
Views on the IEO from Current and Former Management and Senior Staff

This chapter presents the views of current and former members of Management and senior staff. It contains remarks by: David Lipton, Anne Krueger, Takatoshi Kato, Murilo Portugal, Jack Boorman, and Leslie Lipschitz.

Remarks by David Lipton

Can we make independent evaluations work better for the institution and its members? The current IMF Management team believes unambiguously the answer is yes and wants the Fund staff to follow IEO reports and conclusions and follow up on their recommendations. In this note, I will review some of the strong points of the IEO's record and, then looking forward, discuss how we can improve IEO-IMF interactions in the process of follow-up to evaluation findings and recommendations. Finally, I will suggest some topics for future evaluations.

Strong Points in the IEO's Record

IEO has helped the Fund to become more transparent. When I worked at the Fund, from 1980 to 1989, not only did the IEO not exist, but it would not have been very welcome. In those days, there really was not much transparency. Article IV documents were not published. The reviews of conditionality were never reviewed by anyone else, and that is the way everyone liked it. The IMF did not speak much publicly and if it did, it was because someone inside had made a mistake that had to be clarified. Nowadays, the Fund is a much more open and transparent institution, and is trying to move as much in that direction as it can. The IEO's 10-year record of accomplishment has boosted the credibility of the Fund's effort.

There are areas both large and small where the IEO has been very influential. The IEO review of technical assistance¹ was very much used and I think continues to be so. Similarly, the reviews of programs—and what we expect to be the ongoing reviews of high-profile exceptional access cases—make a huge difference. In fact, the Fund staff now working on Greece have been reading the IEO report on Argentina² and anticipate an ultimate IEO report on Greece. And so in a

¹IEO, *IMF Technical Assistance*, 2005.

²IEO, *The IMF and Argentina, 1991–2001*, 2004.

sense, the IEO has an effect before it even puts pen to paper. And the IEO will have even more of an impact as it produces more reports on exceptional access cases. I think, though, that on a subject as broad as Fund governance, which engages large global policy issues, it is hard for the IEO to have traction.

Going Forward, Work Needed on the Follow-Up Process

Work is needed to make IMF-IEO interactions less cumbersome and more of a constructive dialogue. We in the Management team certainly want to see the IEO continue to produce hard-hitting analysis and assessments. We are open to how we can follow up better on IEO recommendations and understand that we ourselves will have to be responsive, interactive with the IEO, and transparent. To me the value of the independent evaluation system will lie not just in what the IEO does but in the ways that the Fund integrates and follows up on IEO conclusions in its detail of work. We do not want our interactions to be bureaucratic or cumbersome, but rather a constructive and useful dialogue so that the IEO and its work really function as a tool for improvement. We also want to be able to follow up IEO conclusions and recommendations in a way that allows the books to be closed and the IEO to move on to a new subject. Closing the books need not mean that we stop working on the matters, but that we can make discrete efforts for the integration of evaluation conclusions and recommendations.

Integration and follow-up perhaps already happens more than is recognized. One does see that even after an evaluation report has been made public, been discussed, and been “processed,” Fund staff continue using the results. I certainly hear plenty of staff comment, as they shape and frame their work about choices they are making that take into account IEO findings and recommendations. And, in Board discussions, IEO conclusions are frequently cited as part of the explanation for why we are doing things the way we are.

A subject that is sometimes raised is the appropriate timing of evaluations—should they be highly topical, or be done longer after the fact, to allow more time to acquire objectivity? I believe that when the Fund is deeply engaged in a subject, it needs to be able to carry on making decisions without being second-guessed in the middle of its thought processes. But I know that waiting to do an evaluation can also have its own costs and difficulties; sometimes evaluations do not come out until after the Fund has already taken corrective actions, so their findings may be either stale or misinterpreted in light of what has been done. Somehow this dilemma has to be worked through—a hard job, but an important one.

