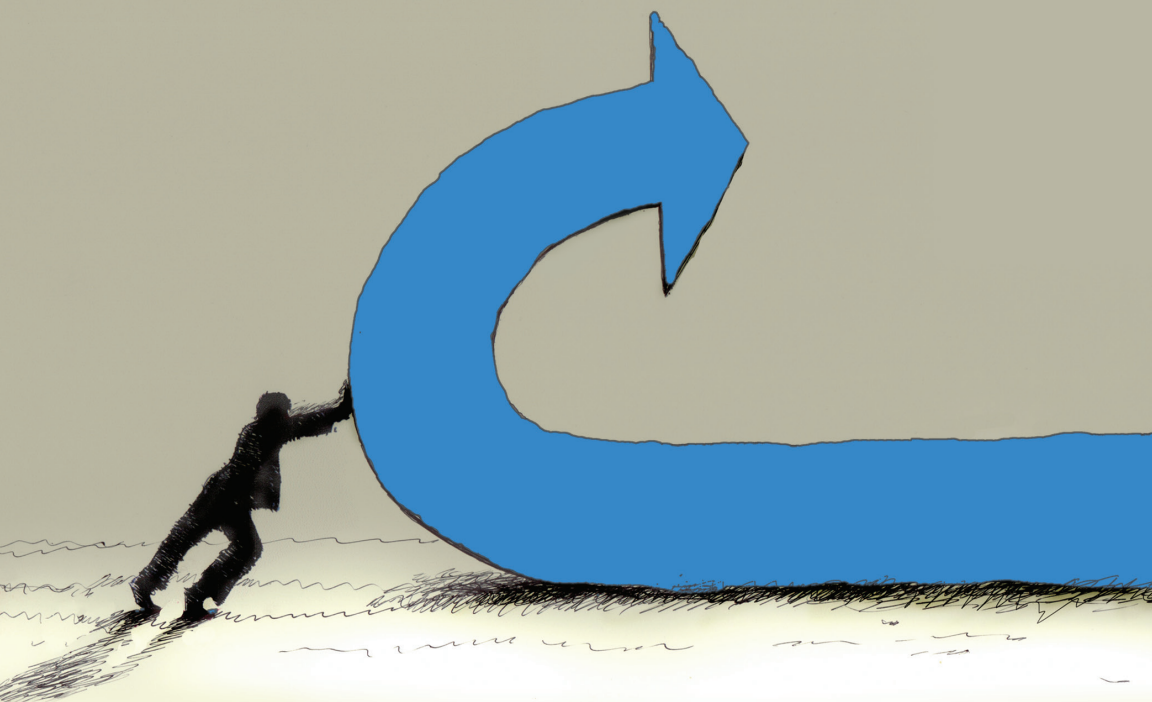


# The International Monetary Fund and the Learning Organization

## The Role of Independent Evaluation

Moisés J. Schwartz and Ray C. Rist



The International  
Monetary Fund and the  
Learning Organization  
The Role of Independent Evaluation

Moisés J. Schwartz and Ray C. Rist

© 2016 International Monetary Fund

Cover design: designMind, Washington, DC

**Cataloging-in-Publication Data**  
**Joint Bank-Fund Library**

Names: Schwartz, Moisés J. (Moisés Jaime), 1962– | Rist, Ray C. |  
International Monetary Fund.

Title: The International Monetary Fund and the learning organization : the  
role of independent evaluation / Moisés J. Schwartz and Ray C. Rist.

Description: Washington, DC : International Monetary Fund, 2016. |  
Includes bibliographical references.

Identifiers: ISBN 9781475546675 (paper)

Subjects: LCSH: International Monetary Fund. Independent Evaluation  
Office. | Financial institutions, International—Evaluation. | Corporate  
governance. | Organizational effectiveness.

Classification: LCC HG3881.5.158 S376 2016

**Disclaimer: The views expressed in this volume are those of the  
authors and do not necessarily represent those of the IEO or the IMF.**

Publication orders may be placed online, by fax, or through the mail:

International Monetary Fund, Publication Services  
P.O. Box 92780, Washington, DC 20090, U.S.A.

Tel.: (202) 623-7430 Fax: (202) 623-7201

E-mail: [publications@imf.org](mailto:publications@imf.org)

Internet: [www.elibrary.imf.org](http://www.elibrary.imf.org)

[www.imfbookstore.org](http://www.imfbookstore.org)

---

# Contents

---

<b>Foreword</b> .....	<b>vii</b>
<b>Preface</b> .....	<b>ix</b>
<b>Abbreviations</b> .....	<b>xi</b>
<b>1   Introduction</b> .....	<b>1</b>
The Twin Pivots of Accountability and Learning .....	3
Independent Evaluation at the IMF .....	4
What Needs to Change? .....	5
Outline of This Book.....	5
<b>2   Independent Evaluation at the IMF: A Brief History</b> .....	<b>9</b>
In the Beginning .....	9
The Creation Story Continues .....	13
Watching the Watchers.....	14
<b>3   The Institutional Role of Independent Evaluation</b> .....	<b>19</b>
The Benefits of Independent Evaluation.....	19
Safeguards to Ensure Independence in Evaluation .....	21
The Creation of the IEO: The Establishment of a New Contract.....	22
The IEO’s Experience with Independence .....	26
Independence Is Not Isolation.....	27
<b>4   Independent Evaluation and the Tension Between     Accountability and Learning</b> .....	<b>31</b>
Accountability and Learning .....	32
New Wine in New Bottles—Or a Better Approach to Accountability.....	35
<b>5   The Learning-Accountability Spectrum in IEO     Evaluation Reports</b> .....	<b>37</b>
The IEO, Learning, and the Fund .....	37
Accountability and Learning Findings in IEO Reports.....	38
Can Learning and Accountability Complement Each Other? .....	45
Can Learning and Accountability Result from Self-Evaluation? .....	47
<b>6   Friction by Design and Other Structural Issues That Have     Hampered Independent Evaluation at the IMF</b> .....	<b>49</b>
Friction by Design .....	51
Receptivity of IMF Management and Staff to IEO Findings.....	52

Staff Views of IEO and Their Impact .....	53
Recording of Executive Directors' Positions on IEO Recommendations .....	57
Lack of Clarity in IEO's Terms of Reference .....	59
IEO's Evaluation on <i>The IMF and the Crises in Greece, Ireland, and Portugal: A True Test of IEO's Independence</i> .....	61
<b>7   Organizational Learning, the Learning Organization, and Independent Evaluation .....</b>	<b>65</b>
From the Learning Society to the Learning Organization .....	65
Organizational Learning and the Learning Organization .....	66
What Can Undermine a Learning Organization? .....	71
The Learning Organization in the Public Sector.....	72
Independent Evaluation and the Learning Organization.....	74
<b>8   Organizational Learning: The IMF's Use of New Knowledge Generated by the IEO .....</b>	<b>77</b>
Three Levels of Organizational Learning .....	78
Organizational Learning Through IEO Reports.....	78
Formal Procedures Versus "Ownership" of Independent Evaluation.....	81
<b>9   Culture, Leadership, and Independent Evaluation .....</b>	<b>85</b>
Organizational Culture Theory.....	86
Organizational and Cultural Change.....	91
How Does the Culture of an Organization Change? .....	92
Effective Leadership and Independent Evaluation .....	94
<b>10   Conclusion: What Is to Be Done? .....</b>	<b>97</b>
<b>Boxes</b>	
1.1 The Learning Organization .....	6
3.1 New Institutional Economics.....	23
<b>Figures</b>	
1.1 The Role of Independent Evaluation in Fostering a Learning Organization.....	6
5.1 Share of Accountability Findings, 2002–15, by Evaluation Report .....	40
5.2 Share of Learning Findings, 2002–15, by Evaluation Report.....	41
5.3 Share of Learning/Accountability Findings, 2002–15, by Evaluation Report .....	42
5.4 Share of Type of IEO Findings over Time, 2002–15.....	43
5.5 Average Share of IEO Findings, 2002–15, by Topical Grouping .....	44
9.1 Levels of Cultural Analysis .....	88

**Tables**

5.1 Topical Grouping of IEO Evaluations, 2002–15 .....	39
--	----

**Annexes**

1 IEO Evaluations, 2002–16.....	101
2 Summaries of IEO Evaluations, 2002–16 .....	103
3 External Evaluations of the IEO: Terms of Reference.....	135
4 Public Information Notices: IMF Executive Board Discusses External Evaluations of the IEO.....	141
5 External Evaluations of the IEO: Recommendations and Follow-Up.....	149
6 Terms of Reference for the Independent Evaluation Office of the International Monetary Fund .....	159

<b>References.....</b>	<b>163</b>
------------------------	------------

<b>About the Authors.....</b>	<b>167</b>
-------------------------------	------------

This page intentionally left blank

---

# Foreword

---

Moisés Schwartz and Ray Rist have written a provocative and bold book. Their message is simple: the creation of the Independent Evaluation Office at the IMF was not the end of a journey, but rather the beginning of a new era in which independent evaluation has played a critical role in the development and enrichment of the Fund. In producing systematic and thorough reports on the IMF's policies and operations, the IEO has served as both a learning and accountability device, and thus it has helped enhance the credibility of the organization. Nonetheless, as the authors underscore, independent evaluation at the Fund can still offer the institution additional advantages and benefits. To do so, however, independent evaluation at the Fund needs to be continuously nurtured by all its stakeholders.

Independent evaluation has to be put into perspective: it comes along after the fact and makes a judgment on whether and how well the Fund did what it was supposed to do at a specific moment in time, sometimes under very difficult circumstances and without necessarily having all the information and conditions that could have proven helpful. Independent evaluation allows for the drawing of lessons that ultimately contribute to forging a better Fund. Such should be our aspiration. Hence, having a clear and shared understanding of the positive externalities that independent evaluation yields for the Fund is paramount.

With this in mind, I invite the membership of the Fund, its Executive Board, management, and staff, to carefully reflect on the messages of this book, and to ensure that independent evaluation at the IMF contributes to the benefit of the organization.

Agustín Carstens  
*Governor, Banco de México*  
*Chairman, International Monetary and Financial Committee*



This page intentionally left blank

---

## Preface

---

During most of my professional career I have been connected, in one way or another, to the International Monetary Fund (IMF). In every capacity in which I have interacted with the Fund, I have always been impressed by the quality and dedication of its staff, by the depth and thoroughness of the Fund's analysis, and by the positive impact that the IMF aims to have on the well-being of its member countries.

My first interaction with the Fund took place in the early 1990s when as a young economist at the Central Bank of Mexico I was invited to join two IMF missions on central banking operations in Costa Rica and El Salvador. In these two missions I experienced firsthand the staff's dedication and hard work in order to provide authorities of these two countries useful advice in their implementation of monetary policy. Later on, both at the Central Bank of Mexico and at the Ministry of Finance, I had the opportunity to meet with Fund missions and personnel on numerous occasions to discuss surveillance, technical assistance, and policy-related issues. These discussions were always helpful and thorough. All these interactions reaffirmed for me the widespread notion that the Fund staff is its most valuable asset.

Later in my career, I had the privilege to represent my own country, Mexico, and seven other member countries on the IMF Executive Board. During that time, I was always impressed by the work of the Fund, the superb analytical quality of its reports, and the important difference it makes in the lives of people. I was particularly impressed by the staff's dedication to program design in countries in my constituency, and by the interesting policy discussions we had at the Executive Board.

More recently, and for the last more-than six years, as the third Director of the Independent Evaluation Office (IEO), I have been able to see the Fund in a very different perspective, specifically, as an accountable and learning organization. During my time at the IEO, I have witnessed the positive value of independent evaluation for an institution such as the Fund; but I have also experienced the challenges that independent evaluation faces in contributing to learning and helping to enhance the effectiveness and legitimacy of the institution.

During my time as Director of the IEO, the office produced evaluation reports on topics related to crisis management and response, surveillance, research, forecasts, and statistics, among others. As diverse as these reports were, to varying degrees many of them were met with concern and anxiety within the IMF itself, whether at the initiation phase, at the conclusion, or during the follow-up process. Over these years, I have gathered that the Fund has not yet developed a culture that fully embraces the learning opportunities offered by independent evaluation.

The idea of writing a book about the IEO, its mission, and its relationship with Fund stakeholders came to me gradually as I started encountering challenges to the independent evaluation function within the organization. Some of these have been minor, and relatively easy to overcome, while others have presented more significant hurdles. Taken altogether, these obstacles point to a deeper underlying defensiveness towards independent evaluation that prevents the IMF from fully benefiting from the work of the IEO. The preparation of my last report as IEO Director, *The IMF and the Crises in Greece, Ireland, and Portugal*, further reinforced this perspective (see [Chapter 6](#)).

There is no doubt in my mind that the IEO has contributed to the credibility and legitimacy of the work of the IMF, but it is also clear to me that a more constructive engagement between the IEO and the rest of the institution could further enhance IEO's role in helping the Fund reach even higher levels of performance. As explained in the following pages, I believe that the Fund has viewed the IEO as an accountability mechanism rather than as a learning instrument. And it is perhaps this approach that has kept the IMF from developing a culture of learning from independent evaluation.

It is out of the desire to help the Fund develop a stronger learning culture and benefit more actively from independent evaluation by shifting perceptions and attention among the staff, management and Executive Board that I have joined forces with Ray C. Rist, a leading expert on evaluation. Our goal is to try to unveil the remaining elements that are still needed in order for the Fund to fully benefit from the IEO's work. I hope that the analysis and findings of this book will help prompt actions to make learning from independent evaluation a more vibrant element of the Fund's activities.

Writing this book required a thorough review of documents that have not only determined the creation of the IEO but also the procedures that it has followed throughout the years. We also benefited from numerous conversations with IEO colleagues and especially thank Alisa Abrams and Louellen Stedman for their comments on previous versions of the manuscript.

Moisés J. Schwartz

---

# Abbreviations

---

ECG	Evaluation Cooperation Group
EPA	Ex Post Assessment
EPE	Ex Post Evaluation
EXR	External Relations Department (IMF)
FSA	financial sector assessment
FSAP	Financial Sector Assessment Program
<i>GFSR</i>	<i>Global Financial Stability Report</i>
G7	Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, and United States)
G20	Group of Twenty (G7 plus Argentina, Australia, Brazil, China, India, Indonesia, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, and the European Union)
IEG	Independent Evaluation Group (World Bank)
IFI	international financial institution
IMFC	International Monetary and Financial Committee (IMF)
MIP	Management Implementation Plan
NGO	nongovernmental organization
OIA	Office of Internal Audit (IMF)
PMR	Periodic Monitoring Report
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PRGF	Poverty Reduction and Growth Facility
SDR	special drawing right
SIP	selected issues paper
SPR	Strategy, Policy, and Review Department (IMF)
SSA	Sub-Saharan Africa
SU	Summing Up
TA	technical assistance
TOR	Terms of Reference
<i>WEO</i>	<i>World Economic Outlook</i>
WP	working paper

*There is nothing more difficult to carry out nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things. . . . This quality . . . arises . . . from the incredulity of mankind, who do not truly believe in anything new until they have had the actual experience of it.*

—Machiavelli  
*The Prince*, 1513

# Introduction

The underlying premise of this book is that a strong global economy requires a strong International Monetary Fund (IMF), and that a strong IMF requires a strong independent evaluation culture and practice.

For more than 70 years, as the principal multilateral institution responsible for global economic and financial stability, the IMF has faced enormous challenges. The world economy has undergone a multitude of crises, some of which have affected individual economies or regions while others have been global. Over the years, the Fund has continuously revisited and adjusted to frequently changing circumstances of the world economy via its surveillance activities, lending instruments, and technical assistance. As one of the oldest and most established of the international financial institutions (IFIs), the Fund has faced expectations for immediate responses and high performance in times of crisis from all corners of the globe.

Though some observers see the Fund's responses to crises over the years as reasonably appropriate and believe that the Fund has learned from these instances, the economic turbulence of the last decade has shocked this and other IFIs and added to the apprehension felt by parts of the membership and other stakeholders. The membership of some of these IFIs has increasingly questioned their mandate and scope of activities, and their relevance as appropriate institutional responses to global issues. This questioning—along with some of the IFIs' governance structures, which lack adequate voice and representation of their full membership (particularly from developing countries)—have put these organizations at a crossroads.

Dissatisfaction by part of the membership regarding the handling of crisis-related episodes, and the lack of proper voice and representation of emerging markets in IFIs, have motivated the creation of alternative arrangements such as the Chiang Mai Initiative and institutions such as the BRICS New Development Bank and the Asian Infrastructure Investment Bank. Some emerging market countries, while not disengaging from the more experienced, established, and global institutions are resorting to regional or more partial alternatives to address some of their specific concerns.

Some observers have suggested that the current incremental and piecemeal approach to governance reform in some IFIs will take a very

long time to bear fruit and that a more far-reaching approach needs to be considered, such as a new international Bretton Woods–style conference that would address issues such as the continuing shift in global economic power, the Fund’s mandate, its surveillance, financial resources, and the role of the SDR (Boorman and Icard, 2011; Rajan, 2008; and Woods, 2009).

The IMF’s governance structure has been a source of both internal and external dissatisfaction. Had the IMF been created recently, members’ voting shares and representation would likely differ from what they are today. While some progress has been made in updating the governance structure to reflect current global economic realities, the realignment process has been slow, to the frustration of many fast-growing and increasingly globally integrated emerging market countries.

There is no doubt that the IMF needs ongoing reform. Its mandate, governance, and activities must evolve to make them more compatible with current world economic circumstances, and with what the membership expects from the institution. While other groupings or bodies have emerged whose contribution is indisputable, such as the G20 and the Financial Stability Board, the IMF has a global membership and global reach. Moreover, the Fund’s qualified staff and worldwide experience make it the only institution capable of delivering on global priorities for financial and economic stability. To be fully prepared to meet the great macroeconomic challenges of the 21st century, the world needs a strong and effective IMF that satisfactorily reflects the growing demands and expectations of its membership.

While confidence in the IMF among the membership unquestionably should be reinforced primarily through governance reform that recognizes the shifts in global economic power, the institution must also carry out its functions effectively and be seen to be doing so. Further enhancing the role of independent evaluation in the IMF and its integration in the institution’s culture, in our view, offers a vital tool for achieving this. As elaborated in this book, independent evaluation is essential in providing credibility and legitimacy to the IMF—particularly among those who may perceive that the institution is dominated by, or serves the interests of, a narrow group of members. Independent evaluation can take the IMF to a higher level of effectiveness with a more targeted emphasis on, and attention to, both accountability and learning. While evaluation has long played a function in the IMF, and its role has expanded substantially with the creation of the Independent Evaluation Office (IEO), we contend, however, that independent evaluation has yet to take on a role within the IMF that fully reflects its potential contribution.

## The Twin Pivots of Accountability and Learning

This book addresses the two main objectives of independent evaluation: accountability and learning from experience. But more specifically, the book focuses on the challenges that the IMF faces with respect to becoming a true learning organization by integrating independent evaluation into its culture.

For the IMF to become a more effective organization through the use of independent evaluation, three conditions have to be met: being “low on fear” among the staff, such that everyone feels free to challenge conventional wisdom; being “information rich,” such that knowledge is abundant and available within and between organizational divisions and the institutional culture constantly seeks new information; and being open to criticism and learning, such that the institution admits to problems and tries to address them. Achieving these conditions depends on having mechanisms in place for both accountability and learning—the core elements of evaluation.

Evaluation provides information on accountability, by conducting assessments of performance against standards, objectives, previous performance, and financial and institutional resources. Evaluation helps an institution learn, by identifying lessons from experience that can be incorporated in subsequent policies or operational practices, and by examining how the organization may need to change the prevailing behavior in order to improve performance.

