and vulnerabilities, rather than focusing on possible benign scenarios. This change in approach would need to be discussed and agreed by the membership at large.</td>
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<tr>
<td></td>
<td><strong>EB.</strong> No follow-up action identified. A number of directors cautioned that the recommendation to err more often towards emphasizing risks and vulnerabilities could lead to more false alarms and thereby reduce the credibility and traction of surveillance.</td>
</tr>
</tbody>
</table>
IEO Recommendations Not Endorsed by the Board

**IRES**

Rec. Target perceived policy distortions directly.

**Managing Director (MD).** “I believe the evaluation errs when it considers the rationale of the Fund and its membership, through the Board and IMFC, in undertaking work on reserves. This work was cast in the broader workstream on the international monetary system (IMS), and the approach to reserve issues was broad and multipronged, with emphasis placed on the development of a strong global safety net, the articulation of adequate policies to manage volatile capital flows, and the integration of the discussion of reserves with other external sector policies. Within the IMS, the demand for reserve assets matters in the context of their limited supply. Hence, the motivation was to make progress in assessing the right level of reserves for precautionary purposes given the need to balance their insurance benefits (demonstrated in this and past crises) with the fact that holding excessive reserves is subject to diminishing returns and can be costly both to the domestic and global economy.” (IEO 2012 p. 27)

**EB.** Directors noted with satisfaction the broad congruence between the IEO’s recommendations and current IMF policies and practices. In particular, the latest triennial surveillance review calls for widening the scope of external stability assessments in bilateral surveillance, and the recently launched External Sector Report lays out, in a multilaterally consistent manner, the evolution of external imbalances across the largest economies, integrating advice on reserve adequacy with advice on related policy areas.
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<thead>
<tr>
<th>EVALUATION</th>
<th>IEO RECOMMENDATIONS NOT ENDORSED BY THE BOARD</th>
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</thead>
<tbody>
<tr>
<td>IRES</td>
<td><strong>Rec.</strong> Embed the discussion of reserve accumulation in the multilateral context in a more comprehensive treatment of threats to global financial stability that was informed by developments in global liquidity and financial markets.</td>
</tr>
<tr>
<td></td>
<td><strong>MD.</strong> “I find myself in agreement with most of the IEO’s formal recommendations, which are remarkably congruent with a number of recent Fund policy positions and new surveillance initiatives.” (IEO 2012 p. 27)</td>
</tr>
<tr>
<td></td>
<td><strong>Staff.</strong> “The Fund has already developed products to address this recommendation. This is particularly the case for the new External Sector Report. Further, the metric developed in the Assessing Reserve Adequacy paper also goes towards addressing this concern.” (IEO 2012 p. 30)</td>
</tr>
<tr>
<td></td>
<td><strong>EB.</strong> Executive Directors broadly supported the general recommendations presented in the evaluation, while recognizing that the IMF had already made progress in many of the areas the evaluation highlighted. Directors considered that there is a need to better understand the risks to the IMS arising from a buildup of reserves beyond levels driven by precautionary motives. Many directors shared the IEO’s view that excessive reserve accumulation is only a symptom of underlying distortions and stressed the importance of other factors like developments in global liquidity and capital flows. A number of other directors agreed with staff that it is justified to highlight that, in addition to being a symptom, reserve accumulation can be a potential cause of instability for the IMS, given the limited availability of reserve assets. Directors agreed that IMF surveillance, particularly multilateral surveillance, is well positioned to identify such risks and propose remedial action. A number of directors noted that the IEO’s report pointed to the need for more clarity in the IMF’s view on precautionary reserve holdings. In particular, they saw room for the IMF to better explain its work on reserve adequacy and external sector risks, both in its external communication and in its policy dialog with country authorities.</td>
</tr>
</tbody>
</table>
| IRES | **Rec.** Policy initiatives that were meant to deal with systemic externalities must take into account the relative size of countries’ contributions to the externality.  
**EB.** Directors noted that IMF surveillance of systemically important countries has struck the right balance in deploying those tools, taking into account other factors that affect external conditions for these countries. As regards global spillovers from excessive reserve accumulation, a number of directors supported the IEO’s recommendation that the relative contribution of a country to such externality be taken into account, without prejudice to the principle that all IMF members should be treated evenhandedly. This approach is already being applied in the IMF’s multilateral surveillance products, including the spillover reports. |
|---|---|
| ADV | **Rec.** In close consultation with country authorities, develop a medium-term strategic plan which is expected to be actively used as guidance for subsequent mission teams and would allow management to monitor continuity as well as progress with key medium-term objectives.  
**EB.** Many directors did not support the proposal for medium-term strategic plans, on grounds that it could introduce more bureaucratic processes. |
| ADV | **Rec.** Develop incentives for mission chiefs and resident representatives that make their role as trusted advisor an important part of their performance.  
**EB.** A number of directors agreed on the need to develop incentives for staff to better act as a trusted advisor, while a few others were concerned about how such incentives might affect the independence of staff advice. |
| ADV | **Rec.** Incorporate early and openly the views of all countries—particularly those that stand to be most affected by changes in the IMF’s policy stance—during the preparation of major policy papers on which analytical debate is still ongoing. Consult early with Executive Director offices to exchange views and keep them abreast of emerging policy frameworks, so as to facilitate their communication with their authorities.  
**EB.** On the recommendation to incorporate the views of all countries during the preparation of major policy papers, directors supported the need for extensive consultation with the membership, but there was limited support for setting out all views in the papers. |
<table>
<thead>
<tr>
<th>EVALUATION</th>
<th>IEO RECOMMENDATIONS PARTIALLY ACCEPTED BY THE BOARD</th>
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</thead>
<tbody>
<tr>
<td>GFC</td>
<td><strong>Rec.</strong> Create a risk-assessment unit that reports directly to management with the purpose of developing risk scenarios for the systemically important countries and analyzing tail risks for the global economy. This unit should organize periodic Board seminars on the risk scenarios and provide an assessment on whether its analysis was appropriately incorporated into multilateral and bilateral surveillance. <strong>EB.</strong> MIP indicated that the Board did not agree with the specific recommendation to create a risk-assessment unit.</td>
</tr>
<tr>
<td>ADV</td>
<td><strong>Rec.</strong> Share the major policy issues, the preliminary macroeconomic framework, medium-term projections, and preliminary policy lines with the authorities well before the mission to help facilitate more in-depth discussions. <strong>EB.</strong> Directors supported early informal consultations with country authorities on key areas of interest and stressed that their offices could play a key role in this process and, more broadly, in promoting dialogue between mission teams and country authorities. Directors, nonetheless, had different views on whether sharing the macroeconomic framework and key policy recommendations with the authorities ahead of missions would add value to Article IV consultations.</td>
</tr>
<tr>
<td>CRISIS</td>
<td><strong>Rec.</strong> Management needs to consolidate and simplify the current framework to identify and assess risks and vulnerabilities. In particular, the Early Warning Exercise (EWE) needs to be made more user-friendly; it should foster greater debate and input by participants, and outreach on its results should aim to reach authorities. <strong>MD.</strong> Qualified support. It is not proposed to enhance the outreach of the EWE at this time. <strong>EB.</strong> Directors expressed a range of views on the appropriateness of disseminating the EWE findings to a wider audience, including by debriefing the Board. There was agreement that any such effort should not compromise candor or access to confidential information.</td>
</tr>
<tr>
<td>CRISIS</td>
<td><strong>Rec.</strong> Financial System Stability Assessments (FSSAs) for the five to seven largest systemic financial centers should be updated annually in conjunction with IMF’s bilateral surveillance. <strong>EB.</strong> Most directors saw limited merit in the IEO recommendation and instead look forward to forthcoming proposals to mainstream macro financial surveillance.</td>
</tr>
</tbody>
</table>
EVALUATION | IEO RECOMMENDATIONS PARTIALLY ACCEPTED BY THE BOARD

**SELF**

**Rec.** Adopt a broad policy or general principles to establish an explicit, institution-wide framework for self-evaluation in the IMF (including its goals, scope, outputs, utilization, and follow up). The IMF should then conduct periodic review of this function as a basis to adapt the policy to changing circumstances.

**MD.** Qualified support. I see limited value in adopting a broad policy to establish an explicit, institution-wide framework for self-evaluation in the IMF that is subject to review every few years.

**EB.** [EDs] took note of the report’s finding that the IMF does not have an institution-wide framework for self-evaluation, instead using a variety of tools and mechanisms that contain an explicit or implicit self-evaluation element. Directors were reassured by the report’s finding that this flexible approach for the most part has served the IMF relatively well. Therefore, while a number of directors saw merit in establishing a new, explicit, institution-wide framework for self-evaluation, many directors considered it more useful to build on existing processes to deliver the necessary strategic approach. Directors agreed that self-evaluation must evolve with the policy and operational environment and that a strategic approach will avoid introducing excessive rigidity as to when and how the IMF conducts self-evaluation. Directors called for integrating efforts to strengthen self-evaluation into the IMF’s institution-wide strategic planning framework.

**SELF**

**Rec.** Conduct self-assessments for every IMF-supported program. The scope and format to these assessments could vary across programs, but it is critical that country authorities be given the opportunity to express their views on design and results of each program, as well as on IMF performance.

**MD.** Rejected

**EB.** While some directors preferred self-assessing every IMF-supported program, most noted the likely limited value this would generate relative to costs, in light of the significant amount of self-assessment of programs already existing. These directors favored a more selective, risk-based approach. Directors underscored the importance of better integrating country authorities’ views, whether utilizing existing mechanisms or other new approaches.
<table>
<thead>
<tr>
<th>EVALUATION</th>
<th>IEO RECOMMENDATIONS PARTIALLY ACCEPTED BY THE BOARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>SELF</td>
<td><strong>Rec.</strong> Each policy and thematic review should explicitly set out a plan for how the policies and operations it covers will be self-evaluated going forward. <strong>MD.</strong> Setting out a plan ex ante for how the self-assessment of every policy and thematic review should be conducted risks turning self-assessment into a routine, box-ticking exercise divorced from new and rapidly evolving challenges that the institution should adapt to instead. <strong>EB.</strong> Directors broadly agreed that at the outset, policy and thematic reviews should define the objectives of the review and what would constitute policy success. However, they did not support spelling out ex ante how the self-assessment of such reviews should be conducted, noting that this would allow plans for such reviews to be integrated within the IMF’s overall planning framework and adapted to take account of the changing needs facing the institution.</td>
</tr>
<tr>
<td>DATA</td>
<td><strong>Rec.</strong> Reconsider the role and mandate of the Statistics Department (STA). The work of STA could be refocused towards what is needed to support the IMF’s core operations, making the provision of services to the IMF the nucleus of the department’s activity. This would entail a change in the department’s culture and organization—including increased attention to the timeliness and operational relevance of the data it manages, reallocation of resources towards activities that more directly support the IMF’s main mandate, and inclusion of more staff with IMF operational experience. <strong>EB.</strong> Directors generally considered that a decision on whether to move the new data management structure into STA should be taken in the context of the long-term strategy.</td>
</tr>
<tr>
<td>FCS</td>
<td><strong>Rec.</strong> The IMF should take steps to incentivize high-quality and experienced staff to work on individual fragile states, ensure that adequate resources are allocated to support their work, and find pragmatic ways of increasing field presence in high-risk locations while taking necessary security arrangements, even at high cost. <strong>EB.</strong> Directors noted that an increase in field staff presence in high-risk locations should be weighed against the paramount objective of protecting staff safety.</td>
</tr>
<tr>
<td>FIN</td>
<td><strong>Rec.</strong> The IMF should revisit the current approach to allocating Financial Sector Assessment Program resources to achieve a more flexible, dynamic, and risk-based allocation across countries and issues. <strong>EB.</strong> Qualified support. A number of directors were opposed to limiting mandatory assessments to five jurisdictions with the most systemically important financial sectors (S5).</td>
</tr>
<tr>
<td>EVALUATION</td>
<td>IEO RECOMMENDATIONS PARTIALLY ACCEPTED BY THE BOARD</td>
</tr>
<tr>
<td>------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>FIN</td>
<td><strong>Rec.</strong> The IMF should continue to work to enhance the impact of IMF multilateral surveillance by increasing rigor and transparency, and by deepening collaboration with international partners. <strong>EB.</strong> Qualified support. Some directors supported wider dissemination of the Early Warning Exercise to senior officials, while others cautioned that wider dissemination could weaken its effectiveness.</td>
</tr>
<tr>
<td>CFM</td>
<td><strong>Rec.</strong> Revisit the Institutional View (IV) in the light of recent experience and recent research. In particular, the following changes to the IV should be carefully considered: allow for preemptive and more long-lasting use of capital flow measures (CFM) in some circumstances; consider distributional implications as part of the strategy for capital account liberalization within the IV; and rethink the concept of the CFM. <strong>EB.</strong> The Board supported preemptive and more lasting CFMs but expressed diverse views on outflow CFMs outside of crisis or near-crisis circumstances and reconsideration of CFM Macroprudential Measure (MPM) classifications.</td>
</tr>
</tbody>
</table>
ANNEX 4.3

METRICS FOR PROXIMITY TO HIGHER-LEVEL RESULTS AND INSTITUTIONAL CHANGE

PROXIMITY TO HIGHER-LEVEL RESULTS RATINGS

**Unit of analysis.** Recommendations and Management Implementation Plan (MIP) actions.

**Reference metric.** The (implicit) results chain or the theory of change (ToC) for the International Monetary Fund (IMF) intervention evaluated by the Independent Evaluation Office (IEO). Ideally, such ratings would be assigned based on an explicit ToC for the IMF intervention prepared by the IEO in consultation with the stakeholders.

**Rating Scale**

**4 Impact level.** If fully implemented, the recommendation or the MIP action will achieve a significant improvement in sustainable economic growth and macroeconomic and financial stability for the member(s), the global economy, or both; that is, the highest-level results envisaged in the IMF’s mandate.

**3 Outcome level.** If fully implemented, the recommendation or the MIP action will achieve an outcome that may be necessary, but not sufficient, to secure the results at the impact level. In most cases, attribution to the IEO recommendations and the MIP actions will be feasible at most at this level. Examples include the outcomes of changes in IMF policies and practices envisaged in the IEO recommendations, such as “creating an environment that encourages candor and diverse/dissenting views,” or “better coordinating the work on fragile and conflict-affected states by the Fund and other stakeholders,” or “enhancing the technical quality of analytical work.”

**2 Output level.** If fully implemented, the recommendation or the MIP action will achieve an output that may be necessary, but not sufficient, to achieve the results at the outcome level. Examples include the issuance of a new or revised guidance note on a policy issue aligned with the substance of the IEO recommendation, or the delivery of a working group report advising the management on a specific policy.

**1 Input level.** If fully implemented, the recommendation or MIP action will secure an input that may be necessary, but not sufficient, to achieve the results at the
output level. Examples include setting up a working group or a task force to advise management on a specific policy issue, or a change in HR practices to hire a priority group of specialists the IEO deemed necessary to achieve the IMF’s mandate.

INSTITUTIONAL CHANGE—DEPTH RATINGS

Unit of analysis. Recommendations and MIP actions.

Reference metric. Significance of the institutional change to improve the effectiveness of the IMF in achieving its mandate.

Rating Scale

3 High depth. The recommendations or MIP actions that, by themselves, would bring about durable and highly significant institutional changes. In principle, adoption of any major or transformational revisions to the IMF’s existing policy framework or strategic direction will be included in this category. Examples include the adoption of “The Liberalization and Management of Capital Flows: An Institutional View,” and the incorporation in Article IV consultations of emerging issues, such as climate change mitigation, inequality, and digital technology. Major innovations by the IMF to introduce transformative analytical tools to support global economic and financial stability, such as the Financial Sector Assessment Program, or a major shift in the incentives towards achieving the intended high-level results could also be included in this category. Such shifts in incentives could be within the institution or with respect to effective collaboration with relevant partners based on the respective comparative advantages.

2 Moderate depth. The recommendations or MIP actions will achieve institutional changes of moderate significance. In some cases, they could include substantial actions necessary, but not sufficient, to deliver durable and highly significant institutional changes, such as a substantial shift in resource allocation to better support the IMF’s mandate (for example, a change in HR practices to hire a priority group of specialists deemed necessary to deliver the mandate). In other cases, they could include substantial, but not major, revisions to the existing policies that would bring about more gradual improvements in policies. This category could also include the introduction of new analytical tools, or upgrades to the existing analytical tools, which could significantly improve the quality of policy advice.
1 Low or no depth. The recommendations or MIP actions will achieve institutional changes of low significance or no change, usually as stepping stones for more significant changes. Examples would include the delivery of a working group report advising management on a specific policy issue or setting up a working group or a task force to advise management on a specific policy.
AN EMPIRICAL ANALYSIS OF TIME TO IMPLEMENT THE MIP ACTIONS

A PRIMER ON SURVIVAL ANALYSIS

A class of models known as survival analysis, or duration analysis in social sciences, analyzes the time to occurrence of an event, that is, the duration $T \geq 0$ (for an overview, see Wooldridge 2010, and Cleves, Gould, and Marchenko 2016). Linear regression is not suitable to estimate such models as time to event does not follow a normal distribution. Parametric estimation of survival models substitutes the normality assumption with a more reasonable distributional assumption for $T$. Semi-parametric and non-parametric models make no assumptions about the distribution of $T$. Cox regression is a multivariate semi-parametric method that fits a conditional logistic model to predict the occurrence of successive events conditional on a set of explanatory variables, that is, covariates, and Kaplan-Meier is a univariate non-parametric method frequently used in survival analysis.

In the empirical model estimated in this section, $T$ is a continuous random variable representing the length of time it takes to implement a MIP action. For a particular value $t$ of $T$, the cumulative distribution function (cdf) of $T$ is the probability of a MIP action being completed by time $t$.

$$F(t) = P(T \leq t) \quad t \geq 0$$

The hazard function plays a central role in survival analysis. It allows approximating the probability of exiting the initial state within a short interval and defined as:

$$\lambda(t) = \lim_{h \to 0} \frac{P(t \leq T < t + h|T \geq t)}{h}$$

For each $t$, $\lambda(t)$ is the instantaneous rate of completion of MIP actions per unit of time. For a differentiable cdf,

$$\lambda(t) = \frac{f(t)}{S(t)}$$

where $S(t) = 1 - F(t)$, also called the survivor function, is the probability of a MIP action not being completed by $t$. The density of $T$ is then derived as a function of $\lambda(t)$.
The shape of the hazard function is of primary interest in empirical applications and depends on the process driving \( T \) and the event examined. The simplest case is the constant hazard function, derived under the exponential distribution, which means the process driving \( T \) is memoryless: the probability of exit in the next interval does not depend on how much time has been spent in the initial state. In this application, a constant hazard function does not make much sense as the time for completion would depend on how long an action has remained open. Instead, a Weibull distribution is a relatively simple way to capture duration dependence as it accommodates a wide range of shapes for the hazard function over time with a density function given by:

\[
f(t) = \gamma t^{\alpha-1} \exp(-\gamma t^\alpha)
\]

Its hazard function is then derived as

\[
\lambda(t) = \frac{f(t)}{S(t)} = \gamma t^{\alpha-1}
\]

When \( \alpha=1 \), the Weibull distribution reduces to the exponential distribution if \( \lambda=\gamma \). If \( \alpha>1 \), the hazard is monotonically increasing, so the hazard everywhere exhibits positive duration dependence; if \( \alpha<1 \), the hazard is monotonically decreasing. While the shape of the hazard function is less restricted compared to the exponential distribution, monotonicity may not be a realistic assumption depending on the specific empirical case. Both the exponential and the Weibull distributions belong to a class of models known as proportional hazard models. A proportional hazard can be written as

\[
\lambda(t|\mathbf{x}) = K(\mathbf{x})\lambda_0(t)
\]

where \( \mathbf{x} \) is a vector of explanatory variables, \( K(\mathbf{x})>0 \) is a positive function of \( \mathbf{x} \) and \( \lambda_0(t)>0 \) is called the baseline hazard. The baseline hazard is common to all units in the population; individual hazard functions differ proportionately based on a function \( K(\mathbf{x}) \) of observed covariates. Typically, \( K(\mathbf{x})=\exp(x\beta) \), where \( \beta \) is a vector of parameters. Then

\[
\log \lambda(t|\mathbf{x}) = x\beta + \log \lambda_0(t)
\]

Where \( \beta \) measures the semielasticity of the hazard with respect to \( x_j \). Cox (1972) suggested a partial likelihood method for estimating the parameters in a proportional hazard model without specifying the baseline hazard. The strength of the
Cox model is that the model makes no assumptions about the shape of the hazard function. Among the parametric models, lognormal, Gompertz, and loglogistic distributions relax the proportional hazard assumption. Which distribution fits better is chosen according to the model selection criteria of Akaike’s information criterion (AIC) and Bayesian information criterion (BIC).

**EMPIRICAL MODEL**

Time and event variables. The survival analysis dataset requires a time and an event variable. The time variable, \( T \) is the length of time it takes in years to implement a MIP action. It is calculated from the approval of the MIP to the date of the PMR staff report that reports the action as completed. The event variable, that is, the implementation of the MIP action, takes the value of 1 if completed, or 0 if still open at the end of the observation period. Survival analysis makes use of both completed and open actions. The data used in the estimation is as of the date of the Eleventh PMR.

Explanatory variables include the two metrics on proximity to higher-level results and the depth of institutional change, as well as dummy variables for each evaluation. For both metrics, each category enters the regression as a 0 to 1 indicator variable. The output level actions with institutional change at low depth are chosen as the omitted base category for the indicator variables. Which categories are chosen to omit makes no difference but affects how results are reported. Another indicator variable is included for actions that involve long-term technical or culture change (that is, actions classified under category 4 in the triage framework). While remaining open for 6.5 years or longer, three input-level actions involving structural shifts in the IMF’s human resource structure and practices have not yet been completed.\(^1\) A dummy variable is constructed to capture the impact of these actions on results.

Treatment of retired and reformulated actions. Reformulated actions except for those under category 3 (that is, six actions reformulated to better align with SMART principles) and all but four of the retired actions were included in the estimation sample and recorded as still open as of the date of the categorization exercise. As

---

\(^1\) These actions in GFC and ADV MIPs included the following: efforts would continue to broaden the professional diversity of staff, including their educational background and skill mix, with more staff being hired with financial sector experience; target three years average tenure for country assignments, to be monitored by the Human Resources Department (HRD) and reported to the Board on a regular basis and; implement measures to raise the share of nationals from underrepresented regions among senior staff and set targets for representation of women at senior levels. As noted earlier, in 2020, the Board extended annual monitoring for five additional PMR cycles for the latter and in 2021, reformulated the action on average tenure.
category 3 actions were too broadly worded with no clear measures of success and not time-bound, they remained open until the categorization exercise. As such, their inclusion might introduce undue noise in estimation. Most of the retired actions in category 5 were superseded by other workstreams and/or the MIP actions addressing recommendations in more recent IEO evaluations and marked as open. For instance, five actions, four arising from GFC and one from CRISIS, were superseded by the UMP actions to improve the IMF’s financial spillover analyses and strengthen financial and macro-financial analysis in surveillance, and by the FIN actions to further develop financial expertise at the IMF. A DATA action was superseded by the FCS actions related to capacity development in fragile states, with one specifically on data-related issues. A GIP action on improving the analytical underpinnings of both surveillance and program design, especially in the areas of economic forecast, external sector assessments, and integrated surveillance, was also recorded as open as it is being addressed through various IMF workstreams. Similarly, a GFC action on reporting on the traction of past advice and an ADV action on enhancing the use of cross-country examples in Article IV reports were classified as open and they continue to be monitored and addressed through other IMF workstreams. Two ADV actions and one action in the evaluation of *IMF Forecasts: Process, Quality, and Country Perspectives* (FOR) were marked as completed at the time of the categorization paper. On the other hand, two FOR actions were retired without being implemented as they were replaced by new priorities owing to the IMF’s budget constraints. These two actions were

---

2 IMF (2019) noted that while reporting of traction in staff reports improved sharply, increasing from 30 percent in 2011 to 80 percent in 2018, this GFC action would continue to be monitored in the Comprehensive Surveillance Review (CSR) based on a more comprehensive concept of traction. For the ADV action, sharing cross-country knowledge was identified as a priority by the Knowledge Management Unit (KMU) and is being addressed by the CSR and the KMU.

3 Two completed ADV actions were: “Early consultations with country authorities will now be expected of all teams” and “Mission teams will be expected to share major policy questions and global assumptions underlying projections at least one week ahead of the mission.” These actions are marked as completed as the 2019 Office of Executive Directors (OED) survey results confirmed that early and substantive interactions were the norm. IMF (2019) noted that OEDs particularly appreciated the staff’s candid and open exchange of views, suggesting important progress by mission chiefs in explaining the rationale of the Fund’s policy advice. The completed FOR action was: “Policy consultation meetings for Article IV consultations and program reviews will discuss the underlying causes of significant forecast errors (not pertaining to data revisions) for key macroeconomic variables.” IMF (2019) noted that major work had been completed to enhance learning from forecast errors.

4 Two FOR actions retired without being implemented were: first, start a pilot process (to be broadened gradually for most major economies and country groups) with top-down guidance for medium-term forecasts in the spirit of the approach used for short-term forecasts; and second, develop a multicounty macro econometric forecasting model to ensure medium-term consistency of forecasts.
FIGURE 4A.1. DISTRIBUTION OF TIME SINCE APPROVAL OF RETIRED OR REFORMULATED MIP ACTIONS MARKED AS OPEN

A. Distribution of Time since Approval by Proximity to Higher-level Results

B. Distribution of Time since Approval by Depth of Institutional Change

Sources: PMRs, IMF (2019), and the author’s calculations.
Note: Includes only the actions that are classified as open, thereby, excludes six actions under category 3 (reformulated to better align with SMART principles) as well as one duplicate and three completed actions.

148 ANNEX 4.4 | An Empirical Analysis of Time to Implement the MIP Actions
FIGURE 4A.2. KAPLAN-MEIER CUMULATIVE PROBABILITY ESTIMATES FOR THE IMPLEMENTATION OF MIP ACTIONS

A. By Proximity to Higher-level Results

B. By Institutional Depth-Change

Source: The author’s calculations.
marked as open as of the date that they were retired (that is, recorded as right-censored data). Finally, a retired GFC action was dropped as it was essentially a duplicate of another retired GFC action, as recognized in IMF (2019).