As regards evaluation topics, there are many areas in which we in the Management team believe independent evaluation can help the Fund improve. Some of these are substantive: the Fund’s risk analysis, macro-financial linkages. Some concern the way in which the Fund does business: its even-handedness, candor, analytic independence. And some concern the culture that we have been accustomed to and the ways in which we reach out and explain what we are doing to our member countries, to the public, to nongovernmental organizations, and

to others who are interested in the Fund's work. All these are areas where we believe we can learn from independent evaluation.

I look forward to my further interactions with the IEO.

Remarks by Anne Krueger

I start this short note by congratulating the IEO. The challenge it faced when it was set up was daunting: to intermeditate between the IMF staff and the Board, to be independent, to speak truth to power but not to antagonize people so much that they shut the office down. I think the IEO has carried out those tasks about as well as is humanly possible. My responses to the questions below should be taken in this context.

“Have IEO lessons and recommendations been helpful to IMF discussions on strategies, policies, and design of activities and operations?” I would answer “yes,” though with two qualifications. One is that each situation is different. Everything that one can learn from the past is helpful, but the next problem will always be different in some regard, and one must always adapt. The second qualification is that part of the reason why the IEO has been able to influence Fund discussions is that the Fund has always had a learning culture. As an example I would cite the Asian crisis in the late 1990s, and the reports on the observance of standards and codes and then the financial sector assessment programs that the Fund introduced in reaction to the problems underlying the crisis. I think the Fund since its inception has been more of a learning institution than almost any other institution I can think of, in the sense of adapting to the problems of the time. And I think the IEO makes it even more so.

“Have IEO lessons been integrated into IMF operations?” An important point is that there must of necessity be a time lag between when something happens and when the IEO evaluates it and makes a report. This is because, aside from simply the time that is needed to carry out an evaluation—to talk to people to establish what happened, and so on—we need time to get distance and perspective. What one might say about a certain situation six months later and what one might say two years later are not necessarily the same. Time does help provide perspective to evaluation. It can also ease the acceptance and integration of evaluation findings and lessons. A problem in integrating IEO findings, that is difficult to surmount, is that when matters are politically sensitive, and the political actors who were involved are still in place, it is very difficult to view them in a way that is balanced enough for evaluation findings to be internalized and acted on. On the whole, I think IEO recommendations have been integrated into operations. Not necessarily only by the process of going through Board discussion, but also by staff talking among themselves informally as they read the reports and react to them. Many informal mechanisms have helped that integration.

“Has the IEO helped to promote a stronger learning culture?” Yes, though I think this culture was already very strong at the Fund. “Has the IEO helped to bring about alternative ideas and helped staff to challenge prevailing assumptions?” I always have misgivings on this issue. On the one hand, of course you want staff to challenge, but

on the other hand we do not need every new staff member who comes to the Fund to try to rediscover the wheel or, worse yet, to decide that the wheel is really square when it is not. The IMF was always good at learning, and I think it still is. How much more challenging of assumptions is desirable is hard to say.

“Has IEO found the right balance of learning and accountability in the selection of topics?” Some of the evaluation reports that were issued when I was at the Fund made criticisms that could only be addressed by altering systemic features of the IMF, rather than by improving the management of the specific activities that were evaluated. Let me give an example. The Fund should be stronger than it is on trade issues, as the IEO has argued. But it cannot be. The reason why is very simple. IMF staff, like all staff, look at their career prospects. To make a valuable contribution and be respected in the trade community takes a very different skill set than the one you need to make a valuable contribution in the macroeconomic or financial area. When I was at the Fund, staff who had trade interests very soon moved away into the more mainstream staff, and to get good work done on trade issues was a matter of bringing people in from outside for temporary assignments. Thus, to evaluate what the Fund did in trade calls for looking at the nature of the Fund’s career stream. I could give other illustrations of where something in the nature of the Fund’s overall institutional practices influenced what happened in particular cases. For example, the lack of institutional memory in the Fund is breathtaking: very few people stay in their jobs for any length of time, and there is no built-in opportunity for continuity in a way that one might wish. To say that this is a problem, and creates problems, is true. But it is not at all clear that an alternative might not create more problems. I mention this merely to emphasize that some of the difficulties IEO has pointed to are not specific to single issues, but are systemic to the way the Fund conducts its operations.