The benefits of independent evaluation for accountability and learning in IFIs have long been recognized (see [Chapter 3](#)). Since these institutions are not subject to market forces, which tend to drive inefficient entities out of the market, independent evaluation helps to identify ineffective outcomes and potential corrective actions as well as effective processes and outcomes that can be replicated. In doing so, it can help to increase efficiency and confidence in the institution and to avoid protracted periods of suboptimal outcomes that represent a cost to society.

Evaluation, and its two pillars of accountability and learning, acquire increased relevance during turbulent times (Furubo, Rist, and Speer, 2013). Thus, besides the traditional arguments in favor of evaluation in IFIs, independent evaluation for the IMF is perhaps now more important than ever before. This is because in the current turbulent times evaluation can serve as a unifying force that keeps the membership together, a “glue” that helps the Fund to stay focused on its objectives as it provides assurances to the membership that it is a credible, legitimate, and learning institution. Hence the Fund, now more than before, must embrace independent evaluation and use it as a tool to “speak truth to power” and thus provide confidence to its members and other stakeholders.



## Independent Evaluation at the IMF

Reform initiatives at the IMF have typically focused on areas such as governance, mandate, surveillance, lending instruments, and technical assistance. At different times, depending on circumstances, stakeholders have held diverse views on what each of the reform components should entail. And what about independent evaluation?

The creation of the IEO in 2001 was an important milestone in the IMF's history, and itself a crucial IMF reform at that time. But since then the discussion of IMF reform has barely referred to the concept or the relevance of independent evaluation. It is as if the creation of the IEO represented an end in itself, as opposed to a beginning of a new era in which evaluation would be a vibrant element of the organization that requires continuous nurturing.

The IEO is a small but active unit, with a pipeline of reports that have contributed to learning and institutional change within the Fund. These reports have strengthened the Fund's external credibility, and thus have also served as an accountability device. Since its inception in 2001, the IEO has to date produced 26 evaluation reports covering a wide range of Fund activities and operations.<sup>1</sup> While readers may have preferred some of these reports over others, there is a clear recognition that the cumulative weight of the IEO's analyses has contributed significantly to making the Fund a stronger institution. Evaluation reports are discussed in global capitals and at IMF Executive Board meetings, and many of the recommendations they contain have been endorsed by the Board. Follow-up by IMF management on Board-endorsed evaluation recommendations has in some cases been slow, but many of IEO findings and recommendations have filtered through and affected the institution's policies and practices.

While the process in place suggests considerable success for independent evaluation at the IMF, our view is that the reform that brought about independent evaluation at the IMF is not finished: the establishment of the IEO was only the start of a process and a series of outcomes that still need to be fostered and cultivated. Successful independent evaluation is important for the IMF to be perceived as legitimate and credible—and to achieve it, the independent evaluation function needs to be further integrated in the learning process and culture of the

---

<sup>1</sup>The full list of IEO evaluation reports (2002–16) is presented in [Annex 1](#). The IEO has to date also revisited six of its previous evaluation reports. These evaluation updates aim to determine whether the main findings and conclusions of the original IEO evaluations remain relevant and to identify any outstanding and or new issues related to the evaluation topic that merit continued attention. The list of evaluation updates is also presented in [Annex 1](#). Summaries of IEO evaluations (2002–16) are presented in [Annex 2](#).

Fund, so that it can be utilized to its full potential and hence contribute to the IMF in the most effective way.

## What Needs to Change?

While there is a clear recognition that the IEO has been successful (Ocampo, Pickford, and Rustomjee, 2013), it is our contention that it has mainly been perceived as an accountability device rather than as a mechanism for the Fund to learn from experience. To fully reap all the benefits that the IEO has to offer, the Fund also needs to perceive independent evaluation as a learning mechanism. For this to take place, an evaluation culture needs to mature and flourish within the IMF. Such a culture legitimizes independent evaluation and uses evaluation findings and insights for policymaking, performance improvements, and organizational renewal. Though some progress has been attained in this regard, the Fund still needs to go some way before a strong evaluation culture is widespread and established within the organization.

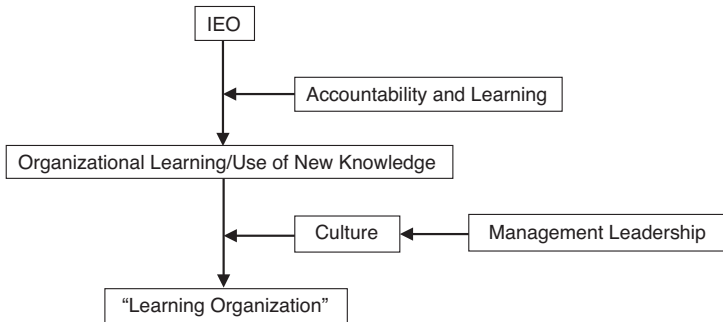
Since its inception the IEO has implemented several procedural changes, most of which have come as a result of the two external evaluations of the IEO. As detailed in later chapters, some of these changes have been noteworthy while others have been more subtle; some have been immediate while others have been implemented over time. We maintain that a more fundamental transformation is needed. Further procedural improvements, while helpful, will not capture all the benefits that independent evaluation can bring to the Fund. This book seeks to alter the perception that it is only IEO's operational procedures that need to change and rather to promote the recognition that independent evaluation can help to transform the Fund into a more effective organization that learns from experience.

What would it take for independent evaluation to play this role? Would the culture of the Fund need to change as well? What type of culture would be needed? Is there a role for the leadership of the organization to attain such an objective? Can independent evaluation provide both accountability and learning elements in the IMF? Can the IMF adequately and appropriately respond to issues of accountability? Can the IMF learn from independent evaluation? This book addresses these questions as a necessary part of any debate about whether and how the IMF can become a more effective organization.

## Outline of This Book

Figure 1.1 depicts the plan of the book and describes the flow of events or prerequisites that need to take place in order for independent evaluation to successfully contribute to the IMF's transformation into what the literature defines as a "learning organization" (see Box 1.1).

**Figure 1.1. The Role of Independent Evaluation in Fostering a Learning Organization**



### BOX 1.1

#### *The Learning Organization*

The concept of the learning organization and its relevance to the IMF is discussed in detail in [Chapter 7](#). This box provides an introductory definition.

A learning organization has been described as:

[A] form of organization that enables the learning of its members in such a way that it creates positively valued outcomes, such as innovation, efficiency, better alignment with the environment and competitive advantage. Again, the focus is not so much on the process of learning but more on conditions that may allow successful outcomes to flourish (Huysman, 1999: 61).

Another definition of a learning organization is:

. . . a space for generative conversations and concerted action. In them, language functions as a device for connection, invention, and coordination. . . . When people talk and listen to each other this way, they create a field of alignment that produces tremendous power to invent new realities in conversation, and to bring about these new realities in action (Kofman and Senge, 1995: 33).

Most organizations have some degree of organizational learning, but this does not imply that therefore a learning organization has been created. Generating the latter requires a deliberate initiative from management that is sustained over time. Learning can be taking place throughout an organization, but sporadically, haphazardly, and without direction. To achieve a learning organization requires systematic, sustained efforts, clarity of purpose, and clarity of intentions.

As seen in the different chapters of the book, some of the stages in the flow chart already take place, while others need to be developed or reinforced. Currently, independent evaluation contributes to organizational learning/use of new knowledge by the Fund, but not yet to the IMF reaching the ideal of becoming a learning organization. That is, what the IEO represents and produces has affected the Fund's learning and provided accountability for the Fund's actions, and IEO reports have had a positive effect on the processes the Fund uses to absorb and apply the new knowledge generated by independent evaluation. But the crucial elements of culture and management leadership that would be needed for the Fund to transform itself into a learning organization are still largely missing.

The remaining nine chapters of this book address the main phases of [Figure 1.1](#). Following this introduction, [Chapter 2](#) provides a brief history of the IEO and the motivations for its establishment. [Chapter 3](#) relates the relevance of the IEO in changing the institutional framework governing relationships among the stakeholders of the IMF and how the establishment of an independent evaluation function profoundly altered the prevailing contract regarding the conduct of evaluation within the Fund. [Chapter 4](#) addresses the relationship and tensions between accountability and learning in the conduct of evaluation and poses the question of whether these purposes of evaluation need to be framed in terms of one or the other. [Chapter 5](#) further analyzes how accountability and learning have featured in the IEO's work and presents evidence about the degree to which IEO's findings incorporate these two elements. The chapter concludes that since its creation the IEO has successfully fostered both accountability and learning. [Chapter 6](#) discusses how structural elements associated with the IEO's independence have caused senior staff and management to see the IEO as primarily an accountability instrument, and only in a more subordinate role as a learning device for the organization. The chapter asserts that this has affected IEO's effectiveness and has shaped relations between the IEO and the rest of the organization.

[Chapter 7](#) addresses the tripartite relationship among organizational learning, the learning organization, and independent evaluation. Most organizations have some degree of organizational learning, but only some would be considered learning organizations. The chapter contends that independent evaluation plays a role in promoting a learning organization. [Chapter 8](#) examines how new knowledge produced by the IEO is received, resisted, or ignored by the IMF. Independent evaluation does, indeed, generate new knowledge, and its absorption represents organizational learning. The chapter concludes that the IEO

has been an important element in contributing to organizational learning within the Fund, but that the Fund has not yet been able to use independent evaluation optimally to transform itself into a learning organization. [Chapter 9](#) discusses the role of organizational culture and leadership in the promotion of a learning organization; it considers whether the culture of an organization can change and the role that independent evaluation can play in that regard. [Chapter 10](#) concludes, calling on IMF management to take a more active role in instilling the positive value of independent evaluation across the organization and thus enabling independent evaluation to bring the IMF closer to the ideal of a learning organization.

# Independent Evaluation at the IMF: A Brief History

This chapter describes why and how independent evaluation came about at the IMF. It explores the tensions that emerged in the efforts to introduce independent evaluation and chronicles the creation of the Independent Evaluation Office. Perhaps critical to this process was the resolution of the matter and extent of the IEO's independence. The chapter also describes the main attributes and features of the office and the experience with the first two external evaluations of the IEO.

## In the Beginning

The IMF was the last of the IFIs to create a formal independent evaluation office. Up to the late 1980s, the IMF conducted evaluation through internal reviews and by engaging external experts or panels to assess particular issues or policies. During that time period, the IMF Executive Board and management saw independent evaluation as an activity that might be appropriate for development agencies but not for the Fund (Peretz, 2012). Perhaps this was because the independent evaluation function in multilateral development agencies such as the World Bank or the African Development Bank focused primarily on evaluating projects and programs and on verifying that procedures and processes were followed.<sup>1</sup>

As discussed by Peretz (2012), by the late 1980s, some IMF Executive Directors had proposed the creation of an independent evaluation office, and in 1992 the Managing Director formed a staff task force to explore this possibility. The task force report recommended the creation of an evaluation office whose director would report to the IMF Managing Director. While there was support among Executive Directors for the establishment of an evaluation office, the task force proposal met resistance from those Directors who wanted to ensure that such an office would be independent from the Managing Director; they preferred that the director

---

<sup>1</sup>In these institutions the independent evaluation function complemented an internal self-evaluation function, reinforcing an overall evaluation framework (Picciotto, 2012).

of the office be made accountable directly to the Executive Board. After two subsequent sessions on the matter, the Managing Director promised to take these concerns into consideration and come back within a few months with a revised proposal. This did not materialize.

The topic of an independent evaluation unit within the Fund was raised again at the Executive Board in 1996 with the creation of an Evaluation Group of Executive Directors. The Managing Director had commissioned an external evaluation report on IMF surveillance with respect to the 1994 Mexican financial crisis, and, in discussing that report, Executive Directors endorsed a “more pragmatic approach” that would more closely examine the utility of internal evaluation, external evaluation, and independent evaluation for a trial period of three years (1996–99), in order to provide guidance on how to proceed with an adequate evaluation function at the Fund. The approach comprised: (i) continuing with the existing practice of self-evaluation by operational departments; (ii) having the Office of Internal Audit and Inspection (OIA) conduct internal evaluations on a case-by-case basis as specifically requested by management; and (iii) commissioning two to three evaluations over the period by external evaluation experts, to be carried out under the auspices of the then-recently formed Evaluation Group of Executive Directors.

It is worth reviewing in more detail the three components of the “pragmatic approach,” in as much as they shaped the framework for an eventual Independent Evaluation Office. The first of these was self-evaluation by operational staff, often as part of periodic policy reviews. Inherent in this component was that management would propose activities to be evaluated, often after consultation with Executive Directors. The periodic policy reviews focused on a broad range of issues such as conditionality, surveillance, exchange rate policy, fiscal policy, and monetary policy. They were presented and discussed by the Board, and their publication was determined by management on a case-by-case basis in consultation with the Board.<sup>2</sup> They were defined by management as endogenous and seen as integral to ensuring the Fund’s ongoing efficiency and effectiveness. As they were produced by staff, it can be assumed there was a high degree of ownership of their conclusions and recommendations.

The second component moved the OIA into the arena of evaluation. The OIA was empowered during the three-year trial period to undertake

---

<sup>2</sup>Beginning in 1999, Public Information Notices/Press Releases were published following Board discussions of IMF policy papers; from 2000 to 2004, there was a presumption that policy papers would be published; and beginning in 2004, publication of policy papers was required.

evaluations on topics selected by management, with essentially the same ground rules as for self-evaluations. The OIA conducted evaluations on the IMF resident representatives program, technical assistance activities, and the provision of general services in the Fund. While they were discussed by the Board, none of these evaluations was published.

As for the third component, independent evaluations by outside experts, the Board had total discretion in selecting the topic and scope of assessments, as well as choosing the experts and setting their terms of reference. When the reports were submitted to the Board, it was at the Board's sole discretion whether they would be published. During the trial period, the Board commissioned three external evaluations: *External Evaluation of the Enhanced Structural Adjustment Facility*; *External Evaluation of Fund Surveillance*; and *External Evaluation of the Fund's Research Activities*.<sup>3</sup> Following Board discussion, the Board authorized the publication of all three.

Though the three external evaluations yielded useful findings and clear recommendations, the Executive Directors and multiple external stakeholders found that a continued reliance on this arrangement would have notable shortcomings. As discussed by Peretz (2012), the 2000 Evaluation Group observed that:

- It took Executive Directors considerable time to agree on a topic for an evaluation and then to agree on the evaluator(s) who would do the study;
- There emerged a strong external perception that the Board's direct involvement in the selection of the topic and the evaluator resulted in constraining the selection of sensitive topics and evaluators with more critical perspectives;
- The fact that the Board selected the topic for all evaluations meant that there was no external consultation on the selection;
- The selection of external evaluators to head the studies resulted in choosing persons who had limited knowledge of the internal working of the Fund. As a result, criticisms were subsequently made of both the quality of some of the analyses and the practicality of some of the recommendations;
- After the issuance of the evaluation report, there was no follow-up process, no further verification of the findings, and no availability of the evaluator after the contract had been completed, which contributed to a loss of institutional memory;

---

<sup>3</sup>These were led, respectively, by Kwesi Botchwey, John Crow, and Frederic Mishkin.



- Finally, in reflecting on these three studies it was perceived that the financial and organizational costs were considered by Board and management alike to be extremely high.

As these critiques became known within the IMF, internal pressure began to grow to rethink the position regarding an independent evaluation function within the Fund. An important element in the growing debate was an increasing understanding of the value of independent evaluation and its potential complementarity with the Fund's existing and well-regarded self-evaluation function. As noted by the Evaluation Group in its recommendation to establish an evaluation office independent from management, it was believed that such an office could:

... improve the existing structure most strongly in strengthening the credibility of Fund analysis with constituencies outside the Fund (both official and non-governmental). Even if it were internally accepted that current self-evaluation was wholly objective, the perception outside the institution that such bias exists, in and of itself, undermines the ability of the Fund to undertake its work (IMF, 2000a).

Several communiqués, for example from the International Monetary and Financial Committee (and prior, the Interim Committee), noted the importance of independent evaluation as a means to contribute to the transparency of the Fund and stressed the importance of independent evaluation of the Fund's operations and policies. One of the most influential voices among the Fund's membership—that of the G7 ministers of finance—also emphasized the importance of independent evaluation as a means to strengthen the international financial architecture. The first time the G7 ministers formally recommended the establishment of an independent evaluation office at the Fund was in their communiqué of June 1995 from the Halifax Summit; they reiterated this call in subsequent meetings (cf. IMF, 2000a).

Simultaneously, external pressures from stakeholders, the media, and some governments were becoming evident. A number of non-governmental organizations (NGOs) and other external stakeholders raised concerns about transparency and evaluation at the Fund. IMF programs in Russia, and the management of the crises in Latin America and particularly in East Asia in the late 1990s, were highly controversial across the globe. Growing international dissatisfaction with the Fund helped provide an impetus for advocating the establishment of an independent evaluation function that would undertake systematic evaluations of Fund activities, promote transparency especially regarding Fund lending programs, and eventually provide

evaluative data on the outcomes of these programs. A report produced by the Center of Concern, a Washington, D.C.-based NGO that focused on international social issues, argued that the IMF would benefit from an independent evaluation office since such an office had the potential to establish a reputation of producing truly objective reports. This, in turn, would contribute more to the confidence of the public in the work of the Fund than what could be attained by any internal division, however capable and independent-minded its staff (Polak, 1998).

Two other NGOs—Friends of the Earth and the Rethinking Bretton Woods Project—jointly issued a report in April 1998 that concluded that independent evaluation of the Fund’s operations was required to better direct financial resources to effective programs.

These internal and external pressures showed no sign of abating. By 2000, the anti-globalization movement was in full force and had targeted the IMF, along with the World Bank and the World Trade Organization. Public demonstrations during the annual meetings of the IMF and World Bank Group were becoming commonplace. The Fund stood accused of taking a “one-size-fits-all” approach to its work with member countries, especially in demanding too much monetary and fiscal adjustment by poorer countries. While there were signs of change in the IMF during the 1990s, much of the critique took the view that the Fund was arrogant and resistant to change. There were increased and more persistent calls for the creation of a “watchdog” unit and for more overall transparency and robust public accountability for the organization.

In this clamor, the Board was anxious to re-establish the credibility of the Fund by using an independent evaluation office to help improve its oversight of the institution. Likewise, IMF management saw the creation of an independent evaluation office as a positive response to calls for transparency and as a means for responding to external concerns. A report prepared by the Evaluation Group at the close of the trial period recommended the creation of an independent evaluation office—a proposal that was soon afterwards formally adopted by the Executive Board.

## The Creation Story Continues

The Fund decided in 2000 to create the Independent Evaluation Office, to become operational the following year. The initial terms of reference stipulated that the IEO would report directly to, and operate at “arm’s length” from, the Executive Board, with full independence

from IMF management.<sup>4</sup> The IEO was created with the following four criteria in mind:

- (i) That this new office would enhance the learning culture of the IMF, thus enabling the staff and management to absorb lessons from the past and so be better able to improve its future work.
- (ii) That the IEO would help to strengthen the IMF's external credibility by undertaking objective and independent evaluations in a transparent manner.
- (iii) That the IEO would promote greater understanding and comprehension of the work of the IMF among its members and among the general public.
- (iv) That this new office would enhance feedback and analysis to the Executive Board in support of its governance and oversight responsibilities (IMF, 2000b).