Figure 4A.1 presents the distribution of time since approval of the retired or reformulated MIP actions that are classified as open. Except for one DATA and one GIP action that were open for less than three years, all others remained open four to eight years prior to being formulated. These actions are still being addressed by other IMF workstreams or the MIP actions addressing recommendations in more recent IEO evaluations, or both.

RESULTS

The non-parametric Kaplan-Meier estimates for the cumulative probability of implementation by two metrics are presented in Figure 4A.2. This univariate analysis reveals differences in the cumulative probabilities across categories. The log-rank test rejects the equality of cumulative probabilities of implementation across input-output-outcome categories and low-moderate-high depth categories at 10 percent and 5 percent significance, respectively. A close overlap of functions at the input and the output levels is noteworthy and will be picked up later in the parametric estimation results. Nevertheless, the distribution at the outcome level looks quite distinct from those at the input and output levels. For all three categories of institutional depth, distributions are discernably different.

According to AIC and BIC model selection criteria, the parametric lognormal distribution fits best to the data generating process (Table 4A.1). The performance of loglogistic model is equally good as both distributions are suited well to events whose probability of occurrence increases initially and decreases later. Both the superior performance of the lognormal model compared to the exponential and Weibull distributions and the univariate estimates of the smoothed hazard function by categories suggest that the proportional hazard and monotonicity assumptions do not hold.
TABLE 4A.1. MODEL SELECTION: AKAIKE’S INFORMATION CRITERION (AIC) AND BAYESIAN INFORMATION CRITERION (BIC)

<table>
<thead>
<tr>
<th>DISTRIBUTIONS</th>
<th>AIC</th>
<th>BIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exponential</td>
<td>361.7</td>
<td>419.2</td>
</tr>
<tr>
<td>Weibull</td>
<td>311.3</td>
<td>371.9</td>
</tr>
<tr>
<td>Gompertz</td>
<td>343.3</td>
<td>403.9</td>
</tr>
<tr>
<td>Lognormal</td>
<td>290.0</td>
<td>350.9</td>
</tr>
<tr>
<td>Loglogistic</td>
<td>290.1</td>
<td>350.7</td>
</tr>
</tbody>
</table>

Source: The author’s calculations.

The results from lognormal regressions are presented in Table 4A.2. The base category in regressions is represented by low-depth output-level actions (that is, the omitted categories). Based on the benchmark regression (Table 4A.2, column 1), at the input and outcome levels, the MIP actions take about 10 percent and 215 percent longer to implement respectively than the base category, though only the latter is significant. In other words, the time to implement at the input and the output levels is not significantly different. This result could be explained by some MIP actions at the input level that required a substantial reallocation of budget resources and took very long to implement. Actions that involve institutional change at moderate and high depth take significantly longer to implement compared to the base category, by about 60 and 72 percent, respectively. Notably, actions that involve long-term technical or culture change take 319 percent longer to implement than the base category. Two outliers turn out to be highly significant and influential in regression results (Table 4A.2, columns (2)-(3), column (4) excludes these observations). Finally, the dummy variable for four input-level actions that involved structural shifts in the IMF’s human resource (HR) structure and practices is highly significant, which flags the prolonged challenges in making progress in this area.

The results for evaluation dummies highlight significant differences in the completion of MIP actions across evaluations. At one end of the spectrum, the actions in response to CFM are estimated to be completed significantly faster than other evaluations; it appears that DATA actions take the longest to implement. GIP

---

5 The first outlier is a low-depth output-level RSR action that took very long to implement. The second outlier is a high-depth, outcome-level CRISIS action that was completed very quickly owing to fortunate timing of long awaited 2010 quota reforms that became effective in 2016.
<table>
<thead>
<tr>
<th>EXPLANATORY VARIABLES</th>
<th>(1) BENCHMARK</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proximity to Higher-level Results</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Input</td>
<td>1.103</td>
<td>1.217</td>
<td>1.303</td>
<td>1.104</td>
</tr>
<tr>
<td></td>
<td>(0.139)</td>
<td>(0.211)</td>
<td>(0.222)</td>
<td>(0.140)</td>
</tr>
<tr>
<td>Outcome</td>
<td>3.149***</td>
<td>2.259**</td>
<td>3.029***</td>
<td>3.153***</td>
</tr>
<tr>
<td></td>
<td>(0.715)</td>
<td>(0.717)</td>
<td>(0.680)</td>
<td>(0.717)</td>
</tr>
<tr>
<td>Institutional Change-Depth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate Depth</td>
<td>1.601***</td>
<td>1.591***</td>
<td>1.671***</td>
<td>1.605***</td>
</tr>
<tr>
<td></td>
<td>(0.194)</td>
<td>(0.205)</td>
<td>(0.210)</td>
<td>(0.195)</td>
</tr>
<tr>
<td>High Depth</td>
<td>1.716*</td>
<td>1.471</td>
<td>1.742*</td>
<td>1.718*</td>
</tr>
<tr>
<td></td>
<td>(0.531)</td>
<td>(0.465)</td>
<td>(0.539)</td>
<td>(0.532)</td>
</tr>
<tr>
<td>Culture Change</td>
<td>4.191***</td>
<td>4.523***</td>
<td>4.499***</td>
<td>4.199***</td>
</tr>
<tr>
<td></td>
<td>(0.910)</td>
<td>(1.209)</td>
<td>(1.147)</td>
<td>(0.915)</td>
</tr>
<tr>
<td>Structural HR Actions</td>
<td>47.48***</td>
<td></td>
<td></td>
<td>48.66***</td>
</tr>
<tr>
<td></td>
<td>(12.51)</td>
<td></td>
<td></td>
<td>(12.87)</td>
</tr>
<tr>
<td>Outlier 1</td>
<td>3.341***</td>
<td></td>
<td>3.672***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.506)</td>
<td></td>
<td>(0.572)</td>
<td></td>
</tr>
<tr>
<td>Outlier 2</td>
<td>0.119***</td>
<td></td>
<td>0.124***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0396)</td>
<td></td>
<td>(0.0409)</td>
<td></td>
</tr>
<tr>
<td>CFM</td>
<td>0.412***</td>
<td>0.347***</td>
<td>0.371***</td>
<td>0.414***</td>
</tr>
<tr>
<td></td>
<td>(0.121)</td>
<td>(0.109)</td>
<td>(0.115)</td>
<td>(0.121)</td>
</tr>
<tr>
<td>CRISIS</td>
<td>1.493</td>
<td>1.072</td>
<td>1.377</td>
<td>1.496</td>
</tr>
<tr>
<td></td>
<td>(0.422)</td>
<td>(0.344)</td>
<td>(0.404)</td>
<td>(0.423)</td>
</tr>
<tr>
<td>DATA</td>
<td>4.317***</td>
<td>3.761***</td>
<td>4.041***</td>
<td>4.343***</td>
</tr>
<tr>
<td></td>
<td>(1.137)</td>
<td>(1.075)</td>
<td>(1.102)</td>
<td>(1.148)</td>
</tr>
<tr>
<td>EXPLANATORY VARIABLES</td>
<td>(1) BENCHMARK</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>FCS</td>
<td>1.838**</td>
<td>1.545</td>
<td>1.642*</td>
<td>1.844**</td>
</tr>
<tr>
<td></td>
<td>(0.485)</td>
<td>(0.442)</td>
<td>(0.459)</td>
<td>(0.488)</td>
</tr>
<tr>
<td>FIN</td>
<td>1.853***</td>
<td>1.541*</td>
<td>1.674**</td>
<td>1.860***</td>
</tr>
<tr>
<td></td>
<td>(0.392)</td>
<td>(0.367)</td>
<td>(0.382)</td>
<td>(0.395)</td>
</tr>
<tr>
<td>FOR</td>
<td>1.338</td>
<td>1.175</td>
<td>1.211</td>
<td>1.339</td>
</tr>
<tr>
<td></td>
<td>(0.393)</td>
<td>(0.370)</td>
<td>(0.370)</td>
<td>(0.395)</td>
</tr>
<tr>
<td>GFC</td>
<td>1.864***</td>
<td>1.720**</td>
<td>1.713**</td>
<td>1.866***</td>
</tr>
<tr>
<td></td>
<td>(0.421)</td>
<td>(0.414)</td>
<td>(0.399)</td>
<td>(0.422)</td>
</tr>
<tr>
<td>GIP</td>
<td>0.861</td>
<td>0.783</td>
<td>0.785</td>
<td>0.862</td>
</tr>
<tr>
<td></td>
<td>(0.268)</td>
<td>(0.254)</td>
<td>(0.252)</td>
<td>(0.269)</td>
</tr>
<tr>
<td>IRES</td>
<td>1.272</td>
<td>1.064</td>
<td>1.152</td>
<td>1.273</td>
</tr>
<tr>
<td></td>
<td>(0.370)</td>
<td>(0.327)</td>
<td>(0.347)</td>
<td>(0.371)</td>
</tr>
<tr>
<td>RSR</td>
<td>2.305***</td>
<td>2.349**</td>
<td>1.964**</td>
<td>2.308***</td>
</tr>
<tr>
<td></td>
<td>(0.560)</td>
<td>(0.811)</td>
<td>(0.520)</td>
<td>(0.562)</td>
</tr>
<tr>
<td>SELF</td>
<td>0.626</td>
<td>0.533*</td>
<td>0.563</td>
<td>0.626</td>
</tr>
<tr>
<td></td>
<td>(0.227)</td>
<td>(0.203)</td>
<td>(0.210)</td>
<td>(0.227)</td>
</tr>
<tr>
<td>SP</td>
<td>1.787**</td>
<td>1.491</td>
<td>1.583*</td>
<td>1.790**</td>
</tr>
<tr>
<td></td>
<td>(0.440)</td>
<td>(0.408)</td>
<td>(0.419)</td>
<td>(0.442)</td>
</tr>
<tr>
<td>UMP</td>
<td>1.354</td>
<td>1.114</td>
<td>1.223</td>
<td>1.358</td>
</tr>
<tr>
<td></td>
<td>(0.283)</td>
<td>(0.264)</td>
<td>(0.277)</td>
<td>(0.285)</td>
</tr>
<tr>
<td>Constant</td>
<td>1.045</td>
<td>1.257</td>
<td>1.116</td>
<td>1.043</td>
</tr>
<tr>
<td></td>
<td>(0.212)</td>
<td>(0.282)</td>
<td>(0.235)</td>
<td>(0.212)</td>
</tr>
<tr>
<td><strong>No. of Observations</strong></td>
<td><strong>153</strong></td>
<td><strong>153</strong></td>
<td><strong>153</strong></td>
<td><strong>151</strong></td>
</tr>
</tbody>
</table>

Source: The author’s calculations.
Note: Dependent variable: Time since the MIP approval at which the MIP action is observed either as completed or right-censored. Coefficients are reported in multiplicative form for lognormal distribution, where. Significant at 10 percent:*; 5 percent:**; and 1 percent:***, robust standard errors are in parentheses.
and SELF actions take a relatively shorter time to implement and actions related to FCS, FIN, GFC, the evaluation of Research at the IMF: Relevance and Utilization (RSR), and SP relatively longer to implement.

**SENSITIVITY ANALYSIS**

Based on the benchmark regression, the estimated average time to complete the MIP actions for preset values of covariates are presented in Table 4A.3. This analysis is essentially counterfactual in nature as some combinations of covariates may be unlikely (such as input level low-depth actions also involving culture change). When culture change is set to zero, the predictions range on average from 1.2 to 6.6 years for MIP actions with input/output level actions at the low end and outcome level actions at the high end of the spectrum. For actions that involve culture change, the predicted average time to implement increases to 5.1 to 9.6 years for input/output level actions while outcome level actions take significantly longer, at 16.0 to 27.5 years.

**TABLE 4A.3. SENSITIVITY ANALYSIS: PREDICTED AVERAGE TIME TO IMPLEMENT MIP ACTIONS**

(In Years)

<table>
<thead>
<tr>
<th>Proximity to Higher-level Results</th>
<th>Institutional Change-Depth</th>
<th>CULTURE CHANGE (CC)</th>
<th>95% Confidence Interval</th>
<th>CC=0</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input</td>
<td>Low</td>
<td>1.3</td>
<td>[0.7-2.0]</td>
<td>5.6</td>
<td>[3.2-8.0]</td>
</tr>
<tr>
<td>Input</td>
<td>Moderate</td>
<td>2.1</td>
<td>[1.1-3.1]</td>
<td>9.0</td>
<td>[5.5-12.5]</td>
</tr>
<tr>
<td>Input</td>
<td>High</td>
<td>2.3</td>
<td>[0.7-3.9]</td>
<td>9.6</td>
<td>[5.2-14.0]</td>
</tr>
<tr>
<td>Output</td>
<td>Low</td>
<td>1.2</td>
<td>[0.7-1.7]</td>
<td>5.1</td>
<td>[3.2-7.0]</td>
</tr>
<tr>
<td>Output</td>
<td>Moderate</td>
<td>1.9</td>
<td>[1.2-2.7]</td>
<td>8.1</td>
<td>[5.7-10.6]</td>
</tr>
<tr>
<td>Output</td>
<td>High</td>
<td>2.1</td>
<td>[0.7-3.5]</td>
<td>8.7</td>
<td>[5.4-12.1]</td>
</tr>
<tr>
<td>Outcome</td>
<td>Low</td>
<td>3.8</td>
<td>[1.9-5.7]</td>
<td>16.0</td>
<td>[5.2-26.8]</td>
</tr>
<tr>
<td>Outcome</td>
<td>Moderate</td>
<td>6.1</td>
<td>[3.4-8.8]</td>
<td>25.7</td>
<td>[10.2-41.1]</td>
</tr>
<tr>
<td>Outcome</td>
<td>High</td>
<td>6.6</td>
<td>[3.4-9.7]</td>
<td>27.5</td>
<td>[15.9-39.1]</td>
</tr>
</tbody>
</table>

Source: The author’s calculations.
Note: Based on the benchmark lognormal regression in Table 4A.2. Dummies for evaluations, structural HR actions, and two outliers are set to zero.
REFERENCES


INTRODUCTION AND BACKGROUND

The Independent Evaluation Office (IEO) at age 20 is by far the smallest and youngest among sister evaluation offices in major international financial institutions (Table 5.1). Its evolution over the last two decades has been mostly inward looking, driven by its own experience and the changes undergone by the International Monetary Fund (IMF), and largely uninfluenced by developments in other evaluation offices and the evaluation community at large. Thus, this anniversary is a good opportunity to reflect not only on the IEO’s own experience, but to seek to learn from the experience of larger, older siblings. While neither systematic nor exhaustive, this chapter analyzes the IEO’s similarities and, more importantly, differences with evaluation offices in other international financial institutions. It also explores the possibility of the IEO incorporating strategic approaches or aspects of evaluation work that seem to have yielded good results elsewhere.

Admittedly, the IMF is unique in its functions. The IMF is not a development institution and, therefore, the nature of its relationship with member countries, its objectives, and its time horizons are quite different from those of other international financial institutions. This is reflected in the design, operations, and target audience of the IEO, which are in many ways distinct from those of peer evaluation functions discussed in this chapter. These dissimilarities must be taken into account when comparing the IEO with other evaluation offices. However, comparison is still a fruitful exercise as other institutions carry out activities that are comparable to the IMF’s surveillance and policy advice and all of these institutions provide capacity development and financial support to their member countries. Moreover, there is no doubt that the IEO grapples with many of the same dilemmas and problems faced by its peers in trying to use evaluation as a lever to trigger positive change in their institutions.

Another important preliminary consideration is that the mandate and design of each evaluation office is, of course, the result of the needs and preferences
of each institution, of the circumstances at the time of their creation, and of their evolution over time. The IEO was created at a time when the IMF was a much less transparent institution, and many stakeholders were against the establishment of an independent evaluation function. In fact, the IEO was born only after years of discussions (IMF 1992). When the office was finally created, two preoccupations of IMF Executive Directors profoundly marked its design. First, Executive Directors were concerned about the potential for the IEO’s activities to interfere with the IMF’s operations, particularly in the context of sensitive program negotiations. As noted in Chapter 2, this led to the introduction of the “non-interference clause” in the IEO’s Terms of Reference (TOR) requiring that the IEO should “avoid interfering with operational activities including current programs.” This clause is unique among the evaluation offices discussed in this chapter and has a potentially key bearing on the scope of the IEO’s activities. Second, IMF Executive Directors perceived evaluation offices elsewhere as too large, lacking independence, and excessively populated by staff from parent institutions. These perceptions resulted in the adoption of a business model for the IEO focused on ensuring independence, balanced composition of staff, and a limited budget guided by a “less-is-more” approach.

This chapter draws on interviews with the Evaluation Department (EvD) of the European Bank for Reconstruction and Development, the Independent Development Evaluation (IDEV) of the African Development Bank, the Independent Evaluation Department (IED) of the Asian Development Bank, the Independent Evaluation Group (IEG) of the World Bank, the Independent Evaluation Office of the United Nations Development Program (IEO-UNDP), and the Office of Evaluation and Oversight (OVE) of the Inter-American Development Bank. In addition, the authors have analyzed evaluation reports from these evaluation offices with comparable themes and coverage, namely on the engagement

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1 See IMF 2000a and IMF 2000b.

2 See IEO 2015, p. 2.

3 According to its TOR, a majority of the IEO’s staff must come from outside the IMF. Relatedly, the IEO and all other comparators have adopted a model by which evaluations are led by staff of the evaluation offices. While all offices work with consultants, over the years the tendency has been to move away from outsourcing, relying instead on internal evaluators for the design and writing of core reports. This model is unanimously considered superior in terms of evaluations’ accuracy and adaptability to the needs of the parent institution.
with fragile states and on the response to the global financial crisis,\(^4\) as a basis for the discussion of differences and similarities with the IEO. The chapter also was informed by material compiled by the Evaluation Cooperation Group on evaluation functions across its membership.

**IEO’S STRENGTHS**

**The “Less-Is-More” Approach**

The IEO is a very small evaluation office relative to its peers by any metric, including human resources, budget, and, especially, output (Table 5.1). Compared to evaluation offices at other international financial institutions, it produces fewer reports each year, both in type and number.

**TABLE 5.1. THE IEO AND ITS PEERS IN NUMBERS**

<table>
<thead>
<tr>
<th></th>
<th>IEG (WB)</th>
<th>IED (ASDB)</th>
<th>OVE (IADB)</th>
<th>IDEV (AFDB)</th>
<th>EVD (EBRD)</th>
<th>IEO (UNDP)</th>
<th>IEO (IMF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports per year</td>
<td>473</td>
<td>89</td>
<td>18</td>
<td>11</td>
<td>8-10</td>
<td>19</td>
<td>2-3</td>
</tr>
<tr>
<td>Budget (millions USD)</td>
<td>37.3</td>
<td>14.8</td>
<td>8.4</td>
<td>10.4</td>
<td>4.4</td>
<td>11.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Budget ratio</td>
<td>1.4</td>
<td>1.9</td>
<td>1.4</td>
<td>1.8</td>
<td>0.8</td>
<td>0.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Staff</td>
<td>109</td>
<td>60</td>
<td>25</td>
<td>40</td>
<td>18</td>
<td>32</td>
<td>15</td>
</tr>
<tr>
<td>Staff ratio</td>
<td>0.9</td>
<td>1.7</td>
<td>1.3</td>
<td>1.9</td>
<td>0.7</td>
<td>0.1</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Sources: IEG, IED, OVE, IDEV, EvD, IEO-UNDP, IEO calculations.

Note: Budget (staff) ratio is defined as the budget (staff) of each evaluation office divided by the budget (staff) of its parent institution. FY2021 data.

This deliberate “less-is-more” approach has served the IEO well by boosting the depth and impact of its evaluation products, facilitating greater attention to each evaluation from the Executive Board, management, staff, country authorities, and other stakeholders. This approach relies on careful consideration of topic choice and timing, seeking to ensure that the workload generated by the presentation and

follow up of evaluations does not exceed the absorption capacity of active partners. Overloading recipients would reduce the chances of reports catalyzing learning and change, as the Board’s support for the evaluation function and management’s and staff’s attention to the design and execution of implementation plans would inevitably wane. It could be argued that the “disciplining” effect of potentially being subject to an evaluation is smaller when the total number of evaluations is smaller (although the scope of IEO evaluations has tended to be quite broad), but neither the IEO’s “founding fathers” nor its subsequent directors were inclined to adopt a “more-is-more” strategy, for which a major overhaul of the IEO’s structure and resources would be required.

In contrast, colleagues in other evaluation offices shared experiences of producing high, often excessive volumes of evaluation material, leading to somewhat mechanistic responses and limited impact on their parent institutions. In some cases, the issuance of numerous and excessively ambitious reports was seen as deriving from evaluation offices’ need to justify their size and budget, as well as a tendency to want to “cover all the bases.” In other cases, the large volume of evaluation material was demand driven, coming in response to requests from the Board, management, and staff. This may reflect governance structures in international organizations that make it easy to request additional streams of work, while refusing and prioritizing activities is more difficult. Colleagues in other offices have tried to palliate the problems associated with “overproduction” by offering easily absorbable, simplified reports, such as evaluation briefs and synthesis papers, by limiting reports’ length, by having explanatory discussions with individual directors or subgroups of the Board, and by reducing the number of reports elaborated.

The types of evaluation reports produced by each office is determined, to a large extent, by the needs and peculiarities of each institution and the resources available to the evaluation function. Typologies are also dynamic, so it is difficult to compare over longer periods of time. The IEO’s outputs are closer to what other evaluation offices usually refer to as corporate and thematic evaluations, which could be defined as occasional reports focused on a particular activity, theme, aspect, policy, or process, and aimed at improving the performance of the parent institution. For example, the various reports on fragile states and the impact of the global financial


6 As discussed in Chapter 2, the IEO produces only three types of reports: full evaluations, short evaluations (recently created and still in pilot stage), and evaluation updates, which revisit issues approximately 10 years after an original evaluation.
crisis reviewed for this chapter were classified as major evaluations (IEG 2012; IEG 2010; IEG 2016; IEG 2014), corporate evaluations (IDEV 2020), thematic evaluations (IEO-UNDP 2013), corporate and thematic evaluations (IED 2011), and evaluation topical papers (IED 2012). In contrast to other offices, the IEO does not produce impact evaluations, validation of self-evaluations carried out by IMF staff, periodic country or regional-level evaluations, systematic project evaluations, project completion reports, or sectoral evaluations. These evaluations consume a large portion of the resources at other offices and, to some extent, justify the difference in size. But even when comparing just evaluations of the type carried out by the IEO, the number of reports produced by other offices is much higher.

An additional advantage of the IEO’s narrower approach and fewer product types is that it has more freedom to allocate resources to the most relevant topic at a particular time and to tailor the approach to the topic at hand. Some colleagues in peer offices expressed concern than an excessive variety of product types and rigidity in formats distracts from the core objectives of evaluation. At the same time, with high production volumes, having standardized typologies was considered to save time and effort by clarifying from the outset the parameters, procedures, and governance guiding each type of report.

**Independence**

The three external evaluations of the IEO (Lissakers and others 2006, Ocampo and others 2013, and Kaberuka and others 2018) found that the IEO has high levels of independence, both statutory and in practice, from the IMF’s Executive Board, management, and staff. Evidence from interviews also suggests that the IEO typically operates with a relatively higher degree of independence than other evaluation offices. This is due in part to the preoccupation with independence at the time of IEO’s creation, which was baked into the IEO’s TOR, as discussed earlier. Several colleagues in peer offices saw themselves facing greater threats to their independence than the IEO, given the fact that their institutions are larger and more complex than the IMF and host a variety of pressure groups that try to influence their work.

The selection of evaluation topics is an area that illustrates the statutory independence of the IEO. For the IEO, as for all the evaluation offices included in this study,

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7 While the IEO looks into the outcome and broad impact of IMF activities, it does not conduct quantitative impact evaluations. This specific type of evaluation assesses how interventions affect outcomes, in an intended or unintended way, by analyzing counterfactuals. Impact evaluations are not always feasible and typically absorb a substantial amount of resources. See OECD’s “Outline of Principles for Impact Evaluation”: https://www.oecd.org/dac/evaluation/dcdndep/37671602.pdf.
the topic selection process involves informal consultations with Executive Directors and other relevant stakeholders on their views and preferences. Following these consultations, the IEO discusses topics with the Board’s evaluation committee and publishes a list of around 10 possible topics for evaluation. The key difference is that the IEO Director is ultimately free to choose evaluation topics,\(^8\) retaining autonomy to make a final decision up to the moment evaluations are launched. By contrast, in other evaluation offices, work plans require Board approval and, in some cases, Executive Directors—and even management—can request evaluations to be undertaken, perhaps reflecting differences in the intended target audience of evaluation reports. Another difference is that in other evaluation offices, topic selection is restricted by a more explicit set of criteria\(^9\)—often contained in an evaluation policy—and by the need to produce recurrent periodic evaluation products.

In addition to being more autonomous, the IEO’s process seems to be quicker and more flexible. Colleagues in peer offices considered that their processes are too long, taking up to six months, and excessively rigid; in some cases, once the working program has been decided, the first two years of activity are basically fixed.

In general, interviewees saw their topic selection process as more rigid, more burdensome, and more exposed to internal and external influence than the IEO’s. Some had initial lists of topics containing over 200 proposals. Others said that their topic selection process had become a consensus-building exercise aimed more at pleasing stakeholders than identifying the most crucial topics. A work program with a long time horizon is seen as favoring early planning and preparation of evaluations but also adding rigidity.\(^10\) Some colleagues, however, did not view the need for Board approval of the work program (and the associated budget) as reducing independence. They thought it only logical for Executive Directors, as key recipients of evaluation reports, to choose evaluation topics that they consider useful for the institution, and they viewed final decisions on topic selection as the outcome of negotiations between their offices and the Board, rather than as imposed by the latter.

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\(^8\) The TOR provides the IEO Director with a clear mandate to choose topics and make decisions at arm’s length from the Board and independent from management and staff. The IEO Director is chosen by the Board for a single non-renewable six-year term and cannot subsequently join the IMF staff. As is the case in other evaluation offices, the IEO Director can only be dismissed by the Executive Board, not by management.