“How can IEO better explain and disseminate its conclusions and recommendations among Management and staff?” I do not know that it can. IEO reports are unquestionably well written. I do not think evaluations should be issued much sooner than they are—largely because of political sensitivities. I believe that there should be discussion with Fund Management along the way. Management has disagreed quite strongly with some of IEO’s recommendations and that needs to be sorted out. I do not think the solution is to make recommendations to the Board before Management gets into the act. I do not have any strong suggestions here except that Management must be allowed to have a say before a set of recommendations gets “cast in concrete.”

Having said all this, let me go back to where I started and say I think that the IEO in difficult and treacherous terrain has done a wonderful job. I hope the next 10 years are as productive as the last.

Remarks by Takatoshi Kato

I worked for the IMF over the years 2004–10 as a member of the Management team and thus observed six years out of the IEO’s first decade. In this note I first review the different dimensions of my engagement with the IEO and then

propose three areas for improvement in the IEO's functioning: creating more buy-in for the IEO's role from outside stakeholders, strengthening evaluation reports, and streamlining the interactions with IMF staff.

Three Levels of Engagement with the IEO

During my time at the Fund my engagement with the IEO occurred on three levels. First, the IEO came up frequently in Management discussions, largely in regard to Management's stance on interaction with the Office. While Management acknowledged the critical contribution of the IEO's work, a constant concern was whether interaction with the IEO was absorbing excessive staff time. The Fund's work process is so institutionalized and highly mechanistic that quite a few Fund staff need to be involved in responding to requests from the IEO, whether for factual checks or for comments on IEO drafts. And, after IEO findings are discussed at the Executive Board, staff are asked to prepare an action plan responding to the IEO recommendations.

Second, certain reviews by the IEO were "must" reading for Management as basic reference points in dealing with external stakeholders. In my case I can cite such works as *The IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil* (2003) and *The IMF and Argentina, 1991–2001* (2004). The lessons identified in these reports did influence the thinking of the Fund's staff and Management, including in dealing with a large number of requests from member countries for Fund financial assistance in the period of the global recession following the collapse of Lehman Brothers.

Third, certain IEO reports are relevant regardless of whether or not one agrees with their recommendations. The findings of *Structural Conditionality in IMF-Supported Programs* (2007) were, in my view, subsequently operationalized in Fund work. As regards Fund assistance to Sub-Saharan member countries, as evaluated in *The IMF and Aid to Sub-Saharan Africa* (2007), it is my view that Fund advice and in certain cases Fund conditionality contributed to sound economic management in no small number of these countries. At the same time, I accept that report's view that there are gaps between what is expected of the Fund and what the Fund delivers, and that the Fund needs to engage a wider range of stakeholders.

A Free-Functioning IEO Is Indispensable

Looking ahead, let me start by stating the obvious: for the Fund to be credible the free functioning of the IEO is indispensable. The need for an IEO is one critical lesson the Fund learned from its experiences in dealing with the 1997–98 Asian currency crisis.

Three Proposals for Improving the IEO's Effectiveness

- *Work to create more buy-in for IEO from outside the Fund.* It seems to me that the IEO needs to raise its profile to popularize its legitimacy. Various means could be used for this purpose, for example regularly seeking inputs from

the media community, or undertaking dialogue with high-profile external stakeholders such as IMF's regional advisory groups.