Looking back on the creation of the IEO, Thomas Bernes, the second IEO Director—and Chair of the Evaluation Group at the time IEO was created—recalled that the goals that drove the Board to create the IEO were mainly accountability and transparency. In retrospect, he maintained that when the IEO was being formulated and established, the Board believed it lacked the instruments necessary to hold IMF management accountable. Likewise, Directors were of the view that the staff was not forthcoming with the Board when it came to staff discussions and decisions. Bernes posited that in reaching an agreement on the mandate and workings of the IEO, compromises had to be made. Though references were made to contributing to a learning culture (to satisfy some stakeholders) and to greater objectivity and independence in the analysis (to satisfy and bring still more stakeholders on board), Bernes observed that accountability and transparency were the factors that unified Directors behind the effort (Bernes, 2012).

## Watching the Watchers

A classic question often posed to evaluation and audit groups is “Who is watching the watchers?” Consistent with the initial terms of reference for the IEO, external independent evaluations have been undertaken, under

---

<sup>4</sup> Once the IEO had been established, the Evaluation Group of Executive Directors was reconstituted in November 2002 as the Evaluation Committee, a standing committee of the Board.

the auspices of the Board Evaluation Committee, approximately every five years since the IEO's inception. The two independent evaluations to date have been in 2006 and 2013.<sup>5</sup> Both have had a major impact on the IEO; indeed, most of the changes in IEO policy and IMF follow-up procedures have been made as a result of their recommendations.<sup>6</sup>

The first external evaluation was launched in September 2005 and chaired by Karin Lissakers (a former U.S. Executive Director at the Fund).<sup>7</sup> The evaluation panel issued its report in March 2006. Peretz summarized the report as follows:

The panel concluded that the IEO had served the IMF well, but also identified “certain weaknesses and . . . trends that are cause for concern about its future,” noting the biggest challenge facing the IEO [as being] to avert the tendencies, pressures, and practices that may push it in the direction of becoming bureaucratized, routinized, and marginalized” (Peretz, 2012: 67).

The Lissakers Report itself concluded that:

In the first five years of its existence the IEO has met most of the expectations raised at the time of its creation. It has established itself as an independent body. Its reports are perceived as balanced and of good quality. The IEO is cost effective and its interventions and choice of topics have been satisfactory by and large. However, the panel identified a number of weaknesses in its performance and some worrying trends (Lissakers, Husain, and Woods, 2006: 29).

To improve the IEO's performance, the Lissakers Report proposed the following four key recommendations:

First, the IEO should address issues fundamental to how effectively the IMF is fulfilling its mandate and its terms of reference should be changed to make this clear. The IEO should be assured full access to information.

Second, the IEO should diversify its staff and contractual mix and make greater use of people of eminence from outside the Fund to lead evaluation teams. Strong outside personalities with limited IMF exposure are likely to bring a fresh perspective and questioning attitude and ensure that the IEO adds value to the array of evaluations already being undertaken within the Fund.

---

<sup>5</sup>The Terms of Reference of the two external evaluations of the IEO are presented in [Annex 3](#).

<sup>6</sup>Public Information Notices of IMF Executive Board discussions of the two external evaluations of the IEO are presented in [Annex 4](#).

<sup>7</sup>The panel was comprised of Karin Lissakers, Ishrat Husain, and Ngairé Woods.

Third, a more systematic approach is needed to follow up the recommendations of the IEO and monitor their implementation. The Board and the Evaluation Committee need to take responsibility and play a more active role in this regard.

Fourth, the IEO's dissemination and outreach activities need a complete overhaul, particularly to raise the IEO's profile in developing and emerging economies where the IMF's role is considered most contentious (Lissakers, Husain, and Woods, 2006: 29).

A key summary statement in the Lissakers Report was the following:

The IMF will only reap the full benefits of a strong IEO if the Board plays a more active role promoting its work and if the IMF's senior management takes a more consistently constructive and open stance toward the evaluation office. In its turn **the IEO must be bold—about what it evaluates, how it evaluates, and who it hires to do the job** [*emphasis in the original*] (Lissakers, Husain, and Woods, 2006: 29).

Importantly, the Lissakers panel found little evidence that findings and recommendations of specific IEO reports were being systematically followed up by management and the Executive Board. It reported that the Board was active with respect to topic selection by the IEO, but considerably passive thereafter, leaving any follow-up largely to management's discretion. It suggested that the Board needed to assume control and engage more regularly on follow-up. Moreover, it noted that the IEO had strong support from the Board, shareholders, and many staff but weak support from IMF management and department directors. This last point is striking and is further discussed in [Chapters 9 and 10](#).

The second of the two external evaluation panels released its report in January 2013 (Ocampo, Pickford, and Rustomjee, 2013).<sup>8</sup> Chaired by José Antonio Ocampo (former United Nations Under-Secretary for Economic and Social Affairs as well as Minister of Finance for Colombia), the Ocampo panel evaluated how well the IEO had met its institutional mandates, how IEO recommendations had been endorsed and implemented by the Board, and how effective the office had been along the following four dimensions:

- the appropriateness of evaluation topics;
- the independence of the office;
- the cost-effectiveness of the office and its operations; and

<sup>8</sup>The Panel examined the period 2006–12. The panel was comprised of José Antonio Ocampo, Stephen Pickford, and Cyrus Rustomjee.

- the appropriateness and adequacy of the evaluation process, including follow-up.

The Ocampo Report concluded that in the period since 2006 the IEO had become a successful institutional component of the IMF; it had helped to improve IMF oversight and transparency, thereby strengthening governance within the Fund as well as the Fund's external credibility, and had enhanced the Fund's learning culture. The panel concluded that these outcomes had resulted in the Fund becoming a more open and transparent institution, able to more completely and fully discuss policy alternatives. It also reaffirmed that the IEO was fully independent, noting that it was the most independent of all evaluation offices among IFIs. Positive comments were provided on the quality of topic selection and its evaluations. The panel concluded that there was a strong consensus within the IMF, among national governments, and from external stakeholders, that the IEO had become a valuable component of the Fund.

The Ocampo Report recommended raising the profile of the IEO within the IMF, to increase the traction of independent evaluation and thus strengthen its ability to influence the Fund's analyses, processes, and programs:

It is thus essential that IMF Management continue to stress to Staff the importance of the IEO as an instrument for continuous improvement at the Fund, and that Staff engage continuously and positively with the IEO, while fully respecting the independence of the Office (Ocampo, Pickford, and Rustomjee, 2013: 5).

At the same time, the panel also pointed out where the IEO could improve and how its work could become more effective. Specifically, it advised the IEO to increase both its "in-reach" and outreach activities, so that Fund staff and external stakeholders benefit from IEO's analysis.

In addition, the panel recommended an overhaul of the Board and management follow-up process on IEO reports. It concluded that the prevailing process still lacked strong ownership by the Executive Board; involved a conflict of interest for management; was not well suited for responding to broader, more substantive recommendations from the IEO; and had become very bureaucratic. The report also highlighted that IEO recommendations tended to be watered down at each stage of the process, thus undercutting their rationale. It was on this point that the strongest recommendations were made for revamping the entire follow-up process (see further discussion in [Chapters 6 and 8](#) below).

In sum, both external evaluation reports confirmed the IEO's usefulness and effectiveness and provided recommendations on how to

improve dialogue between the IEO and staff and to familiarize them with IEO products. As successive Evaluation Committees and the Board have incrementally made changes to the follow-up process and deepened their involvement in the independent evaluation function at the IMF, it is fair to say that the IEO is now better equipped to do its job.<sup>9</sup> Nonetheless, it is understandable given the traditional framework of the Board, including regular rotation of some Directors and their staff, that at times due effort is required to sustain ownership of independent evaluation at the Fund. In our view, the challenge for the IEO remains ongoing management engagement, where the responsibility for fundamental and long-lasting change importantly lies. As discussed in [Chapter 10](#), IMF management's leadership and involvement are key for the IMF to fully benefit from the presence of the IEO.

---

<sup>9</sup> A full list of recommendations of the two external evaluations of the IEO and actions taken in response is presented in [Annex 5](#). Some of these recommendations are analyzed later in this book.

# The Institutional Role of Independent Evaluation

This chapter explains the vital role of the independent evaluation function in changing the institutional framework governing relationships among the stakeholders of the IMF: management, staff, the Executive Board, the membership, and the public at large. It then discusses how ideally to ensure independence in evaluation.

## The Benefits of Independent Evaluation

The evaluation discipline as we now understand it emerged approximately six decades ago to support responsive and accountable government. Combining the principles of accounting and auditing together with the social sciences (and some systems analysis), the new profession sought to meet a growing need for impartial, multidisciplinary, evidence-based analysis and advice about what works and what does not work (Morra-Imas and Rist, 2009).

Consider this quote from Picciotto:

To be sure, evaluation independence is not an end in itself . . . the logic of evaluation independence is rooted in organizational theory (Arrow, 1974). When all is said and done, organizations exist to resolve the inherent tensions that exist between individual and collective goals; to manage information flows; and to coordinate actions through a nexus of contracts that keeps transaction costs in check. Independent evaluation has a key role to play in all of these functions (Picciotto, 2013: 19).

The benefits of having an independent evaluation office have been recognized in the IFIs for more than three decades. Even in IFIs with highly skilled staff, such as the IMF, independent evaluation has added significant value. This is because it provides an independent and credible assessment of the performance of the organization and its activities; input to help improve its functioning through feedback of lessons learned; and an additional mechanism for accountability to its shareholders and the public for the results of its activities. As Picciotto notes:

Evaluation must be free from external pressure if it is to produce meaningful evidence in support of institutional learning and effective and accountable decision making. . . . IFIs need objective evidence regarding



the effectiveness of their operations. Further, they need to nurture public trust in the integrity of their decision making. An independent evaluation function can contribute to these goals by providing a credible assessment of their performance (Picciotto, 2012: 37).

As Picciotto restates in somewhat different terms in drawing from Mayne (2008), independence “protects the integrity of the assessment process, enhances its credibility, minimizes bias, and provides fresh perspectives on the policies and programs being evaluated” (Picciotto, 2012: 38). Along these same lines, Lamdany and Edison state that “independent evaluation enhances an organization’s transparency and contributes to its legitimacy among external stakeholders by serving as a credible window into what the organization does and how it does it” (Lamdany and Edison, 2012: 3).

Hence, independent evaluation enhances the external credibility of the exercise and that of the institution that undergoes the evaluation. Independent evaluation provides a credible assessment of the institution’s performance to an array of stakeholders, academics, and policy analysts outside the organization. Having better-informed stakeholders, as a result of credible assessments by an independent evaluation office, also helps in generating more broadly-based public support for the organization and its work. The IFIs are not always understood by the public at large, particularly with regard to how these institutions use public funds and how they make important, indeed critical, decisions that affect the destiny of countries and their respective populations. So, from this perspective too, there is a need to monitor and evaluate what these organizations do so as to make them more transparent and accountable. The means to do this is through independent evaluation.

Independent evaluation becomes even more important in the absence of market criteria and market forces by which to measure the effectiveness of public organizations like the IFIs. As Picciotto and Wiesner note:

In institutions where profits are not the bottom line, effective evaluation is crucial to ascertain what results are being achieved and why. Such is the case of the World Bank and most public sector institutions. When budgets are not financed directly by the market, evaluation becomes indispensable for ascertaining performance. Evaluation is an essential surrogate for incentives in public markets.

Private markets tend to be more efficient than the public sector because evaluation is built into the market system. In business, market failure is quickly identified, evaluated, and resolved. By contrast, government failure is less visible and more difficult to evaluate. Hence, there is a need for formal evaluation processes capable of rectifying public failures (Picciotto and Wiesner, 1998: xii–xiii).

Another well-known benefit of independent evaluation is its complementarity with the self-evaluation practice within an organization. That is, self-evaluation can be enhanced by independent evaluation. As the IEO report on *Self-Evaluation at the IMF* explains:

Both self- and independent evaluation functions can play important roles in enabling institutional learning, in providing a framework for accountability, and in enhancing transparency. They can complement and strengthen each other if their respective roles are well understood, incentives are structured appropriately, and the organization has a culture geared to learning and transparency (IEO, 2015: 4).

Further, as noted by Picciotto:

Independent oversight makes self-evaluation more effective. Independent evaluators prod self-evaluators to be more skeptical and reflective about their assumptions, preconceptions, and interests. The mindset of independent evaluators induces self-evaluators to think harder about what the organization is trying to accomplish, to consult more systematically with stakeholders, and to achieve a more resilient consensus about program goals. Independent evaluation also safeguards accountability if self-evaluation is weak (Picciotto, 2012: 47).

In this vein, the complementarity between independent evaluation and self-evaluation is further strengthened when the evaluation function is understood to be independent from management. At the IMF, this independence can improve the organizational structure most strongly by strengthening the credibility of the evaluation office to “speak truth to power.” And, as mentioned in [Chapter 1](#) above, it is also a means for the institution to strengthen relations (especially trust) with external constituencies. As stated during the Executive Board deliberations on whether to establish an independent evaluation office at the IMF:

Self-evaluation at the Fund is widely perceived to be of high quality. Any extension of the Fund’s evaluation capacity must clearly be of the same quality. At the same time, it must complement existing evaluation efforts by augmenting the potential scope of evaluation where Fund expertise may be limited and it must enhance the credibility of evaluations to observers outside the Fund (IMF, 2000a: 15).

## Safeguards to Ensure Independence in Evaluation

For an independent evaluation office to function in a way that is truly independent requires certain safeguards. The Evaluation Cooperation Group, which is comprised of all the independent evaluation offices of

the IFIs and other select international organizations, has developed a list of four such safeguards. As discussed in Picciotto (2012), these are:

- (i) *Organizational independence.* Evaluation staff are not controlled or influenced by decision makers who have responsibility for the activities being evaluated. Also, evaluation staff have access to the information needed to do their job.
- (ii) *Behavioral independence.* The evaluation office is able to set its work program, produce high quality uncompromising reports, and disclose its findings to the Board without management interference.
- (iii) *Protection from conflict of interest.* There are safeguards to guarantee that the evaluator's judgments or objectivity are not affected by prior, current, or immediate future professional or personal relationships.
- (iv) *Protection from outside interference.* There is a guarantee that the evaluator is not subject to pressure (either direct or indirect) from management.

To ensure these four requirements can be put in place, it is important to build a coherent institutional framework that supports the independence of the evaluation function, by governing the relationship between the independent evaluation function and all of the institution's stakeholders and thereby credibly establishing and protecting its independence.

This framework should lay out the rules, processes, and methods that safeguard the independent evaluation function. Such a framework should provide guidance and transparency on the process, protect evaluators from the pressures noted above, and make sure that all the institutional settings are appropriate for independent evaluation so that evaluations are credible, of high quality, and thus able to offer multiple benefits—and it should be built in such a way as to support both learning and accountability within the organization. The framework needs to be perceived as legitimating the independent evaluation function within the organization.

## The Creation of the IEO: The Establishment of a New Contract

As a long-standing proponent of structural reform in its member countries, the IMF itself understood the need for significant structural reform in 2001 with the creation of the IEO. The creation of the IEO institutionalized independent evaluation within the IMF. Seen in terms of the New Institutional Economics (Box 3.1), it profoundly altered

**BOX 3.1*****New Institutional Economics***

For some years, economists have been giving increasing attention to the role of institutions in society, recognizing that institutions matter to economic performance, since they reduce the uncertainty caused by arbitrary behavior and provide a necessary structure to human interactions. The resulting “New Institutional Economics” has emerged in the past 30 years as a sub-discipline of economics.

New Institutional Economics studies institutions and how institutions interact with organizational arrangements. Its goal is to explain what institutions are, how they arise, what purposes they serve, how they change, and how if at all they should or can be reformed (see Klein, 2000; Williamson, 2000). Institutions are defined in this perspective as the written and unwritten rules, norms, and constraints that people devise to reduce uncertainty and control their environments (Menard and Shirley, 2005).

To quote North:

In the jargon of the economist, institutions define and limit the set of choices of individuals. Institutional constraints include both what individuals are prohibited from doing and, sometimes under what conditions some individuals are permitted to undertake certain activities. . . . They are perfectly analogous to the rules of the game in a competitive team sport (North, 1990: 3–4).

In a later article North wrote:

Institutions are the humanly devised constraints that structure human interaction. They are made up of formal constraints (e.g., rules, laws, constitutions), informal constraints (e.g., norms of behavior, conventions, self-imposed codes of conduct), and their enforcement characteristics. Together, they define the incentive structure of societies and specifically economies (North, 1994: 360).

In the same piece, North defines institutions as the rules of the game and organizations and their entrepreneurs as the players. Thus it is the interaction between institutions and organizations that shapes the institutional evolution of an economy. As he writes:

Organizations are made up of groups of individuals bound together by some common purpose to achieve certain objectives. . . . The organizations that come into existence will reflect the opportunities provided by the institutional matrix (North, 1994: 361).

the prevailing contract regarding the conduct of evaluation within the IMF, changing “the rules of the game” on evaluation and transforming the institutional and regulatory framework governing relationships among the management, staff, Executive Board, and membership. For

example, IEO evaluators do not report to those in charge of the programs or practices that are being evaluated. Furthermore, the IEO has autonomy on the evaluation topics it chooses, over its budget, and on all personnel decisions.

The establishment of the IEO also introduced a new set of interactions between the IMF and the public at large. Essentially, the emergence of the IEO modified incentives within the Fund staff, information flows among different stakeholders, and made for a more accountable institution.

Economic change is an ever-present, ongoing, incremental process that is a consequence of the choices individual actors and entrepreneurs of organizations are making every day. While the vast majority of these decisions are routine, some involve altering existing “contracts” between individuals and organizations. Sometimes that “re-contracting” can be accomplished within the existing structure of property rights, and political rules; but sometimes new forms of contracting require an alteration in the rules. Equally, norms of behavior that guide exchanges will gradually be modified or wither away. In both instances, institutions are being altered. “Hence institutional change is a slow, deliberate process or it occurs in discrete jumps through war, revolution, or upheaval. But even when institutional change occurs, it does so on the debris of the older institutions and is always path-dependent” (Chhibber, 1998: 45).

Picciotto proposes an objective examination of evaluation as an institution in terms of its contribution to the process of institutional change. He writes:

Social institutions exist to help the agents in an economy solve certain recurrent problems. If so, evaluation has a single purpose to help organizations and individuals achieve their objectives, based on societal values and norms. The acid test of its contribution to society is the incremental value of actual outcomes compared to the “counterfactual” which would have materialized in the absence of evaluation (Picciotto, 1999: 9).

According to Picciotto, institutions are relevant because they create and reward incentives which trigger motivation and action in both the public and private sectors, and thus evaluation, because of its capacity to act as an incentive to change behavior, is itself an institution. He writes:

Thus, the new institutionalists have analyzed sources of national wealth and tracked historical trends. As they turn their attention to decision making processes in organizations and government, they will be inevitably led to assess the role of evaluation as an institution (Picciotto, 1999: 8).

The establishment of the IEO was motivated by recognition of the importance of having objective and impartial assessments of the functioning of the organization but also by the desirable political symbolism of having “independent” evaluation within the Fund. The IEO was thus expected to provide objective analysis, findings and recommendations without the interference or pressure of those being evaluated.

Several elements needed to be present in the IEO construct to enable the office to remain immune from interference or pressures from the parties being evaluated. First, in the creation of the new institution care was taken to provide institutional safeguards that would protect the office’s independence and thus increase the credibility of the IEO within the Fund. Given the institutional framework that is now in place, the IEO “is widely considered to be the most independent of the evaluation offices of the international financial institutions” (Ocampo, Pickford, and Rustomjee, 2013: 3).