\(^9\) Examples of criteria used in peer offices, also considered by the IEO, are timeliness, relevance (materiality), strategic selectivity, evaluability, and usefulness.

\(^10\) Some evaluation offices with comfortable budgets set aside a portion of their budget in order to be able to respond to last-minute requests for evaluation from their Boards. Other offices, however, cannot afford that luxury and react to contingencies (or Board requests) by rescheduling their working programs.
Similar to the topic selection process, some colleagues said they face more interference during the approach paper phase of their evaluations than is the case for the IEO. In some evaluation offices, early versions of approach papers are sent to and discussed with management before finalizing. While early consultation is intended to reinforce usefulness and receptiveness, it can also complicate the evaluation process. There have been cases of management interfering with the approach paper, even terminating an evaluation at this stage. Also, in some institutions, approach papers require Board approval and Executive Directors may insist on changes, although this practice seems to be uncommon. In the case of the IEO, approach papers (referred to as issues papers internally) are discussed with the Board only informally, providing Executive Directors with an opportunity to express their non-binding views. Similarly, the IEO seeks views on issues papers from management and staff. However, issues papers are not formally approved and Board agreement has been relevant only in cases where Executive Directors, management, or staff raised concerns regarding the non-interference clause.

**Quality Control**

To underpin the quality of its work, for each evaluation the IEO typically organizes three workshops, held at the beginning, midway, and close to the end of the evaluation process.\(^{11}\) In these short events, a group of specialists discusses with the IEO the available evaluation material at each stage. The composition of these groups often varies from meeting to meeting and incorporates diverse perspectives, including from academics and other external experts, former IMF staff, former Executive Directors, and representatives from other international financial institutions and civil society organizations (CSOs). This process helps ensure that evaluations are based on analysis and evidence, that relevant information is not omitted, that alternative views are reflected, and that the content will be effective for external as well as internal audiences.

In contrast, peer offices use different mechanisms for quality control, in most cases, involving peer reviews and external advisory panels. Reviewers are internal—from the evaluation office, the parent institution, or both—and external—from academia,
think tanks, and other institutions. These reviews are quite formal, structured, and conducted at the start of the evaluation, often during the approach paper phase, and at the end of the process, when a draft report is ready. During the evaluation process there may also be contacts with reviewers, but those are informal and mostly dependent on personal relationships. In some cases, colleagues expressed concern that their validation processes have become very elaborate, time consuming, and bureaucratized; sometimes more focused on box-ticking than on reinforcing quality. Some considered their quality control mechanisms to be too internally oriented and lacking alternative views, while others saw their mechanisms as dominated by external experts who lack institutional knowledge.

The IEO seems to have found an equilibrium in its quality control, with a system that is less formal, but effective. While colleagues interviewed saw some advantages of peer reviews and advisory panels, they tended to prefer the IEO’s model. They considered it less procedural and more apt to yield thoughtful, constructive discussions with a broader range of experts and stakeholders. They also appreciated the balance between external and internal knowledge and the relative speed of the process.

LESSONS TO BE LEARNED

Timing of Evaluations

The IEO has been freer than its peers when choosing evaluation topics, and when doing so, seeks to ensure that evaluations are timed to feed into rather than overlap with staff internal reviews. However, it has faced an additional constraint regarding the timing of its evaluations. As previously mentioned, when the IEO was created, the Board was preoccupied by the possible interference of the IEO’s work on the operational activities of the IMF. This led to the adoption of a strict retrospective

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12 As an illustration, peer offices’ quality control mechanisms for the reports consulted for this chapter were as follows: (i) the first evaluation by the World Bank’s IEG on fragile and conflict-affected states (FCS) (IEG 2014) relied on an external advisory panel made up of two internal and two external reviewers, while the second (IEG 2016) had two peer reviewers, one internal and one external. IEG used three peer reviewers, internal and external, for both of its reports on the global economic crisis (IEG 2010 and IEG 2012); (ii) IDEV used four peer reviewers, three internal and one external, for its 2020 report on fragility and resilience (IDEV 2020); and (iii) IEO-UNDP relied on a combination of an internal reference group and an external advisory panel for its evaluation on FCS (IEO-UNDP 2013). The rest of the evaluations used similar mechanisms, but they were not specified in the reports.
approach to evaluation and to the introduction in the IEO’s TOR of the so-called “non-interference clause,” intended to preclude the evaluation of current programs.13

The IEO’s retrospective approach and non-interference clause have limited its ability to engage in a timely way in some topics, mostly related to evaluation of multiyear IMF-supported programs. This has contributed to the IEO being slower than peers in extracting lessons from experience. For example, the IEG and IED reports on the global financial crisis reviewed for this chapter (IED 2011 and 2012; IEG 2010 and 2012), were conducted shortly after the crisis, in stark contrast with the timing of the IEO’s evaluation, completed six years after the crisis (IEO 2014 and 2016).14

In the past, the non-interference clause also discouraged the IEO from undertaking early-stage evaluations,15 which are issued by all its peers. Early-stage evaluations are conducted for recent interventions, allowing for a formative element.16 These evaluations are typically well received, and indeed demanded, by the Boards and management of other institutions. They provide extremely useful and timely inputs, often through the provision of interim reports to the Board. They can help guide operations, improve performance, reduce costs and risks, identify trends and opportunities, and lead to adjustments in the original assumptions underpinning the program or policy being evaluated. Most early-stage evaluations do not evaluate outcomes as they are conducted too early to be able to assess them and focus instead on processes and outputs at a certain time, assessing if the intervention was consistent with the underlying problem. Consequently, accountability is reduced, because the ultimate success of operations is not evaluated. However, as noted in Chapter 3, for Executive Directors, one advantage of early-stage evaluations is that they facilitate the Board’s oversight function by narrowing the

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13 The clause currently reads: “In conducting its work, IEO should avoid interfering with operational activities, including current programs” (IMF 2015).

14 The IEO published in 2011 an evaluation of the performance of IMF surveillance in the run-up to the global financial crisis (IEO 2011).

15 The IEO has recently experimented for the first time with a hybrid model. The evaluation on the IMF’s response to the COVID-19 pandemic (expected publication in the first quarter of 2023) was conceived as a full, retrospective evaluation but given the strong demand for early practical lessons, the IEO introduced a mid-point informal engagement with the Board, held in March 2022, providing an early opportunity to discuss emerging findings.

16 Formative evaluations are conducted during the implementation phase of projects or programs and are intended to improve their performance, while summative evaluations are conducted at the end of an intervention (or a phase of that intervention) to determine the extent to which anticipated outcomes were produced (OECD 2002).
information asymmetry that exists in most institutions between Board members and management.

An objection sometimes raised against early-stage evaluations is the risk of prejudging the final conclusions of a subsequent, full, retrospective evaluation. However, colleagues with experience in other evaluation offices perceive this risk as limited since early-stage evaluations are, by definition, preliminary, explicitly subject to the ultimate evolution of many variables, and understood as such by their intended audience.

Even more ambitious in terms of providing quick guidance are real-time evaluations (RTEs). These evaluations aim to provide feedback in real time to those responsible for implementation and they can be considered live learning. Crucially, they provide an opportunity for the adoption of early corrective measures in the midst of a crisis, when RTEs are normally most useful. However, they require a specific set of tools, capacities, and processes at both the evaluation office and the parent institution. Only two of the evaluation offices interviewed for this chapter (IDEV and IED) have experience with RTEs and they highlighted the difficulty and work-intensity of the task. Currently, the IEO and the IMF are not equipped to conduct RTEs or benefit from them, since the required real-time systems for reporting and early adoption of corrective action are not in place.

None of the IEO’s peer offices have a legal framework with a provision like the IEO’s non-interference clause, either in their TORs or evaluation policies, and none face any restriction regarding the timing of their evaluations, beyond the rigidity of the work programs previously discussed. Colleagues in these offices view the non-interference clause as constraining the IEO’s independence and limiting the potential value added of its work, while recognizing the special macroeconomic sensitivity of the IMF’s mission. The risk of interfering with the ongoing operations of the parent institution was not considered a problem—for some, it was even seen as a desirable outcome of evaluation work, useful to correct ongoing mistakes, thus demonstrating influence as opposed to interference. Many of the evaluators who were interviewed also said that a clause of this type would not be possible in their offices because they

17 RTEs are widely used in the field of humanitarian assistance where early adjustment of responses is crucial; see, for example, UNHCR (2002) and Cosgrave et al. (2009). RTEs are conducted as events unfold and are formative in nature. In contrast, early-stage evaluations are conducted retrospectively while providing early feedback and lessons, thus combining summative and formative elements. It is also important to differentiate between RTEs and monitoring. While the former are conducted by evaluation offices, monitoring is the responsibility of management and staff, although the evaluation offices in multilateral development banks often provide guidance on how to design monitoring processes that allow for subsequent evaluation work.
are constantly evaluating ongoing operations in member countries. Indeed, this is also true for the IEO’s evaluations of the IMF’s surveillance and capacity development activities, where evaluation work is less constrained, although still done with care not to comment on specific ongoing operations.

Thus, the IEO’s non-interference clause is clearly an anomaly and each of the three external evaluations of the office have suggested it be reconsidered, relying on the IEO’s strong track record and demonstrated judgement to avoid timing-related sensitivities. In fact, when the IEO was created, these safeguards were understood as a temporary measure, allowing time for the IEO (then called EVO) to establish its credibility. At the time, when discussing Executive Directors’ concerns about independence and interference, the evaluation group charged with designing the IEO said in its statement to the Executive Board: “Here, as the saying goes, ‘the proof of the pudding will be in the eating.’ Put more prosaically, the credibility of EVO has to be earned by its performance and the effectiveness of its safeguards will have to be demonstrated through its operations.”

Has the IEO earned its credibility? Looking back over two decades and scores of reports, it is reasonable to assert that the IEO has done so. Moreover, even if the non-interference clause were dropped altogether, the Board would still have the authority to stop the publication of an IEO report that it considered potentially disruptive. An alternative approach would be to clarify and more narrowly circumscribe the clause—as was attempted in the past—for example, in the context of a new IEO evaluation policy, discussed later in this chapter. Such a document could clarify that “ongoing operations” refers to “ongoing programs,” ensuring the clause is not an obstacle to the flow of information to the IEO and removing any questions about its ability to evaluate surveillance, capacity development, and early responses to crises like the COVID-19 pandemic.

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18 As an example, the IEO adopted the policy of avoiding single-country evaluations given the sensitivity of such evaluations.


20 The 2018 external evaluation of the IEO (Kaberuka and others 2018) recommended this approach: “The Board should review the IEO’s Terms of Reference to a) […] and b) 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.”
Methodologies and Tools

Compared to its peer offices, the IEO is not as systematic or rigorous in using evaluation methodologies. In fact, during interviews, one colleague expressed the view that “what the IEO does is research. Very interesting research and with an impact on the IMF, but research, not evaluation work.”

The IEO uses some of the same bread-and-butter tools and sources of information employed by peer evaluation offices: literature reviews; semi-structured interviews with country authorities, Executive Directors, staff, management, and third parties; surveys aimed at wider ranges of participants and stakeholders; country case studies; and analytical, statistical, and econometric work. Text analysis, regularly used in peer offices for some time, has also been recently incorporated to the IEO’s toolkit. However, other offices have a more complete set of evaluation methodologies at their disposal.

Colleagues in all evaluation offices consulted agreed that it is fundamental to underpin evaluations with a solid methodological base. Methodology, together with independence and perspective, is viewed as a key comparative advantage for evaluation offices when drawing lessons and making recommendations. Evaluation methodologies help provide an alternative approach that staff in parent institutions do not bring to the table. The use of appropriate methodologies also strengthens findings, eliminating biases and other flaws. Some offices much larger than the IEO count on methodological units that seek to ensure rigor in the use of these tools.

The IEO has relied heavily over the last two decades on the analysis of substantive issues, using economic and policy analysis tools and approaches similar to those of IMF staff. The IEO’s work is typically more candid than the staff’s reports, seeks to answer somewhat different questions, and reflects a wider range of views from outside the institution, but is not fundamentally different. This approach leaves largely unexploited the potential benefits of alternative evaluation methodologies.

At the same time, some peer evaluators warned against the risk of methodological dominance, as experienced in their evaluation offices. More specifically, some colleagues were concerned about the possible “fetishization of methodology” that can create an “illusion of rigor.” This may turn evaluations into methodological box-ticking exercises, to the detriment of a deep understanding of the institutions’ operations, leaving reports lacking in substantive content. Another potential problem with methodological dominance is a tendency to write for evaluators, with evaluations so methodology-driven and full of technicalities that they are
unintelligible to nonexperts. Clearly, a balance is needed, so that evaluations can benefit from both a deep understanding of the challenges facing the parent institution and a sound evaluative methodology. In addition, the application and refinement of methodological tools needs to be seen as an ongoing effort in order for evaluation offices to maximize their value added and relevance.

As an example of methodological differences, the IEO’s approach is unlike others with regard to the use of theories of change (ToC). Also called “program theory” and “results chain,” a ToC is essentially a map or a log frame to illustrate how a certain intervention by the institution is supposed to lead to an expected outcome. ToCs are universally and systematically used by other evaluation offices.21 The Organisation for Economic Co-operation and Development (OECD) recommends the use of ToCs to set out in clear cause-effect terms how interventions are intended to produce outputs, outcomes, and impacts, spelling out the conditions needed for success, and it has pointed to faulty ToCs as one reason why interventions fail to produce the intended results (OECD 2012).

Many colleagues in other evaluation offices considered ToCs as an integral element of their evaluations, although they are formalized to varying degrees and are not always published. For example, ToCs were used for the elaboration of all the evaluation reports reviewed for this chapter, although only one was published.22 Interviewees regarded ToCs as an invaluable tool to understand how the policy or project to be evaluated is supposed to work, to guide and focus the evaluation process, and to strengthen the value added of the evaluation and facilitate implementation. At the same time, some colleagues believe that developing explicit ToCs can be time-consuming, potentially detract from thinking through the issues, and be misleading if misspecified, for example by putting too much focus on how activities were intended to work when first conceived rather than how they actually worked.

It can be argued that the IEO uses implicit ToCs in evaluating IMF operations and policies. These implicit ToCs would be predicated on the IEO’s very deep understanding of the IMF’s activities and the highly organized, structured, and relatively narrow nature of IMF operations. Nevertheless, as many colleagues in other evaluation offices assert, the process of making ToCs explicit—and more importantly,

21 Within the IMF there is also some experience with this type of tool. For instance, a ToC (log frame) underlines the design of results-based management system used for monitoring and evaluating capacity development work. An overall ToC for the functioning of the IEO is provided in Chapter 4.

22 IEG 2014.
discussing them with the staff and management of the parent institution—reveals missing links and causal relationships, allowing key evaluation issues and questions to emerge. In this sense, explicit ToCs are not a prerequisite, but their use substantially reduces the risk of important omissions and misinterpretations. ToCs can be construed as an explication of best practice, hence their use as evaluative framework. In addition, ToCs are not only valuable to strengthen the quality of evaluation reports, but their use contributes to the institutional learning sought by evaluation offices, as this type of deep understanding of causal chains is often taken for granted or overlooked by staff.23

Other methodological tools used by peer offices include formal impact evaluation techniques, such as randomized control trials, content analysis,24 contribution analysis,25 and process tracing.26 Several offices also are studying how to incorporate different applications of recent advances in artificial intelligence and “big data.” Regarding the acquisition of these techniques, experienced colleagues advocated for providing evaluators with training from outside their offices, promoting the

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23 Following the experience of discussing and learning about ToCs with their evaluation offices, the staff of several institutions have incorporated ToCs in their regular operations. Some evaluation offices even provide training to the staff and management of their institutions—and of course to their own evaluators—on ToCs, which in turn helps strengthen those institutions’ evaluation culture.

24 Content analysis is a research tool used to determine the presence of certain words, themes, or concepts within some given qualitative data, such as text. Using content analysis, researchers can quantify and analyze the presence, meanings, and relationships of certain words, themes, or concepts. As an example, researchers can evaluate language used within a news article to search for bias or partiality. Researchers can then make inferences about the messages within the texts, the writer(s), the audience, and even the culture and time surrounding the text. https://www.publichealth.columbia.edu/research/population-health-methods/content-analysis.

25 Contribution analysis is an approach for assessing causal questions and inferring causality in real-life program evaluations. It offers a step-by-step approach designed to help managers, researchers, and policymakers arrive at conclusions about the contribution their program has made (or is currently making) to particular outcomes. The essential value of contribution analysis is that it offers an approach designed to reduce uncertainty about the contribution the intervention is making to the observed results through an increased understanding of why the observed results have occurred (or not) and the roles played by the intervention and other internal and external factors. https://www.betterevaluation.org/en/plan/approach/contribution_analysis.

26 Process tracing in evaluation is an approach used to assess the impacts of selected interventions based on qualitative data. It focuses on demonstrating causal inference using in-depth analysis of an intervention. In process tracing, the evaluator’s main objectives are to showcase evidence of the extent to which an intervention’s key targeted outcomes have materialized and to investigate the causal mechanisms responsible for the outcomes. The main difference between process tracing and other theory-based evaluations is that in process tracing, the theory of change is much more explicit and detailed, and each hypothesized causal relationship is tested using empirical evidence. https://idev.afdb.org/sites/default/files/documents/files/Process%20Tracing%20As%20A%20Methodology%20For%20Evaluating%20Small%20Sample%20Sizes.pdf.
integration of different perspectives that can later be adapted to the specifics of the institution. In their opinion, relying on “on-the-job learning,” while fast and convenient, may lead over time to a very closed and narrow approach to evaluation. Relatedly, several colleagues emphasized the importance of evaluation offices hiring staff with diverse professional profiles, so that evaluation products are enriched with alternative perspectives.

Finally, the COVID-19 pandemic impacted the operations of evaluation offices the same way it has affected the operations of parent institutions. While virtual engagement has increased access to individuals by making schedules more flexible and reducing the need for travel, peer evaluators opined that the quality of communication has been severely affected. They believed that the lack of face-to-face interactions hampered trust and understanding of the topics being evaluated. Overall, there was agreement that virtual engagement will be used much more frequently than in the past but will not replace field work. COVID-19 has also put pressure on international financial institutions to quickly provide information and assessments on how institutions are responding. Consequently, evaluation offices have adopted some of the alternatives discussed previously and incorporated new technologies, including new survey software, “big data,” and satellite imagery, to quickly generate and disseminate data and findings.

Interaction with Staff and Management

There is a risk that the high levels of independence of the IEO discussed above could come at the expense of a more productive cooperation with some stakeholders, which might impact the quality, usefulness, and impact of evaluation work. Other evaluation offices tend to have a more abundant and closer interaction with the staff and management of their parent institutions, in part due to the heavier relative weight these groups have as part of those offices’ target audiences. While the IEO also interacts in a similar way with staff and management, in other evaluation offices there seem to be more formal and systematic interactions at all stages of the evaluation process: topic selection, elaboration of the approach or issues paper, finalization of reports and implementation of recommendations, including the design of specific actions.

The IEO and most peer evaluation offices have seen an increased level of interaction with the staff of their parent institutions over time. As their reputation grew and their institutional roles consolidated, their work became more appreciated and the risk (actual or perceived) of loss of independence or capture by staff diminished. This was not a smooth and linear progression; like the IEO, other offices have
experienced ups and downs in their rapport with staff, depending on the approach
taken by those in charge of both sides of that relationship and the tension generated
by various evaluations.

The quality of the relationship between an independent evaluation function and its
parent institution is a shared responsibility, requiring reciprocal respect, good faith,
and recognition of their respective mandates and institutional roles. Colleagues
in other evaluation offices concurred that, to a large extent, it is up to evaluators,
through their policies and professionalism, to nurture a cordial and productive
relationship with the relevant interlocutors, strengthening the focus, utility, credi-
bility, and buy-in of the findings and recommendations while safeguarding the
integrity of the evaluation function. In this regard, each director or chief evaluator,
in the IEO and in peer offices, has had a particular preference regarding the appro-
priate level of in-practice independence, using the wiggle room provided by the
formal independence framework.

The key is to find a balance between desirable consultation and interference.
A discontinuous or unduly confrontational relationship with staff and
management—which, at some point, has been a problem faced by all evaluation
offices—may impede information flows and hamper the evaluation function. At
the other end of the spectrum, experience shows that excessive interplay with the
staff of the parent institution may erode the evaluation office’s capacity to provide
candid advice, out of concern to maintain the relationship or because the evaluation
office played a role in the design of an intervention and is thus a biased observer
rather than an impartial one.27 As a result, in evaluation reports, messages extracted
from evidence may be weakened and recommendations diluted. In general, there
was also agreement among colleagues that the risk of compromising independence
is compensated by the advantages of maintaining a constructive and sustained
relationship—provided that the evaluation office is always careful to draw a line and
push back if the line is being crossed.

27 Unlike the IEO, some offices get involved in the operations of their parent institutions from the start,
sharing lessons from previous evaluations, which can help improve operation design, and ensuring that the
data and structure needed for later evaluation will be generated.
To clarify the relationship with staff and other aspects of their operations, peer evaluation offices have relied on explicit evaluation policies. These Board-approved documents typically contain a unified set of rules of engagement with the parent institution, developing the norms included in other documents such as TORs, or complementing them, or both. They also contain evaluation guidelines, principles, standards, objectives, criteria, responsibilities, processes, and offices’ mandates, which guide and elucidate evaluation work. In interviews, colleagues in other offices said they considered evaluation policies to be fundamental; this was especially true for those who survived for years with their TORs as their only legal anchor.

The IEO has a range of documents that cover various aspects of what would typically be included in an evaluation policy. These include, for example, the TOR for the office and separately, for the Director, terms and conditions of employment for IEO staff, and guidance for IMF staff on how to cooperate with the IEO. However, adoption of a more comprehensive Board-approved policy document would gather this disparate material in a single articulated document, fill in gaps, or elaborate on areas of ambiguity. An evaluation policy could, among other things, underpin the current guidance to IMF staff on how to relate to the IEO and help delineate the applicability of the non-interference clause.

Closely tied to the type of relationship the evaluators have with staff are the goals pursued by the independent evaluation function. In this regard, all offices agreed that the main objective of evaluation should be promoting and facilitating constructive change in the evaluated institution, emphasizing learning more than accountability, although both goals are important and mutually reinforcing. Albeit with some nuances, all evaluation offices concurred with the idea that the primary goal of evaluation is learning—understood as the extraction and absorption of implementable lessons from a robust analysis of past experiences. Some colleagues saw accountability as forced knowledge, while evaluation offices typically aim at a more persuasive approach to learning. A hard accountability approach (“naming and shaming”) has proven less fruitful and constructive as it focuses too much on individual performance rather than outcomes and inevitably hampers cooperation.

28 All comparator evaluation offices have some form of evaluation policy posted on their websites, although these documents take different forms and names: evaluation principles, evaluation framework, evaluation brochure, or evaluation policy framework. IDEV used to have an additional document, referred to as evaluation strategy, bridging between the high-level, permanent evaluation policy and the evolving work program, but this practice was discontinued. Some UN agencies (UN Women, UNHCR, UNFPA) and national departments continue to utilize evaluation strategies. The list of references includes links to peer offices’ evaluation policies.

29 All these documents are available at the IEO website: https://ieo.IMF.org.
communication, and information flows. The IEO, like other evaluation offices, has
gone through different periods in which the balance between accountability and
learning shifted back and forth, in part reflecting the personality and attitude of the
stakeholders involved, including the Board, the IEO, and the IMF’s management
and senior staff. However, from its inception, learning has been at the core of the
IEO’s mandate.30

**Dissemination**

At the most basic level, dissemination starts with a concise, well-written report.
Typically, IEO reports are comparable to those of its peers in terms of length and
readability. However, the IEO is not immune to a tendency towards long and very
detailed evaluation reports, a point made repeatedly in external evaluations of the
IEO and in management and staff comments on evaluation drafts. For external
dissemination, as the experience of colleagues shows, communication can be
more effective and efficient with greater use of visual tools and infographics and
audience-tailored synopses centered on main messages.

It is mainly in the area of engaging in discussion and explanation where there
seems to be room for the IEO to learn from colleagues. While the IEO has substan-
tially increased its outreach initiatives over the years, it devotes much less time
and effort than other offices to “in-reach,” understood as internal (within the IMF)
dissemination of its findings and proposals. In other institutions, once evaluations
have been considered by the Board, communication and dissemination plans are
put together for each report and discussions with staff are organized on the topics
evaluated, sometimes going beyond the reports and their recommendations. Thus,
evaluations are used to trigger a conversation on the substantive issues, facilitating
learning and increasing the traction of reports.31

In-reach is beneficial in at least three ways. First, for each individual evaluation,
it promotes learning by raising the awareness of issues among staff, providing
a channel to explain the rationale behind recommendations, and thus raises
the chances of successful implementation. Second, for the evaluation office,

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30 “We are cognizant of the need to create an environment within which EVO can contribute to a “learning
culture” within the Fund, where Fund staff and management are as receptive as is possible to the observations
and recommendations of independent evaluation. This is crucial if the recommendations arising from EVO
evaluations are to be integrated into the work of the Fund in a timely manner, which is the ultimate objective
of this exercise” (IMF 2000c; p. 1).

31 Some peer offices, like IED and IDEV, organize periodic events (for example, evaluation weeks), which
contribute to the dissemination and better understanding of their reports and of evaluation work in general.
Dissemination helps raise the profile and appreciation of the evaluation function, improving collaboration and rapport with staff, again boosting the likelihood of meaningful change in the future. Some colleagues asserted that a robust, high-quality evaluation, if poorly disseminated, may have little value or impact, as its chances of triggering change fall dramatically. Finally, for evaluators, dissemination is also beneficial as an opportunity to witness the impact of their work and reinforce their visibility and presence.

The IEO could improve its effectiveness by further strengthening the dialogue with staff and possibly Executive Directors on the main elements of those evaluations already discussed by the Board. This would contribute to increased understanding and ownership of the rationale behind recommendations and, thus, to a more effective design and execution of Management Implementation Plans (MIPs). Peer offices have achieved this through the organization of seminars and workshops with relevant interlocutors in their parent institutions.