- *Strengthen the analytical foundation of IEO reports and make them quicker to read.* The second area for improvement concerns the substance of IEO reports. To the extent that an IEO report is an independent critique of Fund policy developments, it must be thorough: its writers must do a detailed examination of Fund documents and seek the views of the authorities. But I must say that to read an IEO report requires lots of mental and physical stamina. To encourage reading by a wider audience, a different format—such as around ten pages of main report, with detailed annexes—might be more appealing. Further, in some cases the analysis in IEO reports seems too conventional. It might be worthwhile to invest more heavily in the preparatory phase of a report in order to create a more solid analytical foundation, in some cases seeking inputs from an academic advisory panel the IEO might wish to establish.
- *Streamline IEO interactions with IMF staff.* The third area for improvement is the IEO's working relationship with the Fund staff. By design, the existence of tension between the two sides is healthy. As viewed by Fund Management and staff, however, the whole IEO process over time has become very mechanical and bureaucratic. There may be room to streamline this process. One idea might be to conduct extensive discussion on IEO recommendations between the IEO and the Fund staff before an evaluation report is finalized, at the same time reducing the number of comments by Fund staff on the draft report.

Lastly, I feel that IEO's first decade of experience has been very rewarding, both to IEO itself and to the Fund Management and staff. And so I would like to pay tribute to the history of IEO in the first decade.

Remarks by Murilo Portugal

The following are the remarks that I intended to deliver at IEO's Ten Years Conference. Regrettably, at the last minute I had to take care of unexpected obligations and I was not able to travel to Washington. Still, I submitted this statement and I am delighted that it will be included in the edited volume. Some brief general remarks about my experience with the IEO in its ten years of existence, before I try to address the questions about the IEO's contribution to IMF operations suggested by the organizers of the conference.

My overall view is that the IEO has made an essential and very positive contribution to the IMF during these 10 years and that it has largely met the objectives for which it was created. Of course, as with everything else in life, there have been shortcomings in the IEO's performance and there are things that can be improved, and I will return to these later on. But on the whole, I have no doubt that the balance is largely positive: we have much more to celebrate in these 10 years of existence than we have things to improve in the IEO's performance going forward.

I was an IMF Executive Director when the IEO was created in 2001. There were then many doubts about whether or not to establish such an office, and especially about how to structure it to avoid some of the pitfalls experienced by other organizations that had established evaluation entities. We did not want just an internal evaluation department working only on technical topics with an inward-looking orientation. But neither did we want a tribunal-type of office to judge external complaints on the Fund's performance, working solely on provocation by and on behalf of external audiences.

I think that on the whole the initial design and the actual practice of the IEO during its 10-year life have managed to produce an agency that is totally independent from IMF Management and staff, and works at an adequate arm's length from the Board, setting its own work agenda, directly recruiting its own staff, and having budgetary independence—an agency that has as its major focus to promote a learning culture inside the IMF, but that also contributes to strengthening accountability and that has had a concrete, discernible, and positive impact on IMF operations in general.

This success is certainly a tribute to the IEO staff and directors over the last decade, who have managed to conduct 18 evaluations on difficult topics producing concrete recommendations based on facts and findings. And I compliment them for their achievements.

But perhaps IEO's success is an even bigger tribute to the IMF staff, Management, and Board who understood the importance of learning from mistakes and who cooperated in good faith with the IEO in its mission. Only an institution like the IMF—which values the power of ideas and is staffed by people of such technical caliber, high values, and strong work ethic—would have the confidence to acknowledge that mistakes are inevitable due to the fallibility of any human undertaking; that the only positive aspect of mistakes is that they provide an opportunity for learning; and that correcting and avoiding mistakes in the future is more important than apportioning blame for the past.

Has the IEO Been Helpful in IMF Discussions of Policy and Operational Design?

Let me turn now to the issues suggested for discussion by the panel, of which the first is whether the IEO has been helpful in the IMF's discussions of strategies and policies and in the design of activities and operations.

My answer is yes. Of course, the IEO has not been the only or even the most important influence in setting strategies and policies—but it has been a positive and important one. The process of setting strategies and policies in the IMF is complex, and responds to many stimuli and considerations, the first of which is each country's own national interest and the distribution of power among countries in the decision-making process. Other important factors include the urgency of decision-making and threats posed by the country's external environment, and the leadership of the IMF that is provided by the Board and Management. But also important are past experience, past performance, and past mistakes, and it is in this area that the IEO's contributions have occurred and can be felt.