Key features that characterize the IEO and support its independence are the following:

- The IEO’s terms of reference (IMF, 2000b and 2015) specify the following: “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 is appointed by the Executive Board for a non-renewable term of six years;<sup>1</sup>
- At the end of the term of service, the Director is not eligible for appointment or reappointment to the regular staff of the Fund;
- The Director is responsible for the selection of IEO personnel;<sup>2</sup>
- The majority of full-time IEO personnel come from outside the Fund;
- Provisions exist regarding the staff’s mobility from the Fund to the IEO and vice versa;
- Even though the work program is discussed with Executive Directors, staff, management, and other stakeholders, the Director is responsible for the selection of topics to be evaluated;

---

<sup>1</sup>In 2015, the Executive Board amended the TOR for the IEO and the Terms and Conditions of Appointment for the Director, to allow in exceptional circumstances, the term to be extended by no more than one year.

<sup>2</sup>The terms and conditions for IEO personnel have been changed on several occasions to address various issues, as discussed further below.

- The IEO's budget, while subject to the IMF's budgeting and expenditure control procedures, is independent of the budgetary process over which management and the Office of Budget and Planning have authority;
- The IEO has the sole responsibility for drafting its reports and has total independence in deciding whether the IMF staff comments are incorporated.

Taking into consideration the defining features of the IEO, the creation of the office resulted in a new contract that has affected behaviors and incentives among all key stakeholders in the Fund. Some of the most salient results of the new contract are:

- The IEO is able to “speak truth to power” to the Executive Board, management, and staff;
- IEO reports offer the management of the Fund the opportunity to respond to evaluation findings;
- Procedures in place for follow-up on IEO evaluations require the IMF to propose actions to address IEO recommendations that were endorsed by the Executive Board;
- Institutional incentives have been affected in that IMF staff and management understand that their and the Fund's performance could be subject to future independent evaluation; and
- IEO reports have enhanced IMF accountability by providing government authorities and the public at large with an additional and independent source of information about the Fund's work and a credible assessment of what went right or wrong and why.

## The IEO's Experience with Independence

The 2006 Lissakers Report found that the IEO had succeeded in securing and maintaining its independence in the early years of its existence. That report also called on the IEO to continue to guard and preserve its independence, *inter alia* by not shying away from addressing significant policy issues and by exercising firm and bold judgment.

The 2013 Ocampo Report found that in the subsequent period the IEO had remained resolute in maintaining an arm's-length relationship with the Board, management, and staff, as reflected in the confidence and firmness of its evaluations and recommendations. That report also concluded that the IEO had maintained and exercised its independence

and was fully respected by its key stakeholders, namely the Executive Board, management, staff, and member countries. The panel's finding that the IEO's independence remained uncompromised—a central requirement for the IEO to satisfactorily fulfill its mandate—was a welcome development.

The Ocampo panel did conclude, however, that in one respect the exercise of independence had become problematic. It noted that the concern among all parties not to compromise or be seen to compromise the IEO's independence had exacerbated the tensions that naturally arise around an office that is independent but still part of the Fund. The panel concluded that relations between the IMF management and staff with the IEO had been affected and that a lack of collaboration had lessened the IEO's effectiveness.

In reflecting on this finding, we contend that the IEO construct entails some natural structural tensions, or “friction by design” (further elaborated in [Chapter 6](#)). But this tension needs to be kept in check so that it does not obstruct collaboration between the evaluation office and the rest of the organization. Achieving greater collaboration would not only allow the IEO to do its work better but would also be more beneficial to the Fund.

It is our experience that the IEO is as independent as this type of organization can be. We feel that the IEO has independence in administrative and budgetary matters, in its outreach activities, and in determining its work program and evaluation topics, as well as on the drafting of its reports and its findings and its recommendations. While the IEO is always subject to pressures from various stakeholders, when taking the key features of the office's independence noted above into consideration we are not aware of any challenge to this independence. We therefore infer that the institutional setup to safeguard the IEO's independence is appropriate.

## **Independence Is Not Isolation**

An issue that is still contentious for the evaluation community is whether the evaluator should remain isolated from those whose work is being evaluated. The argument in favor claims that isolating the evaluation function from the rest of the organization minimizes the possibility of a conflict of interest, minimizes the probability of potential bias, and prevents the evaluator from being influenced by the evaluatee. In this perspective, isolation is close to a guarantee of independence. But this scenario is not conducive to proper collaboration between the evaluation office and the rest of the organization



and thus limits the effectiveness of independent evaluation. Quoting Picciotto:

To be most effective, independent evaluation needs to be appropriately connected to the rest of the organization. Independence should not be confused with isolation. Indeed, evaluation does not facilitate organizational learning if it fails to feed into the strategy formulation, to amplify the voice of legitimate stakeholders, and/or to provide credible and reliable performance information to management and higher governance authorities (Picciotto, 2012: 49–50).

Thus, confusing independence and isolation leads to a suboptimal outcome. Without a close link to the organization, independent evaluation cannot serve the purpose for which it was created.

From the evaluator's perspective, remoteness from the organization inhibits understanding of the organization's work. Isolating the evaluation function inhibits information-sharing and mutual understanding. In such circumstances, evaluation findings are less valuable and potentially more resisted by the organization, and hence the possibility of learning from evaluation is diminished.

Nonetheless, independent evaluation needs to retain its objectivity, ask the relevant questions (whether comfortable or not), and work hard to avoid institutional capture or that its analysis is unduly influenced. The challenge then becomes to find a way for an evaluation office to attain this ideal situation—of independence simultaneous with proximity and connectedness with the rest of the organization. Accurate and fair evaluations must combine intellectual detachment with understanding, trust, and empathy (Picciotto, 2013). And this understanding from an independent evaluation office can only be achieved with closeness and cooperation with the organization.

IMF management and staff have remained “respectful of the IEO's independence,” as the Ocampo Report noted, and have realized that some coexistence with the IEO is necessary and unavoidable. At the same time, the senior staff has kept the IEO at a distance. As both the Lissakers and Ocampo reports indicate, this isolation has marginalized the IEO. It is our view that senior staff has found what would seem to them an optimal level of cooperation with the IEO, in which some interaction takes place, but they are often not open to what the IEO can offer in terms of learning.

Rather, it has been the IEO's experience as well as the observation of others that in some instances the Fund keeps on doing its work while minimizing or “watering down” the IEO's recommendations (Ocampo, Pickford, and Rustomjee, 2013). After every evaluation since

follow-up procedures were created in response to the Lissakers Report in 2006, the organization has offered specific actions in order to address IEO findings and Board-endorsed recommendations (this follow-up process is discussed further below). However, it is our view that most of these responses have been mechanical and with a lack of enthusiasm, which hardly stimulates institutional learning from evaluation. It is our contention that management and staff should acknowledge that the best way for the IMF to fully benefit from the presence of an independent evaluation office is to be more welcoming of, and more open to, the IEO's contributions.

For this to happen, the environment within the Fund needs to change so that it is clearly committed to learning and accountability. The Fund needs to create a culture that legitimizes independent evaluation and uses evaluation findings and insights for policymaking, performance improvements, and organizational renewal. Those whose work is evaluated have an important responsibility to incorporate an evaluation culture within the organization and be more open to it relative to their own work.

The objective is to make independent evaluation and the rest of the IMF “a principled partnership with shared objectives, reciprocal obligations, and distinctive accountabilities” (Picciotto, 2005: 354). As the Ocampo Report emphasized, effective functioning of independent evaluation in the Fund depends on IMF management more actively and regularly stressing the importance of the IEO for enhancing the Fund's credibility and learning culture, and encouraging increased engagement, both formally and informally.

This page intentionally left blank

## Independent Evaluation and the Tension Between Accountability and Learning

What should be the main goal of evaluation? Is it to hold programs and policymakers accountable for accomplishing their intended goals? Is it to help program managers and policymakers learn how to do their work better, namely to minimize errors and seek constant improvement? As the title of this chapter suggests, there can be a persistent tension about the relation of accountability and learning in evaluation studies. The debate between these two distinct objectives continues unresolved in the literature, with the traditional framework in evaluation putting it as an “either-or” proposition—you can focus on accountability or on learning, but you cannot have both.

This chapter lays the groundwork for highlighting that the “either-or” dichotomy is not necessarily valid. It focuses on the accountability and learning dimensions of evaluation and poses the question of whether the utility of evaluation needs necessarily to be framed in terms of one or the other. The discussion sets the stage for the positing in the next chapter that both purposes can be served within a single study. To begin, in this chapter, we focus on the notions of accountability, organizational learning, and their relation both to each other and to evaluation.

Before proceeding, we briefly address here two other motivations for evaluation identified by Vedung (1998). The first of these is to politically or symbolically legitimate the functions of the organization. Here the use is to show citizens and stakeholders that the functions and activities of the organization are taken seriously and hence are systematically evaluated by professionals. The second is to permit the postponement of decisions. Policymakers who are under pressure to decide on an issue can claim that it is too soon to do so because an evaluation is under way. Such a postponement can work to the benefit of the policymaker by letting time pass, hopefully letting the decision become less salient and perhaps move to the desk of someone else.

On the first of Vedung’s categories, the use of evaluation to legitimate the function of an organization, one of IEO’s purposes as established in

its terms of reference is precisely to “strengthen the Fund’s external credibility” (IMF, 2000b). This objective remains to this day as part of a triad, along with accountability and learning, as the key components of IEO’s mandate.<sup>1</sup> The Ocampo Report acknowledged that “there was a strong consensus, from inside the IMF, from national governments, and from external stakeholders, that the IEO had strengthened the IMF’s external credibility” (Ocampo, Pickford, and Rustomjee, 2013: 3). Furthermore, the panel concluded that strengthening the Fund’s external credibility had largely been achieved as the result of the exercise of the other two mandates: namely, enhancing the learning culture of the Fund and supporting its institutional governance and oversight.

With regard to the use of evaluation for postponing decisions, we would venture that the IMF has never used the conclusions or recommendations of an IEO evaluation as a justification for stalling its agenda or work. We would also conjecture that if ever the Fund has postponed taking action, it would have done so only in anticipation of an upcoming IEO evaluation report, in order to see whether IEO’s analysis would provide additional insight. It has been IEO’s experience that IMF management and staff have occasionally tried to preempt an IEO evaluation by taking action on a topic under evaluation (described in the 2006 Lissakers Report as “front-running”). This strategy, that aims to address some of the possible findings of an IEO report before the evaluation is completed, could be seen as a positive outcome of IEO’s presence but may also mute the eventual findings of the IEO report, which may yield different or more critical conclusions.

## Accountability and Learning

To many within the evaluation discipline, the primary purpose of evaluation is to help ensure accountability. Other practitioners consider that evaluation also has the responsibility to highlight the value and importance of organizational learning. For some, the prospects of reconciling the two is problematic (Lehtonen, 2005) while others do not see so much complementarity as they see these two objectives operating in two different domains.

Bemelmans-Videc, Perrin, and Lonsdale (2007: 250) argue that “[t]raditional forms of accountability are often viewed as less concerned

---

<sup>1</sup>The IEO’s original Terms of Reference (IMF, 2000b) also included as a mandate of the Office to “promote greater understanding of the work of the Fund throughout the membership.” However, following the recommendation of the second external evaluation of the IEO, this objective was dropped, given that the panel had determined that this had been achieved.

with learning than with punishment.” Others have noted that “a primary focus on accountability brings with it a strong focus on rigor, independence, replicability, and efficiency, whereas a focus on learning emphasizes stakeholder ‘buy-in’ and an evaluation process which leaves space for discussion and lesson-drawing” (Lonsdale and Bechberger, 2011: 268). Stated somewhat differently by the OECD (2001: 68), “[t]hese two objectives are not necessarily incompatible . . . but they are sufficiently different to merit separate consideration.”

There is widespread discussion in the literature on how evaluative work may contribute to learning in an organization. Howlett and Ramesh (1995), for example, see policy evaluation as part of a process of learning in which policies evolve mainly because of the recognition of past successes and failures and deliberate efforts to emulate successes and prevent failure. Learning from success is increasingly understood as a powerful means of learning (cf. Nielson, Turksema, and van der Knaap, 2015).

Learning from evaluation is, of course, far from inevitable or straightforward. It may well depend on a range of factors including organizational capacity, the cultural value of learning in the organization, the approaches used, the authority of those carrying out evaluations, the authority of those receiving the evaluations, the appropriateness of timing, luck, and whether there are forces working against learning. Some authors also emphasize the importance of ongoing links between evaluators and those whose work is being evaluated, the incremental and iterative nature of learning, and the value of learning from past evaluations (Preskill and Torres, 2000).

Consider the following question by Picciotto:

Can an internal independent evaluation function be designed to promote organizational accountability—or is it condemned to be an empty ritual? Is it conducive to organizational learning—or does it produce a chilling effect that inhibits adaptation to changing circumstances? (Picciotto, 2013: 18).

Independent evaluation units were created to help protect the credibility and legitimacy of the management process. Evaluation, when properly done, enhances the credibility of an organization’s management when policies, processes, and programs are evaluated. But if adequate care is not taken in the design of an evaluation unit, its efforts can be sidelined by the rest of the organization, and thus the benefits of evaluation, especially as a learning device, are nullified. Hence it is important to be aware that the mere establishment of an independent evaluation function within an organization creates barriers that work

in unison to resist the permeation and incursion of the evaluation unit into the rest of the organization (Mayne, 2008).

Even with the unavoidable creation of such barriers, the evaluation unit must strive to promote accountability and learning, and in a constructive and positive way, while maintaining its independence. By doing this, it can somewhat ease the inherent tension between accountability and learning and the organization will more easily reap the benefits of independent evaluation. To support this argument, Picciotto adds:

... deeply adversarial attitudes and “name and shame” approaches rupture contacts with decision makers, restrict access to tacit knowledge, inhibit professional exchanges and increase resistance to adoption of evaluation recommendations. They lead to isolation, a lack of intellectual leverage, and a chilling effect on organizational learning. This is why diminishing returns set in when evaluation independence assumes extreme and antagonistic forms (Picciotto, 2013: 22).

Consider also this statement by van der Meer and Edelenbos:

... there is an increasing emphasis on transparency, measurable results, and accountability. Policy documents should specify clear goals, the attainment of which should be measured by unequivocal (and if possible quantitative) indicators. Policy-makers should be held accountable for the results thus assessed. Evaluation, therefore, should assess efficiency, output, and outcomes of policies against their (initial) goals (van der Meer and Edelenbos, 2006: 202).

The implications of this statement need to be made explicit: (i) the purpose of programs and policies needs to be clear; (ii) intended objectives need to be measured as precisely as possible; (iii) those who are responsible for achieving the objectives should be held to account; and (iv) accountability should not aim at “shame and blame” but rather focus on an assessment of results, particularly outcomes. An additional dimension of accountability not mentioned in this quote also merits attention: that of what is learned and acted upon from evaluation studies. Accountability studies can provide an array of analyses to help managers do their work better. As Mayne notes:

Finding out why things are or are not working and seeking ways to improve programs and policies is what most evaluations are all about. This aligns well with the learning aspect of accountability. Managers want to learn how to improve their programs and policies and should be eager to demonstrate they have done so (Mayne, 2007: 79).

Thus, while accountability provides an opportunity to appraise whether and how an activity is being done and what the consequences are of doing it well (or not), it also provides the opportunity to learn how to do better.

In Mayne's own words (2007: 81): "Accountability focused more on learning than blaming provides greater potential for evaluation to play a meaningful role."

Thus, evaluation can achieve a position in which it provides both accountability and learning. In this endeavor, Lehtonen emphasizes the need to clearly define the roles of each:

There is an obvious tension between the two perspectives on the use of evaluation and they are often seen as irreconcilable. However, most authors seem to recognize that both providing accountability and enhancing learning are essential elements in the endeavor to promote 'social betterment' through evaluations. . . . The challenge is therefore not to choose between the two, but to look for complementarity through clearly defining the roles of the two approaches (Lehtonen, 2005: 170–71).

Even if evaluation studies provide both elements of accountability and learning, how can an organization overcome its resistance to change? Inertia, and entrenched interest in maintaining the status quo, are powerful forces to overcome (Perrin, 2015).

As will be discussed in [Chapter 9](#), the leadership of an organization has an important role to play in creating the conditions under which evaluation studies affect learning—that is, in overcoming the organization's inherent resistance to learn and thus change. As Perrin notes:

Leadership from the top is needed to bring about and to support needed organizational renewal and change. There is still limited, but an increasing array of resources available about how to manage for outcomes in a way that embraces complexity. Organizations that remain static and fail to evolve and improve quickly become out of date and may struggle to survive, at least in the long run (Perrin, 2015: 14).

## **New Wine in New Bottles—Or a Better Approach to Accountability**

Perrin, Bemelmans-Videc, and Lonsdale (2007) make the point that a new and different way of thinking about accountability can be developed, especially when organizations are striving to achieve outcomes in the context of a complex policy environment and are facing a variety of complicating factors. As summarized by Perrin (2015), three essential characteristics define this different approach to accountability:

- (i) A primary orientation towards results rather than on process;
- (ii) A focus on continuous and responsive learning; and
- (iii) A dynamic rather than a static approach that reflects the complexities and uncertainties inherent in most public policy areas.



Perrin notes:

This model of accountability involves holding programs accountable for asking the tough questions about what works and why, innovating and engaging in risk taking rather than playing it safe, and for seeking—and using—feedback. Holding programs accountable for asking the difficult questions, doing and using evaluations, and demonstrating use of learning—such as through changes in policies and in program approaches, may represent a harder standard than demonstrating compliance with procedures as with traditional accountability. In short, programs should be accountable for demonstrating good management and for keeping in view outcomes, which includes (but definitely is not limited to) a true results orientation (Perrin, 2015: 15).

Perrin, Bemelmans-Videc, and Lonsdale (2007) essentially argue for a new framework governing how one approaches the notion of accountability. What will be required is to transform the traditional compliance-oriented accountability approach into one that is nimble, learns from mistakes, follows up with corrective action, stops trying to establish and lay fault, and gives up on the “shame and blame” approach. This amounts to a transformation into a culture of learning. If reforms are not undertaken, if little to no emphasis is placed on moving towards that culture of learning, and if accountability is more and more understood as rhetorical, the organization’s performance will not improve and the confidence of those relying on evaluation will decline.

# The Learning-Accountability Spectrum in IEO Evaluation Reports

This chapter examines how the IEO has sought to reconcile the two main objectives of evaluation. As will be seen, the IEO has served as both an accountability and learning instrument for the IMF. The chapter analyzes findings across IEO evaluation reports and presents data that reveals how during the last six years the IEO has increased efforts to simultaneously achieve both of these objectives. The chapter concludes with further analysis on the tension between learning and accountability as well as on the role of self-evaluation in promoting these two objectives.

## The IEO, Learning, and the Fund

Is the IEO in a position to promote learning in the Fund? The Fund has a very qualified staff. The IEO is a small office within the Fund, and it is fair to ask how such a small office can serve as a learning mechanism for the whole organization. The answer, in this context, is in the affirmative, and mainly because the IEO is independent and can benefit from hindsight.

As discussed above, the origins of the IEO were clearly aligned to emphasize accountability more than learning, and, in our view, management and staff perceive the IEO to serve more of an accountability than learning function. Should the IEO therefore emphasize accountability and sideline its efforts to encourage learning inside the organization? If the IEO were to do so, the status quo would perhaps suffice and there would no longer be a need to look for alternatives to the ways in which the IEO and the larger Fund operate. Under this scenario any resistance from management and staff to the IEO could understandably be attributable to the IEO's accountability role. The IEO would continue to present its findings and the public at large would be able to judge their merit and relevance. Management and staff could openly disagree with these findings, but it is the IEO's role as an accountability device that would form the basis of its relationship among Fund stakeholders.