Beyond in-reach and outreach activities for individual reports, other evaluation offices devote more time and resources to the analysis, synthesis, and dissemination of the stock of knowledge and lessons from evaluation. IEO has now started to do this (see Chapter 2), but in a less systematic way than its peers. These products are shorter, easily digestible, and aim to be readily usable by the Board and other stakeholders in facing ongoing issues. As practiced by other offices, they typically require little or no new evidence gathering, as they rely on previous evaluations and are often supported by machine learning techniques that facilitate the analysis of large quantities of evaluative material. They may be demand or supply driven, and, in some institutions, they can take the form of a statement from the head of the evaluation office for the relevant Board discussion. For example, IED and IEO-UNDP have synthesis and lessons series, IEG produces synthesis papers, EvD has a “Connecting the Dots” series, and IDEV publishes evaluation briefs and highlights and has a lessons-learned series.

32 Some offices, in addition to accountability and learning, are mandated to strengthen evaluation culture in their parent institutions (and member countries) by providing training, but this is not the case for the IEO.

33 The IEO has developed a successful series of seminars on economic issues, typically attended by IMF staff, personnel of the offices of Executive Directors, country authorities, and external participants. These seminars could provide a suitable forum for these discussions.

34 In some institutions, such as IEG, the Director of the evaluation office can, motu proprio, issue a statement for any discussion of the Board.
Presentation of Reports and Follow-up

All peer offices submit their evaluation reports—including findings and recommendations—to their respective Boards or relevant committees. Executive Directors decide whether to endorse recommendations, normally after the institution’s management team has expressed a more or less explicit opinion on each one of them. The IEO is one of only two institutions\(^\text{35}\) where every evaluation report is discussed in full Board meetings—in the case of the IEO, presided by the Managing Director or a member of the senior management team—while all other evaluation offices present their work to Board committees that oversee evaluation and institutional effectiveness. The IEO’s more intense Board engagement is possible thanks to the “less-is-more” approach described previously. Views of colleagues in offices that present their work to Board committees were mixed. Some appreciated the advantages of the IEO-IMF approach, including that meetings are chaired by management and followed by a formal summing up. Others did not see it as an important advantage, asserting that committees devoted more time and effort to evaluation reports than the full Board. Besides, they noted that in most cases committees have the same composition as the Board and, if necessary, once committees have discussed a report, it could be elevated to the full Board.

Over time, the IMF and the IEO have developed a robust system for monitoring the implementation of recommendations endorsed by the Board.\(^\text{36}\) While all peer evaluation offices have an established procedure by which management is responsible for elaborating and executing an implementation plan, there are some important differences:

- In the case of the IEO, management has six months, from the date of the Board discussion, to present the corresponding MIP to the Board, translating Board-endorsed recommendations into concrete actions with a timeline and an accountability framework. In some other offices, this period is shorter, or even nonexistent, as implementation plans are presented to the Board or the relevant committee together with the evaluation report. This is only possible because, under this model, evaluations are discussed in depth with management before Executive Directors receive the reports, and management is given a very short period of time to come up with an implementation plan. In general, evaluators

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\(^{35}\) The other one is IEO-UNDP. However, comparison is difficult as the UNDP’s Executive Board is nonresident and usually meets three times a year.

\(^{36}\) For further details on the IEO’s follow-up framework, see Chapter 4.
preferred a process like the one followed by the IEO, in which management has a relatively long period of time after the Board meeting to consider the Board’s reaction to the recommendations and carefully develop and build consensus around the implementation plan. Accelerated processes have led in the past to excessively defensive reactions by management teams and suboptimal implementation plans that do not adequately respond to recommendations and guidance from the Board. Besides, given the Board’s workload, management teams—the evaluated—tend to dominate the follow-up process, as the Board cannot monitor in detail the interpretation and subsequent implementation of recommendations in all evaluation reports.

- The IEO’s system requires the Board’s approval of the proposed MIP, which is not the case in other international financial institutions. Board involvement at this stage incentivizes more ambitious responses by management and a more dedicated subsequent implementation by staff.

- Unlike other institutions, at the IMF, periodic reports on implementation of recommendations—the annual Periodic Monitoring Reviews (PMR)—are also discussed by the full Board, not just the evaluation committee, boosting the Board’s opportunity to raise concerns when implementation is offtrack, and to question staff’s commitment to the process.

The IEO’s system is also an outlier from other institutions in that responsibility for monitoring implementation lies with a third party, the Office of Internal Audit (OIA). In other institutions, evaluation offices themselves are charged with—or at least heavily involved in—the monitoring process. Having a third party oversee the monitoring of the implementation of recommendations brings objectivity and neutrality, and OIA is generally seen as fulfilling this role carefully and effectively. Nevertheless, most colleagues considered it preferable to keep that function within the evaluation office. In their view, evaluators are better positioned to judge whether implemented actions follow the spirit and substance of the original recommendations, or if the implementation process has become a perfunctory exercise. Another positive aspect of the model followed by other offices is that it promotes continuing contacts between evaluation offices and management and staff on how to better advance implementation, giving these offices an opportunity to contribute and keep implementation in line with the intended objectives.
CONCLUSIONS

Despite fundamental differences in the operations and mandate of their parent institutions, in their size and budget, and in their respective histories and responsibilities, a comparison of the IEO with peer evaluation functions is revealing and rich in lessons. Relative to comparable offices, the IEO is young and small, although it has achieved a remarkably large and positive impact in the IMF, as discussed in Chapters 2 and 4. It enjoys high levels of independence, has developed efficient mechanisms for quality control, and effectively monitors implementation of Board-endorsed recommendations.

At the same time, learning from the experience of older siblings, the IEO could strengthen its impact and reputation in a variety of ways. Consideration might be given to the following:

- The retrospective approach to evaluation and the non-interference clause have limited the IEO’s ability to evaluate certain topics in a timely manner, thus reducing the value and applicability of findings and recommendations. While recognizing the unique sensitivity of the IMF’s work, these restrictions could be relaxed or clarified, or both, to maximize the potential for learning through evaluation of ongoing activities.

- Incorporating formal evaluation methodologies like theories of change and impact evaluation techniques would strengthen the richness and robustness of IEO’s reports and could be done in a cost-effective and tailored manner. Staff training with outside experts and a closer relationship with peer evaluation offices would help in this respect.

- Compared with peers, the IEO appears to have a more distant relationship with staff of its parent organization. Building on its own and others’ experience, it is incumbent upon the IEO and IMF staff and management to continue to develop a collaborative, mutually respectful, and faithful relationship, with the aim of facilitating the ultimate objective of IEO evaluations: making the IMF more effective. Nevertheless, there may be room to clarify the principles guiding this relationship.
Greater emphasis on dissemination, discussion, and explanation of its findings and recommendations to external and internal audiences, especially IMF staff, would increase the traction and appreciation of the IEO’s evaluation work. Moreover, the IEO could contribute further to ongoing policy discussions, not only on policy documents prepared in response to its own recommendations but more broadly, by providing timely and relevant lessons distilled from previous evaluation evidence.

While the IMF and the IEO have developed over time a robust system for monitoring the implementation of Board-endorsed recommendations, giving the IEO a greater role in this process, either in full or jointly with the OIA, may further strengthen this system.

An evaluation policy like those of peer offices would be a useful addition to the IEO’s framework. This unified and coherent document would guide evaluation work, fill in gaps, clarify aspects such as the non-interference clause, evaluation criteria, and the types and timing of evaluations, while also promoting better understanding and better relations between the IEO and the IMF staff.

It should be recognized that additional resources would be needed for some of these initiatives, particularly to add evaluation methodologies, increase dissemination, and increase the IEO’s role in monitoring. There is little scope to redeploy existing resources from a very lean operation that has not expanded since its inception 20 years ago.

The IEO’s 20th anniversary is an opportunity to address some of the legacies from the time of its establishment, recognizing the strengthening of the IEO’s credibility and reputation and the IMF’s progress in embracing transparency and a learning culture. Beyond suggestions for future improvement, this chapter highlights the importance for the IEO to proactively seek communication and shared learning with peer offices, and the evaluation community more broadly, at least over the next 20 years.
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**Evaluation Policies of IEO Peer Offices:**

CHAPTER 6
THE EVOLVING ROLE OF THE IMF AND IMPLICATIONS FOR EVALUATION

NICOLETTA BATINI AND PRAKASH LOUNGANI

INTRODUCTION

The International Monetary Fund (IMF) and the World Bank, its Bretton Woods twin, were set up in 1944 to foster the adoption of policies that would help maintain full employment in the short run and increase living standards over time, in part through increased economic integration of nations (“globalization”). At their 50th birthday celebration—the 1994 IMF-World Bank annual meeting held in Madrid—the institutions felt a sense of “Mission Accomplished”: since their creation, global incomes had increased, as had life expectancy, and poverty had fallen. Trade had flourished and freer mobility of capital was in the works.

In 1996, the IMF announced what it called the “Eleven Commandments,” an update of the Madrid Declaration issued at the 1994 IMF-World Bank annual meeting, to which it urged adherence (IMF 1996). The commandments included: fiscal discipline and improvements in the quality and composition of fiscal adjustment; low inflation; bold labor and product market reforms to promote efficiency; continued trade liberalization; and “careful progress toward increased freedom of capital movements.” IMF Managing Director Michel Camdessus told finance ministers and central bankers assembled at the 1996 annual meeting:

“… this is not just another declaration … It is something quite special: it is the distillation of Fund surveillance … Its message is thus universal … I trust you will use this declaration to guide your policies” (Camdessus, September 29, 1996).

This chapter focuses on the evolution of the IMF in the 25 years since the commandments were issued. It describes how the institution has adapted its policy advice and operations in the face of challenges and criticisms, and how the IMF’s Independent Evaluation Office (IEO)—which came into being early on in this period, in 2001—has helped the IMF in this process. This assessment of past IMF performance—and the IEO’s role in bringing
about improvements—is then used to look ahead and draw lessons for the coming
decade: what challenges might the IMF face and how can evaluation help it to
confront them?

In the first part of this chapter, we describe two key developments that have shaped
the IMF’s work. First, the IMF has had to manage frequent financial crises, partic-
ularly in emerging markets over the 1994–2002 period, and then in advanced
economies during the global financial crisis of 2008–09. These crises have not
stopped the long-term upward course of global incomes, but they have led to consid-
erable turmoil and, for individual countries, have sometimes led to as much as a
lost decade in income growth—Argentina, Indonesia, and Greece are some of the
prominent examples.

Second, while average incomes have gone up in most countries, they have done
so by vastly different amounts across countries and within countries. Increasing
recognition of this has led the IMF to balance the stability and efficiency focus of
the commandments with policies to foster more inclusive growth, particularly by
adjusting its fiscal policy advice.

Hence, over the past 25 years there has been an increase in demand for the IMF’s
core work of managing crises in the global economic system with increasing
attention to macro financial elements. And at the same time, there has been a need
to give greater attention to fostering inclusive growth, which has taken the IMF into
areas that many consider outside its core mandate. We discuss how IEO evaluations
have helped the IMF adapt its policies on these two fronts.

In the second half of the chapter, we look ahead to the next 10 years. Our view is
that the IMF will have to maintain the scale and intensity of its financial sector
work amid an evolving global monetary order while also dealing with crises that
are not just financial, but rather “super-crises” originating in multiple, correlated
global shocks, such as the COVID-19 pandemic, and geopolitical crises, such as
the Russian war on Ukraine. Thus, more resources will likely be needed, especially
because many of the shocks on the horizon are likely to be triggered by environ-
mental and climate phenomena—an area most agree is critically important, but that
some still regard as outside the IMF’s core mandate. In short, it’s likely the IMF will
face continued tension between its core and non-core work, leading to debates about
the IMF’s mandate and the overall size and allocation of its resources. This section
also lays out our blue-sky thinking on how evaluation at the IMF could evolve to
help the institution better face these challenges.
THE IMF’S EVOLVING ROLE

The IMF as Crisis Manager: Mexican Crisis to Global Financial Crisis

While financial crises have been a consistent feature since the creation of the IMF (Boughton 2004), the frequency and severity of crises were particularly intense in the decade after the Mexican crisis of 1994, often described as the “first major crisis of globalized financial markets” or “the first financial crisis of the 21st century.”¹ The Mexican crisis was followed by the Asian crisis of 1997–98 and crises in Russia in 1998, Turkey in 2000, and Argentina in 2001. While the causes of each crisis were complex, they occurred against the backdrop of the rapid growth in private international capital flows and the deregulation of financial markets in many countries. In contrast to current account crises, the IMF’s handling of these capital account crises was less sure-footed and came in for fairly intense criticism. There was a respite as the period around the mid-2000s was “unusual in terms of the low incidence of crises” (Laeven and Valencia 2013) and balanced growth across countries (Lipsky 2007). This led to some euphoria that policymakers had succeeded in figuring out how to tame financial crises in emerging markets, while advanced economies were credited for successful financial innovation. This feel-good bubble was burst by the eruption of the global financial crisis, which made it clear that “financial crises are an equal opportunity menace” for all countries (Reinhart and Rogoff 2009).

Changes at the IMF

The crises led to two big changes in the IMF’s operations, namely the expansion of financial sector work and the adoption of an Institutional View on capital account issues. The IEO—which was set up in the aftermath of the Asian crisis—helped guide these changes through the findings of its evaluations and recommendations.

Expansion of Financial Sector Work

A major step was the 1996 launch of the Financial Sector Assessment Program (FSAP), created as a joint IMF-World Bank initiative to provide detailed policy advice to address financial sector weaknesses. In a 2006 evaluation, the IEO lauded the FSAP as “a distinct improvement in the IMF’s ability to conduct financial sector

¹ Though the latter description is commonly attributed to IMF Managing Director Michel Camdessus, his 1995 speech indicates he was not its author: “The crisis in Mexico has been described, by I don’t know whom, as the first financial crisis of the 21st century” (IMF 1995).
surveillance.” In response to the global financial crisis, the IMF mandated periodic financial stability assessments for countries with systemically important financial sectors, along with other steps to integrate financial and macroeconomic analysis in its bilateral and multilateral surveillance. The IEO’s 2019 evaluation of *IMF Financial Surveillance* concluded that there had been a substantial upgrade of the Fund’s financial surveillance work and that the FSAP had provided “high-quality in-depth assessments” of countries’ financial systems (IEO 2019a). Nevertheless, the IEO recommended that the IMF expand resources for financial surveillance to maintain the quality and intensity of this work, particularly to alleviate the competition for scarce FSAP resources.

**Advice on Capital Account Issues**

The crises in emerging markets led the IMF to address the perception that it had been urging countries to open up their capital accounts before they were ready to do so. The IEO’s 2005 evaluation of *The IMF’s Approach to Capital Account Liberalization* (IEO 2005) found no evidence that the IMF had pushed countries to move faster than they were willing to go, but also found that the IMF did not highlight the risks of liberalization sufficiently, and that any recognition of the risks and preconditions did not translate into timely and consistent operational advice on pace and sequencing. The IEO urged the IMF to adopt a statement that would give official standing to what it saw as the new paradigm taking shape that “upholds the role of country ownership in determining pace and sequencing; takes a more consistently cautious and nuanced approach to encouraging capital account convertibility; and acknowledges the usefulness of capital controls under certain conditions.”

**Institutional View**

In 2012, the IMF adopted an Institutional View (IV) along the lines suggested by the IEO, spurred by the recommendation and by the measures that many emerging markets were taking to protect themselves from capital inflows from advanced economies during the global financial crisis. The view noted that full capital account liberalization is not an appropriate goal for all countries at all times and it laid out conditions under which the use of capital controls would be justified (IMF 2012). The IEO’s 2015 update of its initial evaluation (IEO 2015) found that the IMF had made considerable progress in clarifying its position on capital account issues. A more recent evaluation of *IMF Advice on Capital Flows* (IEO 2020a) found broad

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2 A later IEO evaluation also found that the IMF’s policy advice was directed more toward helping emerging market recipients to manage boom-and-bust cycles in capital flows, while little policy advice was offered on how source countries might help to reduce the volatility of capital flows; the evaluation found that while the IMF had tried hard to remedy this aspect, it had gained little traction with source countries (IEO 2019b).
satisfaction among the membership with the IV, though the IEO also recommended that additional flexibility in dealing with capital flow volatility would benefit many countries. In line with this recommendation, the IV was recently updated to acknowledge the occasional need for preemptive use of capital controls to increase resilience against volatile capital flows (Korinek, Loungani, and Ostry 2022).

**Other Relevant Findings of IEO Evaluations**

Some other findings of IEO evaluations are worth mentioning here as they are discussed later in this chapter. The evaluation on the run-up to the global financial crisis (IEO 2011a) found that “groupthink” and “intellectual capture” had hampered the IMF’s ability to foresee the crisis, while an evaluation of IMF research found that staff did not feel that they were free to break taboos and explore new perspectives (IEO 2011b). The evaluations of the IMF’s work on unconventional monetary policies (IEO 2019b) and other evaluations found that many country authorities regarded the IMF’s policy advice as “generic” and not very helpful in dealing with deep operational issues, a defect they attributed partly to a lack of detailed technical expertise and partly to a lack of country-specific knowledge due to frequent rotation of staff across assignments.

**Other Sources of Crises**

While financial crises are still at the core of the IMF’s work, the Fund has also been drawn into helping countries cope with crises such as those stemming from the effects of conflicts and other sources of fragility; natural disasters; and epidemics. An evaluation of the IMF’s work on fragile and conflict-affected states (FCS) assessed the IMF’s work during such crises (IEO 2018) and the evaluation’s findings contributed to adoption in 2022 of a strengthened strategy for IMF support for FCS. A recently concluded evaluation of the IMF’s work on small developing states (IEO 2022), which appear more prone to effects from natural disasters, acknowledges progress made by the IMF in raising its support for these countries while suggesting additional steps to recognize their special circumstances. An evaluation on the early response to the COVID-19 pandemic (IEO 2023) examines how the IMF responded to help members address the unprecedented global shock arising from the pandemic.
IMF Inches Toward Concern for Inclusive Growth

Roadmap
Over the past two decades, the IMF has balanced its focus on the policies embodied in the Eleven Commandments with greater endorsement of policies that deliver “inclusive growth”—growth that is widely shared among broad segments of society (Loungani 2017a; 2017b). This has come about not as a result of a strategy crafted and communicated at the outset but as a piecemeal response to criticisms, external developments, and policy preferences of IMF management. Around the turn of the millennium, the IMF embraced the goal of poverty reduction as essential to its efforts in low-income countries, a central part of which involved making its fiscal policy advice “kinder and gentler.” Over the past decade, the IMF has expanded its work to cover other aspects of inclusion: labor market advice, inequality, and gender issues.

Criticism of “Structural Adjustment”
In the 1980s, the World Bank and the IMF faced criticism that their programs and policy prescriptions, far from being growth-enhancing, were responsible for hardship in low-income countries. Critics felt that the institutions asked for excessive ”adjustment” that kept countries from achieving their goals, particularly poverty reduction. In response, the World Bank, which was more in the frontline of the criticism from civil society organizations, partly because of its larger field presence, started to champion policies that would deliver inclusive growth.³

Embracing Poverty Reduction as a Goal
Though poverty reduction is by now well accepted as a goal of the IMF’s work, it was not an easy sell to the staff of the institution in the 1990s. Former IMF First Deputy Managing Director Stanley Fischer has recalled that staff felt that delivering growth was their job and poverty reduction was that of others—he likened this attitude to a “Von Braun defense—I just put the rockets up, and it’s someone else’s business where they fall” (Loungani 2002). It took an intense internal effort—including organization of conferences where staff were exposed to the views of preeminent outside experts such as Angus Deaton and Amartya Sen—to make the case for incorporating poverty reduction into the IMF’s work. In 1999, the IMF embraced a new anti-poverty focus for its work in low-income countries, replacing its Enhanced Structural Adjustment Facility with a Poverty Reduction and Growth

³ The IEO’s first Director, Montek Ahluwalia, provided one of the clearest expositions of the concept of inclusive growth (Ahluwalia 2007).
Facility designed to ensure that lending programs are pro-poor and in line with each country’s own strategy for reducing poverty (IMF 1999). The Poverty Reduction and Growth Facility has now been renamed as Poverty Reduction and Growth Trust.

The IEO conducted two early evaluations of the IMF’s new initiative (IEO 2004; 2007), asserting that while it would be it would be too soon to judge whether the goal of poverty reduction had been attained, it was important to move quickly to identify shortcomings that may require course corrections in the design and implementation of the initiative (IEO 2004). Both evaluations found an increasing program focus on fiscal governance and support for spending on the poor, but also room for improvement in the initiative. A 2014 update found that progress had been made on most of the challenges identified by the two evaluations, including clarifications of relevant operational policies; program measures to protect social and other priority spending; and improved external communications (IEO 2014).

A “Kinder, Gentler” Fiscal Policy

Along with recognizing poverty reduction as an explicit goal, the IMF began addressing concerns that its programs called for fiscal policies that were excessively contractionary and unnecessarily squeezed social expenditures. The IEO’s 2003 evaluation concluded that the evidence does not support the perception that programs always involve austerity, nor did it find evidence of a decline in public spending on either health or education during program periods (IEO 2003). However, the evaluation found that the rationale for fiscal targets was not adequately explained; the 2013 update of the evaluation found “considerable progress” on this front (IEO 2013). A 2017 evaluation found that the IMF had stepped up its attention to social protection and moved beyond its traditional focus on fiscal sustainability to recognize that social protection can also be macro-critical for broader reasons, including social and political stability concerns (IEO 2017). A recent comprehensive evaluation looked at whether IMF programs between 2008–19 were able to sustain economic growth while delivering needed fiscal adjustment. Although its extensive empirical analysis found no consistent bias towards excessive austerity in IMF-supported programs (IEO 2021), it still identified considerable scope to increase the IMF’s attention to supporting growth in the program context.

Labor Market Advice

IMF staff have typically regarded labor market issues as outside their core competencies. Civil society organizations, labor unions, and the International Labor Organization (ILO) have long argued that despite this lack of expertise, the IMF has pushed labor market advice that focuses almost exclusively on efficiency...
considerations and ignores equity and social rights. Efforts were launched during the 1990s to bring about some meeting of the minds between the IMF and its critics, including to promote greater collaboration between the ILO and the Bretton Woods institutions (ILO 2000). At the start of the global financial crisis, there were fears that unemployment might rise to levels not seen since the Great Depression, a prospect that worried IMF management and senior staff. This led to an attempt to show that the rise in unemployment was largely due to a shortfall in aggregate demand (and thus not the result of any fault of those unemployed) and to document the human costs of unemployment, as reflected in background work conducted for a joint ILO-IMF conference in 2010 (ILO-IMF 2010; Dao and Loungani 2010).

As recovery from the global financial crisis took hold and worries about the near-term unemployment situation subsided, the IMF turned to assessing its advice to countries on labor market issues more broadly. For advanced economies, the IMF’s self-assessment was that efficiency and equity considerations were appropriately balanced, though striking the balance had proved difficult for countries in crisis, such as Greece (Blanchard, Jaumotte, and Loungani 2013). For emerging markets and frontier economies, the findings were more modest, but there was evidence that over time efficiency and equity considerations were being better integrated into the provision of advice on labor markets, consistent with the increasing emphasis of the institution on inclusive growth (Duval and Loungani 2021).

Inequality and Gender Issues

The IMF was a surprise entrant in the work on inequality. The trigger was a 2010 visit by Managing Director Dominique Strauss-Kahn to Tunisia, which he gave a clean bill of health on the basis of its macroeconomic indicators, shortly before the country erupted in protests and triggered the “Arab Spring,” a political manifestation of a demand across the region for greater economic equity (Ostry, Loungani, and Berg 2019). IMF management, particularly the Managing Director and Deputy Managing Director Min Zhu, felt that the IMF could not avoid issues that were being actively debated in global and country policy circles, even if the issue of inequality was regarded as outside the IMF’s core mandate. Berg and Ostry (2017), drawing on the implications of earlier research, found that inequality

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4 Managing Director Dominique Strauss-Kahn had a keen interest in labor market issues and chief economist Olivier Blanchard was a preeminent authority on unemployment.

5 A 2019 IEO update looks at the IMF’s attention to labor market developments as part of the IMF’s involvement in trade policy issues (IEO 2019c).
was detrimental to sustained growth, which proved influential in bringing the topic within the IMF’s domain. It was accompanied by other research on how the policies that the IMF advocated, unless carefully designed, could contribute to inequality. IMF Managing Director Christine Lagarde became a strong proponent of the IMF’s work on inequality and pushed to have issues of gender inequality become a prominent part of the agenda. The IMF launched two pilot programs to include inequality and gender issues in its surveillance. The IEO examined these pilots through the lens of how well the IMF worked with the World Bank and other partners on these and other “macro-structural” issues and suggested a number of steps to encourage deeper collaboration, including clearer frameworks for collaboration on key issues of strategic importance (IEO 2020b).

THE COMING DECADE AND IMPLICATIONS FOR EVALUATION

Challenges over the Coming Decade

Evolution of “Known Knowns”
Each decade of the IMF’s existence has been marked by known challenges and others that would have been difficult to predict. For instance, few would have expected in the mid-1980s that the IMF would spend the decade that followed helping countries of the former Soviet Union make the transition to market economies. We do not attempt to speculate on how such “unknown unknowns” might impact the IMF’s work; we have the more modest goal of describing how the two challenges we have discussed—the need to scale up core work to manage financial crises and the incursion into non-core work—are likely to play out over the coming decade.

Financial Sector Work
There seems little doubt that the IMF will have to maintain the scale and intensity of its financial sector work. The IMF’s failure to predict past financial crises has not led to any diminution in its role as the key global financial crisis manager or in its efforts to strengthen its diagnostic capabilities. There has been a lull in financial crises in the last few years, but the experience of the mid-2000s lull being followed by the global financial crisis serves as an effective reminder that the IMF cannot let down its guard in scouting the landscape for financial-sector vulnerabilities.

