

IEO: Achievements and a Vision for the Future

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After ten years of existence, it is opportune to assess the contribution and impact of the IEO. This note reflects on the IEO's achievements over the past decade and the challenges it faces to continue to fulfill its role in supporting the Board in oversight and strengthening the IMF's effectiveness and transparency. I also take the opportunity to think about ways in which the IEO can better help the IMF to do its job.

The Role of Independent Evaluation at the IMF

A decade ago, the IEO was created to strengthen learning and accountability at the IMF, and to enhance understanding among external stakeholders of how the institution works. These tasks are even more important today, when the legitimacy and trust of the IMF are more critical than ever. I believe that a strong and effective independent evaluation function is critical to the IMF's effectiveness, credibility, and legitimacy.

The IEO operates independently from IMF Management and “at arm’s length” from the Board. The IEO decides on what topics to evaluate. We consult extensively with country authorities, the Board, Management, staff, and external stakeholders. But the final decision is ours, based on an independent assessment of institutional priorities, while making sure to avoid interfering with operational activities. Similarly, we share drafts of our reports with Management and staff and ask them to point out any factual errors. But they cannot insist that IEO make any changes to the reports’ conclusions or recommendations.

The value of independent evaluation at the Fund, an institution with highly skilled staff, rests on the opportunity it provides to reflect on past efforts to extract lessons for the future in a way that no unit in the Fund can do. We constantly protect this independence, but we also recognize it as a great responsibility, since the independence of the IEO is its most precious asset. Independence adds value, enhances the credibility of our reports, and by extension, of the IMF itself.

The conference to commemorate the IEO's first 10 years was structured around three panel discussions. The Executive Directors’ panel focused on the

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IEO's role in accountability and oversight; the Management and staff panel focused on the IEO's contributions to distilling lessons from experience and fostering a learning culture; and the external stakeholders' panel focused on the IEO's contributions to enhancing transparency and in making lessons from IMF experience available to the membership and others.

There is some tension among these three sets of objectives, as there is among the varied interests of different stakeholders in independent evaluation. But there are also complementarities. Greater transparency contributes to both accountability and learning. And an effective accountability framework provides incentives for staff to learn and to change in response to lessons from experience.

The IEO has produced 18 evaluation reports¹ since its inception in 2001, and we are currently working on three more. Each evaluation has multiple audiences and goals, and is shaped, to different degrees, by each of IEO's three sets of objectives. For example, the evaluations of *The IMF and Argentina*, *The IMF and Aid to Sub-Saharan Africa*, *IMF Exchange Rate Policy Advice*, and *IMF Performance in the Run-Up to the Financial and Economic Crisis* aimed mostly at supporting accountability and oversight. Those of *IMF Technical Assistance*, *Financial Sector Assessment Program*, and *Research at the IMF* gleaned lessons from IMF activities in order to support learning. The *Evaluation of Prolonged Use of Fund Resources* addressed accountability and learning more or less equally, and *Evaluation of the IMF's Role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility* and of *Governance of the IMF* sought to help external audiences better understand the workings of the IMF.

On the whole these reports have been very well received by the Board and by external audiences. For the most part IMF Management and staff have also appreciated our work, even if they have sometimes become defensive in the face of evaluators' 20/20 hindsight. But hindsight and the defensiveness it can engender are integral to our work: it is our mandate to try to distill lessons after the fact, and it is natural for staff to sometimes respond by defending their actions based on what they knew at the time.

Responses to the First External Evaluation

The IEO's work of the past five years has been greatly influenced by the report of the first external evaluation of the IEO, which was issued in 2006 and led by Karin Lissakers, a former IMF Executive Director who had been centrally involved in creating the IEO.

The external evaluation concluded that the IEO had served the IMF well and that it had earned strong support across a broad range of stakeholders. At the same time, the report expressed concern that the IEO tended to shy away from some sensitive evaluation topics, that IEO reports failed to analyze in depth the reasons behind problems, and that IMF Management and the Executive Board

¹These are listed and summarized in Part IV below.

had paid insufficient attention to follow-up. It recommended that IEO issue shorter, more focused reports with more pointed recommendations. It also proposed that the Executive Board create a framework to engage Management and staff on the follow-up of IEO reports.

In preparation for the Ten Years Conference in 2011, the IEO produced three background studies that together provide insights into the progress made since the Lissakers Report was issued.