Yet the IEO's terms of reference call on the IEO to serve both accountability and learning functions in the IMF. The IEO's mandate entails enhancing the learning culture within the Fund, strengthening the Fund's external credibility, and supporting the Executive Board's institutional governance and oversight responsibilities (IMF, 2000b). In order for the

Fund to benefit from the learning elements in evaluation reports, there needs to be a means to reduce the conflict and distrust that might arise in the accountability context. The accountability role, which occasionally induces defensiveness from management and staff to IEO reports, can be detrimental to an open and vibrant learning culture in the IMF.

One way of creating an environment in which the Fund is more receptive and less confrontational to the IEO's analysis would be if the IEO were to reduce, indeed sacrifice, some of its independence. This option needs to be rejected outright. Softer and less direct analysis is not helpful for the institution, and it would not guarantee that management and staff would be more receptive. Moreover, a less independent evaluation function within the Fund would result in the IEO transforming itself into another unit under the control of management, and thereby foregoing its most valuable comparative advantage.

Alternatively, should the IEO diminish its emphasis on accountability? By no means. Summary reports with softer analysis and fewer statements of causality would contradict IEO's objectives and be detrimental to the Fund. Thus, if the IEO is to remain a center of independent evaluative analysis, the fundamental question remains of how it can balance the twin responsibilities of ensuring accountability and promoting learning.

## Accountability and Learning Findings in IEO Reports

To date, the IEO has produced 26 reports since it began operations in 2001. To better understand the learning-accountability spectrum across this body of work, the findings in each report were analyzed.<sup>1</sup> First, each evaluation finding was assigned only one of three classifications: mutually exclusive accountability; mutually exclusive learning; or composite learning and accountability.<sup>2,3</sup> Second, the average share of each type of finding per calendar year, based on the issue date of the report, was calculated in order to observe any pattern over time. Third, the evaluations were grouped into four broad topics: crisis-related; policy advice/surveillance; operational policy/practice; and governance/IMF mandate (Table 5.1). The average share per group was calculated in order to note any observable pattern with regard to topic.

<sup>1</sup> This analysis was undertaken by Alisa Abrams of the IEO. It excludes the evaluation report on *The IMF and the Crises in Greece, Ireland, and Portugal* which was not completed until mid-2016.

<sup>2</sup> The analysis counted the findings presented in the body of the report and thus it did not tabulate conclusions or recommendations. Findings that had to do with country performance or learning, if distinct from IMF performance or learning, were not included in the tabulation.

<sup>3</sup> "Accountability" findings were comprised of those statements presenting evidence or assessment as to whether or the extent to which the IMF (Executive Board, management, or staff) had

**Table 5.1. Topical Grouping of IEO Evaluations, 2002–15**

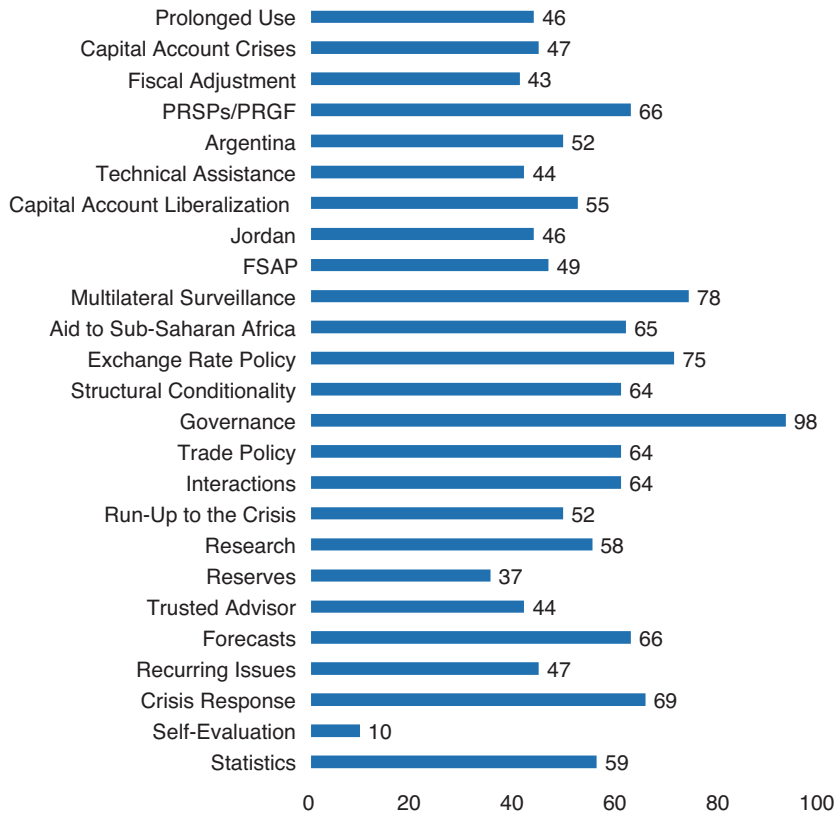
<b>Topical Grouping</b>	<b>IEO Evaluations (Title/Year)</b>
Crisis-related	<i>The IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil</i> (2003) <i>The IMF and Argentina, 1991–2001</i> (2004) <i>IMF Performance in the Run-Up to the Financial and Economic Crisis</i> (2011) <i>IMF Response to the Financial and Economic Crisis</i> (2014)
Policy Advice/ Surveillance	<i>Fiscal Adjustment in IMF-Supported Programs</i> (2003) <i>The IMF's Approach to Capital Account Liberalization</i> (2005) <i>Multilateral Surveillance</i> (2006) <i>IMF Exchange Rate Policy Advice</i> (2007) <i>IMF Involvement in International Trade Policy Issues</i> (2009) <i>Research at the IMF: Relevance and Utilization</i> (2011) <i>International Reserves: IMF Concerns and Country Perspectives</i> (2012) <i>IMF Forecasts: Process, Quality, and Country Perspectives</i> (2014) <i>Behind the Scenes with Data at the IMF: An IEO Evaluation (aka Statistics)</i> (2015)*
Operational Policy/ Practice	<i>Evaluation of Prolonged Use of IMF Resources</i> (2002) <i>Evaluation of the IMF's Role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility</i> (2004) <i>IMF Technical Assistance</i> (2005) <i>IMF Support to Jordan, 1989–2004</i> (2005) <i>Financial Sector Assessment Program</i> (2006) <i>The IMF and Aid to Sub-Saharan Africa</i> (2007) <i>Structural Conditionality in IMF-Supported Programs</i> (2007) <i>Self-Evaluation at the IMF: An IEO Assessment</i> (2015)
Governance/Fund Mandate	<i>Governance of the IMF: An Evaluation</i> (2008) <i>IMF Interactions with Member Countries</i> (2009) <i>The Role of the IMF as Trusted Advisor</i> (2013) <i>Recurring Issues from a Decade of Evaluation: Lessons for the IMF</i> (2014)

\* The *Statistics* report was completed in 2015 and delivered to the Board in early January 2016.

developed, implemented, or complied with policy or guidelines; fulfilled its mandate as provided in the Articles of Agreement; or executed evenhanded treatment of the membership in its program support, surveillance, capacity development, or governance activities. “Learning” findings were comprised of those statements presenting evidence or assessment as to whether or the extent to which the IMF had learned from past experience or that there was a need for the IMF to learn relative to the issue at hand. Combined “Learning and Accountability” findings were comprised of statements that included both a learning and accountability element. An example of an accountability finding is: “The institution’s operational guidance is not clear on what IMF staff are to do on aid” (*The IMF and Aid to Sub-Saharan Africa*, 2007). An example of a learning finding is: “A good resident expert seems to be the one able to adapt to the environment of the country in question” (*IMF Technical Assistance*, 2005). An example of a learning/accountability finding is: “IMF advocacy of fiscal consolidation proved to be premature for major advanced economies, as growth projections turned out to be optimistic” (*IMF Response to the Financial and Economic Crisis*, 2014).

**Figure 5.1. Share of Accountability Findings, 2002–15, by Evaluation Report**

(In percent)



Note: FSAP=Financial Sector Assessment Program; PRSPs/PRGF=Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility.

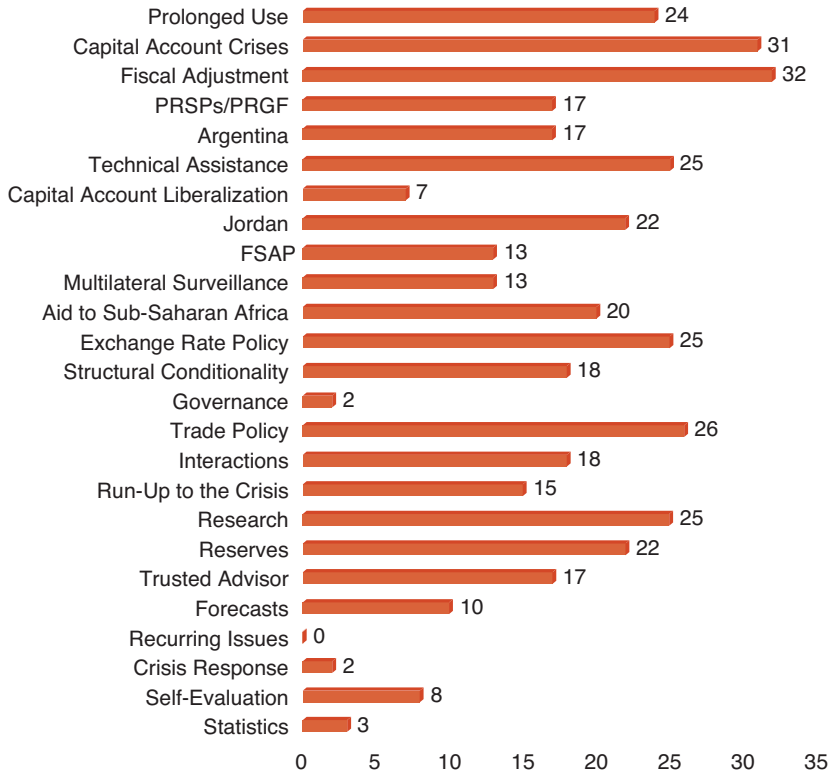
### Type of Findings

While there was considerable variation across individual evaluation reports, accountability findings comprised the largest share in all but 3 of the 25 reports reviewed. Of all findings over all years, accountability findings accounted for 56 percent; learning findings accounted for 17 percent; and learning/accountability findings accounted for 28 percent.<sup>4</sup>

As shown in [Figure 5.1](#), three evaluation reports (*Multilateral Surveillance*, *Exchange Rate Policy Advice*, *Governance*) predominantly

<sup>4</sup> The average share by type of finding was calculated using two methods. The first method excluded the *Governance* and *Self-Evaluation* reports, which were outliers (the former with regard

**Figure 5.2. Share of Learning Findings, 2002–15, by Evaluation Report (In percent)**



Note: FSAP=Financial Sector Assessment Program; PRSPs/PRGF=Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility.

contained accountability findings. Seven reports (*PRSPs/PRGF*, *Aid to Sub-Saharan Africa*, *Structural Conditionality*, *Trade Policy*, *Interactions*, *Forecasts*, *Crisis Response*) each contained approximately two-thirds accountability findings (ranging from 64 percent to 69 percent). And all but one of the 15 remaining reports contained over one-third to over one-half accountability findings (ranging from 37 percent to 59 percent).

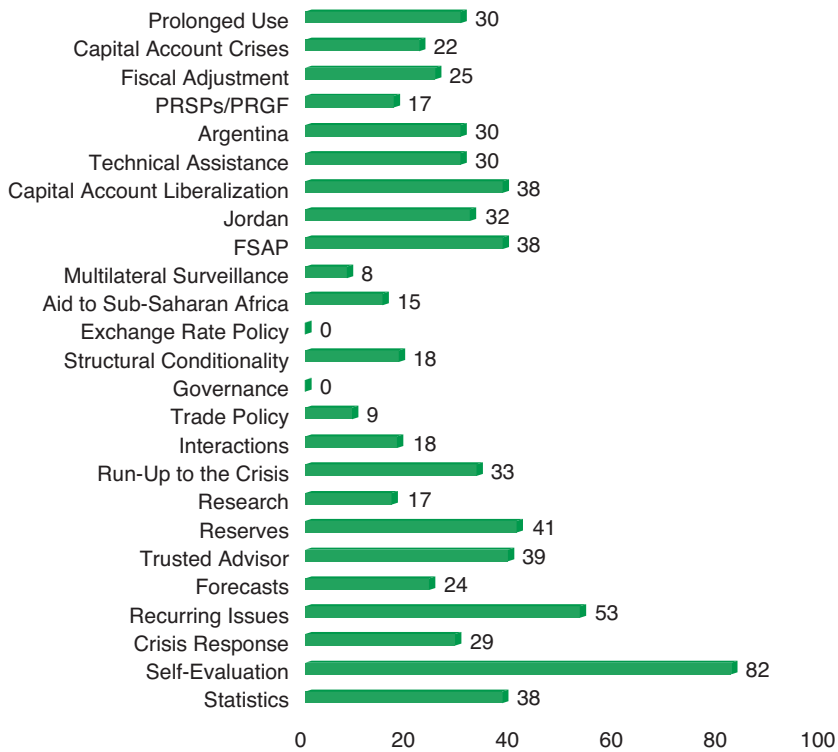
Conversely, as shown in [Figure 5.2](#), mutually exclusive learning findings were the least frequent type of findings. Two evaluation reports

---

to accountability findings and the latter with regard to composite learning/accountability findings). The second method did not exclude these reports. When using the second method, the difference was minimal; thus the above discussion reflects these results. Using the exclusion method, the average share of accountability findings was 58 percent; the average share of learning findings was 15 percent; and the average share of learning/accountability findings was 27 percent.

**Figure 5.3. Share of Learning/Accountability Findings, 2002–15, by Evaluation Report**

(In percent)

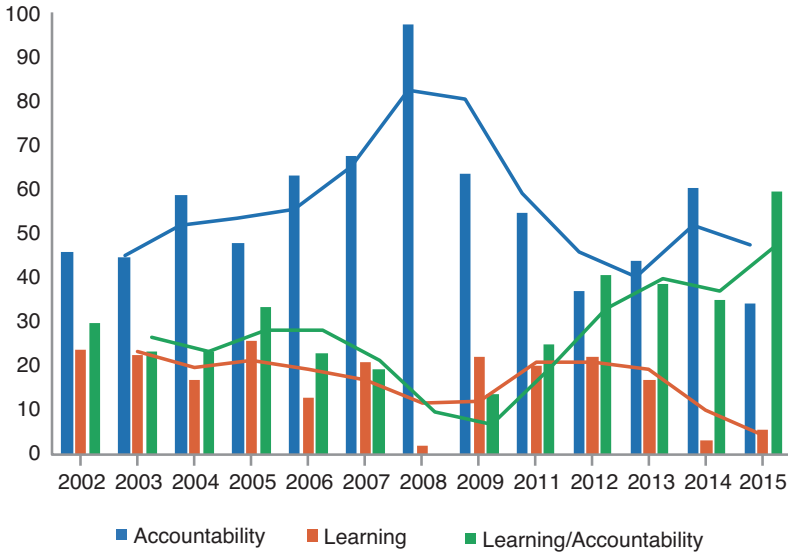


Note: FSAP=Financial Sector Assessment Program; PRSPs/PRGF=Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility.

contained nearly one-third learning findings (*Capital Account Crises*, *Fiscal Adjustment*), while five reports contained about one-quarter (*Prolonged Use*, *Technical Assistance*, *Exchange Rate Policy*, *Trade Policy*, *Research*).

An interesting observation emerged with regard to composite learning/accountability findings. Not only did all but two evaluation reports (*Governance*, *Exchange Rate Policy*) contain this type of finding, it featured in varying amounts in the rest of evaluation reports. As shown in [Figure 5.3](#), composite learning/accountability findings predominated in the *Self-Evaluation* report (82 percent) and accounted for more than half (53 percent) of the findings in the *Recurring Issues* report. Six evaluations (*Capital Account Liberalization*, *FSAP*, *Crisis Run-Up*, *Reserves*, *Trusted Advisor*, *Statistics*) contained between one-third and one-half learning/accountability findings (ranging from 33 percent to

**Figure 5.4. Share of Type of IEO Findings over Time, 2002–15**  
(In percent)



Note: IEO did not produce an evaluation in 2010.

41 percent), while another six evaluations contained between one-quarter and one-third learning/accountability findings (*Prolonged Use, Fiscal Adjustment, Argentina, Technical Assistance, Jordan, Crisis Response*).

### Temporal Patterns

As noted above, accountability findings accounted for just over half of all findings across all years on average; learning findings accounted for less than one-fifth; and learning/accountability findings accounted for over one-fourth. The proportional distribution among accountability, learning, and combined learning/accountability findings across IEO evaluations was relatively constant until the global economic and financial crisis evaluation period (i.e., 2011 onward), when a steady increase began in the share of combined learning/accountability findings (Figure 5.4).

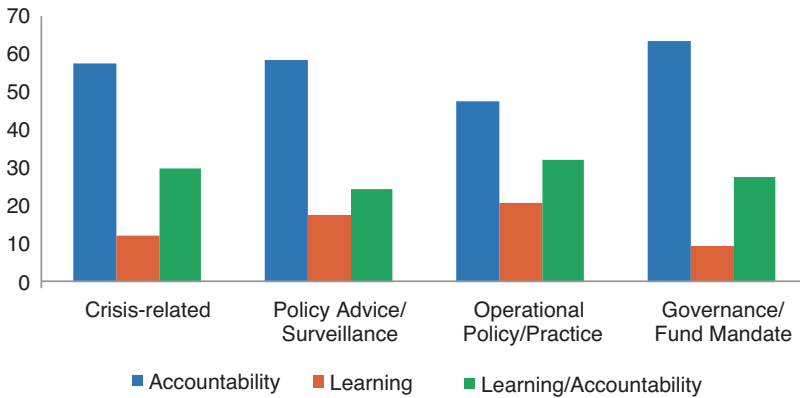
### Topical Patterns

The proportional distribution of accountability, learning, and learning/accountability findings among the topical groupings of evaluations differed little from that for all findings over time (Figure 5.5).

Accountability findings accounted for 52 percent to 63 percent across all topical groupings, with an average share of 57 percent. The



**Figure 5.5. Average Share of IEO Findings, 2002–15, by Topical Grouping (In percent)**



Note: Crisis-related=Capital Account Crises; Argentina; Run-Up to the Crisis; Crisis Response. Policy Advice/Surveillance=Fiscal Adjustment; Capital Account Liberalization; Multilateral Surveillance; Exchange Rate Policy; International Trade Policy; Research; Reserves; Forecasts; Statistics. Operational Policy/Practice=Prolonged Use; PRSPs/PRGF; Jordan; Technical Assistance; FSAP; Aid to Sub-Saharan Africa; Structural Conditionality; Self-Evaluation. Governance/Fund Mandate=Governance; Interactions; Trusted Advisor; Recurring Issues.

largest incidence of accountability findings was in reports on governance/Fund mandate and the smallest was in reports on operational policy and practice.

Learning/accountability findings accounted for 23 percent to 30 percent across all topical groupings. The largest incidence of learning/accountability findings was in crisis-related evaluations and the smallest was in policy advice/surveillance evaluations.

Mutually exclusive learning findings accounted for the largest variation by topical grouping, ranging from 9 percent to 22 percent. Policy advice/surveillance evaluations and operational policy/practice evaluations were on the higher end of the range, while governance/Fund-mandate evaluations and crisis-related evaluations were on the lower end.