6 The IMF’s Executive Board approved the institution’s first gender strategy in July 2022 to integrate gender into the Fund’s core activities—surveillance, capacity development, and lending.
Super-crises

It seems likely that the crises that the IMF will have to manage in the future will be amalgams of financial crises and some other type of crisis—environmental, health, geopolitical—with implications for the IMF’s toolkit and policy advice (for example, on fiscal policy). We call these “super-crises” by virtue of their multiple shocks, global scale, and long-legacy connotations. The events of 2020–22 offer a good example. In 2020, the COVID-19 pandemic struck a devastating blow to the global economy. The COVID-19 shock was followed in 2022 by Russia’s invasion of Ukraine, the fallout from which has compounded a number of adverse global economic trends, including rising inflation—a legacy of the disruption of global supply chains and deglobalization during the pandemic—and a rise in extreme poverty and food insecurity (Batini, Lomax, and Mehra 2020; Furceri and others 2022). The combined effects of the pandemic and Russia’s war on Ukraine—“a crisis upon a crisis”—has also worsened the already tenuous debt situations in many countries, and the sanctions imposed on Russia may lead to geo-economic fragmentation (Georgieva, Gopinath, and Pazarbasioglu 2022). This may occur in part by a move away from the euro- and dollar-based monetary system toward commodity-based currencies (Pozsar 2022), potentially igniting systemic financial crises in dollar-denominated markets (Macleod 2022).

Core vs. Non-core Work

Second, we also expect a further expansion of the IMF’s non-core work and a blurring of the lines between its core and non-core work. The IMF’s work on climate change has already expanded considerably with approval of a new climate strategy in 2021 and an augmentation of budgetary resources to increase expertise on climate-related issues. There are misgivings among some IMF shareholders on how far the IMF should expand its work on climate change. But it seems to us that the IMF will be unable to sit on the sidelines of the major global policy priority of our times given the wide-ranging economic implications of the changes needed in the energy and agriculture sectors to stabilize the Earth’s climate during this decade and beyond (Batini 2021). The strong engagement of central banks and other financial agencies in this work signals the importance that others in the IMF’s sphere assign to their involvement in climate-change issues (Barkawi 2020).

Likewise, we expect work on inclusive growth to be scaled up and become more deeply entrenched in IMF policy advice and lending activity. Both the pandemic and climate change have a strong regressive impact on low-income and vulnerable countries (as well as on low-income sections of the population within countries). The ability of low-income countries to improve their prospects through the outlet...
of mass migration has been checked somewhat by the anti-immigrant backlash and rising populism in advanced countries. Looking ahead, the low-income countries are the ones most likely to be adversely impacted by climate change and least able to act without assistance from the global community. Recognizing this, the IMF has set up a Resilience and Sustainability Trust to help countries cope with climate change, pandemic preparedness, and longer-term structural challenges that carry significant macroeconomic risks. The Resilience and Sustainability Trust complements the IMF’s existing toolkit and supports policy solutions in areas that can benefit all countries.

In sum, we predict the tensions evident over the last decade regarding the IMF’s mandate will continue and likely even intensify, and, relatedly, encompass the adequacy of overall IMF resources and their allocation between core and non-core issues. Unless its budget expands considerably, the IMF will need to be more committed to working closely with partners with much greater depth and expertise in areas such as climate change and inequality.

**Leave It to Self-reliant Fungible Macroeconomists?**

In addition, the likely course of evolution toward "non-core" issues will surface tensions related to two other recurring findings of IEO evaluations:

1. The IMF’s human resources (HR) model: can the IMF provide expert advice on non-core issues using an HR model centered around "fungible macroeconomists" who rotate frequently among assignments?

2. The IMF’s collaboration with other agencies: is the IMF’s “culture of self-reliance” suitable for analysis and advice on topics in which other agencies have the comparative advantage?

The very first evaluation conducted by the IEO concluded:

“A broad review of explicit and implicit incentives facing IMF staff should be undertaken, in particular with a view to reducing the excessive turnover of staff working on countries” (IEO 2002).

Since then, concerns about the deleterious impact of excessive turnover on the quality of IMF policy advice have repeatedly been expressed by the Executive Board and have surfaced in several IEO evaluations. However, progress in increasing the length of country assignments has been slow. The evaluations of IMF financial surveillance and advice on unconventional monetary policies (IEO 2019a; 2019b)
found a lack of in-depth expertise and saw a need to adapt the HR model to provide adequate career opportunities for specialist economists as well as generalists.

Difficulties in IMF-World Bank collaboration have also been highlighted in several IEO evaluations. A detailed investigation of collaboration between the two institutions on topics such as inequality and climate change found that while informal consultation was widespread, the IMF did not systematically leverage World Bank expertise, and there were relatively few examples of in-depth collaboration (IEO 2020b). The evaluation noted that as emphasis encompasses non-core areas, the IMF would have to transition from its “culture of self-reliance” and invest more in working with other agencies that have comparative advantage in those areas.

**Implications for Evaluation**

**Building on IEO Achievements**

In its first decade, the IEO established its credibility with in-depth evaluation reports, supplemented by background papers often written by well-known external experts. Over its second decade, the IEO continued releasing detailed evaluations as its main product, while introducing innovations such as updates and, more recently, shorter evaluations (which are more narrowly focused and produced in a more compressed time frame of about a year). As discussed earlier in this chapter, the IEO’s evaluations have played an important role in shaping the IMF’s work on financial-sector issues as well as some aspects of its work on inclusive growth (notably, adaptations in fiscal policy).7 Given this success, and the support that the IEO’s current approach enjoys with the IMF’s Executive Board, there is a strong case against making any changes going into the IEO’s third decade: ”Don’t mess with success,” and ”if it ain’t broke, don’t fix it,” are persuasive arguments. Nevertheless, we feel that the IEO must also be ready to adapt and innovate to help the IMF strengthen its capacity to manage the challenges we have outlined previously in this chapter. In particular, we suggest two possible shifts in the IEO’s activities: first, more ambitious topics for evaluations and, second, more adaptation in the instruments and resources used.

**More Ambitious Evaluation Topics**

The IEO will have to evaluate more systematically the IMF’s work in emergent non-core macro-critical areas, notably in the areas of climate change and inclusive growth. So far, these areas of IMF operations have received less attention from

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7 Other chapters in this book provide more extensive discussions of the IEO’s impact.
the IEO, on the grounds that there is limited experience to evaluate. But as the IMF increasingly steers its operations in this direction and adopts important new strategies (as it has on climate issues and on gender), the IEO can conduct early formative evaluations of how well the strategies are working and recommend course corrections to help avoid costly mistakes. As previously noted, the IEO thought it important to provide an early evaluation of the IMF’s poverty reduction strategy, adopted in 1999, to identify shortcomings that might require course corrections in the design and implementation of the strategy (IEO 2004).

The IEO may also usefully consider the broader questions related to the IMF’s institutional mandate, including by evaluating the way the IMF balances attention to core and non-core activities. By pursuing this broader and more ambitious agenda, the IEO can help foster a dialogue between the IMF’s shareholders—many of whom favor a narrow view of the IMF’s mandate—and the wider group of stakeholders, particularly in civil society, who favor a broader view of the IMF’s mandate, but are not always satisfied with its implementation. There is often a wedge between civil society’s concerns about inclusive growth and climate change and the IMF’s perception of its role and its success in addressing such concerns, which could lead to growing challenges to the IMF’s legitimacy. The IEO can help reduce this wedge through a closer collaboration with civil society organizations, and by listening to concerns and assessing how the IMF responds to them.

Beyond having evaluations venture more into non-core topics and, relatedly, the IMF’s mandate, the IEO can assess whether and how the IMF tackles taboo topics. IEO evaluations have highlighted issues of groupthink and intellectual capture at the IMF, both of which are common in large institutions. Due to these behavioral biases, IMF staff is unlikely to challenge what it perceives as the received wisdom at the Fund; as the “Lissakers report” noted, staff who do so will most likely move on from the organization (IMF 2006). The IEO can play a role through short think pieces that consider the evidence against received wisdom or the Eleven Commandments—perhaps drawing attention to relevant work from IMF staff—which is tolerated as interesting academic research rather than an opportunity to revisit the IMF’s beliefs and policy advice. Some examples:

- Benefits of financialization and financial globalization: The IMF still takes a fairly rosy view of financial markets and the benefits of free capital mobility. So strong is this faith that the institution ignored the prescient warnings of its own chief economist that many of the financial innovations prior to the global financial crisis “may have made the world riskier” (Rajan 2006). Similarly, research by IMF staff on excessive financialization of economies or on the “dark
corners” of foreign direct investment has had little impact on the institution’s corporate view. Likewise, the IEO evaluation on *IMF Advice on Capital Flows* (IEO 2020a) did not fundamentally question the institution’s basic faith in the benefits of financial globalization.

**Benefits of industrial policies:** The IMF’s fundamental view is that growth follows from creating a level playing field for all sectors by improving the business environment (horizontal policies) rather than through governments trying to pick winners (industrial policies—sometimes also called vertical or sectoral policies). Touting the merits of industrial policies appears to be taboo at the IMF—staff who favor an active discussion of the pros and cons of industrial policy have called it “the policy that shall not be named” at the IMF (Cherif and Hasanov 2019).8

The IEO could also go further in how it evaluates the IMF’s collaboration with other international partners. One consideration will be how the IEO itself can best work with evaluation counterparts. Having stressed the importance of the IMF staff working well with other agencies, the IEO should set a good example itself through stronger collaboration with evaluation offices at other agencies. Hence, it would be useful for the IEO to undertake joint or closely coordinated evaluations so that recommendations are more symmetric and encourage complementary changes at the IMF and the partner institution. Recent efforts to interact more closely on the evaluations of the response of the various multilateral institutions to the pandemic are steps in this direction.

Finally, the IEO could deepen its assessments of the IMF’s human resource and budgetary strategy. In recent years, the IEO has paid increasing attention to how HR policies can discourage excessive staff turnover and encourage development of in-depth expertise. However, the IEO has not evaluated or commented on the allocation of resources across various IMF activities on the grounds that this would amount to micromanaging the institution. A common complaint from IMF staff is that the IEO’s evaluations typically call for devoting more work and additional resources to the areas that are evaluated without any guidance on where, in a flat budget environment, resources could be cut back. For example, the IEO has

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8 The taboo affects the quality of the IMF’s engagement with countries. In an informal Board 2021 seminar, a staff working group reported that the IMF’s bilateral policy advice to low-income countries “had focused on horizontal policies … staff had occasionally advised on sector-specific policies in an ad hoc fashion.” But because many countries were moving ahead with vertical, or sector-specific policies, “the absence of structured guidance for country teams limited their ability to engage meaningfully with country authorities on these issues” (Rustomjee, Balasuhammadian, and Li 2022).
evaluated surveillance activities from various angles but never come to a judgment on whether, for example, the increased resources for financial sector work that it has recommended could come from scaling back Article IV activities, or multilateral surveillance, or capacity development, which takes up a third of the IMF’s budget. By viewing evaluations discretely without connecting their implications, the IEO is like a nutrition expert who provides advice on the quality of each meal without looking at the person’s overall diet.

Greater Adaptation in Instruments and Resources

One of the implications of a call for greater attention to new issues is the need for greater use of shorter, more formative evaluations to better align the timing of recommendations with fast-paced changes in IMF work. One advantage of this approach would be to allow timely learning in evolving areas like climate change, rather than waiting for years after new approaches are introduced. It may be necessary for the IMF to invest more in the evaluation function itself—both internal self-evaluation and independent evaluation. Chapter 5 examines this issue in detail and suggests the IEO can better equip itself to carry out formative evaluations by adopting techniques used by evaluation offices in the World Bank and other institutions.

The IEO could also draw greater attention to the lessons of past evaluations of IMF strategy and operations. A welcome development in the last two years was the interaction between the IEO and IMF management on how the lessons of IEO evaluations could help inform the IMF’s strategy on its emergency response to the pandemic. Likewise, the IEO contributed an extensive document detailing the relevance of its past findings for the IMF’s ongoing data-integrity initiative.

We also see the opportunity to build on the experience from “working at home” during the pandemic; in particular, greater use of virtual outreach and social media would help IEO to leverage its limited resources and increase awareness of its work.

Importantly, the IEO itself may have to gear up its own resources. One task is to ensure that in-house staff have the background and experience to assess the quality of IMF advice on non-core issues. While specialist consultants can be helpful to fill specific gaps, it is still important that evaluation staff are able to appreciate the issues involved.
CONCLUSIONS

The IMF is widely, though not universally, perceived as an effective institution that has promoted policies that foster economic stability and globalization while seeking to remedy its deficiencies, learning from experience to manage financial crises better and make its policy advice and programs more conducive to delivering inclusive growth. Consideration of the welfare of future generations is a key aspect of inclusive growth, and from this perspective, the IMF’s plans to considerably expand its work on climate change is a further step in this direction. The evolving role of the IMF has led, however, to questions and tensions, which are likely to continue, about its mandate and the allocation of resources between its “core” activities and activities that some consider to be outside its core mandate, such as work on inclusion, inequality, and climate change.

The IEO has played a useful role in helping the IMF learn from experience through the findings and recommendations of its in-depth evaluations. In its first decade, the IEO established its credibility for independence and its reputation for producing high-quality reports. These features have continued to mark the IEO’s second decade; the authors of this chapter are relative newcomers to the IEO, so this is intended as praise for our predecessors, not for ourselves. At the same time, the IEO has innovated by launching valuable short updates of previous evaluations, introducing a shorter format for evaluations, and providing analysis of the lessons that its past evaluations hold for IMF strategy and operations. In our view, while in-depth evaluations should remain the bread-and-butter work of the IEO in its third decade, some further evolution toward a strategic and advisory role would help the IEO to better serve the IMF. We also suggest that the IEO consider taking on bolder and broader evaluations—albeit in formats different from its standard full-length evaluations—on the IMF’s mandate, its size, and the allocation of resources across broad activities. The IEO should not seek to micromanage the IMF, but as a credible, independent voice with two decades of experience assessing IMF operations, it should have a seat at the table in “macromanaging” the institution.


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The IMF is entering a period of unprecedented challenge. Created to facilitate monetary cooperation among countries in support of global macroeconomic and financial stability, the new challenges require new ways of thinking and working, as well as a reinforcement of the IMF’s core raison d’être and traditional approaches. In this keynote today, I will examine the IEO’s role in ensuring the IMF’s success.

Let us begin by recalling what the IMF is seeking to achieve. History provides many examples of why an institution like the IMF is needed to facilitate cooperation. Informal processes, such as the operation of the G7 in the 1970s, or the interwar arrangements of the 1920s, lacked three important prerequisites for effective ongoing cooperation:

- A set of commonly agreed rules and principles;
- A monitoring of compliance with those rules, and;
- The collection and sharing of information and knowledge which points to where cooperation would make a positive difference.

To deliver on these three prerequisites an international institution needs to have a governance and credibility such that governments willingly share information with it, participate in its standard-setting or rulemaking, and subject themselves to its monitoring.

The IMF has enjoyed periods of greater (and, at times, lesser) credibility with its members. In the aftermath of the East Asian crisis, the institution suffered a particularly public “chastening,” with scholars, economists, and government leaders castigating its interventions as beyond its legitimate mandate.¹ Japan’s proposal to create an alternative Asian Monetary Fund amplified the IMF’s

need to take action. It was against this backdrop that the idea of an Independent Evaluation Office gained traction.

When the IMF created the Independent Evaluation Office in 2001 it was building on the experience of other development institutions, such as the World Bank, which had created an independent evaluation department in 1967. Soon after the IMF’s decision to create its IEO, similarly named evaluation offices popped up in organizations ranging from the Global Environment Facility to the UNDP, UN Women, and the Bank of England.

In each of these organizations, the creation of an independent evaluation unit has led to a grappling with three core challenges and conflicts which surround evaluation.

The first issue is what to evaluate and who decides? A debate has raged since the creation of the IEO as to whether ongoing programs can be evaluated. The staff and management of the IMF have been fierce in asserting that the IEO should not “interfere” with operational activities. This is always a tension within organizations. Yet other institutions have found that it is useful to have an independent pair of eyes on your actions, particularly in fast-moving situations. In the heat of a crisis, it is easy for even the best professionals to fall into groupthink and to resort to preexisting templates and patterns of behavior. For example, it is easy to fall back on self-reliance within the IMF, and to continue to put off to another date the deepening of work with other international organizations. As we will see below, the major challenges the world needs the IMF to address are fast-moving and new. Rapid adaptation and on-course correction—or an “agile IMF”—is likely to be vital to effectiveness, as will be its capacity rapidly and effectively to collaborate with other organizations. Early and mid-course evaluations could assist in this.

The second issue is who should conduct the evaluation? Before the IEO was created, the IMF had been using ad hoc teams of independent evaluators. On the positive side, this brought new thinking to bear on problems (see, for example, the ad hoc independent evaluation of ESAF), it lessened the risk of pressure from staff within the IMF (unless, of course, an external was seeking further work from those within the IMF who did not wish robustly to be evaluated), and it seemed to lessen the risk that evaluation would become routinized, bureaucratized, and marginalized. The case for the more internal “independent evaluation office,” in which the Board appoints the Director and sets the budget, was that it would enable evaluators to have a better understanding of the institution, greater access to the evidence, and to build a more constructive relationship with the management and staff of the organization. Achieving independence in the latter scenario is difficult. The IEO staff are
employed by the IMF and rely on rules designed to enhance their independence. The IEO has also brought in externals to assist with evaluations. That said, the IEO has not enjoyed a seamless constructive relationship with IMF staff. In the words of a former senior IMF official: “Gradually, the IMF staff have begun to understand that knee-jerk defensiveness and pushing back on the IEO at every turn is counterproductive.” These issues remain important. On the other side of the coin is the question of who evaluates the evaluators? Are their findings replicable?

The final perennial evaluation issue is how will it be used and what impact will it have? Successive evaluations of the IEO have led to a tightening up of the reporting process, and the Board’s responses to each report, and the monitoring of subsequent actions in the organization. In terms of the culture of the IMF as a whole, it is important (including for the efficient use of the IMF’s resources) that the work of the IEO be considered as a vital line of defense, not to be front-run or neutered by other parts of the organization. When the IEO was established, various voices within the IMF argued that it would waste valuable resources, including the time of staff having to respond to requests from the IEO office. These points clarify that it is for both the IMF and the IEO to respect how best to use the resources of the IEO. Beyond these points, it is worth considering more deeply how behavioral and cognitive science could inform the way the IMF and IEO work to deepen the learning culture and improvement mindset. Countering “negativity bias” is a key part of this. And, so too are insights about behavioral change which could enlighten how best to elicit responses among the IMF staff.

**HOW THE IEO SEEKS TO STRENGTHEN THE IMF**

The Independent Evaluation Office is designed to strengthen the IMF in several ways. The Terms of Reference describe these as 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.” The work program of the IEO is described as focussing on “issues of importance to the Fund’s membership and of relevance to the mandate of the Fund” and taking into account “current institutional priorities.”

This suggests four ways in which the IEO might increase its effectiveness in facilitating monetary cooperation in support of global macroeconomic and financial stability. The reports of the IEO have noted the need for strengthening in each area.
<table>
<thead>
<tr>
<th>HOW THE IEO ACHIEVES THIS?</th>
<th>THE QUALITY OF THE EVALUATION</th>
<th>METRIC OF SUCCESS</th>
<th>EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning</td>
<td>By evaluating programs and policies and sharing findings with <strong>staff and management.</strong></td>
<td>Depth of evidence, rigor of analysis, and credibility of lessons learned.</td>
<td>Policy change and behavioral change.</td>
</tr>
<tr>
<td>Oversight</td>
<td>By highlighting risks (or patterns of failure), including failures to collaborate with other organizations, to the <strong>Executive Board</strong>, which may have been overlooked by the management.</td>
<td>It brings additional analysis and information (sometimes channelling outside views) to the Board, which permits the EDs (as officials of the organization) more effectively to oversee the work of the IMF.</td>
<td>Risks are picked up by Board. Groupthink is avoided. Preparation is undertaken. Better collaboration with other organizations is sought.</td>
</tr>
<tr>
<td>Governance</td>
<td>Evaluating and reporting to the <strong>Executive Board</strong> on whether the IMF is treating (and perceived to be treating) its members fairly; ensuring transparency and accountability back to governments.</td>
<td>Rigorous comparisons, unearthing evidence, “speaking truth to power,” so that it is trusted by governments.</td>
<td>Board members more effectively exercise a multilateral control of the IMF.</td>
</tr>
<tr>
<td>External credibility</td>
<td>By providing <strong>the public</strong> with an independent view and full transparency.</td>
<td>Clarity and credibility of response on issues of public concern.</td>
<td>Greater public trust and support; channelling of complaints.</td>
</tr>
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</table>
On learning, IEO reports find, for example, insufficient “updating” of approaches in light of new challenges and information, organizational silos within the IMF, gaps in expertise, and uneven and shallow collaboration with other institutions (e.g., on climate and on inequality with the World Bank), when a much deeper cooperative approach is required.

On oversight, the IEO has highlighted a lack of Board oversight on issues and insufficient attention to risks and uncertainties.

On governance, the IEO has signaled a lack of clear direction from the Board on some issues, and a lack of evenhandedness, reflecting differences in analysis, political influence, and willingness to be frank.

But what do these warnings mean for the IMF’s role amidst contemporary challenges?

**SUPPORTING THE IMF AT A CRITICAL JUNCTURE**

In late 2021 global macroeconomic and financial stability requires cooperation in a number of domains. A first domain lies in the fiscal and monetary effects of the pandemic. COVID-19 has led governments to spend massively in supporting households, businesses, and health systems, and the trajectory of the virus is still uncertain. By November 2020 some $11.7 trillion had been spent in total global fiscal support, and $7.5 trillion in liquidity support by the monetary authorities of major advanced economies.\(^2\) Cooperation among states is now required to ensure fiscal pathways which permit individual countries to recover without jeopardizing financial stability. The IMF has already warned of the dangers of a premature withdrawal of fiscal support by those who can afford not to.

On this issue, the IEO has much to share, not just from its evaluations of fiscal adjustment in IMF programs, but also in its reports on the IMF’s role in financial crises in various countries, and potentially by looking at ongoing experiences of other institutions and countries around the world. A potential role here is one which challenges the IMF’s core approach more robustly and examines emerging programs to help create a more agile response.

Monetary policy is an equally vital area for cooperation. The challenge is for major economies to wind down their unconventional monetary policies of the past decade without catalysing crises in other countries.

The IEO addressed this issue in its 2019 evaluation of IMF advice on unconventional monetary policies. It highlighted risks for the IMF, which included a lack of expertise on monetary policy issues, and mission teams’ lack of contextual knowledge due to the rapid rotation of country teams. Could it push harder for a new approach, and a more clearly elaborated strategy, not just on the policy issues, but on the management strategy for ensuring real expertise is developed and deployed in a longer-term way in-country?

A second issue concerns the fault lines which have deepened through COVID-19 between “haves” and “have nots.” Everywhere, the COVID-19 crisis has had a disproportionate impact on the young, the low-skilled, and women. It has also deepened fault lines among countries. Emerging and developing countries (excluding China) are projected to have cumulative income per capita between 2020 and 2022 which is 22 percent lower than what it would have been without the pandemic. “That will translate into close to 90 million people falling below the extreme poverty threshold since the pandemic started.”³ Deepening these fault lines is the fact that some countries have had vaccine access and been able to offer early policy support, while others have not, and the “have nots” are likely to fall further and further behind as a result.⁴

Repairing the fault lines requires cooperation among countries to fight the virus, and to sustain a cooperative approach. To this end, an IMF policy proposal, jointly endorsed by the World Health Organization, the World Bank, and the World Trade Organization, calls upon governments to speed up (and deliver upon) their promises to donate vaccines and to support COVAX, to remove restrictions on exports of medical supplies, to diversify and increase vaccine production and distribution capabilities, and to fund the testing, tracing, and therapeutics required to contain new variants.⁵ These are worthy goals. But to achieve them, the IMF needs to work effectively, and deeply, with other organizations. Despite many IEO reports making this point, the “self-reliant” IMF has yet to develop this capacity.

Repairing the fault lines also requires the IMF to deliver financial support and policy advice which ensures fiscal and monetary policies do not deepen inequalities within countries. A step towards a new source of financial support was made


on August 2, 2021 when the Board of Governors agreed to allocate $650 billion of Special Drawing Rights. The agreement was described by the Managing Director as “a shot in the arm for the global economy at a time of unprecedented crisis.” That said, work is still underway to channel the allocation from rich to poor countries. Could the IEO help in this, better preparing the IMF members, management, and staff to consider this ahead of time? What are the obstacles to this?

Finally, beyond COVID-19 and the reversal of a decade of unconventional monetary policies, climate change poses a real threat to global stability, including monetary and financial. IMF research suggests that the loss of global economic output will exceed 20 percent by 2100 if no further action is taken. To this end, cooperative measures which might abate climate change are essential, and warrant the IMF’s attention to measures, including raising carbon taxes, or implementing carbon emissions trading, as well as subsidies, guarantees, and investment to increase the supply of low-carbon energy, carbon capture, and carbon storage.

On each of these issues, following the tabulated framework in the section above, a checklist for IEO potential impact includes:

1. Is the IEO fostering learning by staff and management from previous efforts (and failures) as well as from the breadth of the IMF’s own research which is sometimes sidelined when it comes to operations? Here it is worth considering what we know about behavioral change.

2. Is the IEO strengthening Board oversight of the adequacy of IMF risk analysis, e.g., of its failure to develop deep collaboration with other regional international organizations starting with the World Bank? (see IEO 2020) Here it is worth taking into account that the Board does not like confrontation either with the MD or with members of staff. IEO evaluations need to permit constructive tension which should exist between Board and management of any well-functioning institution.

3. Is the IEO facilitating effective governance, e.g., by equipping the Board to press for more management and staff attention to neglected concerns and countries; ensuring the multilateral character of the IMF, e.g. setting up the case for eliminating the extraordinary access exemption after the eurozone crisis?

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(4) Is the IEO bolstering external credibility, e.g., by informing groups outside the IMF, including civil society and private sector groups, and equally by gauging and reporting back to the Board on how these groups perceive and are affected by IMF actions? Sometimes, to effect change within an organization, you need to consider more carefully how simply and clearly your messages can catalyse groups outside the organization to push it to change. Much of what the IEO finds is of little surprise to the staff of the IMF. The IEO, by publicizing and giving evidence of what is known internally to be happening, can help to catalyse change,

In short, the IMF is being called upon rapidly to adapt its thinking and research to address new challenges, both immediate and longer term. Evaluation can and should help it to do this.