The first of these—a description and analysis of the evaluation process (Abrams and Lamdany, Chapter 7)—reports that the process of preparing IEO evaluations has gradually become more systematic and perhaps more efficient. In fact, greater uniformity and efficiency may not be possible or desirable since the issues covered by IEO evaluations are very different in nature and scope.

The second study (Salop, Chapter 8) assesses how IEO reports have evolved over time in regard to themes, methodologies, presentation, and the type and number of recommendations. It notes that the content and structure of IEO's evaluations have responded to the findings of the Lissakers Report: topics have become more focused on big policy issues and more often than before they target the Board and member country authorities as their main audience. The reports are shorter and make fewer recommendations. But there is still scope for making all reports more readable.

The third study (Stedman, Chapter 9) assesses the degree of implementation of IEO recommendations, as one way of looking at the impact of IEO evaluations. Its results are encouraging but they raise questions on the current framework for follow-up, including for monitoring implementation. Following the Lissakers Report, a framework was established to ensure that IEO recommendations endorsed by the Board are implemented in a timely and effective manner, and to monitor this implementation. But though this was an improvement over the previous absence of a formal system, the Evaluation Committee of the Board has pointed out that certain findings and problems keep arising, indicating that underlying issues in the follow-up process have not been addressed.

Of the recurrent themes in IEO evaluations, four of the most prominent are:

- (1) The need to strengthen IMF governance, including by clarifying roles and responsibilities—all the way from the International Monetary and Financial Committee and the Board to Management and senior staff.
- (2) The importance of greater evenhandedness across the membership in the application of policies and the framing of advice.
- (3) The need for the Board and Management to set incentives for an environment in which staff feel comfortable expressing alternative views in internal debates and feel supported in raising difficult issues with country authorities, even in the largest countries.
- (4) The need to better integrate analytical and operational work across departments. To this end, the IMF needs to better align organizational incentives with institutional goals so that there is more cooperation, fewer turf battles, and less silo behavior.

Evaluation Recommendations and Follow-Up

Today, follow-up seems to be the weakest link in the evaluation cycle.

Overall, the 18 IEO reports made about 350 recommendations and suggestions. Of these, about 120 are high-level recommendations. The others range from examples of how to implement the main recommendations to suggestions that sometimes deal with issues that are not as critical. Of the high-level recommendations, the Board endorsed about half and partially supported another third. However, there is no record of the extent of implementation of recommendations, beyond the accounts of initial actions that are given in the Fund's periodic monitoring reports.

For illustrative purposes, the IEO gathered information on the implementation of Board-endorsed recommendations made in a sample of seven evaluations that were prepared between 2005 and 2009.

How much was done and how meaningful were the actions taken?

- About one in four of the Board-endorsed recommendations have been or are being implemented satisfactorily—that is, they have been implemented in full or are being implemented at an appropriate pace.
- On more than half, some actions have been taken—but they were either partial or they have stalled.
- For about 15 percent of the Board-endorsed recommendations there has been no or only nominal follow-up.
- And for about 10 percent we could not find information to discern action.

While these findings are somewhat positive, they raise concerns about whether the follow-up and monitoring frameworks of IEO's Board-endorsed recommendations are adequate, or leave the IMF exposed to implementation falling short on critical issues.

The IEO, for its part, has been struggling to decide on how best to present its recommendations. Should they address broader policy issues, or instead provide guidance for specific reforms? Specific recommendations could help the Board clarify what changes it wants to see, and their implementation is easier to monitor. On the other hand, the Board may reject a specific IEO recommendation, even if it agrees with its broader goals—and hence leave IMF staff unclear about what reforms they should pursue. Moreover, IMF staff may be better placed than the IEO to identify specific ways to achieve broad goals endorsed by the Board.

Measuring the extent to which IEO recommendations have been implemented is not the only way to assess the success of independent evaluation at the IMF. The actual benefits from evaluation reports depend on the many uses derived from them. There is no doubt that the IEO's contributions have led to vigorous debate both outside and inside the Fund. Introspection is an important catalyst for change, and we are glad that the IEO has contributed to this internal debate. To sum up, we have much to celebrate, as the IEO has made significant strides in distilling lessons from experience, in assisting the Board in its oversight, and in providing a credible window for external stakeholders to understand the workings of the IMF.