### Key Messages from These Data

The similarity of results across all evaluations, time, and type of evaluation topic is striking. Over more than a decade of IEO evaluations across a wide variety of topics, accountability has featured prominently in nearly all evaluation reports and has been a dominant theme for the IEO. IEO evaluation reports have documented and explained the extent to which the IMF has or has not carried out its mandate and related activities as per established policies and procedures. The IEO's

emphasis on accountability has thus represented a valuable and important contribution to the transparency and credibility of the Fund.

At the same time, however, learning has also played a key role in IEO evaluation reports. While the nature and share of learning-related findings in IEO evaluation reports has shifted over time, beginning in 2011, the focus of IEO evaluations expanded from holding the IMF accountable towards explicating the connections between performance and lessons about how to improve. In other words, the IEO has been able to synthesize its accountability and learning missions rather than treating these elements distinctly. Conceptualizing evaluation findings as not only simply accountability or learning findings but rather as a combination of the two might just turn out to be an appropriate way for an evaluation office to simultaneously fulfill these dual purposes. Hence, the IEO experience demonstrates that the binary “either-or” consideration discussed in [Chapter 4](#) need no longer be the only choice. As we have shown, it can also be “both-and.” This synthesis approach can serve as a model for other institutions as they move forward in their efforts to promote accountability and also instill a learning culture.

## **Can Learning and Accountability Complement Each Other?**

Increasingly, IEO has tried to exploit the complementarity of accountability and learning as goals of evaluation, hence the sizable number of reports with a substantial share of combined learning/accountability findings in the same report. Particularly in response to the first external evaluation of the IEO, when evaluation reports have pointed to instances in which the IMF has fallen short in its performance (accountability element), the exercise has turned into a quest to identify the reasons why, so as to offer conclusions and recommendations that can contribute to an enhanced and hopefully a better-performing organization (learning element). Thus, IEO’s methodology and reporting provide a framework both for the membership and Executive Board to hold management and staff accountable and for the Fund to learn from experience. In addition, by making its evaluations public, the IEO assists civil society organizations in member countries in their efforts to understand, hold accountable, and reform the IMF.

While IEO reports have both elements of learning and accountability, the manner in which these reports have been received, discussed, and subsequently acted upon seems to suggest that there appears to be little room for learning in the Fund. Why? Because, as we have argued

above, the IEO has been perceived more as an accountability mechanism than one that emphasizes learning.

As discussed in the previous chapter, there is indeed some tension between the evaluation goals of learning and accountability. It has been suggested that the most appropriate balance between these two goals depends on the situation at hand (Gray, 2014). For example, organizations without strong internal governance and without strong external scrutiny may be less prepared to use evaluations that are geared towards accountability. In such circumstances, it may make sense to allocate evaluation resources toward learning, with the expectation that the organization is more motivated toward performance. The IMF has strong internal governance and is also subject to strong external scrutiny. Does this not then imply that for IEO evaluations to be most effective, the balance within the IEO needs to be tilted still more towards accountability as opposed to learning?

Few organizations have managements that appreciate critical or fault-finding recommendations, even if these recommendations make sense from a technical or practical perspective. Those organizations that are more resistant to criticism will have a harder time learning from truthful and candid independent evaluation. Further, data on performance suggest that organizations are most likely to learn from their (and others') successes than from failures (Nielsen, Turksema, and van der Knaap, 2015). Understanding the organizational environment and its values, the governance situation, the role of other actors, and the culture of the institution and its tolerance for open debate can help evaluators determine which way to lean to increase the opportunities for effectiveness and impact.

Promoting accountability requires “speaking truth to power” even if the truth is not what the power structure wants to hear. But promoting learning may call for a more nuanced tone to ensure that management and staff remain open to the messages from the evaluation. What would the IEO have to do to encourage more learning from its work? Does it need to move away from a strong accountability focus in order to promote learning from independent evaluation?

As mentioned in [Chapter 1](#), in reaching an agreement on the mandate of the IEO, IMF Executive Directors made references to the role of independent evaluation in contributing to a learning culture, but accountability and transparency were the driving factors. In this sense, IEO has remained true to the initial intentions of the Board. Therefore, it is understandable that staff or management may view this role as merely about finding fault; but in fulfilling its accountability mandate, the IEO strives to acknowledge the constraints or bottlenecks the Fund

faces in doing a difficult job. Further, in incorporating its learning mandate in its work, IEO seeks to create a more conducive environment for the receptivity of its evaluation messages. The more staff and management can appreciate that IEO is also focused on the learning objective and, essentially, that accountability and learning are two sides of the same coin, the more the Fund can benefit from independent evaluation. Knowledge gained from experience can induce improvement and, indeed, propel change, but only when the right institutional setting is in place and when there is a corporate culture that embraces change.

## Can Learning and Accountability Result from Self-Evaluation?

The IMF and other IFIs conduct self-evaluation as another means of enhancing accountability and learning. Essentially, the IMF conducts self-evaluation “to learn from experience and improve the quality and effectiveness of its work” (IEO, 2015: v). Distinct from independent evaluation, this internal mechanism is conducted by the same management structure that carries out the institution’s work and thus is more easily integrated with daily operations. The question, of course, is whether self-evaluation effectively serves as an accountability and a learning device.

In August 2015, the IEO conducted the first assessment of self-evaluation within the IMF. As stated in the Executive Summary:

It found that considerable self-evaluation takes place at the IMF; that many IMF self-evaluation activities and reports were of high technical quality; and that self-evaluation informs reforms in policies and operations. Yet, there are gaps in coverage, weaknesses in quality, and shortcomings in the dissemination of lessons, in part because of the absence of an explicit, conscious, institution-wide approach to this work. Further, decisions taken in April 2015 as part of a cost-cutting exercise risk further weakening self-evaluation. The IMF does not have an institution-wide framework or overall policy to establish what needs to be evaluated and how, who is responsible, and how to follow up. This may explain how recent decisions to reduce self-evaluation activities were taken without serious consideration of their impact on learning and accountability. . . .<sup>5</sup>

---

<sup>5</sup> As part of the follow-up on Board-approved recommendations for the IEO’s self-assessment evaluation, in June 2016, the Fund released a statement on the principles and best practices for self-evaluation at the IMF. This document explicates the goals, scope, and intended utilization/dissemination of self-evaluation across the IMF’s work (surveillance, lending and capacity

Self-evaluation activities [during the evaluation period] were weak in distilling lessons on staff practices and more generally in disseminating lessons in a way that promotes learning. To address these concerns, management should develop products and activities aimed at distilling and disseminating evaluation findings and lessons in ways that highlight their relevance for staff work and that facilitate learning (IEO, 2015: 1).

Even if the Fund were to establish all the necessary requirements for a thorough and meticulous self-evaluation framework, the staff is not independent from management, hence, staff's own analyses of past experiences are less inclined to be candid in identifying errors and the need for change. Without such an independent and candid assessment, self-evaluation seems to offer less potential as a learning instrument. On the other hand, since self-evaluation is self-generated, its findings are more likely to be owned and implemented by decision makers than are those produced by independent evaluation. Hence, self-evaluation, when properly implemented, has the potential to facilitate learning.

---

development). It also lays out the objectives and timetable for conducting institutional-level policy and thematic reviews (see "Implementation Plan in Response to the Board-Endorsed Recommendations for the IEO Evaluation Report on Self-Evaluation at the IMF" [Annex III](#), available at [www.imo-imf.org/ieo/pages/Multiheader.aspx](http://www.imo-imf.org/ieo/pages/Multiheader.aspx)).

## Friction by Design and Other Structural Issues That Have Hampered Independent Evaluation at the IMF

Accountability and learning are the twin foundations of the rationale for independent evaluation. As has been argued above, the creation of an independent evaluation office within an organization to serve these twin purposes inevitably creates ambiguities and tensions that are difficult to resolve. Issues of trust, receptivity, and perception, when not properly addressed, can mar relations between the evaluation function and the rest of the organization. But tensions that are constructively managed can help to legitimize the evaluation function and its relations with the rest of the organization, and allow evaluation to adequately fulfill its mandate.

Though structurally the IEO has a high degree of independence and demonstrates this by the questions that it asks and the evaluations it conducts, its functional independence has also been a source of tension. The implications for accountability and, perhaps more importantly, for learning, are apparent: unrestrained tension can hardly result in an optimal method to learn from experience. The critical issue then becomes how the organization can satisfactorily allow this tension to coexist with a more responsive and open organization towards independent evaluation. The benefits of independent evaluation can only fully materialize within the IMF to the degree that the management of the organization learns from evaluation and feels accountable for results. Without support from the organization's leadership, independent evaluation would not be expected to properly foster accountability and learning, as it would simply be tolerated or ignored. However, creating the right atmosphere to let the necessary tensions play out, without reducing the IEO's effectiveness, is a challenge for both the IMF and the IEO. As elaborated in the following chapters, the leadership of the IMF has a major role to play in this regard. If the leadership appreciates the benefits of independent evaluation and relies on its findings to promote change, then evaluation can reach its potential to enable the Fund to reach higher levels of efficiency and effectiveness.

Five structural issues have directly influenced the Fund's ability to embrace the learning and accountability imperatives of independent evaluation: (i) the natural tension in the structural design of the independent evaluation function within the Fund (what we refer to as "friction by design"); (ii) the receptivity of staff and management; (iii) staff views of IEO and their impact; (iv) practices in the recording of Directors' positions on IEO recommendations; and (v) lack of clarity in IEO's terms of reference. These five issues, discussed in turn below, have shaped the relations between the IEO on one hand and IMF management and staff on the other. While presented individually, these issues are all related and difficult to disentangle. Moreover, one could argue that the first of these issues, namely the design of the independent evaluation function within the Fund, has affected or even determined some of the other issues.

As an example of how the negative aspects of "friction by design" have affected the independent evaluation function at the IMF, the final section of this chapter recounts some of the difficulties the IEO encountered in producing its report on *The IMF and the Crises in Greece, Ireland, and Portugal*. Conducting this project proved difficult for the IEO and strained relations between the IEO and the rest of the organization. The project tested the extent of IEO's independence, and while the IEO was able to conclude this evaluation and maintain its independence, the exercise offers interesting insights on the challenges and frictions that characterize independent evaluation. Highlighting the challenges IEO encountered in carrying out this evaluation is meant to offer some insight to the membership about the need to address issues that would better enable the IEO to do its job and the Fund to benefit more from independent evaluation.

Despite the IEO's efforts to serve as both an accountability and a learning mechanism, the structural elements that were put in place to guarantee IEO's independence have undermined the IEO's capacity to be perceived as a learning instrument. Consider, for example, the following comments by IMF Managing Director, Christine Lagarde, at the conference to mark the IEO's tenth anniversary in December 2011. Her remarks at that time left no doubt that the IMF perceived the IEO primarily as an accountability instrument.<sup>1</sup>

The Independent Evaluation Office is an entity that not many organizations would tolerate. It goes under the skin of the institution, and

---

<sup>1</sup> Accountability has been a dominant theme for the IEO, as it has featured significantly in almost all evaluation reports. The manner in which management and staff have seen the IEO over time playing its role as an accountability instrument seems to be borne out in the analysis presented in [Chapter 5](#).

under the skin of projects, reports, and ways of operating. It consults with IMF Management and takes what it wants of Management's feedback, but it reports directly to the Executive Board. . . . Once reports of the IEO are approved by the Board they are published and can be checked by each and every member of the media or by any observer who may like to either praise or criticize. . . .

Seen in this context, the IEO is a true child of Lord Keynes, in that it carries out the mandate of "ruthless truth telling" at the heart of an institution whose own mission is to tell the truth. . . . And we want to continue to have the support of the IEO and its ultimate honesty, because it is this internal honesty and internal truth telling that enhances our own ability to tell the truth (reproduced in Lamdany and Edison, 2012: ix–x).

## Friction by Design

Creating an independent evaluation office is not without its costs. While external stakeholders and the broader community may see it as an opportunity that helps strengthen the organization's credibility and legitimacy, those inside the organization may see it differently. From the vantage point of those inside the organization, the existence of an independent evaluation office is not necessarily welcome, especially if evaluation is steered towards accountability and this function of evaluation is perceived as accusatory. As Mayne notes: "the more accountability is seen as blame apportionment, the more difficult will it be for evaluation to play a constructive role: evaluation for accountability will be more of a myth than a reality" (Mayne, 2007: 70).<sup>2</sup>

In our view, coexistence with a highly independent evaluation unit has not been easy for the IMF, and this has raised several issues for IMF staff and management: First, the IEO is independent and thus chooses what topics it will evaluate. There is not a formal process for staff consensus to be built on this matter.<sup>3</sup> This can be problematic for staff and management, because the IEO has the final say on what it evaluates and the resulting evaluation report is presented to the Executive Board,

---

<sup>2</sup> As discussed below, according to a survey conducted in the context of the second external evaluation of the IEO, IMF staff tended to see the IEO more as an accountability device than as an instrument for learning. At the same time, the survey confirmed that some staff did value an assessment of their own work and others seemed to value an assessment of the work of colleagues.

<sup>3</sup> While the IEO has total discretion on the topics it chooses to evaluate, its practice has been to engage in consultations on proposed evaluation topics with the Executive Board, staff, management, government authorities, civil society, and the public at large.



and eventually published. This is a classic instance where independent evaluation outside the control of management goes public and potentially becomes inopportune. Moreover, while the IEO is obliged to circulate its report to staff for comments before it is distributed to the Board, IEO has total independence in deciding whether to change its assessment as a result of these comments.<sup>4</sup> Second, it may be the case that an evaluation is perceived as a source of conflict, ill-timed, or a risk to programs and policies.

## Receptivity of IMF Management and Staff to IEO Findings

While the relations between the IEO, on one hand, and management and the majority of Fund staff, on the other, have been broadly positive over the past years, some parts of management and senior staff have shown defensive and antagonistic attitudes (Ocampo, Pickford, and Rustomjee, 2013).

To the extent that these attitudes persist, they potentially have several damaging consequences for the IMF. First, they can present barriers to learning. Accepting findings and conclusions of an IEO report as the basis for learning may be resisted if there is a misplaced inherent reluctance to learn from “outsiders.” Second, this in turn undercuts evidence-based decision making at the IMF. The fact that evaluation evidence is based on rigorous analysis, subject to the scrutiny of internal and external review seems, in our opinion, at times to be dismissed. Unfortunately, rather, when senior staff do not like or agree with an evaluation finding, they may raise questions about the merits of IEO’s methodology or evidence as a means to weaken the IEO’s arguments.<sup>5</sup> Third, there has been a perception that evaluators only point out wrongs rather than giving credit for good performance or explaining institutional constraints. Such perspectives have implications for the IMF’s receptiveness to IEO findings, for learning from IEO’s analysis, and ultimately for seeing the IEO as a partner in building a better IMF. In that sense, we are concerned that there is little sense of common

---

<sup>4</sup>For the most part, IEO’s practice with regard to staff comments on an evaluation report has been to amend only for factual correction or clarification. Once a report is finalized, management, and often staff as well, prepares a response that is presented to the Board and published concurrently with the report. This response serves as an opportunity for management, or staff, to assert its position on the evaluation report.

<sup>5</sup>There also may be cases in which there is a genuine difference of opinion about methodology or other technical issues.

ground, shared values, or a unified purpose among staff with regard to the mission of the IEO.

A related observation is with regard to the seeming lack of differentiation of roles between management and staff with respect to the IEO. For example, the Managing Director issues a statement on IEO evaluation reports. At times over the years, staff has also issued a formal staff response. In practice, however, these have been similar, tending to agree and disagree with the IEO on the same issues and recommendations.<sup>6</sup> Given their distinct, differentiated roles with respect to the IEO, one would have expected the staff and management each to take its own approach in response to the findings of an evaluation report. As another example, per the follow-up process, it is incumbent upon management to prepare and present to the Board a Management Implementation Plan (MIP) outlining how it intends to operationalize Board-endorsed recommendations. In practice, except in one instance, management has not presented or defended its “own” MIP since the inception of this instrument.<sup>7</sup> This is also of concern since management is not seen or identified by the rest of the organization as actually taking the lead in advancing or supporting an idea that resulted from an IEO evaluation report.

## Staff Views of IEO and Their Impact

Several perception and staffing issues complicate the IEO’s situation within the Fund. Most have to do with the IMF staff’s lack of familiarity with the mission and purpose of the IEO, or with the IEO’s position and status within the Fund. Further, negative attitudes towards independent evaluation have repercussions for the IEO’s ability to attract Fund staff members to come to work for periods in the IEO—an arrangement that is integral to the ideal staffing balance sought for the office.

### IMF Staff Perceptions

A survey that was conducted in the context of the second external evaluation of the IEO (see Ocampo, Pickford, and Rustomjee, 2013) provides a wealth of information on IMF staff attitudes towards IEO. It found that 21 percent of the staff had no familiarity whatsoever with the

---

<sup>6</sup> Perhaps because of this lack of differentiation between staff and management’s responses to an IEO evaluation report, staff has rarely issued a formal response to more recent IEO reports.

<sup>7</sup> The initial MIP for the IEO evaluation on the *Run-Up to the Crisis* (IEO, 2011) was not approved by the Evaluation Committee. A revised MIP was discussed by the Evaluation Committee and referred for discussion by the full Board. The revised MIP was reissued and discussed at a Board meeting chaired by the Managing Director.

IEO, and that another 24 percent were minimally aware of the IEO's work. Awareness was even more limited among staff members with less than five years' tenure in the Fund, 45 percent of whom were not familiar at all with the IEO. But even among staff with more than 10 years' tenure, familiarity with the IEO was not prevalent: more than 30 percent were unfamiliar with the IEO.

Another indicator of the staff's lack of familiarity with the work of the IEO is the extent to which they had read IEO evaluations. Survey responses revealed that the IEO's then-most highly read report, *IMF Performance in the Run-Up to the Financial and Economic Crisis* had been read by only 28 percent of the staff. Importantly, it also revealed that 17 percent of the staff had not read any of the ten reports issued by the IEO between 2006 and 2011. While, as expected, senior staff turned out to be more familiar with the work of the IEO, the level of awareness was still not sufficiently widespread: 14 percent of the staff at the highest seniority range responded that they had no or very limited familiarity with the work of the IEO.

The survey also confirmed that there was a perception among IMF staff that a position in the IEO offered limited career potential for those planning to return to the Fund. Only 12 percent of the staff believed that working in the IEO was an effective means to career advancement in the Fund, and this number dropped to 5 percent among senior staff. The Ocampo panel also reported anecdotal evidence that some IMF managers had discouraged staff from applying for IEO jobs.<sup>8</sup>

Furthermore, the survey concluded that while junior staff viewed their departments' relationship with the IEO as collaborative, the perceived level of collaboration with the IEO decreased with a staff member's seniority. Among the IMF departments, the survey found the Strategy, Policy, and Review Department (SPR), the IEO's main counterpart in the Fund, to be the most defensive department towards the IEO.<sup>9</sup>

The survey also provided interesting results on IMF staff views regarding the IEO's role in accountability and institutional learning. The staff ranked the improvement of IMF institutional governance as

---

<sup>8</sup>As a further example of the pervasiveness of these views, it also happens that the IEO formerly held seminars on its reports for Fund staff but discontinued this practice because some Fund staff members indicated that while interested in attending, they preferred not to be seen at an IEO event. Anecdotal evidence indicates that IEO staff members have faced difficulties in maintaining their contacts with Fund staff members, as some IMF staff members have opted not to be associated with IEO personnel even at informal gatherings within the Fund premises.