My impression is that, in general, the IEO's influence is likely to be larger in the design of activities and operations than in the setting of broad strategies and policies. I would mention here two examples with which I became more familiar during my period as Deputy Managing Director and which had been subject to past IEO evaluations: technical assistance (TA) and the Financial Sector Assessment Program (FSAP).

On technical assistance, we did follow through on the IEO's recommendations to discontinue the use of prioritization filters in the allocation of TA, to develop a medium-term framework for setting TA priorities, to involve country authorities more in the design of TA activities, to improve ex-post evaluations, and to put in place more systematic procedures for disseminating lessons with the wider-circulation publication of TA reports. However, some major strategic decisions that came to be made in the design of the Fund's new TA policy—such as increasing the delivery of TA through regional technical assistance centers (RTACs), with an expansion of 66 percent in the number of RTACs, and greater reliance on external resources—did not evolve from IEO's suggestions but were responses to the tight budget constraints that the IMF faced.

On FSAP, the IEO recommended sharper criteria for priority setting, with IMF Management signaling priorities for the Board independent of whether countries volunteered to undergo these assessments. This recommendation was followed through, as were the IEO's recommendations to strengthen the link between financial stability assessments and Article IV surveillance, to more clearly prioritize the recommendations of these assessments, and to have a mechanism to coordinate better with the World Bank. But the Fund is still struggling with the recommendation to strengthen the link between financial sector issues and macroeconomic issues and to have more coverage of cross-border financial issues, even if some progress has been made in this area.

Are IEO Lessons and Recommendations Integrated into IMF Activities and Operations?

Another set of topics we were invited to discuss is whether IEO lessons and recommendations are being integrated into IMF activities and operations and how the process of monitoring the implementation of these recommendations can be improved.

Again my general answer to these questions would be that, yes, the recommendations are being integrated into IMF operations. I have already mentioned two cases I am familiar with. But in general I think there was an improvement in the follow-up of IEO recommendations with the creation in 2007, after the Lissakers Report,³ of a monitoring report that is periodically presented to the Board.

Of course, improvements can still be made in this area. On the Management and staff side it is important to avoid the risk that after a recommendation is

³"Report of the External Evaluation of the Independent Evaluation Office" (Lissakers Report), March 2006. Available online at www.icio-imf.org/icio/files/evaluationoficio/032906.pdf.

documented as implemented in one of these periodic reports, it is forgotten in practice. The reports document whether a recommendation has been mainstreamed or not. But even after it is mainstreamed it still needs to be followed as a work routine.

One improvement that would help is if the IEO were to be more selective in its recommendations. The average number of recommendations per IEO evaluation report has been six headline recommendations and nine sub-recommendations. (Some IEO reports have offered twice these average numbers.) The total number of recommendations and sub-recommendations of the 18 evaluations is 261. This is too large a number to monitor permanently except at very high cost. And making too many recommendations also leaves the way open for staff and Management to choose which recommendations to follow up.

So my suggestion is to make fewer recommendations, to prioritize more clearly among them, and to distinguish more sharply between the objectives that the IEO believes must be pursued and the good ideas that the IEO considers that the Fund may choose to explore or not.

It is also important to frame the recommendations appropriately. Recommendations pitched at too general a level leave room for different interpretations and for claims that they have been implemented. Here it is important to stress that the recommendations should be specific in terms of the *objectives and the goals*, but not on exactly *how* the objectives are to be achieved: decisions on specific actions should be left to staff and Management.