GOVERNANCE AND CREDIBILITY IN A WORLD OF SHIFTING GEOPOLITICS

Underpinning the IMF’s capacity to respond to these challenges is the relationships the organization has with its various members and their willingness to work closely with the institution. In formal terms, these relationships are prescribed by the governance of the IMF. Member countries are represented in the Governing Board and on the Executive Board (albeit some in large groups). The Board approves the policies and actions of the organization. Efforts are made to ensure there is consistency with policies and across countries. The management and staff are required to serve the organization and not the interests of their own home countries. That said, in practice, geopolitical power plays a vital role in the IMF.

Not all IMF member countries are treated equally by the institution (and nor, perhaps, can they be, more on this below). After the East Asian crisis, from 1999 onwards the IMF began conducting Financial Services Assessment Programs in countries, yet the (soon to crash) USA refused to be subjected to one. After the global financial crisis of 2008, the IMF was criticized by its emerging and developing country members for giving special treatment to European debtor countries. In respect of China, the US has regularly urged the organization to be “tougher” on China over its exchange rate regime (accusing China of currency manipulation even


as the institution reports that China’s external positions are balanced\textsuperscript{9}). The role of the IEO is important here.

Effective international institutions rely on the “buy-in” of powerful members. They can refuse to participate, as the US and USSR did in the 1920s with the League of Nations. They can participate nominally, but mostly circumvent the multilateral process or institution, as the US and USSR did in respect of the UN Security Council during much of the Cold War. Or powerful states can make their participation conditional on a high degree of control, which creates ongoing tension between what the majority of member states in an institution wish it to do and what its most powerful members will agree to it doing. After the creation of the IMF, the US sought for decades, through informal means, to expand its influence and control over the organization.\textsuperscript{10} However, China is now seeking more voice in this and in other international institutions.

The strategic rivalry between the US and China, which includes a competition for influence over the rules and institutions which govern international relations, risks leaving the IMF constantly torn between the two, or being perceived as a pawn of one or the other. The IEO has a vital role to play in this. Through its independent evaluations it can monitor the governance and evenhandedness of the IMF. It can give assurance to member countries—big and small—not that the IMF will act without flaw or fault, but that when it does, that the Executive Board will be equipped to hold it to account, and to require correction.

Missing from the IEO’s toolkit on governance is assurance to members and to the public about the role of the leadership of the institution. This is important, since a lesson from Cold War strategic rivalry is that international organizations can acquire a more independent role, but that central to this is the leadership of the international organization. Powerful heads of organizations can increase the scope for multilateral action by adeptly forging coalitions in support of their mandate and finances, and by managing their organization’s staff, ethos, and performance effectively.\textsuperscript{11} This is a terrain into which independent evaluation has yet to tread. The IMF has itself created a process for internal evaluation of the leadership. But given the increasing challenges to the legitimacy of international organizations, this could be a new avenue to open up.


\textsuperscript{11} Hall and Woods: https://journals.sagepub.com/doi/10.1177/135406611774676.
CONCLUSIONS

The IEO exists to help the IMF to do the right things, and to do those things in the right way.

**Doing the right things** for the IMF means doing what is necessary to promote monetary cooperation and provide policy advice and capacity development support to preserve global macroeconomic and financial stability and help countries build and maintain strong economies. It needs its critical friend to be checking whether it is:

- Facilitating consultation and negotiation among states in the right areas;
- Setting the right rules to play its part in this;
- Gathering information which individually countries have inadequate incentive to collect and collate;
- Collaborating with other international organizations to leverage its own effectiveness and theirs.

**Doing things right** has the IEO evaluating whether the IMF is:

- Attracting the right staff and promoting and deploying them appropriately;
- Using its own financial resources appropriately;
- Applying its own policies effectively and with an eye on evidence and up-to-date research;
- Acting impartially and in keeping with its multilateral character (do its member states trust it?);
- Accounting to its members in a full and honest way.
Two Challenges Facing the Fund

The two big challenges for the Fund are going to be different from what it has faced in the last decade. The first is the big push to get the Fund involved in providing global public goods—through greater involvement in areas like climate change and fighting pandemics—because that is where the agenda is shifting. The Fund is seen by many on the outside, and some on the IMF’s Executive Board and in staff, as having a bigger role to play in this effort, while others are a little more concerned about it. So, striking a balance for the institution will be critical.

The second big challenge for the Fund is going to be the much more fraught nature of geopolitical relations, particularly between and among the major shareholders in the Fund, and how that will play through in the work of the Fund. How will that affect the Fund’s ability to maintain multilateralism? Will the Fund become the safe space, for countries that are otherwise at arms on many issues, to deal with common areas of concern? Or will the Fund itself become one of the tools for the kind of geopolitical sparring that is likely to intensify over the next decade? The answer is not that clear to me.

The two challenges I’ve mentioned are linked, because in a way the safe space is increasingly going to be in the provision of global public goods area where there are common interests. And so, if you want to keep the Fund a safe space for multilateralism, you may be forced in terms of substance to focus more on the areas where the Fund is a little less comfortable going in, which is in these global public goods areas.
Confronting the Challenges: Advice for the Fund and the IEO

The big mistake would be for the Fund to let people think that it was going to be an expert on climate, or on pandemics. The Fund has a very specific and limited role in which it not only can contribute but is the only institution that can actually contribute. And that role is to look at those questions in climate, or in pandemics, that have a macroeconomic or financial impact and particularly on the spillovers they generate. If the Fund is not looking at what’s going to happen to stranded assets because of climate change, and what the consequences of stranded assets will be on the stability of the financial system, it is not doing its job. But to think that the Fund should start offering advice on different technologies to reduce carbon emissions in the power sector is a completely misguided notion.

This is not the IEO’s role either. The IEO should not be doing reviews of how far the Fund should go in these areas, but for management, Board, and staff to be very clear about what the boundaries are. If you look to the IEO’s evaluation of Bank-Fund collaboration, the most successful among the pilot programs—on inequality, climate, and so on—were those where the staff were given clear guidelines on what was expected of the Fund and of them in those areas. The pilots that were the least successful were the ones where the staff were told to go off and figure out for themselves how do something useful in the area; then it turns out that you end up with a mishmash of outcomes. So, the sooner you can clearly define the area of focus and boundaries for the Fund’s involvement, the easier it will make for both a good outcome and clarity on the outside about it.

Early Evaluations vs. Window on the World

As the Fund marches off into new and unfamiliar territory, there is a sense that someone should be assessing early how well it is doing so that mid-course corrections can be made before it goes too far astray. Should this be part of the IEO’s role? The IEO has always faced a question of balance between how early it comes in to evaluate Fund activities and how relevant it is in that way, versus waiting so it doesn’t trip over the work of the staff. I’m personally not a great fan of creating an alternative review department—an alternate SPR—in the IEO. So, I would maintain a bit of that distance by coming in later.

That said, the IEO can be a very important window on bringing in outside views at a time when the Fund is considering alternative directions. So, rather than being an alternative policy shop, which is the danger that I see of the IEO getting too early into evaluations, being a window to what others outside are thinking may be better. In 2020 the IEO started a seminar series, which is a terrific idea, in part
because bringing in outside views has been something that has always been hard for the Fund to do. This could be a very useful role for the IEO to play. It would help in making the IEO more relevant, but without turning it into being too close to the operational work.

Linked to that is the balance between insiders and outsiders in carrying out IEO evaluations. My feeling is that the IEO has increased its reliance on what I call quasi-insiders, people like me who have spent a long time inside the institution but are outside now or have retired. I think it would be better to have a little less of people like us on the evaluations and a little more use of people with other backgrounds. Relying more on the quasi-insiders to be a proxy for the staff and management, for instance, to test how effective and relevant the evaluation drafts are, may be better than using them as consultants to produce the evaluations in the first place.

Of course, there is a danger that pushing IEO evaluations to a later point curtails mid-course review and course-correction capability at the Fund, in part by not bringing in outside perspectives. This is something that the Fund ought to think about. When you look at learning at the Bank and the Fund, the borders of the Bank are more porous and there’s a lot of activity going on which gets insiders and outsiders working together and doing things. I think the Fund is actually quite strong as a learning organization, but it does this learning behind boundary walls that are not so transparent. So, in the Fund, once you get inside the boundary, you see a lot of learning, a lot of debate, a lot of discussion going on. And then you arrive at views at the Fund, which have come from that process of discussion and learning. But it’s not so visible from the outside and that hurts both the external perceptions of the Fund and, more importantly, the substance, because the reliance on learning tends to be more confined to within and to some trusted external partners.

Why aren’t external views taken on board more while policies and programs are being formulated or when mid-term assessments are being undertaken? Thinking about programs, having been on the other side of this as well working on Fund programs, I have no doubt that mission chiefs try to reach out to external stakeholders. But I think that we can get only so far through this current approach, because often in the policy discussions, the Fund’s counterparts within government are not enthusiastic about having a broad discussion and reassessment of policies either. It would be helpful if the Fund had something stronger than good practice to overcome that reluctance that exists sometimes in countries to say: “Let’s just agree on everything and then we’ll communicate.” I think that’s the wrong sequencing.
So, something to think through is whether the Fund is reaching limits of how far one can get with just good practice.

The IEO sort of sits on the boundary of the Fund. So, the IEO can be a place where you encourage more of the diversity of views coming to provide outside perspectives on Fund activities. I referred earlier to the seminar series you started—some format of doing that could be helpful to the learning process. I think the Fund is pretty good in terms of taking on board the lessons drawn. For me, learning really has two parts: you draw lessons, but then you internalize those lessons and change practice. Until you change your practice, you really haven’t learned anything, you’ve just basically drawn on various interesting insights, but the learning only comes when it’s reflected in your changes. I do see that as being a strong point on the Fund side as well.

Advice to the New IEO Director

In conclusion, I would say two things to the new Director. One is to recognize that your term is going to coincide with a period of quite a lot of change in the nature of the Fund’s work and a lot of contention about what should change. And it’s important also to be alert to geopolitical context within which the Fund will work. The IEO will have to carve out what the consequences of these two challenges will be for its work, but without becoming too drawn into things and being careful not to get into mission creep because you’re rushing off to be part of what you think is an interesting discussion. Be careful about what your own role is.

And the second thing I would say is that maybe this is a period when the IEO can play this role of being a window to the world, and a connector. The IEO can be a place where you can bring on board and convene and benefit from the diversity of perspectives and views on some of these issues, which would be helpful as part of the learning process.

Thomas Bernes

My personal history with the IEO goes back to its very creation. I chaired the evaluation committee of the Executive Board in the late 1990s that developed the model of the IEO and negotiated the approval for its creation with the Managing Director at the time. I also had the honor to serve as its second Director from 2005 to 2009. Attending a conference like this is a little like watching your 20-year-old child doing many things you hoped for and are proud of, other things you’re not quite sure about, and finally, wondering where the future will take it.
IEO Role: Oversight vs. Learning

When we created IEO 20 years ago, it was a different time. The IMF was widely seen as secretive and lacking in transparency, not just by the outside world but by many Board members at the time. Therefore, the emphasis by the Board back then was on transparency and oversight. Those were the two functions the Board thought were most important. Of course, times have changed. The Fund has made monumental progress in opening itself up. And the IEO has, I believe, played a major role in that progress. Achieving greater transparency for external partners has probably been the original objective most fulfilled by IEO.

Assisting the Board in its oversight function has also seen progress, but the IEO is not and cannot replace the Board. Management Implementation Plans and follow-up reports do help, but successful oversight by the Board will only happen with a strong and qualified Board, as the evaluation IEO did on governance showed. Challenges remain with respect to Board governance. Perhaps there’s also a role for IEO to play here, not only in finding ways to help the assessment of management’s leadership, but also assessment of the leadership role of the Board.

There is a tension between the oversight function and the learning function. Twenty years ago, there was no question in our minds that oversight and transparency were more important objectives than learning, even though in the mandate we placed learning first to try and comfort staff and management who were resisting this initiative. Management and staff forcefully, and correctly, reminded us at the time that there is a history of a very strong review function in the Fund. Since then, staff have come to appreciate, if not love, the IEO, but it has been a struggle and resistance still exists. As Hector Torres has commented: “Unsolicited advice is never welcomed.”

The IEO: Different from its Peers

In setting up the IEO we looked at other evaluation offices. That was 20 years ago and no doubt things have changed, but there were two critical factors that drove our decision-making at that time. First, we concluded that the mistake of many evaluation offices was to be too involved with management. They were performing more a review function, such as that which the Strategy, Policy, and Review (SPR) Department was performing at the Fund, rather than a truly independent evaluation function. Hence, we made IEO truly independent. The Director was accountable for making decisions but had to be very transparent about it. And it was clear that follow-up was the Board and management’s function.
Secondly, in looking at the other evaluation offices, we saw that they were largely staffed by insiders and, unfortunately, sometimes this was a way to shift non-performers out of a line function. Sometimes it was a way for insiders to sort of “get back” at the institution because they disagreed with the way certain policies were being conducted. Hence, we required the majority of our staff to come from outside of the IMF to maintain a balance and to ensure that the office wasn’t being driven by future career prospects or by fixed views. One can debate to what extent that’s been successful, but it was an important consideration. There was also in these other organizations too much of an emphasis on evaluative checklists and frameworks, rather than on assessing effectiveness.

So, the experience in other offices shaped IEO’s design. And when we tried during my time to conduct cooperative evaluations, frankly we found other organizations were pulling their punches: “Well, we can’t say this, we can’t criticize our organization like this.” Obviously, one has to be careful with one’s choice of words when being critical. I think IEO has been very successful in doing that, but that was a real problem in working with other organizations. And so, we concluded at that time that collaborative evaluations were unlikely to be a fruitful area for activity.

The world is growing complex and solutions to global problems are going to require institutions—and private sector organizations—to increasingly work together. Evaluating an institution is now more integrally tied to the effectiveness of its collaboration with other institutions. The question in my mind is whether times have changed sufficiently to permit more collaborative evaluations or whether the IEO will have to find other ways to go about trying to assess the Fund’s collaboration with partners.

Nadia Daar

Happy 20th birthday to the IEO! In preparing for the talk, I took a trip through memory lane and looked at IEO evaluations over the past two decades. Right now, the IEO is looking at the IMF’s response to the COVID-19 pandemic; in the past it evaluated the infamous IMF program with Greece; before that, the IMF’s response to the 2008–09 global financial crisis, and even before that, the Fund’s poverty reduction strategies. When you look at the IEO’s evaluations and its choice of evaluations, it has always tackled remarkably relevant issues, albeit a few years after the events by necessity. One of the challenges for the IEO in the decade ahead is figuring out how to prioritize, given the broad range of issues that the IMF is getting involved in and the number of crises and the multifaceted crises that we’re facing.
**IEO as “Ruthless Truthteller”**

Let me begin by talking about the key role of the IEO as a ruthless truthteller. Through this role, the IEO can help external stakeholders and shareholders keep the institution honest and accountable and help them carry out their oversight of IMF activities. There is a concrete example of where in civil society would love to see the IEO be an even more ruthless truthteller right now, and that’s as we seek to learn the lessons from the COVID-19 pandemic. As we know, many countries were ill-prepared to face this health crisis. They hadn’t made the needed social protection and health investments. They had undergone prolonged austerity, often at the advice of the IMF. So, the IEO needs to help the IMF step back and say: we need to review the role of the IMF itself in getting us to where we are today. In the first year of the pandemic, we were hearing a lot about the opportunity that this crisis gave us to reset, to ensure we don’t go back to business as usual, and of the need to rethink economic policies for the longer term. But I’m not sure we’re seeing that in practice, and the IEO can play a critical role by being a ruthless truthteller on this issue. As the IMF doubles down on its lending to low-income countries, and there are several loan programs coming through, it’s crucial that the IEO scrutinizes these programs and their impact on a fair and just recovery. The IEO should be looking at the core bread-and-butter policy prescriptions of the IMF and how those are impacting today’s fundamental challenges, be they inequality or climate.

Let me take the issue of inequality specifically. The IMF has come a really long way in recognizing the potential macro-critical impacts of extreme inequality on growth and stability. We’ve seen it in speeches and in great research coming out of the IMF’s Research Department. But unless the IMF is able to step back and look at the impact of its own past policy prescriptions on inequality in countries, it risks repeating its mistakes. And I think the IEO has a really key role in getting the Fund to acknowledge and address this issue.

**Governance, Transparency, Accountability**

The IEO can also help the institution step back and consider if it has modernized to the current standards of fair governance, transparency, and accountability. Does the current structure of the IMF and its institutional setting (for example, the quota system)—or its formal and informal power relations—enable fair, efficient, and impactful decision making? Does its governance system allow it to be objective and credible in its operations? Is the IMF on par with other multilateral institutions when it comes to transparency and accountability? I would say not, comparing with the World Bank, which is another institution that I pay close attention to.
On transparency, the IMF has done a great job through the COVID crisis of really having as much information as it possibly can have accessible on its website. But a couple of areas are still lagging. One is technical assistance. There’s no transparency in the technical assistance work that the IMF is doing. You get the broad program but there isn’t really a lot of disclosure of information—and this is one of the three core areas of Fund activities in countries.

On accountability, the IEO’s mandate is to be backward-looking and not really interfere with operational activities as they’re happening. But this has resulted in my view in an accountability gap at the IMF. As things stand, there is no mechanism to trigger an assessment of ongoing activities to support course correction. So, you have periodic reviews of a Fund loan program, but they are reviews of implementation of an agreed set of reforms, rather than a review of, say, the negative impacts of programs.

There are no current mechanisms for external stakeholders to officially raise a red flag with programs or policies and say: “There’s a major problem here.” There is no formal policy currently that requires the IMF to engage with external stakeholders. There is guidance, there are discussion notes, and there is a great civil society team. But there is no policy to hold the IMF accountable to do its due diligence before and during programs, or in ex-post assessments, in consultation with communities and civil society stakeholders to help program design or needed course corrections. We need a formal mechanism where these flags can be raised—it’s a gap that needs thinking through further. It may not be the IEO’s role to fill this gap, and it is possible that the IEO is simply not enough. The whole framework of accountability needs to be revisited to provide opportunities for external stakeholders to raise their concerns, for example, with assessing distributional impacts that can be expected at the country level before and after programs.

Advice to the New IEO Director

My first advice to the next Director would be to take the IEO’s role extremely seriously: while the IMF is in the business of dealing with technical issues of macroeconomic policies, behind the curtains of these decisions are billions of people whose real lives are impacted by the Fund and by its decisions. So, it’s a heavy responsibility to ensure that there is an independent and rigorous IEO in helping the IMF evaluate its efforts. Maintaining really good relationships with management as well as with Board members is important for ensuring that follow-up and action plans are serious, and that there’s no cherry-picking of recommendations. By way of example, in the IEO’s evaluation on growth and adjustment in IMF-supported programs, the recommendation that the IMF pay more attention to social and
distributional consequences was not taken forward seriously, for lack of resources, it was stated. If there is a genuine resource issue there, having those relationships with the Board to ensure resources for these recommendations is really important.

Second, while I’ve been very impressed with how the IEO engages with external stakeholders in the course of its evaluations, and has done so increasingly over the years, it could ramp up that further by engaging with a more diverse group of actors, especially from the global south. That can also be helpful in assessing implementation, by providing verification from external stakeholders on how well management is following through on recommendations.

And my final piece of advice to the next Director is to keep IEO on the path of being a ruthless truth teller.

Alison Evans

It is in many ways a gift in these intensely challenging times to have the opportunity to pause and reflect on where the IEO has come from and how it plans to face up to the future.

Super-crisis and the Challenges for Evaluation

A lot has evolved over the last 20 years and perhaps no more so than in the last couple of years. The organizations that we between us are evaluating—the Bank and the Fund—are under intense pressure to respond to multiple interlocking crises, from climate to COVID, to surging debt distress, to migration and resurgent conflicts. The magnitude and systemic nature of many of these crises has overturned much of the stability of the early part of this century. There’s a collective soul-searching about some of the assumptions driving our policy and development paradigms and asking whether these are indeed sufficient for what lies ahead.

How does this affect evaluation? The history of evaluation, certainly of institutionally embedded evaluation, is rooted in the world of new public management and evidence-based policy making. Many of the tools and techniques that underpin it, and the questions that drive it, were forged during periods of relative societal stability, with notions of improvement and of doing things better, and making incremental changes to policies and programs for societal gain.¹

But we’re seeing shifts around us that may force us to question whether this incrementalism is sufficient. Crises impact the craft of policy making. Assumptions about

the status quo and the “old normal” need upgrading, and we should be thinking the same for evaluation. Uncertainties are greater. There are new gaps in our understanding, new types of problems on the horizon, new players, new stakeholders and interests. Evaluation is not and cannot be immune from the world around it. However much we protect our craft from interference, it is not something we can usefully or meaningfully abstract from context.

Now, I want to be really clear that there exists a strong and enduring institutional case for the agenda of, if you like, incremental improvement. IFIs need objective evidence regarding their effectiveness. They also need public trust in the quality and integrity of their decision-making and independent evaluation can contribute to both.

That said, we also need to ask ourselves whether it is enough. It’s important that we don’t get so comfortable or defensive about our craft that we persist in hitting the target number of evaluations, raising the number of recommendations actioned and followed up, but end up missing the broader goal. What we need is to complement our stock questions and methods—that focus on what is working and what can be done incrementally better—to tackle some of the bigger questions of what past efforts can tell us about the readiness of our organizations for tackling systemic crises and change. How do our institutions size up alternatives, how do they tackle trade-offs and choices, how are they experimenting, adapting, and collaborating differently? Are they using evidence and knowledge to meet these super-crises of today and what lessons can we feed in and how quickly?

Implications for the IEO

What does this imply for the IEO? I certainly don’t want to give the impression that the IEO is stuck on incrementalism. But I do wonder whether there may be more ambition to be found. It will be important for the IEO not to get overly locked into focusing on the smaller changes and adjustments that the Fund is making, but also move up to a higher plane and assess the Fund’s strategic positioning, particularly as the IMF ventures into “non-core” areas like climate and inclusive growth. The IEO will need to focus not just on the merit and worth of the Fund’s work, but on its broader significance and transformative impact in these non-core areas. How does the unique mandate of the Fund fit together with that of other actors to shift the big outcomes that we’re looking for in these areas?

These are challenging questions and definitely challenging evaluations to undertake. I’ll be the first to admit that at times I am very uncomfortable with evaluations at 30,000 feet. They require resources, methods, and innovative approaches, and they can be a challenge to take forward with management. But their value comes from
shifting the focus of the conversation from marginal nudges and improvements to the consideration of alternative paths and new directions.

The pace of change also leads me to the view that shorter, sharper, swifter evaluations are needed in larger numbers. We have to accept that the accountability that we strive to contribute to is not only built on a scorecard of past efforts, but on the ability of institutions to demonstrate learning and adaptation to new and changing conditions. Shorter and sharper assessments are therefore not just about accessibility and digestibility, but a way of supporting this larger learning culture. They are also a way of addressing the increasingly time-critical questions that our internal and external stakeholders have about our institutions and the quality of the response from our institutions. Using shorter evaluations more intentionally to drive a focus on how the Fund is learning, adjusting, and adapting to these super-crisis conditions might be a particularly fruitful avenue for the IEO.

There is also a need to systematically assess collaborative behavior as an essential capability of IFIs in navigating these turbulent times. Testing the alignment between the rhetoric of coordination and collaboration and the reality is an absolutely critical evaluation topic. I also believe that we need to upgrade our approach to collaboration in evaluation. I don’t think it’s possible in the very short term to expect our offices to find new entirely new ways of working jointly. However, the more we can align, as evaluation functions, with some of the big questions the IFI system is facing and coalesce around shared topics, the more we can start to build a picture of how our organizations are committed to collaborative working (or not) and where the risks and the gaps might lie. I suspect we may need to be thinking about this more ambitiously in the years to come.

Evaluation: Getting into the Weeds

I appreciate the IEO’s “small is beautiful” argument, and I agree there are risks and downsides to scale in independent evaluation functions. Some obvious ones are evaluation fatigue and an institution that becomes, if you like, wired for scrutiny rather than wired for results. I wonder, however, whether the virtues of small size can be slightly overstated: there may also be some downsides to “less is more.” Small size can constrain the development of a broader evaluation and learning culture and also limit attention to some of the high-level questions that are not otherwise asked by the institution itself—questions not yet formulated in the minds of Board members, issues not yet on the radar of management, stones not overturned on a regular basis. And I do think that sometimes the cry from management of “limited absorptive capacity” is a wonderful way of keeping evaluation out of their hair.
On early-stage evaluations, I think we are going to have to dip our toes even further into this pond. Early-stage evaluations can robustly test questions about relevance and quality of evidence being used to design and try to drive early implementation of programs. But it’s essential that we commit to following up these early-stage evaluations with full-blown ex-post evaluations down the line to close and complete the evaluation cycle. Real-time evaluations are not something I think we’re well suited for carrying out in our institutional settings.

On methods: “bread-and-butter tools” are critical, but the investment in methodologies is important as the world around us evolves. It’s not a question of letting the methods lead. It’s recognizing that as the problems get more complex and more systemic, we need a range of upgraded methods to tackle those in a systematic and robust way. There is a much larger data landscape out there now. There are many techniques for how we can engage with that, from qualitative data analysis through a whole range of AI techniques. And it’s really important that we continue to upgrade ourselves methodologically without risking overdetermining the approach by new methods.

Finally, on the theory of change: this can be done well, or not. We certainly use theory of change a lot in IEG, but we use it differently in different evaluations, sometimes to scope, sometimes to test program logic, sometimes to point out how interventions and system issues connect and assumptions that are made about those connections. Well-used theory of change can help us identify not only where the project or program logic is, but also what’s missing—assumptions undeclared, dependencies not noticed and, above all, implicit or explicit mechanisms that are essential to drive change. So, I would indeed encourage the IEO to move in that direction. But I would also apply the caution: theory of change can be difficult to explain unless there are counterparts on the other side who understand the concept and are committed to its use. It can be very challenging in institutional contexts where there is not the commensurate commitment to thinking along the lines of theory of change on the side of operational staff or management.