<sup>9</sup>While staff from given Fund departments might engage with the IEO independently, SPR represents the formal and official view of the staff when responding to the IEO.

the highest-priority goal for the IEO, but they also saw enhancing the learning culture of the Fund and strengthening its external credibility as relevant. Forty percent of the staff viewed the IEO as effective in supporting governance and oversight, and 40 percent of the staff viewed the IEO as effective in improving the Fund's external credibility. A high 49 percent viewed the IEO as ineffective at promoting a learning culture, and only 17 percent viewed it as having contributed to changing the culture of the IMF.

Asked about IMF management's effectiveness in following up on IEO recommendations, only 31 percent of the staff believed that management had been effective in doing so. More worrisome is the fact that only 39 percent of senior staff believed that management had been effective in that regard. The survey also showed that, according to staff, the top areas for needed improvement in independent evaluation at the Fund were management implementation of Board-endorsed IEO recommendations and staff buy-in on the IEO's analysis.

These results have important implications for the IEO, in terms of the overall receptivity of the Fund to IEO reports and the willingness of the staff to learn from them, follow up on their findings and recommendations and eventually transform the IMF into a true learning organization.

### Implications for IEO Staffing

The survey results from the Ocampo Report also have significant implications for IEO recruitment and staffing.

IEO recruitment and staffing is important both for its independence and effectiveness. The IEO's staffing model is predicated on having an appropriate mix of personnel who come from outside the Fund and from within. While a generalization, people coming from outside the Fund provide a fresh perspective and are presumed to have more independent judgement, while IMF insiders tend to understand the institution better. For reasons discussed below, this is a hard balance to maintain.

For those outsiders who join the IEO without prior multilateral experience, it is difficult to get to know the IMF. The Fund is a complex institution, its documents are difficult to read, and, like that of any other organization, its internal culture can initially be challenging to comprehend. External hires may therefore need some precious time to better understand the organization, and, even when well informed, may easily be dismissed by Fund staff as "not knowing what we do here."

For IEO staff members drawn from within the IMF, the adaptation period in the IEO is brief. They have a good understanding of the

organization, and they know the people, the documents, and the way the Fund works. Nonetheless, some of them may feel that joining the IEO has created a rift between them and the rest of the Fund. Since the IEO works at arm's length from the Executive Board and is segregated from the IMF staff, some isolation and detachment is inevitable; but the type of work that internal hires carry out while at the IEO has at times resulted in some remoteness and concern about their future in the IMF.

Another important consideration has to do with staff mobility between the IEO and IMF at-large. Fund staff who accept an appointment in the IEO must abide by several stipulations. Some of these stipulations, such as the length of time they can spend at the IEO, are similar to those for external hires. However, some stipulations may apply only by virtue of being an internal hire.

One such stipulation is with regard to the circumstances (position, level, grade, etc.) under which internal hires may return to the Fund once their stint at the IEO expires. Until recently, staff who came into the IEO from other parts of the Fund and were promoted while in IEO were not recognized by the rest of the IMF as having a formal promotion. In the IEO, the decision as to whom to promote rests with the Director. But in other parts of the IMF the process is more complex—there are review panels, multiple competitions, endorsements by Directors, and selections by senior managers. While the Fund's provisions have a clear rationale, this framework provided little incentive to staff to move to the IEO and worked against building a cadre of IMF specialists who would want to have a part of their career in IEO and get to know the Fund from a different perspective while still having the opportunity to return to other parts of the organization.

In an effort to improve the situation, in early 2015 the IEO and the management of the IMF reached an agreement that a staff member who is promoted while in the IEO and who returns to the Fund staff can keep their promotion for one year on a trial basis. This probation period gives the staff member an opportunity to prove themselves to their new director. If not accepted after a year, the promotion would be revoked and the staff member would revert to their previous grade level. While this new arrangement has not yet been tested, it will be of interest to see whether IMF staff who are promoted while at the IEO will be able to keep their grade. If this is not the case, incentives for staff members to spend some time at the IEO will be further eroded.<sup>10</sup>

---

<sup>10</sup> This agreement is not expected to be a burden for the Fund. On average, about one staff member returns from the IEO to the Fund per year, and not everyone is promoted during their time at the IEO.

## Recording of Executive Directors' Positions on IEO Recommendations

A key issue in following up on, and learning from, IEO evaluations is the formal recording of Executive Directors' positions on IEO findings and recommendations. When the IEO issues an evaluation report, this report is scheduled for discussion by the Executive Board. As is the case for IMF staff papers that are discussed by the Board, the discussion of the evaluation report is summarized in what is known as the Summing Up (SU).

The accuracy of the SU goes beyond the simple recording of Directors' positions on a particular topic. The SU of the Board discussion sets the stage for follow-up, be it for an IMF staff paper or an IEO report. That is, the SU represents the "point of departure" for any possible policy or operational action that is deemed to take place as a result of a Board decision. The IEO follow-up process (to be discussed in [Chapter 8](#)) likewise depends on the integrity of the SU as this "point of departure." If the SU fails to capture the intended IEO message or the accurate or possibly nuanced Executive Board view of the IEO's recommendations, there is no way that the ensuing follow-up instruments can correct for such a deviation.

For discussions of IMF staff reports, the SU is drafted by the respective originating department with the help of the IMF Secretary's Department, which determines the weighting of Executive Directors' positions relative to issues discussed and any decisions made. In the case of IEO evaluations, however, it is the Secretary's Department, with the help of the Strategy, Policy, and Review Department, that drafts the SU.

This arrangement means that the party or parties writing the SU have the opportunity to emphasize or deemphasize some aspects of the discussion as they deem appropriate. And if a specific issue addressed in an evaluation report or in Directors' responses is not mentioned in the SU, it essentially does not exist for further discussion or institutional response.<sup>11</sup> Blockson's famous quote applies: "The hand that holds the quill, pen, pencil, controls history."

This arrangement presents a conflict of interest for the IMF in recording discussions of IEO reports, since the Secretary's Department, while serving as a resource for the Executive Board, is also overseen by

---

<sup>11</sup> Executive Directors have on occasion challenged the Chair's draft SU which is traditionally read at the conclusion of the Board meeting. They also have the opportunity to review the SU following the meeting and to ask for amendments. Revisions do take place occasionally.

the Managing Director who serves in a dual capacity as Chair of the Board and the head of the staff. Given that the decisions of management and staff are the subject of the evaluation, it seems anomalous that this same group is in charge of recording how the Board interprets and responds to what the IEO said, and what is to be done. Further, since the SU sums up Executive Directors' views and not the views of the IEO, the IEO has no say whatsoever on what is written versus not.

This situation was noted by the Ocampo Report, which recommended that the SU be written by a neutral party, perhaps someone from the Executive Board, such as the Chair of the Board Evaluation Committee. The staff of the Fund opposed this recommendation, saying that "[t]his approach would not be consistent with the Fund's governance structure under which Management is not only the chief of staff but also the chair of the Board" (IMF, 2013: 2). After discussing the Ocampo Report, the Board considered how to mitigate the conflict-of-interest issue. Ultimately, however, after taking possible alternatives into account, the existing arrangement prevailed. That is, the SU for IEO reports is still prepared by the IMF staff, one of the primary subjects of the evaluation report.<sup>12</sup>

Another issue with regard to SUs, which has affected the Fund's institutional response to IEO findings, concerns what is known as the Rule of Silence in Executive Board discussions. According to accepted Board procedures, for Board discussions of papers prepared by staff and signed off by management, the Rule of Silence is understood as "silence means consent." That is, if an Executive Director remains silent on a particular issue, this is interpreted as his/her agreement with the respective staff position outlined in the paper under discussion. This rule has advantages for the efficiency of Board meetings, since there is no need for every Director to express his or her view on every aspect of the document.

By contrast, until recently there was no explicit understanding as to how the Rule of Silence was to be applied for IEO reports, and as a result there were inconsistencies in the interpretation of Directors' views. If a Director was silent on an issue raised in an IEO report, there

---

<sup>12</sup> The Board Evaluation Committee agreed not to change current practices for the preparation of the draft SU for Board discussions on IEO evaluations, as suggested by the Panel, noting that alternatives would either create a reputational risk for the IEO if it were to collaborate with staff in preparing the draft version, or be inconsistent with the Fund's governance framework. The Evaluation Committee suggested, however, that the IEO receive the draft SU following the Board meeting concurrently with the transmission to Executive Directors.



was effectively no way to interpret the Director's views. This implied that for an IEO finding or recommendation to be endorsed by the Board, individual Directors needed to explicitly state their endorsement in the Board meeting. Some Executive Directors were applying the Rule of Silence in discussions of IEO reports as per their usual practice for staff reports, and were not aware that their silence may have been interpreted as lack of endorsement of IEO findings or recommendations. As a result, on occasion the SU of Board discussions was not wholly consistent with the actual content of the discussion and, hence, undermined the institutional response to some IEO findings or conclusions.

This issue was noted in the Ocampo Report, and the Rule of Silence for IEO Board discussions has recently been clarified. It is now the practice that before an Executive Board meeting to discuss an IEO report, the Managing Director of the Fund clearly establishes his/her position on IEO recommendations by enumerating and expressing agreement or disagreement with each IEO recommendation presented in the report. The Rule of Silence is then applied relative to management's statement: that is, when an Executive Director remains silent on a particular IEO recommendation, his/her silence is taken as agreement with management's position on that recommendation.

Five IEO reports have been discussed by the Board since this modification took place, and it is our view that the SU of those discussions better reflects Directors' positions on the IEO recommendations, not to mention the content of the discussion overall. And since the SU is, as was mentioned, a departure point for further steps, a clearer and more accurate SU of the Board's discussion holds promise for better follow-up on Board-endorsed recommendations.

## **Lack of Clarity in IEO's Terms of Reference**

The IEO Director has the final say on the selection of topics for evaluation, following consultation with the Board and other stakeholders. The only constraint on the IEO in its original Terms of Reference (TOR) was that “[i]n conducting its work, IEO should avoid interfering with operational activities, including programs, or attempting to micro-manage the institution” (IMF, 2000b). Nonetheless, a clear definition of what “interfering with operational activities, including programs,” meant was not provided at that time and in practice this has led to ambiguity.

The Ocampo Report brought to the attention of the Board the need to clarify this point and to provide more certainty as to what the IEO



can and cannot evaluate. It recommended that “the Board define ‘current operations’ in a narrow sense, as current lending programs. This would enable the IEO to review any recent or current activities that do not involve lending programs, as well as past lending programs, even if the countries concerned have new programs in place” (Ocampo, Pickford, Rustomjee, 2013: 13). In 2015, the Executive Board amended the language of the TOR to state that “[i]n conducting its work, IEO should avoid interfering with operational activities, including current programs.” This language, however, still left room for differing interpretations.<sup>13</sup>

Until now, the ambiguity as to the topics the IEO is allowed to evaluate has been addressed through informal meetings of the IEO with the Board Evaluation Committee and other Executive Directors.<sup>14</sup> The IEO has tried as best as possible to navigate this ambiguity and proceeded to undertake projects where there is a sense of agreement among the Executive Board that a specific topic does not breach the IEO’s TOR.

But what does “interfering with operational activities, including current programs” mean? Regarding operational activities, the IEO has undertaken evaluations of ongoing IMF activities, such as research, surveillance, forecasting, policy advice, and technical assistance, among many others. While no one seems to have objected to the IEO’s selection of these topics for evaluation, any of these evaluations could have been considered by some to belong to the category of “interfering with operational activities, including programs,” leaving the IEO in a vulnerable position as to its independence in choosing evaluation topics.

This vagueness of the TOR becomes more complex when trying to clarify the concept of “interfering in current programs,” as the IEO has also evaluated IMF expired lending programs. Evaluating a current program certainly has the potential to interfere in that specific program,<sup>15</sup> but how can one determine whether IEO’s evaluation of an expired or cancelled program “interferes” in a subsequent program of the same or another member country? Is the IEO to refrain from evaluating programs with countries currently engaged in a successor program, or post-program monitoring, or technical assistance—any of which could be considered “operational activities, including current

---

<sup>13</sup> The current version of IEO’s TOR is presented in [Annex 6](#).

<sup>14</sup> Both committee members and nonmembers may attend and speak at committee meetings.

<sup>15</sup> The Executive Board had a different interpretation of the IEO’s TOR in 2002 when it strongly supported the IEO’s evaluation of a program for Brazil, which was ongoing at the time.

programs?” While one interpretation might be that the ambiguity allows IEO to exercise its own discretion in what it includes in evaluations, differing interpretations could also subject IEO to criticism that it was contravening its TOR or to leave room for others to attempt to control its selection of topics. This ambiguity could thus be seen as a threat to the IEO’s independence.

As mentioned above, the current approach to IEO’s topic selection has worked relatively well. However, on more controversial issues, the lack of clarity on what the IEO can and cannot evaluate leaves the office in a fragile position. In these circumstances, how can the IEO have the necessary institutional support to engage in a project? The experience with regard to the evaluation of *The IMF and the Crises in Greece, Ireland, and Portugal* should serve as a wake-up call to all Fund stakeholders that there is a need to define clearly when and what the IEO can and cannot evaluate.

### **IEO’s Evaluation on *The IMF and the Crises in Greece, Ireland, and Portugal*: A True Test of IEO’s Independence**

As previously mentioned, the creation of an independent evaluation office within an organization predictably produces tension (friction by design) that does not always easily subside. By virtue of the independence of the exercise, those being evaluated cannot control the evaluation process, the final output, the timing or the message of the evaluation. Moreover, this dissatisfaction reaches higher levels when there is opposition to a specific evaluation project. This is what happened in IEO’s evaluation on *The IMF and the Crises in Greece, Ireland, and Portugal*.<sup>16</sup> Since its inception, this project represented an enormous challenge for several reasons. Given the particular political sensitivity of this report, the IEO’s exercise of its independence, and the lack of support for the project from other stakeholders, elevated tensions and apprehensions among different participants.

The euro area programs were the first instances of direct IMF involvement in adjustment programs for advanced countries within a currency union and were the first cases since the mid-1970s of IMF financial assistance to countries that used a reserve currency. These programs involved intense collaboration with regional partners who also were providing conditional financial assistance. The amounts committed by the

---

<sup>16</sup> This report was discussed by the Executive Board in July 2016.

IMF represented an exceptionally large share of its lending resources. For the financial years 2011–14, these programs accounted for nearly 80 percent of the total lending provided by the IMF.<sup>17</sup> These reasons, together with the involvement of the IMF in subsequent programs with countries in the euro area, and the economic and political uncertainty that characterized the region, among other factors, left IMF staff, management, and some Executive Directors with little appetite for an IEO evaluation on this topic.

The IEO's proposal to evaluate the Fund's response to the crises in Greece, Ireland, and Portugal after the initial lending programs had already been cancelled raised concerns among some IMF stakeholders. And while some Directors supported IEO's proposal, others saw then-ongoing lending programs in the euro area as a continuation of the expired or cancelled programs.<sup>18</sup> These Directors argued that subsequent programs were not possible to separate from previous programs and that any attempt to evaluate the completed programs would be a breach of the IEO's TOR. After significant discussion the majority of Directors agreed that the IEO should undertake this evaluation, but the opposition raised along the way created a confrontational context. Further, this lack of clarity and consensus among the Board created uncertainty with respect to the extent of cooperation the IEO could expect from the rest of the institution in conducting its evaluation, and indeed in some respects this concern was borne out. The IEO encountered difficulties in interviewing some staff and with gaining access to some important documents.<sup>19</sup>

In addition to this suboptimal collaboration from the rest of the organization to this project, the IEO faced numerous inconveniences. While the IEO conducted this project along the same lines of previous evaluations, those who objected to the IEO undertaking this project questioned the IEO's methodology all along, the appropriateness of its external consultants, and IEO's procedures altogether.

Nonetheless, the IEO produced a high-quality report that was well received by the membership and the public at large and that went a long way in promoting transparency and accountability in the Fund. It also provided useful lessons that no doubt will strengthen the Fund in its future operations. Even so, while the IEO exercised its independence at

---

<sup>17</sup> IEO (2016).

<sup>18</sup> Some Directors pointedly criticized the IEO for having waited so long to initiate such an important project.

<sup>19</sup> The SU for the IEO evaluation on *The IMF and the Crises in Greece, Ireland, and Portugal* acknowledged these problems (IEO, 2016).

the various stages of the project and confronted the many challenges it faced, IEO's relations with parts of the organization were significantly strained. As a result of this outcome, the Board agreed that a protocol for IEO-staff engagement and better clarification of IEO's access to confidential information be adopted for future evaluations.<sup>20</sup>

It is important to recall that it is precisely because of such difficult and controversial topics as the euro area crises that the IEO was created in the first place. We believe, that regardless of the difficulty in producing these reports, the IEO should not shy away from these evaluations. Quite the contrary. These difficult reports provide unique opportunities for the IMF to learn from experience and they serve the membership by furthering transparency and accountability. The challenge then becomes how to constructively manage these tensions and avoid interference in the proper operation of the independent evaluation function within the organization.

As discussed in [Chapter 9](#), an open and welcoming culture towards independent evaluation, results in a virtuous circle that embodies organizational culture, learning, and independent evaluation. Such an outcome would most certainly ease some of the tensions that characterize independent evaluation. In addition, a more precise definition of what the evaluation office can and cannot do (for example, permitting evaluation of any IMF program that has been expired for a period of six months), along with clearer rules of engagement between the IEO and IMF staff, would better enable the IEO to exercise its independence and interact with the rest of the organization without causing unnecessary strain.

---

<sup>20</sup> Guidelines on the modality of interactions between the IEO and IMF staff, as well as on IEO's access to confidential information, were established in 2002.

This page intentionally left blank

## Organizational Learning, the Learning Organization, and Independent Evaluation

This chapter defines and elaborates the concept of the learning organization, emphasizing how learning makes organizations more efficient in a continuously changing competitive environment. We provide here some of the theoretical background supporting this concept. We also address the important conceptual distinction between the learning organization and organizational learning. We then apply these concepts to the arena of public sector organizations, and specifically IFIs, making the case for independent evaluation as a key component for bringing a public sector organization closer to what constitutes a learning organization.

Though organizational learning takes place rather frequently at the IMF through a variety of instances and processes, the Fund has not become a learning organization—at least not by the standards that the literature suggests organizations should aspire to in the 21<sup>st</sup> century. We contend that the lack of receptivity to the knowledge generated by the IEO has hindered the Fund’s ability to become a learning organization and that, as long as this continues, the IMF will be unable to transform itself from an organization that inconspicuously learns from the past to the ideal of a learning organization.

### From the Learning Society to the Learning Organization

A central contribution linking the experience of living in an environment of increasing change with the need for learning as one goes through such change was made by Schon (1973). Schon’s exploration of the nature of learning systems and the significance of learning in changing societies helped to define the debate about the concept of the “learning society.” Schon took as his starting point the loss of the stable state. He claimed that the belief in the stable state is to give credence to the constancy of central aspects of our lives, or to expect that we can attain such constancy. The loss of the stable state, says Schon, demonstrates that our society and all of its institutions are in a continuous process of transformation. Hence, this condition of continuous change

requires that we learn to understand, guide, influence, and manage these ongoing transformations.

One of Schon's key intellectual contributions was to explore and attend to the extent to which private sector companies, social movements, and governments were learning systems—systems that could systematically be enhanced. As he noted:

We must, in other words, become adept at learning. We must become able not only to transform our institutions, in response to changing situations and requirements; we must invent and develop institutions which are 'learning systems', that is to say, systems capable of bringing about their own continuing transformation (Schon, 1973: 28).