I believe that the IEO's main purpose should continue to be to promote a stronger learning culture, and not to establish who was responsible for which mistake that was made. Individual accountability is very important and should be more strongly promoted in the IMF, but I see this task as the function of other bodies and mechanisms than the IEO, for example, direct supervisors, Management, the Board, and structures such as the Office of Internal Audit and Inspection. The Fund needs an instrument for learning that is different from the instruments for promoting individual accountability. Making these two institutional imperatives the task of a single instrument may reduce the openness to recognize mistakes and correct them.

IMF staff, Management, and Board all work under severe pressure. Urgent and difficult decisions need to be made using only incomplete information and within sharp political, financial, and operational constraints. It is easy to be the engineer of a project that has already been built. And it is easy to find mistakes with the benefit of hindsight. We should punish gross negligence. But we should accept genuine, good-faith mistakes. We should not discourage staff and Management from taking measured risks for fear of later blame. The mistakes of inaction are usually greater than the unavoidable mistakes of action.

Remarks by Jack Boorman

I was not initially supportive of establishing an IEO in the Fund. So I will start this note by saying that I have been persuaded that I was wrong, and I now believe

that the IEO has done well in performing a much needed function for the Fund. I am less sure about whether the Fund has learned to effectively consider the findings and recommendations drawn from the IEO's work and integrate them appropriately into its organization and its work.

So, notwithstanding my conversion, there are some issues that I think warrant consideration to help increase the impact of the work done by the IEO and to increase its effectiveness. I will raise just two: (1) the monitoring or tracking of the Fund's reactions to IEO recommendations; and (2) the selection of topics for evaluation, and then make a recommendation about interactions between the IEO and IMF staff.

Follow-Up to Evaluations

Clearly the effectiveness of the IEO's work depends on the quality of its assessments, the relevance of its recommendations to the problems that are identified, and the action taken by the Fund in response to those recommendations. My impression is that the processes set up to monitor the way in which recommendations are followed up leave something to be desired. The main vehicle is the Periodic Monitoring Reports (PMRs) that are prepared by Fund staff and that key off the Summings Up of the Board discussion of the evaluation. These monitoring reports are discussed by the Evaluation Committee of the Board. My impression after looking through some of them is that they follow too closely a "check the boxes" approach on actions taken in response to the IEO's recommendations. They report the status of the implementation of promised actions, but give little, if any, assessment of the effectiveness of such actions. This problem seems to be recognized by the Evaluation Committee of the Board. (In its most recent report to the full Board, the Committee indicates that "the process for endorsing IEO recommendations and related follow up needs to be strengthened.")

But what needs to be done? I would make several suggestions.

First, and perhaps most important, reviews of progress need to go beyond "checking the boxes." They need to delve into the effect of the actions taken in curing the ills and achieving the goals at which the IEO's findings and recommendations were aimed. There may also be questions as to whether the Summings Up themselves serve as an appropriate vehicle to determine exactly what the Board endorsed. (This problem with Summings Up is, in my view, not limited to those related to IEO evaluations.) Like the PMRs and Management Implementation Plans, there may be fundamental flaws in these documents and the processes they are intended to serve.

Second, in many cases, the issues raised are too important to be left to a committee of the Board—the entire Board should review the progress made in implementation and its effectiveness. Perhaps this could be done by the Board meeting in formal session as a Committee of the Whole. Such a meeting could be chaired by someone other than Management and could report its conclusions to Management. This might also help reduce some of the perceived and real conflicts of interest that are apparent in the current procedures.

The clearest case for this kind of procedure can be made with respect to the recommendations that were made in the IEO evaluation of IMF governance.⁴ Governance is an overwhelmingly important issue for the Fund, and one on which many people remain disappointed. I realize that novel procedures, not used in the follow-up to other IEO reports, were employed in the follow-up to the *Governance* report.⁵ But Fund governance is an issue requiring continuous review by the Board. I also recognize that the full Board can be asked to review any report from the Evaluation Committee. But the language used in the Board's guidance on the issue prejudices the case. It says "It (is) expected that, although a Board discussion could not be ruled out, in most cases the Evaluation Committee discussion would replace a Board discussion." To me, this creates the wrong expectation.