I want to be clear that IEG is by no means practicing all that I have preached here—we are also on a journey to do better.

**Conclusion**

The bottom line is that we cannot insulate ourselves from the world around us or the need to look ahead. As the historian Eric Hobsbawm famously said: “History cannot get away from the future.” Evaluation is the same. Despite our obligation to comb the past, we should always be very concerned about the
future. And I think this IEO@20 conference is a great example of reviewing the past in order to frame the future.

**Sean Hagan**

**The Value of IEO Evaluations**

My understanding of the IEO was formed, naturally, while I was on staff, but it is as a teacher that I have really grown to appreciate the value that IEO evaluations provide. I use them in all my courses. It’s not surprising that the IMF, given its importance, has many critics and commentators, but the IEO enjoys two advantages that make its analysis particularly valuable.

First, because the IEO has an in-depth understanding of the IMF mandate, it is really in an excellent position to identify where the Fund’s activities fall short of their objectives. Too often outsiders criticize the IMF for not doing something that it was never set out to do. Second, the IEO has complete access to information—including confidential communications among staff and between management and staff—and access to Executive Directors. As a result, it is not only able to identify vulnerabilities, but also make very concrete and granular suggestions about how to meet the objectives and also improve the decision-making process. And I think that’s very valuable.

Now, it did take a while for the staff to become fully comfortable with the level of access to information that the IEO has, but I think that the staff has now internalized that access. Yes, there is some defensiveness of staff in IEO evaluations, but I think that being evaluated is a difficult process and, in some respects, the learning process is also about learning how to be evaluated. But I believe staff does differentiate its reactions to IEO evaluations, depending on the evaluation report in question. Some are considered to be more fair and more balanced than others. So, it’s not a generalized defensiveness and staff has gotten better at accepting the process.

“Technical Analysis” and the Role of the Board

I wanted to focus primarily on one issue, which relates to the integrity and legitimacy of the IMF’s technical analysis and the concern identified in some IEO evaluations regarding “undue political interference.” It’s a really important concern and I would like to drill down on it a little bit by talking about the evaluations of Argentina in 2004 and the Greek program in 2016. In both cases, the staff’s judgment was that the debt of these countries was unsustainable and therefore needed to be restructured, but as a result of considerable political pressure, the restructuring was delayed. The origin of the pressure was capitals—and I would note
that in the case of Greece it was not just European capitals, but clearly it was transmitted through the IMF’s Executive Board.

A key question for me is the extent to which the Board strikes an appropriate balance between its institutional responsibilities and its political responsibilities. The IEO has a mandate to address this question. That’s why the terms of its reference provide that it should have an arm’s length relationship with the Board. And in the past, the IEO has made valuable recommendations on Board issues ranging from the composition of Executive Directors to the Board’s work processes.

I know this is a very nuanced and difficult issue. Executive Directors express the views and cast the votes of the members that elect them. But they are also officials of the IMF, who have a responsibility to ensure that the institution acts consistently with its objectives. So, in the case of Greece, for example, the delay in the restructuring of Greece’s debt was due to concerns about the fallout in the eurozone. Clearly, Executive Directors have legitimate reasons to be concerned about this. But really, if you look at the IMF’s mandate, the number-one priority for the institution was to address Greece’s balance of payments problems. And the delay in restructuring exacerbated those problems. I don’t want to overstate the problem. I’m not suggesting that there should be a stand-alone evaluation of the balancing of the Board’s institutional and political objectives, but I do believe that the IEO’s ex post analysis of difficult programs ought to focus on whether or not the Board is achieving that balance correctly.

“Non-interference” Clause

One word finally on the non-interference clause in the IEO’s Terms of Reference: this has been the subject of considerable discussion, including in previous reviews of the IEO. I think that there has been a general recognition, even amongst those who support a robust IEO function, that there is an underlying logic to this provision and that it should be kept. I recognize that the language is general and potentially ambiguous, but my advice would be that it would not be fruitful to expend too much time or energy on textual modifications. While there might be differences in the application of the clause between management and the IEO, ultimately the application of this clause in specific cases is going to be resolved by the Board. My sense is that generally the Board has been supportive of the IEO’s efforts, for example, in supporting the IEO evaluation of the eurozone crisis.
John Hicklin

The papers presented at the conference and the discussions bring out several tensions, which the IEO has struggled with since its inception, and they certainly need to be reexamined as the IEO looks forward. There is a tension between the ex post nature of the model of evaluation and the desire, despite that, to be relevant to urgent policy discussions. There is a tension in avoiding being too mechanical in pursuing evaluation techniques, while also avoiding the temptation to act more as an alternative research or policy department. And there is a tension between the need to understand the IMF by being close to it and all its idiosyncrasies, and on the other, to be sufficiently distant and independent in order to be effective and credible. It’s not surprising that the IEO model differs from its comparators because they work in the contexts of different histories and face different challenges. It’s very helpful to be aware of the comparisons in order to make judgments on any desirable recalibrations for the IEO.

My remarks touch mainly on the need for an urgent evaluation of the IMF’s role in helping countries face the effects of climate change and reduced biodiversity. But I’ll also talk briefly about the need for the IEO not to forget the basics and then suggest some ways to strengthen the IEO’s independence and lines of accountability to help both evaluation work and follow-up monitoring and implementation.

Evaluating the IMF’s Role in Climate Change

The IMF and its members face enormous challenges in the decades ahead, but few more important than dealing with the impacts of climate change and associated reduced biodiversity. The IMF itself must change quite dramatically to think what it can do within its existing mandate, and the very different nature of the challenge the IMF faces requires that the IEO also change its approach. Why? Because in this case the ex post model of evaluation is inadequate to meet the challenge. That long-standing approach is fine when the learning function—and the IEO’s role in helping the Board’s oversight of staff and management—can be handled in the context of essentially repeated games. Lessons learned ex post from one set of programs or from particular periods of surveillance can be applied in future and the IMF’s performance over time can, one hopes, be improved. This model manifestly doesn’t work in the context of a massive shock that is both prospective and unique in the sense that failure to avert it will be irreversible and extremely costly. An ex post evaluation ten years from now on whether the IMF did what it already should have done to meet its obligations over this critical decade will have limited use. The chance will have gone.
So, how can the IEO better help the IMF on this issue? Not in my view by real-time evaluations or audit work in real time. One can understand why these techniques are used in other institutions in the context of big capital projects, or when there is no internal review and self-evaluation as exists within the IMF. Rather, I would suggest the IEO think innovatively about the topics for evaluation as well as their timeliness and methodology. The IEO Director’s informed but unimpeded choice of topics and methods is a great strength and distinguishes it from other evaluation offices. The IEO should evaluate the IMF’s assessment of the risks that climate change poses for the IMF’s ability to fulfill its purpose. Such an exercise would not only look at the existing risk assessment model but use other metrics and institutional experiences. What would best practice suggest? How would this fit within the Fund’s existing mandate? And how would it need to change if at all? What are the risks to the IMF’s effectiveness of not adapting its policies, and by implication, not increasing the resources or changing the skill mix it devotes to this work? In the past, the IMF has made major adjustments, and implicit in that was a risk assessment that some big changes were needed to avoid worse outcomes.

Another innovative and urgent topic would be an evaluation of the IMF’s relations with UN agencies dealing with climate change and reduced biodiversity to identify gaps in the system of responsibilities of international cooperation required to deal with such global threats. I’m not sure about joint evaluations with other agencies—they tend to be very cumbersome—but certainly much closer contacts are warranted.

“Bread-and-Butter” Issues

My second point is: don’t forget the basics. Do dig deeper on the vital issue of the IMF’s effectiveness in its program, surveillance, and capacity development work. I can confidently predict over the next decade that the IMF will once again face crises, not just about policy stances and external shocks, but underreporting of the levels and complexities of debt, and questions will be raised then about what more could the IMF have done.

More generally, there are long-standing issues, such as those of limited traction with advanced and large emerging economies, and a stigma of coming to the IMF when needed—the IEO needs to look into what is behind the significant failures on such fronts time after time. For instance, is there sufficient acknowledgement that the authorities themselves have not carried out agreed policies, why this has been the case, and what are the implications of that for the IMF moving forward?
Strengthening Independence and Accountability

My third point is to look back at the ways in which the IEO’s independence and lines of accountability could be strengthened. And I would urge here a message, with which many other panelists at this conference agree, that the IEO has an evaluation and not an advisory role. The IEO should not fall into the trap of being seen as being an alternative policy or research department. It should argue the case for revised policies and procedures only when those are based on evaluation evidence. On the non-interference clause: the main determinant of whether the IEO can push back on attempts to delay legitimate examination of recent programs lies not in having a clear-cut definition of non-interference but in gaining credibility and support for sound judgments. So, as with many other issues, this requires building and nurturing broad support from the membership for a sensible interpretation of the clause in particular cases. This, in turn, requires not being too close to staff (or ex-staff) and management, and seeking and incorporating the views of authorities and civil society in all evaluations, including the recent “shorter” formats.

Finally, on monitoring and implementation: the Office of Internal Audit (OIA) has a role which it didn’t previously have. I suggest the route is not to go with the IEO also having more of a role in this respect, but in giving more specific line responsibility to the OIA to go to the Board rather than to management. That would free up the IEO to concentrate its focus on subsequent evaluations. In all its commentary, the IEO should be very cautious and noncommittal in saying whether or not new policies are consistent with evaluations that have come out. From my previous experience in IEO, I’m very glad that in the 2007–08 episode, when we were under enormous pressure from Executive Directors and staff to give our view on the contentious surveillance policy debate of the time, we abstained from doing so. I think that it was a very wise decision to stay out of evaluative judgments without proper distance.

Harold James

It’s a great pleasure to participate in this conference. The IEO is doing something here which is very different from its usual ex post assessment of IMF activities; it is carrying out an ex ante assessment of the next 20 years of the IMF and the IEO, and that’s a really fascinating and valuable exercise. I’ll offer some thoughts that are based on thinking about the very long-term history of the IMF—how it came about in the 1940s and the problems that it was supposed to solve then—and how they relate to the problems of this world of multiple crises or “poly-crises.” I’ll make four points.
Debt Sustainability
First, some of the challenges ahead are actually going to be very much in line with the traditional mandate of the Fund. The core expertise (as well as some unhappy and unpleasant experience) of the Fund has been in the management of financial crises and, in particular, assessments of debt sustainability and what governments and lenders need to do to ensure a return to sustainable debt. It was a debt crisis in East Asia that originally produced the need to establish an IEO, and many of the IEO’s most incisive reports have dealt with the IMF’s approach to debt crises.

There is no reason to think that the IMF’s expertise on debt and debt sustainability, and the learning from past errors, will be less relevant in the immediate future. On the contrary, COVID has pushed much of the world—outside of some big and rich industrial countries—into heightened vulnerability. Interest rates have soared, but the difficulties had started even before the Fed’s interest rate policies pivoted. The October 2021 Fiscal Monitor sketches out the problems and challenges of the deterioration of fiscal space quite accurately. The difficulties are heightened by the exposure of many poor countries to China as a creditor; and that brings new risks also for Chinese management. The euro debt crisis was in part also a problem of the European creditor countries; addressing China as a creditor brings some of the European challenge of the 2010s to a global scale.

Climate Change
Second, it is correct to identify climate change—or more generally perhaps the damage done by the Anthropocene—as a major and increasingly difficult challenge, requiring prompt action. It would also be reasonable to be disappointed by efforts so far. Multilateralism can very easily slide into what Greta Thunberg memorably characterized at the Glasgow COP26 as “blah blah blah.” In making multilateralism effective, an obvious but not sufficiently noted lesson of history may be helpful. Phenomena will remain in the sphere of abstract discussion, nervousness, and concern, unless they can be accurately measured. Providing data about costs is essential to building a consensus about finding solutions.

That was actually key for the Bretton Woods story because at the time you couldn’t have got the agreement that you had, and you couldn’t have created these institutions without the development of national income accounting. At the time of Bretton Woods, the World Bank and the IMF could think differently about development because of a framework of national income accounting that had originated largely in the industrial countries to meet the challenge of mobilizing resources for war. National income accounting was then used to build peace through development.
and a realization of the productive capacity of member countries. Providing GDP data to the IMF was a core obligation set out in Article VIII, Section 5, of the Articles of Agreement (“Obligations of Members”). Today, when newspapers report on the twice-yearly Fund meetings, they focus on the Fund’s assessments of GDP. They think that GDP matters because the IMF puts that at the center.

But when it comes to biosphere, GDP is a cost or a drain rather than an asset: an erosion rather than an enhancement of the wealth of nations. There is thus a need to reconsider what information and data should be at the core of the IMF’s climate work: perhaps not GDP? Partha Dasgupta’s 2021 review of biodiversity for the UK government has highlighted the need to think differently about growth, and include a measure for the depletion of natural resources in the biosphere, for living off capital. There is, Dasgupta argues, a need to identify the wedge between “the prices we pay for nature’s goods and services and their social worth in terms of what economists call ‘externalities’.” If such accounting is treated as a simply rhetorical exercise in persuasion, the result will be no action. Prices drive behavior: only when we see the prices can we effectively ensure that the externalities are returned to the inside of the economic system.

So, that data focus is a crucial one and it is historically interesting to think of the evolution of the Fund as built on national income accounting. And if the Fund is going to step up to help with the new challenge of confronting climate change, it needs to think of a different kind of accounting.

**Data Revolution**

Third, the threat of degradation of the biosphere is not the only development that provokes or should provoke concern. A megatrend that will increasingly influence the IMF’s work is the data revolution, and also the application of new techniques to manage it, including AI. To confront “poly-crises,” the data provided needs to be much more detailed, and more frequently updated: the ideal is real-time data provision, not big jumps every six months with the release of a new *World Economic Outlook* (WEO) and its forecasts. The correct and timely provision of data by member countries has from the beginning been a contentious issue in the Fund. The requirement in the Articles of Agreement to communicate information on foreign exchange reserves, including on gold supplies, was probably responsible for one of the fateful early decisions that profoundly affected the role of the IMF in the postwar architecture: the Soviet refusal to participate in December 1945 in the ratification of the Bretton Woods agreements.
Changing Geopolitics

Fourth, the anxieties of the mid-20th century are still with us. We are living in a world where security concerns—often loosely described as changing geopolitics—are dominating economic news, whether it’s the debate at the western end of the Eurasian landmass about Russia’s gas provision and gas pricing, or the escalation of tensions around the South China Sea at the eastern side. One of the under-recognized features of the Bretton Woods settlement was the way in which there was a parallelism between Fund and Bank on the one side and the wider United Nations organization on the other. The largest five members by quota of the Bretton Woods institutions were identical with the five permanent members of the Security Council: the United States, the Soviet Union, China, the United Kingdom, and France. Stalin’s non-ratification of the Bretton Woods agreement meant no Soviet membership, while China’s representation by the People’s Republic of China only came about in 1980. Today, the issues of thinking about security and economics, and the relation between the two, is urgent and close to the urgency that it had in 1944–45.

The IMF, then, should be concerned with properly accounting for the wealth of nations—that is a task for which it needs to be guided by the IEO and others to equip itself with the latest tools and analysis. But it will also have to negotiate between powerful and not necessarily aligned interests of increasingly assertive and even angry states. And information—reliable, voluminous, detailed, and frequent data—will be its critical instrument in defusing anger and promoting constructive engagement.

Bessma Momani

In my view, the IEO has always played an important role to ensure that the IMF staff are adopting a learning culture and that there is room for cultural change within the organization. In trying to explain Fund outcomes, we often examine how the IMF is governed by the Executive Board and is shaped or influenced by individuals in management, but we often forget the important role of the staff who do the bulk of the programmatic work at the Fund. A lot of my own research has focused on the staff and how important they are to the essence of economic policy thinking at the IMF, and invariably their policy recommendations in terms of programmatic outcomes. The IMF has always been a bureaucratic and technocratic organization. In fact, there’s a great book by an ethnographer that looked at the immense paper trail within the IMF—and anybody who’s worked within the IMF knows that this process of documentation and clear technocratic approach to devising policies can shape the institution’s way of doing things. I’m old enough to remember when the
Strategy, Policy and Review (SPR) Department was previously named the Policy, Development, and Review Department (PDR), but was disparagingly called by some IMF staff as the “Propaganda, Dogma, and Review” Department. It was a staff reflection of how the Fund constantly checked and verified that policy recommendations were devised by following clear internal steps and procedures. For some Fund staff, they found this stifling and detrimental to their attempts at policy ingenuity or customization of IMF country programs to particular country conditions. The name of the department changed, but this technocratic aspect of IMF decision-making did not go away; some of it is embedded in the way the Fund’s macroeconomists are first recruited and then trained to think about the challenges countries face and how to achieve effective outcomes for the IMF.

But like all organizations and their staff, the IMF staff also need to evolve to respond to global normative shifts. Fund staff and any healthy organization need to be constantly challenged. After all, norms are changing every day. The fact that the world is focused on climate change and environmental issues in such a fundamental and urgent way, though certainly not enough, needed to be incorporated into IMF staff’s thinking about the macroeconomic health of an economy. It is the same with gender-related issues and I’m happy to see strong policy commitments and workplans within the Fund to now consider, understand, and shape the impact of macroeconomic policies on gender inclusivity outcomes. That’s where the IEO does so remarkably well: in challenging the staff to constantly do better and think more critically about evolving normative issues that are before us as a society. Through its evaluations, the IEO serves an important “checks and balances” role on the thinking of the IMF, trying to move the institution away from “propaganda and dogma” toward how best to get macroeconomic growth and stability in a constantly evolving notion of what makes a healthy society.

We also need to invest in the IEO and its independence, because it helps ensure that the IMF is adhering to the best practices of transparency and accountability. Comparing the IMF to where it once was on transparency is like night and day. I first encountered this as a PhD student in 1998, researching IMF documents in the Fund basement at the archives and in the Fund library. Speaking to IMF staff was forbidden back then. In asking questions about policy recommendations, I remember staff telling me, “We’re not allowed to talk to you.” Things have very much improved since then and the IMF is much more open to inquiries by academics, civil society, and external stakeholders. But this did not come without normative changes happening throughout the world. After all, in liberal democracies we are constantly asking: how can we make government more accountable
and democratic, and how can we make citizens better able to engage in policy formulation to ensure they are included. This “good governance” sentiment is a global norm that the IMF was forced to consider in its own organizational behavior. The IEO has been and needs to continue to push the IMF to advance transparency and accountability in keeping with the evolving norm of what makes “good governance.”

Sadly, while the IMF is becoming more open, transparent, and cooperative, the challenge we have is that the world is going the other way. Globally, we have a lack of—or at least a diminishing level of—trust in leaders, institutions, and government. The rise of nationalist populists and autocracies stands out, and protectionism, decoupling, and reshoring are all pushing countries to become more isolationist and closed to the outside world. Take a look at our supply chains, and the trend of where this is going is not good for the international liberal trading order. In Canada, we look at what’s happening in the United States as a form of “protectionism lite” and it is challenging our once strong bilateral relationship in favor of free trade. Of course, the rise of great power rivalry is a big part of this. The deteriorating China-America trade relationship and their fierce economic competition cannot be ignored, nor can we ignore the rise of populist nationalists throughout the world in once thriving democracies like India, Hungary, Poland, and Turkey.

This fraught global political and economic environment necessitates a healthy conversation on how to push toward shared prosperity and help ensure people have an adequate standard of living. But this will be increasingly difficult to do in multilateral forums like the IMF when we live in a more introverted, inward-looking world. In practical terms this means that the IEO needs to prepare itself for a more conflictual Executive Board, and that means there’s going to be more political pressure on management and staff to find difficult consensus in light of great powers’ own geopolitical rivalries. This is where I believe the IEO is going to face significant internal challenges and must double down in favor of transparency. The IEO will face a lot of hard choices when geopolitical rivalries exhibit themselves in the Executive Board and spill over to how they view or support the IEO, if they haven’t already.

**Pablo Moreno**

Let me begin by stating my views on what I consider to be two challenges for the IMF, and hence for the IEO, over the next decade, and also offer my views on some of the issues that have come up during this conference on the role of the IEO.
Twin Challenges

The first big challenge is the increased emphasis at the IMF on the importance of ensuring sustainability, environmental and social. In May 2021 the Executive Board completed the Comprehensive Surveillance Review (CSR), through which we basically said that the issues of climate, inequality, demographics, and quality of institutions are macro-critical. The work on these issues has been ongoing for a number of years now, but we have formalized it in the CSR. Of course, we have to keep in mind the core objectives of the Fund—fiscal, monetary, and financial stability—but we are saying that environmental and social sustainability are important from a macroeconomic perspective to attain these core objectives. This is not mission creep: we’re not going to be, for instance, assessing the technological aspects of climate change, but rather recognizing that dealing with climate change is an existential problem for all and it’s really macro relevant. So, this is a new reality, and we are working on the allocation of the Fund’s budget to these topics and thinking about how to increase our own resources to build our expertise on these issues, for example, by increased mid-career hires of climate-change experts.

The second challenge is that the Fund will continue to have to operate in an environment where decisions—and often quick decisions—are needed in the face of immense uncertainty. The global financial crisis (GFC) introduced a shift in the IMF: we have had to move from overconfidence in markets into a stance of continuous risk assessment, and an increased emphasis on market regulation and macroprudential policies. Now, the pandemic is different from the GFC, as will be the next crises—climate or cyber. But it’s likely that the Fund will have to react quickly and in an environment of great uncertainty about the scale and duration of the impacts of shocks. As an example, it took us six months to design the main policies of the Fund’s response to the GFC; in the case of the pandemic, we had one month to design the main policy changes.

Many participants at this conference have highlighted geopolitical changes as another major challenge. Indeed, the IMF has always had to adapt to the changing realities of the world. There was a major reform of quotas in 2008 to better reflect geopolitical changes, though there’s no doubt that more needs to be done, and there is an ongoing review at the Board that should reach an agreement by end-2023. The Fund is a combination of a technocratic and political institution governed by its membership based on the existing allocation of quotas. It is not a central bank and it is not in academia; it makes judgment calls, sometimes striking a balance between technical and political imperatives. There should be more confidence in Executive Board processes to strike this balance and greater appreciation for the
expertise back in the capitals. At the Board, I represented a constituency that is cross-continental (European and Latin American countries) and has advanced, emerging, and low-income countries—I have to say that I receive very good feedback from all my authorities to guide me in the positions taken.

Implications for the IEO

Is the IEO set up to help the IMF deal with the twin challenges? The way the rules are framed right now, the IEO should avoid possible interference through assessments of ongoing operational activities. I think that this framework has built in enough constructive ambiguity for the IEO to conduct timely and regular relevant evaluations of the newer policy initiatives and recent developments. And the IEO has already been quite innovative in this respect. Some examples:

- The first evaluation under Charles Collyns on social protection was a forerunner on assessing the Fund’s work on social sustainability.
- The evaluation on Bank-Fund collaboration was the first to have a new shorter format, which allows quicker assessments of topics staff and the Board consider timely. The evaluation was particularly useful in telling us how the Fund was collaborating on climate issues with the Bank—which is where a lot of expertise resides—and how this collaboration can be improved as the Fund scales up its own work. I should note that good Bank-Fund collaboration is needed not just for surveillance activities but for lending activities as the Fund’s support through the Resilience and Sustainability Trust picks up.
- The evaluation of the emergency response to COVID-19 was the first one with a mid-term presentation to the Board in March 2022. Thus, this evaluation is allowing the IEO to provide feedback on the IMF’s crisis response in a very short time period after the events took place.

In general, the IEO will have to adapt to the twin challenges by providing timely advice, in a learning-by-doing process, as the Fund deals with new crises, notably by extracting lessons from the response to previous crises to build a more flexible IMF. And the IMF itself has to foster economic policies that make countries resilient, namely, helping them bounce back quickly from crises.

Continuity and Change

Let me turn to a couple of the issues that have come up during the conference on the appropriate role of the IEO. Should the IEO be a trusted advisor or a ruthless truth teller? I think that the balance should continue to be on the learning side, but
there are some times when the IEO needs to be a ruthless truthteller. You can do that with the Board as well—I have no problem with that; there was some ten years back an IEO evaluation on IMF governance, including the role of the Board. But the example I have in mind is the evaluation of the IMF’s performance in the run-up to the global financial crisis. I think it was instrumental in highlighting the silo mentality, the prevailing group thinking that financial markets will self-correct. The IEO report was instrumental in moving the IMF into a more proactive culture of crisis prevention and risk assessment and shaking up a culture of too much self-confidence inside the IMF. So, these type of hard-hitting evaluations are needed sometimes when the institutional culture is showing unhelpful inertia or resistance to change, though the weight of the balance should be on the learning side.

Many have cautioned that the IEO should remain an evaluator and not try to become a consultant—I agree that is an important distinction to maintain in the core work of the IEO, which is evaluations. That said, there are ways other than evaluations through which the IEO can provide feedback and inputs on Fund activities. The Managing Director in her remarks at this conference mentioned that at the onset of the pandemic, the IEO provided inputs drawing on lessons from previous crises, and the IEO also provided inputs on the review of the Fund’s budget. Such activities are aligned with the IEO’s mandate of supporting the Board’s oversight role.

The IEO can also play a role in providing inputs into the Fund’s periodic reviews of its activities and policies. The staff engages in continuous self-evaluation internally as well as through periodic policy reviews, such as the review of surveillance (which used to be triennial but is now less frequent). The IEO’s input could be at the stage of the concept note for the review: what is the scope of the review? what should be the course? The IEO can provide input in terms of notes feeding from past evaluations. And there could also be a role for the IEO to give their reactions on the formal and informal reviews by the Board of the Fund’s policies, which again is in keeping with the mandate of the IEO to support the Board.

**Conclusion**

This conference has been designed not just as a look back at the IEO’s past decade but with a forward-looking approach to the challenges for evaluation. It will be useful for the deliberations of this conference to feed into the next external evaluation of the IEO. External evaluations of the IEO, including the most recent (the Kaberuka report), have been very useful not just in improving the functioning of the IEO but in strengthening the overall culture of evaluation at the Fund. We are an institution that looks at itself and learns from past mistakes; it increases our
accountability and our credibility. I think there is room to improve further the internal culture at the Fund for evaluation. This is something to celebrate that should be continuously nurtured.