Third, the IEO itself should periodically review the actions taken by the Fund in response to its evaluations. I will come back to this point.

Topics for Evaluation

Has the IEO missed anything important in its selection of topics to review in the last 10 years? It would be surprising if it had not. Below I will suggest some topics that the IEO might consider addressing in the near future.

Ongoing crisis in Europe. As Joanne Salop's "Retrospective" paper⁶ shows, the IEO focused most of its attention in its first five years on the IMF's work with developing countries. In the last five years that has changed somewhat, with greater attention to surveillance issues and the fact that the 2008 financial and economic crisis cried out for an examination of what and why the Fund had missed in the lead-up to that crisis. I agree with Salop that the IEO will need to pay greater attention to the IMF's work with the economically advanced economies. In fact, it is not too early, in my view, to start a timely investigation of the IMF's role in the lead-up to and the handling to date of the ongoing crisis in Europe. I recognize that the IEO's Terms of Reference say that "In conducting its work, the IEO should avoid interfering with operational activities, including programs, or attempting to micro-manage the institution."

That is a proper constraint on its activities. But I believe the IEO should be able to take on a study of the issues raised by the Fund's involvement in this crisis without violating those constraints. There are critical issues crying out for examination. If the topic is too large and still too sensitive, perhaps it can be broken down into parts as the beginning of a more complete evaluation. I am not naive about the sensitivities here, but I believe the critical issues raised by the Fund's involvement in this crisis warrant an early look at the experience thus far.

⁴IEO, *Governance of the IMF: An Evaluation* (2008); discussed by the Board in May 2008.

⁵The appointment of a committee chaired by [former Executive Director] Thomas Moser, which reported in July 2008, and the subsequent appointment of a committee chaired by Trevor Manuel. See *Committee on IMF Governance Reform: Final Report*, March 24, 2009.

⁶Joanne Salop, "IEO Retrospective: Ten Years of Independent Evaluation at the IMF" (see Chapter 8 in this volume).

IMF downsizing. An issue that does not raise these kinds of problems and is overdue for assessment is the IMF downsizing exercise of 2007–08. There are important questions about what—and who—motivated that exercise; what kind of analysis led to the plan that was finally adopted; how it fit with the vision of the role of the Fund going forward; and the price that was paid in terms of the Fund’s capacity to deal with the crisis that began in the United States before the downsizing was even completed—and with the current crisis in Europe. In this context, a study could be done of the expectations that were emerging at the time the downsizing decisions were taken, regarding the Fund’s future financing role. Some parties seemed to think that since the IMF’s role as a provider of financing to all but the poorest member countries was over, it would be appropriate to downsize the institution. Such an evaluation could also be a medium for raising questions about the appropriate financial size of the Fund. To me, it is not at all clear why the IMF should be raising financial resources in an ad hoc manner in the face of crises in the way that it has been doing. Among other things, that practice is an impediment to better governance.

IEO assessments of follow-up actions. Finally, I would relate the future agenda for work of the IEO to the need I mentioned above, for the IEO itself to conduct periodic assessments of the actions taken by the Fund in response to IEO findings and recommendations. These reviews should include an assessment of whether the recommendations that were endorsed by the Board left out something critical to reaching the goals that were laid out in the IEO report. Further, and as I mentioned above, I believe the Board should be assessing the *effectiveness* of actions taken and not simply the *status* of those actions.⁷ Follow-up evaluations by the IEO could provide helpful feedstock for such assessments.

Whether or not the Board takes that next step, I believe the IEO itself should take on the task. I would put high on the list a follow-up to the 2008 IEO study of *Governance*. There have been important changes since this evaluation was issued: including the decision to increase the IMF quotas and associated voting power of members; improving the workings of the International Monetary and Financial Committee, including in the face of a newly revitalized G-20; and others. But there remain serious weaknesses in the Fund’s governance structure that continue to impede its effectiveness. This is a critical issue for the Fund, warranting periodic review by the IEO of the steps being taken to deal with the problems that have been identified, and the effectiveness, or not, of those actions.