**Ceyla Pazarbasioglu**

**The Influence of the IEO**

Since the inception of the Independent Evaluation office more than 20 years ago—and dozens of evaluations with several hundreds of recommendations later—the IEO has solidified itself as an important pillar of IMF governance. Key takeaways from IEO evaluations are the need to continuously improve policy frameworks and analytical tools, deepen expertise, and strengthen collaboration with other institutions. Lessons from IEO recommendations are particularly relevant now as the Fund strives to appropriately calibrate policies amid multiple crises and seeks to encourage reforms to make the member countries’ economies greener, more digital, and inclusive, and prepare for future crises.

The Fund addresses IEO recommendations through Management Implementation Plans, the progress of which is updated via Periodic Monitoring Reports produced by the Office of Internal Audit. These recommendations help to hone the Fund’s view on core issues, ranging from program design to strengthening surveillance and integrating capacity development, among others. Examples include:

- Work on strengthening the analysis of risks, reserve adequacy, and debt sustainability benefited from IEO evaluations of past crises;
- The evaluation on fragile states informed the Fund’s new comprehensive strategy for this group of countries;
- The IMF’s Institutional View on capital flows and the Integrated Policy Framework also benefited from the IEO’s insights on capital account issues.

The IEO’s role is more important and more challenging than ever. To ensure continued traction, IEO analysis and recommendations will need to continue to be carefully calibrated, focused, and targeted.

**Enhancing the IEO’s Role**

Capitalizing on the IEO’s analysis and recommendations “takes a village.” It requires continuous efforts by all key stakeholders—the Board, management, staff, and the IEO itself. Management and staff need to focus on implementation. The IEO needs to ensure that the number and length of its evaluation reports remain manageable, the analysis is well substantiated and written clearly, and that recommendations set
objectives for improvement that are as specific and realistic as possible. The selection of timing, topics, and format of evaluations remains a tough balancing act.

Notwithstanding, the IEO has managed to identify timely topical issues—relevant for the membership and the Fund—that also are aligned with current priorities. IEO reports provide a fresh and unbiased perspective to Fund work. To further increase the impact and efficiency of the IEO’s contribution, the IEO would benefit from closer and well-balanced consultation with stakeholders as well as from more targeted, focused, and shorter evaluations on pressing topics.

As the IEO continues to conduct thorough analysis, it is important to delve into what causes shortcomings such as the deficiencies in technical frameworks, group-think, etc. Drawing on systematic evidence—rather than isolated evidence—is also critical to help identify patterns in practices and experiences. Doing so would help to ensure that IEO lessons remain valid and meaningful. And, of course, communicating the IEO’s advice clearly and concisely would help further strengthen its traction.

The IEO and Self-Evaluations

Both IMF self-evaluations and IEO evaluations play important roles in fostering institutional learning, providing a framework for accountability and enhancing transparency. By their nature, the IMF’s self-evaluations entail greater institutional ownership of conclusions, which may facilitate traction. Unlike IEO evaluations, Fund self-evaluations cover both completed and ongoing operations and programs.

Many synergies exist between the two types of evaluations. These synergies can complement each other if their respective roles are well understood and incentives are structured appropriately. IMF self-evaluations are inspired by and benefit significantly from the IEO’s evaluations. For example, priorities outlined in the Comprehensive Surveillance Review include confronting risks and uncertainties, preempting and mitigating spillovers, fostering economic sustainability and a unified approach to policy. These themes featured prominently in IEO evaluations. Self-evaluations can also provide useful building blocks for external evaluations.

Independent evaluation by the IEO is intended to provide an objective perspective and frank assessment with the benefits of first-hand information. Continuous cooperation and information sharing by management and staff—within the internal framework that gives the IEO access to information normally unavailable to outsiders—enables the IEO to perform deep-dive evaluations. Within its Terms of Reference and budget—and empowered by its good understanding of the IMF
mandate and operations—the IEO can challenge preconceptions and potential interests embedded in self-evaluations. It can also help validate or provide counterweights to conclusions reached through self-evaluations.

Increasing synergies between the two types of evaluations remains a priority. This can be achieved by consulting on topic selection and timeframes, designing coordinated implementation plans from both IEO and self-evaluations, and diligently following up on these plans. These actions should increase overall traction and foster change, which, in turn, helps the Fund and ultimately its membership adapt to the new global realities.

**The IEO’s Focused Mandate**

The IEO’s Terms of Reference (available on its web page) set out parameters to ensure adherence to the IEO’s focused mandate on improving “the institution’s ability to draw lessons from its experience” and safeguard its independence. The so-called “non-interference with ongoing operations clause” in the IEO’s Terms of Reference precludes the IEO from evaluating “ongoing activities, including current programs” or being involved in the high-frequency work of the Executive Board. The purpose of this clause is to ensure that the IEO’s role as an “independent” evaluator remains uncompromised and its evaluations stay focused and well-grounded. Additionally, evaluations are designed to be backward-looking and “timeframe” specific to ensure that external evaluations do not interfere with ongoing operations. Staff self-assessments are considered the primary means for evaluating ongoing programs and policies.

In the past, three IEO external evaluations examined the “non-interference with ongoing operations” clause and made recommendations on potential modifications, which, if adopted, would have expanded the scope of the IEO evaluations to current activities. Each time (most recently in 2018), there was broad agreement at the Executive Board that the existing limitation remained appropriate and consistent with the IEO’s mandate and role as an independent evaluator. The Board consistently reaffirmed that policies and procedures under active discussion at the Fund and current Fund programs would not be appropriate areas for IEO evaluation. Further clarification from the Executive Board on the scope of the “non-interference” clause might be useful to foster common understanding of what this clause means in practice.

Within its established Terms of Reference, the IEO has been able to successfully fulfill its mandate. Although IEO evaluations are backward looking, lessons drawn from the IEO work on core and pressing institutional issues provide valuable
contributions to ongoing discussions on current issues. A good example is the recent evaluation of the Bank-Fund collaboration on macro-structural issues. Though the evaluation was retrospective, its recommendations proved very useful to the work on the Resilience and Sustainability Trust (RST). This included discussing the RST’s role in supporting low- and middle-income countries vulnerable to transformation challenges in multiple areas (pandemic prevention and preparedness, achieving sustainable development, fostering recovery, improving financial resilience, and promoting balance-of-payments viability).

Much progress has been achieved at the Fund since the IEO’s inception. We look forward to continuing our journey of learning and improvement. And we count on the IEO’s wisdom and advice to help guide us. As Seneca the Younger said, “The greater part of progress is the desire to progress.”

Moisés Schwartz

It is really a pleasure to take part in the IEO’s 20th anniversary conference. There is no doubt the IEO has established itself as a body that supports the Executive Board oversight of IMF performance, helps the IMF to learn from experience, and supports the Fund’s external credibility by increasing transparency about what the IMF does.

Let me move on to the overarching question: how can the IEO increase its overall impact on the institution? There are several possibilities: the IEO could be more involved in the follow-up process to its evaluations, shift the product mix towards more timely issues of current concern, pay more attention to integrity issues, and perhaps collaborate more closely with other evaluation offices on issues where the IMF is working closely with partner institutions. All of these are relevant possibilities that need to be carefully considered.

Learning vs. Accountability

In my remarks, however, I want to bring the attention to another element which to me, having spent seven full years as the Director of the IEO, is the most fundamental element for the IEO’s success. Some of my thoughts appear in a book I produced during my time at the IEO.

My message is the following: the IEO has basically two different audiences. There is an external audience that includes authorities in member countries, other international organizations, academia, and the public at large. And there is an internal IMF audience, mainly IMF management and staff. On the external front, results
are encouraging. While more can still be done, including more outreach, externally the IEO is credible and respected. I clearly remember the anticipation and expectation from external stakeholders on some of the most critical evaluations the IEO has produced.

However, on the internal front, for the IMF to truly benefit from the IEO’s work, the learning process derived from IEO’s reports needs to grow more naturally and organically within the Fund. That is, the IMF as an organization needs to see the IEO as more of a useful learning device and less as simply an accountability mechanism. Staff and IMF management have met many of the IEO reports with concern, anxiety, and defensiveness. Shifting the IEO’s emphasis more towards a learning device for the organization would go a long way in developing a culture that truly learns and benefits from independent evaluation.

**Fostering Learning**

The strategy I recommend to foster this has basically two elements. One is solely the IEO’s responsibility, and the other rests on the IMF’s attitude towards independent evaluation. On the IEO’s side of the equation, while the two pivots of accountability and learning need to be present in IEO reports, the learning component in IEO reports needs to be emphasized. This would reinforce the learning objective of independent evaluation and ease the defensiveness from staff arising from the accountability pivot. That is, while the proper balance between learning and accountability would still need to be struck, the learning component should prevail.

On the Fund’s part, the IMF still needs to genuinely embrace independent evaluation by creating a more open culture to learn from IEO’s reports. And this needs to come from the top. That is, management needs to fully embrace the benefits of independent evaluation by creating an atmosphere and culture within the organization that is more welcoming to independent evaluation. I understand the staff’s attitude towards the IEO. While some staff are supportive, the staff at large tends to be defensive. Staff tends to be dismissive of what it perceives to be an outsider’s suggestion on how it should do its work. While Director of the IEO, we held a seminar with some guests to discuss this issue. During the seminar, Hector Torres, a former Executive Director and friend of the IEO, said a phrase that stuck in my mind during my tenure as IEO Director: “Unsolicited advice is never welcomed.” To me, this is precisely the point here. Through its reports, and for 20 years now, the IEO has been providing unsolicited advice to the IMF. Each one of us would respond in exactly the same way, both in a professional or personal context. For instance, if an acquaintance tells me I should lose some weight, my immediate reaction would be to ask him to mind his business, even though his advice may be
the most appropriate one. Our own reaction in this case would simply result from the fact that we would see this as intrusive and as unsolicited advice. Hence, staff’s defensiveness towards IEO reports is totally understandable and expected.

However, contrary to staff’s response, defensiveness should not be IMF management’s attitude. Management must assume the role of promoting the IEO within the Fund, transmitting its usefulness and value to the organization, encouraging staff to apply for IEO jobs, and continuously being open to the suggestions and recommendations that the IEO provides to the organization. Management should adopt a positive attitude towards IEO reports, even if it does not agree with some of their findings and recommendations; make use of these reports to promote change within the Fund; instill positive receptiveness in staff’s attitudes towards the IEO; and ultimately make the IEO’s mission its own. Management’s involvement is crucial, so that a culture of learning from independent evaluation within the Fund is developed. Only then will the IMF fully benefit from independent evaluation.

Conclusion
The IEO and the Fund are bound together, and they need each other for the successful implementation of their respective work. But this partnership still needs to be strengthened. The IEO has grown in stature and lent credibility to the work of the Fund. Its presence has enabled those outside the organization to see the Fund as becoming a more accountable institution, learning from the past, and adapting to new challenges. I have no doubt that independent evaluation has played a significant role in contributing to the improvement of the IMF. A strong IMF requires a strong IEO.

Let us then make sure that the IEO keeps being strong and relevant in the years to come. For both the IMF and the IEO to excel, there is still some work to be done in reaping the benefits from independent evaluation.

Siddharth Tiwari
Does evaluation strengthen institutions? My answer is a resounding yes, both from my time in the IMF and later on. The work of the IEO is a key anchor for the work of the Fund by helping overcome institutional biases and by being part of the line of defense for controlling risk. Let me expand on each of these critical roles.

Overcoming Biases
The path-breaking work by Nobel Laureate Daniel Kahneman focused on deriving insights into human judgment and decision making under uncertainty. It pointed to three kinds of bias:
confirmation bias, the tendency to prioritize evidence confirming what we already think or suspect, to review facts and ideas we encounter as further confirmation, and to discount and to ignore any piece of evidence that supports an alternative view;

narrative bias, the tendency to explain unpredicted events with stories that are simple and coherent;

loss-aversion bias, the tendency to prefer avoiding losses to acquire equivalent gains.

It’s clear from this work that knowledge management and the use of accumulated knowledge—which is the instrumental tool for realizing the mandate of the IMF and part of the DNA of the IMF—is prone to these biases.

So, the ‘why’ of the IEO is very clear. From decades of work that has gone into empirical work on decision making under uncertainty. A lesson that emerges right away is that IEO’s evaluations enhance credibility when they are evidence-based, rather than the reporting of anecdotes. For example, just to push it a little bit further, when the IEO identifies ‘groupthink’ as a concern it needs to be explained further in terms of confirmation bias, narrative bias, or loss aversion bias.

Lines of Defense

On the ‘how’ of the IEO, I will move to another line of thought—which goes under the heading of ‘three lines of defense’—that offers some insight into how this work should be undertaken. For those not familiar with it, the three lines of defense is a governance framework developed in the financial industry and widely adopted after the global financial crisis, and is one of the principles of the Basel Committee. Its features are:

(1) Those who create, encounter, and benefit from taking risks have the primary responsibility to manage those risks. This is the so-called first line of defense. In the IMF, this would be country teams engaged in surveillance or program discussions.

(2) The second line of defense is the controller function—that’s required to ensure that the risks being taken are identified, controlled, and managed within the appropriate boundaries. In the IMF, this second line of defense is the review function within the institution.
There’s a third line of defense to ensure that there is an independent assurance that the risk taker and the risk controller are acting and interacting in the appropriate manner. This is the internal or external audit functions, and independent evaluations.

In my view, there is a fourth line of defense that’s needed in international organizations, namely, ensuring that the system—not one particular institution within the system, but the entire system—is functioning adequately.

The IEO’s role, as it’s defined, is to operate somewhere between the third and the fourth line of defense in the IMF. As to what to evaluate and who makes this decision, it’s very clear from this framework that the IEO should have operational independence within established guardrails, and be free to choose what topic it wants to look at. There was a long debate at the inception of the IEO on whether current programs should be within the boundary of evaluations or not. The lines of defense framework would say current programs are first line of defense; they are not between the third or the fourth line of defense. In the same way, the design phase of institutional involvement belongs to the first or the second line of defense. In contrast, evaluations of the governance of the Fund, such as thematic issues concerning quota and voice, rest squarely within the remit of the IEO. The quality of discussions at the Board is another intrinsic part of the governance of the institution and that too is squarely within the remit of the IEO.

Collaboration among institutions is a key part of the fourth line of defense, and it is here where I think the IEO’s evaluations need to stretch more. We’re in an era where every future crisis will emerge because the international community has paid inadequate attention to global public goods, whether it is cybersecurity, pandemics, climate, data issues or financial flows. And when this happens, the first and the second lines of defense collapse. A country goes in crisis, the region goes into crisis, and several decades of work is lost. And here, frankly, I think every three to five years the IEO needs to collaborate with other evaluation offices to see whether the system as a whole is functioning well—not one institution, not one team, but whether there is a gap in the system.

Alexandre Tombini

I had the privilege of working closely with the Independent Evaluation Office (IEO) during my tenure on the Executive Board of the IMF from mid-2016 to mid-2019. My relationship with the IEO was particularly close during my period as chair of the Evaluation Committee (EVC).
After spending the first 15 years of its existence building its credibility and reputation, the IEO faced the challenge that its work still had relatively limited traction. This means that the IEO did not effectively influence the work, policies, and culture of the IMF. There were also important shortfalls in the follow-up process of the IEO recommendations.

One of the important tasks during my tenure as chair of the EVC was to coordinate the third external evaluation of the IEO. The resulting Kaberuka Report identified many concrete steps to strengthen the IMF’s internal evaluation procedures. Putting the issue of traction at the center of the debate, the report confirmed that the IEO had not been as successful as expected in promoting a learning and adaptive culture within the Fund. Large organizations tend to be resistant to changes, and the IMF is no exception. Although we all probably agree that the IMF is an extremely well-organized and effective institution, it nonetheless tends to operate under “silo mentality and insular culture,” as the IEO framed it in a 2011 evaluation.

Since the Kaberuka Report, a lot has been achieved to strengthen the evaluation process. A lot of the credit goes to Charles Collyns and his team, but we also need to acknowledge the positive contributions of the IMF management and Executive Board.

In recent years, the IEO has made a great effort to reach out to different stakeholders, including and especially IMF staff. It was important to make it clear to staff that the role of the IEO is not to investigate but to evaluate. Or, to say it differently, the IEO is not a cop, it’s a partner. I’m confident that the IEO in-reach and outreach effort is paying off to change the old perception.

The IEO has also expanded its range of products. In addition to fully-fledged evaluations, the current menu of IEO products includes short evaluations and periodic updates. This allows the IEO to respond swiftly to changing challenges and priorities, and to convey a stronger and more coherent message. The IMF has also made a lot of progress on making the recommendations coming out of the valuations clear, measurable, and attainable.

As already mentioned, another area in need of improvement was the follow up on the IEO recommendations. In this regard, strictly adhering to the agreed implementation timelines is key. During my period as chair of the EVC, and with the support of the Board’s Secretary, I sought to follow the timelines, with no exception. The Management Implementation Plan (MIP) needs to be discussed at the EVC no later than six months after the Board meeting of each IEO evaluation, and the Periodic Monitoring Report (PMR) meetings should be held regularly every year.
Ownership and accountability of management and board members regarding the follow-up process is also essential. And I believe that the “Kaberuka Report” recommendation to have a Board meeting to discuss the PMR was very useful to enhance both ownership and accountability.

Let me highlight one specific evaluation during my tenure at the EVC that I believe is a good example of what works well and shows the importance of consensus building in the evaluation process. I refer to the January 2019 evaluation on *IMF Financial Surveillance*. This evaluation highlighted the importance of strengthening financial surveillance at the Fund, including through:

- Expanding financial surveillance coverage in Article IV consultations;
- Strengthening the FSAP processes; and
- Hiring and retaining financial sector specialists at the Fund, among other recommendations.

The facts and reasoning behind these suggestions were very well documented in the report and background papers. During the evaluation, there was a lot of collaboration between the IEO and relevant departments, and between the IEO and the Board. And during discussions in the EVC, there was a strong consensus regarding the recommendations and the way forward. These elements—clear and useful recommendations, cooperation between all parties, and consensus—are precisely the elements that help make the work of the IEO relevant for the institution.

Let me reflect on some of the challenges facing the IEO in the coming years. First, should the IEO be more involved in the follow up to its reports? I think more IEO involvement would be welcome, as it could help avoiding the IEO’s recommendations from falling into oblivion. This is an issue because the Board has a very full agenda, with a large number of complex and pressing issues on it. Turnover of Board members is also high. Without a strong and rigorous follow-up process, the IEO’s recommendations can easily get lost. This risk could be reduced if the IEO, in addition to the EVC and the Board’s Secretary, get involved in the follow up of the recommendations.

The second question is whether the IEO’s product mix should be shifted towards more focused and more timely evaluations on issues of current concern. Of course, this could run the risk of being seen as interfering with current work. But I believe that the advantages outweigh this risk. Not only would a shift towards more timely issues give the evaluations more traction and visibility but would also improve the design
and implementation of IMF policies. A good test case is the ongoing evaluation on the IMF’s emergency response to the COVID-19 pandemic, which was launched a year after the onset of the pandemic and is expected to be completed by March 2023.

The third question is whether the IEO should pay more attention to integrity issues. While integrity is clearly important, especially at a powerful public institution, it is not clear that the IEO is the right place for dealing with such issues. It is clearly the wrong place to deal with individual misconduct, for example. Whether people behave and stick to the rules should be left to the ethics office, internal audit, and risk functions at the Fund. The IEO has neither the staff nor the expertise nor the mandate to go into this territory.

But there is also the question of institutional integrity, where the answer is quite different. Many IMF policies and processes will inevitably have an institutional integrity component. For example, lack of evenhandedness—a recurring issue in past evaluations—can be an integrity issue, although there could be other reasons as well. So, my advice would be not to shy away from integrity issues, but not diversify into this field either, particularly regarding individual behavior or misconduct.

Finally, should IEO work more intensively with counterparts in partner institutions? Such cooperation could help identify issues that cut across organizations and, in some cases, increase the external visibility of the evaluations. But there are also several disadvantages. First, recommendations would need to be institution-specific to be actionable. Generic recommendations to several institutions are bound to be less specific and actionable. Working with counterparts will also increase the coordination burden. Potential joint evaluations may become longer and recommendations blander, representing the smallest common denominator. One of the strengths of the IEO is its nimbleness, which may be lost in such cases. Given these disadvantages, joint evaluations should probably be a rare exception. This does not mean that one should discard them completely. But they would need to cover areas in which several institutions have joint responsibilities and accountabilities.

There are many forms of cooperation below this threshold that can bring value. I trust that Charles and his colleagues are already exchanging views on a variety of issues with their peers at other institutions. As somebody working for an institution whose main task is to facilitate central bank cooperation, I cannot stress enough the importance of such exchanges of views. While this type of cooperation may fall short of coordinated or even joint reports, it helps to put our ideas to test and learn from each other.
Purpose

The Independent Evaluation Office (IEO) has been established to systematically conduct objective and independent evaluations on issues, and on the basis of criteria, of relevance to the mandate of the Fund. It is intended to serve as a means 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. IEO has been designed to complement the review and evaluation work within the Fund and should, therefore, improve the institution’s ability to draw lessons from its experience and more quickly integrate improvements into its future work.

Structure and Accountabilities

IEO will be independent of Fund management and staff and will operate at arm’s-length from the Fund’s Executive Board. Its structure and modalities of operation must protect its operational independence—both actual and perceived.

The Director will be appointed by the Executive Board for a non-renewable term of six years. In exceptional circumstances, the term may be extended by the Executive Board by no more than one year. The Director will be an official of the Fund, but not a staff member. The Director’s appointment may be terminated at any time with the approval of the Executive Board. At the end of the term of service, the Director will not be eligible for appointment or reappointment to the regular staff of the Fund. The Director will be responsible for the selection of IEO personnel (including external consultants) on terms and conditions to be determined by the Board, with a view to ensuring that the office is staffed with independent and highly-qualified personnel. The majority of full-time IEO personnel will come from outside the Fund.
Responsibilities

The Director of IEO will be responsible for the preparation of the Work Program. The content of the Work Program should focus on issues of importance to the Fund’s membership and of relevance to the mandate of the Fund. It should take into account current institutional priorities, and be prepared in light of consultations with Executive Directors and management, as well as with informed and interested parties outside the Fund. The Director will present IEO’s Work Program to the Executive Board for its review.

IEO, through its Director, will report regularly to the Executive Board, including through the preparation of an Annual Report. It is also expected that the IMFC will receive regular reports on the activities and findings of IEO.

With respect to individual evaluations, staff, management and—when appropriate—the relevant country authorities, will be given an opportunity to comment on the assessments being presented to the Executive Board.

The Director of IEO, in consultation with Executive Directors, will prepare a budget proposal for IEO for consideration and approval by the Executive Board. Its preparation will be independent of the budgetary process over which management and the Office of Budget and Planning have authority, but its implementation will be subject to the Fund’s budgeting and expenditure control procedures. IEO’s budget will be appended to that of the Executive Board within the Fund’s Administrative Budget.

If requested by the Executive Board, IEO will provide technical and administrative support for any external evaluations launched directly by the Executive Board.

Consultation, Publication, and External Relations

In carrying out its mandate, including in the preparation of its Work Program, IEO will be free to consult with whomever and whichever groups it deems necessary, both within and outside the Fund.

IEO will have sole responsibility for drafting IEO evaluations, Annual Reports, press releases and other IEO documents or public statements.

IEO’s Work Program will be made public and there will be a strong presumption that IEO reports will be published promptly (within the constraints imposed by the need to respect the confidentiality of information provided to the Fund by its members), unless, in exceptional circumstances, the Executive Board were to decide otherwise.
Publication of evaluations will be accompanied by comments from management, staff, and others, including relevant country authorities, where appropriate, along with the conclusions reached by the Board in considering the evaluation report.

**Relations with Fund Staff and Management**

In conducting its work, IEO should avoid interfering with operational activities, including current programs.

**Review of Experience with IEO**

Within three years of the launch of IEO operations, the Executive Board should initiate an external evaluation of IEO to assess its effectiveness and to consider possible improvements to its structure, mandate, operational modalities, or Terms of Reference. Without prejudging how that review would be conducted, it should be understood that the review would include the solicitation of broad-based input from outside the official community.
IEO EVALUATIONS, 2002–23

(1) Evaluation of Prolonged Use of IMF Resources (2002)
(2) The IMF and Recent Capital Account Crises (2003)
(3) Fiscal Adjustment in IMF-Supported Programs (2003)
(6) IMF Technical Assistance (2005)
(7) The IMF’s Approach to Capital Account Liberalization (2005)
(9) Financial Sector Assessment Program (2006)
(10) Multilateral Surveillance (2006)
(11) The IMF and Aid to Sub-Saharan Africa (2007)
(12) IMF Exchange Rate Policy Advice (2007)
(13) Structural Conditionality in IMF-Supported Programs (2007)
(15) IMF Involvement in International Trade Policy Issues (2009)
(16) IMF Interactions with its Member Countries (2009)
(18) Research at the IMF: Relevance and Utilization (2011)
(19) International Reserves: IMF Concerns and Country Perspectives (2012)
(20) The Role of the IMF as Trusted Advisor (2013)
(21) IMF Forecasts: Process, Quality, and Country Perspectives (2014)
(22) Recurring Issues from a Decade of Evaluation: Lessons for the IMF (2014)
(23) IMF Response to the Financial and Economic Crisis (2014)


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

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


(28) The IMF and Fragile States (2018)


(30) IMF Advice on Unconventional Monetary Policies (2019)

(31) IMF Advice on Capital Flows (2020)


(33) Growth and Adjustment in IMF-Supported Programs (2021)

(34) IMF Engagement with Small Developing States (2022)

(35) The IMF and Capacity Development (2022)

(36) The IMF’s Emergency Response to the COVID-19 Pandemic (2023)
IEO EVALUATION UPDATES, 2002–23


(2) Fiscal Adjustment in IMF-Supported Programs: Revisiting the 2003 IEO Evaluation (2013)


(7) IMF Exchange Rate Policy Advice—Evaluation Update (2017)

(8) Structural Conditionality in IMF-Supported Programs—Evaluation Update (2018)

(9) Governance of the IMF—Evaluation Update (2018)

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