IEO Interactions with IMF Staff

A last point I want to raise is the *attitude of* and the *involvement of* Fund staff with the IEO in the process of IEO evaluations. Clearly some of the IEO reports have riled some staff. This is to be expected if the IEO is doing its job. But it is not healthy if it reflects a tendency on the part of the staff to reject criticism. If there is an element of this, IMF Management needs to send a strong signal that the

⁷See Table 1, page 5 of the Fourth PMR.

institution is expected to absorb and act upon lessons from the outside—including from the IEO, and that staff will be supported for doing so constructively.

Plenty of contacts take place between the IEO and Fund staff. Staff are surveyed and/or interviewed for most IEO investigations and studies. Similarly, staff get to react to proposals for IEO evaluations and to completed evaluations. Staff also prepare the PMRs and MIPs that are submitted to the Board. There is also some one-on-one contact between Fund staff and the IEO working on evaluations.

But I believe more Fund staff members could benefit by spending time in the IEO and experiencing first-hand how evaluation projects are managed and carried out. (I also believe that the diversity of skills and experience that Fund staff could bring to the IEO's work would be valuable for the IEO.) Of course there are issues that would need to be dealt with to assure the independence of the work of the IEO, and there are also confidentiality issues. But these can probably be resolved. The benefits for the Fund and the IEO, as well as for the individual staff members, could be significant.

Remarks by Leslie Lipschitz

First I will comment on the implications of evaluating sensitive topics and topics that are “live” now rather than retrospective. I will then take issue with the view that the IMF itself lacks institutional memory; and, finally, I will say something about the duration of country assignments for IMF staff.

The need for a cooling-off period before evaluation, so as not to stifle IMF internal debate. An unwritten injunction in the IMF when I was working there was, “First let’s figure out what we believe and then let’s figure out what we’re going to say.” This sounds simple but is actually quite profound. Without this injunction, staff will implicitly be encouraged to anticipate what their bosses want to hear or what will be seen as the politically sophisticated and wise position—one doesn’t get promoted for taking contrarian positions. Thus contrarian or even imaginative views will be stifled. On the other hand, if the leadership of the institution follows this injunction it allows—indeed encourages—the airing of a wide spectrum of views, from mainstream to contrarian, *before* deciding on what is right. It may then be another step to decide what is politically feasible and how to move that toward what is right—this will determine the official institutional view. I can think of numerous occasions where I personally argued vigorously against the consensus, but then went to the Board the next day to defend it. That is the mark of a really disciplined, effective organization. Inside the organization you can have a completely frank discussion, but this will not be the case if you believe staff members will go to the press the next day to push their own particular views.

And this is why I think that issues that are really live and sensitive are probably not right for the IEO to examine. The IEO must be careful about this because by underscoring and publicizing differences in views within the institution, one can

kill open debate and the willingness of the leadership to elicit a broad range of views.

Parts of the Fund have an excellent institutional memory. I spent a lot of my time in the IMF Policy Development and Review Department which, as far as I recall, had an absolutely phenomenal institutional memory. Some strange quirk would come up in capital markets, for example, and I would ask staff if we had any prior examples and they would answer, “Yes, this happened here in 1977 and there in 2002, and this is how we examined it at the time.” This, to my mind, was always a unique strength of the institution.

Mission assignments should last longer. IMF staff who are assigned to work on a particular country tend to be reassigned after two years and only a few missions. This does a disservice to member countries. Longer assignments facilitate an accumulation of knowledge, understanding, and wisdom within mission teams, and often a tremendous buildup of trust on the part of the authorities in the mission teams with whom they are having discussions over a period of years. The Fund would do better to lengthen assignments, to let a talented economist get promoted to senior economist and perhaps to mission chief as she continues to work on the same country or group of related countries and as she builds a reputation in the country and the region.