Schon argued that the business firm is a striking example of a learning system. He charted how firms moved from being organized around products towards integration around business systems. He made the case that many companies no longer have a stable base in the technologies of particular products or the systems built around them. This work served as a key foundation of the research literature on the learning organization that emerged two decades later.

## Organizational Learning and the Learning Organization

Initially, these two terms—organizational learning and the learning organization—were used interchangeably or as synonymous by the literature in the 1980s and early 1990s to refer to an organization that had learned from the past. Subsequently, the two terms have become sharply differentiated. The most common way at present in the literature to distinguish between organizational learning and the learning organization is that the learning organization refers to a form of organization in itself while organizational learning alludes to the activity or to the process of learning in an organization (cf. Ortenblad, 2001).

For an organization to be considered a learning organization, several distinct key features need to be deliberately put in place and then maintained within the organization. On the other hand, organizational learning can exist without any particular effort. That is, learning can take place without a precise initiative, but simply through experience and observation. The implication of this situation is that all organizations would have some sort of organizational learning, but only some would be considered learning organizations. Consider this quote by Dodgson:

Organizational learning is as natural as learning in individuals . . . the learning organization can be distinguished as one that moves beyond this

“natural” learning, and whose goals are to thrive by systematically using its learning to progress beyond mere adaptation (Dodgson, 1993: 380).

The learning organization is presented in the literature as an ideal—a desirable state towards which organizations should aim. Hence organizational learning is the activity and the process by which organizations may eventually reach the ideal state of being a learning organization. This set of propositions implies that organizational learning is a means, and a learning organization is an end, though not a final objective in itself. While at least in theory one could imagine that a learning organization could be created without organizational learning having taken place, for example, through a process of organizational transformation like re-engineering, initiated by top management and with little focus on learning (Finger and Brand, 1999), one would expect that organizational learning is required for an organization to attain the status of a learning organization. Thus, not all organizational learning leads to a learning organization, but we would expect that some organizational learning needs to take place for an organization to evolve into a learning organization. When framed in this way, the learning organization becomes a strategic objective of an organization, and organizational learning is one of the required elements.

As the intellectual ferment about these concepts has continued to percolate, a number of different schools of thought have emerged. The systemic approach to the learning organization had its roots in the changes that took place in management theory during the 1980s towards systemic and holistic thinking (cf. Senge, 1990; Nevis, DiBella, and Gould, 1995). Senge, who popularized the concept of the learning organization with the publication of his highly influential book, *The Fifth Discipline: The Art and Practice of the Learning Organization* in 1990, viewed the organization as a “learning system.” This system interacts with its environment and has to adapt to it and continuously change in order to survive.

Senge’s main intellectual contribution is the manner in which he puts systems theory to work. Systemic thinking is the conceptual cornerstone of his approach. It encourages organizations to shift to a more interconnected way of thinking. Organizations are systems composed of elements of interrelated action. Senge argues that seeing the whole, that is, appreciating the system instead of focusing on the parts, will result in more appropriate and purposeful action within the organization. Systemic thinking will encourage organizations to recognize the interrelationships between the parts. Senge argues that



for an organization to become more successful, it needs to analyze these interrelations and find the problems in them. This systemic approach aims at describing the way an organization can learn as a system. In Senge's view, a more holistic approach allows an organization to eliminate the obstacles to learning. To quote Senge:

Learning organizations are organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free and where people are continually learning how to learn together (Senge, 1990: 3).

The psycho-social approach to the learning organization can be traced back to the theories embedded in the human resources and organizational development literature (cf. Pedler, Burgoyne, and Boydell, 1991; Whyte, 1991). This school of thought conceptualizes the organization as a set of "resourceful humans." It considers that adequate conditions must be created within an organization in order to make maximum use of individuals' capacities to learn, contribute, and grow. Consider this definition of the learning company:

The learning company is a vision of what might be possible. It is not brought about simply by training individuals; it can only happen as a result of learning at the whole organization level. A learning company is an organization that facilitates the learning of all its members and continuously transforms itself (Pedler, Burgoyne, and Boydell 1991: 1).

While the quotes could continue and nuanced interpretations could be analyzed, suffice it to say here that the concept of the learning organization is linked to competition and change. Learning faster than rival firms is seen as providing a competitive advantage in an increasingly rapidly changing environment. Learning as in the learning organization has become tantamount to focusing on change. Thus a learning organization is one that learns continuously and transforms itself from within. Learning, and changing as the result of that learning, increases the organization's chance to survive in a constantly changing and competitive market. From a practitioner's perspective, Ray Stata, Chairman of Analog Devices, makes a strong argument for the learning organization as a key to management innovation to maintain a competitive leading edge: "the rate at which individuals and organizations learn may become the only sustainable competitive advantage, especially in knowledge-intensive industries" (Stata, 1989: 64).

Most conceptualizations of the learning organization work on the assumption that learning is a valuable continuous process and entails

some if not all the following seven characteristics (cf. Marsick and Watkins, 2003):

- creating continuous learning opportunities;
- promoting inquiry and dialogue;
- encouraging collaboration and team learning;
- creating systems to capture and share learning;
- empowering people toward a collective vision;
- connecting the organization to its environment; and
- providing strategic leadership for learning.

Ortenblad (2004) sought to bring together conceptually most of the existing definitions of the learning organization in the literature (such as the ones just mentioned) and posited a model with four key components that need to be present in order to create a successful learning organization: (i) organizational learning; (ii) learning at work; (iii) learning climate, and (iv) learning structure. As he notes:

There will still be enough room for creativity inside the integrated model (i.e., inside each of the four aspects of the integrated model, as well as in the space connecting the aspects), but an agreement on the border of the idea will make things easier for those who really want to implement it in practice (Ortenblad, 2004: 131).

An interesting aspect of Ortenblad's characterization of the learning organization is that he explicitly includes the concept of organizational learning as one of the main components that needs to be present.

As explained above, organizational learning alludes to the processes or activities of learning in the organization. Individuals learn as agents for the organization. What each individual learns is stored in the memory of the organization through routines, standard operating procedures, documents, manuals, and so forth. This organizational memory regulates the organization's behavior and that of its members, as well as directing attention to what they should learn. It is here that Ortenblad (2004) intellectually intersects with the earlier work of Argyris and Schon (1978) who argue that organizational learning should take place at three different levels—single loop, double loop, and deuterolearning.

Single-loop learning refers to organizations being capable to continuously improve current ways of doing things by addressing the gaps between desired and existing conditions. That is, employees learn how to perform their work tasks more efficiently (i.e., focusing on “doing things right”). Single-loop learning or adaptive learning focuses on

improving the status quo and can produce incremental change in how organizations function. Double-loop learning (or generative learning) refers to allowing the organization to learn how to change the existing assumptions and conditions within which single-loop learning operates. That is, it alludes to the capacity to question established courses of action, and provides every employee the opportunity to evaluate the effectiveness of their work (i.e., to consider whether they are “doing the right things”) and suggest measures for improvement, thereby enabling some existing routines to be redefined or replaced. Double-loop learning aims at changing the status quo, and thus can lead to transformational change in which the status quo itself is altered. Deuterolearning implies becoming aware of how organizations single- and double-loop learn—that is, “learning how to learn.” Here learning is directed at the learning process itself, and determines whether the learning process itself is optimal or can lead to improvements and efficiencies in how learning is conducted throughout the organization.

A similar interpretation of learning processes in organizations is proposed by Cummings and Worley (2008). They put forward four interrelated activities that can also be understood in the context of single-loop, double-loop, and deuterolearning. These activities are: discovery, invention, production, and generalization. The learning process in the organization begins with the discovery of errors or rifts between actual and desired conditions (single-loop learning). Invention is aimed at devising solutions to close the gap between desired and current conditions; it includes diagnosing the causes of the gap and creating appropriate solutions to reduce it (double-loop learning). Production processes involve implementing solutions, and generalization includes drawing conclusions about the effects of the solutions and applying that knowledge to other relevant solutions. The periodic examination of how well the processes of discovery, invention, production, and generalization can lead to improvements in how learning takes place throughout the organization. That is, “learning how to learn” (deuterolearning).

Ortenblad’s remaining key aspects of the learning organization refer to the organization’s provision of opportunities for employees to learn and acquire knowledge through their job experience (learning at work); to the creation of positive conditions within the organization that facilitate the learning of individuals through an atmosphere that enables and creates incentives for collaboration, reflection, and inquiry (learning climate); and to the structure of an organization that favors the flexibility to adapt to new circumstances (learning structure).

The above conceptualizations of the learning organization can be summarized in the three building blocks that Garvin, Edmonson, and Gino (2008) posit as necessary to create a learning organization. These building blocks are:

- (i) a supportive learning environment in which employees feel safe disagreeing with others and presenting divergent and minority views;
- (ii) concrete learning processes characterized by well-established processes for the collection, interpretation, and dissemination of information, as well as for identifying and solving problems (a concept similar to Ortenblad's organizational learning); and
- (iii) leadership that reinforces learning through its willingness to entertain alternative viewpoints, signal the importance of spending time on problem identification, knowledge transfer, and reflection, and engage in active questioning and listening.

As will be seen later in this book, these three building blocks of the learning organization basically represent the culture that needs to be present for an organization to call itself a learning organization. And as will also be explained, these building blocks cultivate the required atmosphere for independent evaluation to function properly in an organization.

## What Can Undermine a Learning Organization?

Learning barriers at the organizational level include features such as corporate culture and an emphasis on organizational consensus, which can well lead to groupthink and inertia. And, as well, sometimes organizations fail to translate newly acquired knowledge into policies, procedures, and routines. Their tendency is instead to focus on the exploitation of existing capabilities and opportunities in contrast to exploration and experimentation (cf. Locke and Jain, 1995).

As noted above, leadership is a feature that most models of a learning organization stress as fundamental. In learning organizations, leaders and managers provide critical support to enable a successful learning environment for teams and for individuals. Leaders and managers who themselves value and practice learning are better suited to nurture it in the rest of the organization. Leaders are crucial as they set the tone, establish the vision, and develop structures and systems to support learning. Those in the top tier of the organization should be able to motivate the necessary change, and are well placed to overcome resistance from other members of the organization.

Thus a leadership or management team that lacks a learning orientation is one of the most important barriers to becoming a learning organization (again, see Locke and Jain, 1995). This barrier emerges because it is management that holds the key to promoting any change in the organization, including a cultural change towards a more favorable attitude with respect to learning. In this sense, it is clear that if management does not provide the impetus for learning and informed change, suitable structures will not develop and practices will not change.

## The Learning Organization in the Public Sector

The concepts of organizational learning and the learning organization have traditionally been applied to private sector organizations that compete freely in the market—from which noncompetitive firms tend to disappear. In this context, learning by an organization is presented as a method to maintain the competitive edge and survive in a hostile environment. The message is blunt: firms that do not learn perish.

But the need to learn and change is also relevant for public entities and governments. A “learning government” has been described as one that “is capable of improving its policy measures and underlying assumptions or policy theories” (van der Knaap, 2006: 281).

Lonsdale and Bechberger note that governments learn through different methods:

[F]or example, through doing and then reflecting on the experience; through staff attending courses or sharing experiences with peers; through having approaches demonstrated or explained; through challenges to the conventional wisdom—constructive or otherwise; through comparisons with other organizations or between units; and through external scrutiny, audit, inspection, or evaluation (Lonsdale and Bechberger, 2011: 269).

Change in any organization in any sector is a given. Even if public sector entities and IFIs do not face the harsh competition that could drive them out of the market, and even if inefficient public organizations can prolong their existence, they face the imperative to be accountable to their constituents, often the citizens whose taxes finance their operations. Thus, while public sector organizations might survive as the result of administrative or political considerations that are not related to the necessity of change, these organizations still face pressures from their own national governments, from the rapidly evolving global context, and their own clients.

Public sector organizations, when analyzed through the lens of a learning organization, can become more efficient, adapt to new circumstances,

and transform themselves. They can even strive to attain their objectives in a more cost-effective way. The reality is that inefficient public entities represent a cost to society, and thus represent missed opportunities to attain their objectives. The pressure on public entities to remain efficient is persistent. The relevance for public sector organizations to develop their collective learning capacity and become learning public organizations does not diminish.

Finger and Brand (1999) made perhaps the first attempt to apply the concept of the learning organization to the public sector. They claim that public sector organizations are not qualitatively different from those in the private sector, but that they also face a more complex environment determined by different factors that establish and condition their response.

Public sector entities display some particular features that distinguish them from organizations in the private sector. Public sector entities operate in a political and public context. This makes their functioning and management more intricate than private sector organizations. They also have multiple and distinct shareholders. Thus, public sector organizations are accountable to their governments as well as to the public at large. Their mission, their responsibilities towards society, their structure, history, and culture, as well as their managerial practices, all add complexity to their challenge of attempting to move towards a more efficient organization.

The above implies that a public sector organization is part of a larger system that has a significant effect on the functioning of the public organization and is beyond the organization's control. This also means that the eventual transformation of public sector organizations into learning organizations is necessarily linked to the transformation of the larger system (Finger and Brand, 1999). That is, transforming a public entity may well entail the transformation of the larger system. Unlike in a private sector organization, where new managerial practices can generate significant change towards becoming a learning organization, transformation of a public sector organization might also require the transformation of the entire system within which the organization is embedded. The bottom line is that a more complex approach may well be required for transforming public sector organizations than for transforming their private sector counterparts.

Finger and Brand (1999) conceptualize this public sector transformation as a collective learning process in which not only the public organization, but also the different stakeholders that compose the larger system, are required to learn. The collective learning process permits the integration of all actors in the system and a transformation

of their relationships. This collective learning process expands the capacity of the organization to learn and increasingly to function like a learning organization.

How might we put into practice the concept of the collective learning process?

## Independent Evaluation and the Learning Organization

As explained above, for an organization to be considered a learning organization several fundamental factors need to be present. These factors are related to the learning climate within the organization, and to its structure, culture, and general attitude towards learning, as well as to the processes that support learning. While a number of conditions affect and influence these factors, we contend here that a functioning independent evaluation entity within an organization has a positive effect on all these factors and thus can play a significant role in the advancement towards a learning organization. Furthermore, not only does independent evaluation contribute to the learning climate, culture, and attitude towards learning of the organization, but also the other way around. That is, an atmosphere within the organization that supports and stimulates learning, serves also as fertile ground for independent evaluation to flourish, thus creating a virtuous circle in which the learning organization and independent evaluation reinforce each other.

The IEO, an entity that produces periodic evaluation reports on a variety of topics that have to do with the critical aspects of the work of the IMF, is a powerful tool to promote learning within the IMF. The mere existence of an independent evaluation unit created to “serve as a means to enhance the learning culture within the Fund” and “designed to complement the review and evaluation work currently underway within the Fund and . . . therefore, improve the institution’s ability to draw lessons from its experience and more quickly integrate improvements into its future work” (IMF, 2000b) sends an unequivocal signal to the Fund’s stakeholders that the organization considers learning important.

As noted in [Chapter 3](#), the creation of the IEO not only changed the institutional and regulatory framework of evaluation within the IMF but also significantly altered the resulting interactions and relationships among the various stakeholders within and outside the Fund. It is through these interactions that the IEO has served as a learning device for the IMF membership and the public at large. Using Finger

and Brand's terminology, the IEO has promoted learning by the "larger system" (referring here to the Fund's stakeholders). Thus, as the larger system learns from independent evaluation, the above-referenced collective learning process takes place, and the transition of a public sector organization towards the ideal state of a learning organization is put into motion. The extent to which this can occur, however, depends not only on the quality of findings, conclusions, and recommendations generated by independent evaluation but also on the organization's receptivity to learning and resultant corrective actions.



This page intentionally left blank

## Organizational Learning: The IMF's Use of New Knowledge Generated by the IEO

How has the IEO contributed to learning at the IMF? What are the IEO's channels to promote learning and the use of new knowledge spawned by evaluation? How has the IMF responded to this new knowledge?

Chapter 7 defined the learning organization as an ideal towards which organizations should strive to evolve, and defined organizational learning as the processes or activities of learning that take place in the organization. This chapter focuses on organizational learning within the IMF. The vehicles for potential organizational learning at the Fund are formal and informal self-evaluation as well as independent evaluation reports.<sup>1</sup> Here we focus on the IMF's use of new knowledge generated by IEO and the extent to which the Fund's established methods to collect, assimilate and disseminate this new knowledge are effective and promote learning. We conclude that the IEO's contribution to the Fund in terms of learning has been confined to organizational learning in as much as we believe the IMF has thus far not yet achieved the ideal of a learning organization. Notwithstanding, we see the organizational learning that takes place as a result of an IEO evaluation report as a vital step in bringing the Fund closer to this ideal. In an effort to assist the Fund to move further towards this ideal, we analyze whether the new knowledge afforded by independent evaluation can become a more integral part of the processes and procedures within the Fund.

IEO's TOR give clear prominence to the role that IEO should play in the learning process of the Fund. As mentioned in Chapter 7, the TOR note that the IEO “. . . is intended to serve as a means to enhance the learning culture within the Fund [and] improve the institution's ability to draw lessons from its experience and more quickly integrate improvements into its future work” (IMF, 2000b). Thus the TOR leave no doubt that the knowledge provided by the IEO should be integrated into the Fund's activities.

---

<sup>1</sup> For a broader discussion and assessment of self-evaluation at the IMF, see IEO (2015).

In theory, individuals learn as agents of an organization. It stands to reason, therefore, that staff can acquire new knowledge from IEO evaluation reports. However, for this learning to become organizational learning, this individual knowledge must be transferred and stored in the memory of the organization. One way in which this occurs is by incorporating this knowledge in routines, rules, standard operating procedures, staff guidelines, manuals, and other organizational documents. The organizational memory then regulates the behavior of the organization and that of its members. What is the process by which the Fund absorbs the IEO's contribution to knowledge? Is the new knowledge provided by independent evaluation finding its way into organizational learning? As the basis for examining these questions, let us briefly recall the three levels of organizational learning.

### Three Levels of Organizational Learning

In Argyris and Schon's terminology, as discussed in [Chapter 7](#), IEO reports provide findings that one would expect to allow the Fund to engage in single-loop, double-loop, and deuterolearning. The reports (i) provide the analysis that addresses the gaps between desired and existing conditions (single-loop learning); (ii) set up the conditions that would allow the organization to learn how to change the existing assumptions and conditions within which single-loop learning operates (double-loop learning); and (iii) provide the analysis to determine whether the learning process itself is optimal (deuterolearning). Is the Fund actually absorbing and using the new knowledge generated by IEO in the most effective way?

### Organizational Learning Through IEO Reports

IEO reports have covered a range of topics on the IMF's key activities and, as such, are a potent mechanism to promote learning within the Fund. Learning in the Fund and the use of new knowledge generated by the IEO is an intricate process involving different players and circumstances. Through its reports, the IEO promotes dialogue, discussion, and learning both within and outside the Fund. In some instances, the IEO leads the way and promotes dialogue on a specific topic. In other instances, the IEO's contribution adds to an existing discussion or provides impetus to a previously discussed topic. As a result, measuring the IEO's specific contribution to learning and change can at times be difficult. Nonetheless, the fact that the IEO is a credible

and independent entity has allowed its findings and recommendations to be seriously considered as part of such discussions, and some of its lessons have been internalized by the Fund.

Within this jigsaw puzzle of interactions, the IEO promotes learning and the use of new knowledge through three channels: stimulating debate within the Fund; stimulating debate outside the Fund, and thus serving as a facilitator for external feedback; and the established procedures to follow up on IEO reports.

- (i) *Stimulating debate within the IMF.* The delivery of an IEO report creates, in its own right, some discussion. This takes place through formal and informal meetings among Executive Directors, management, and staff. The formal meetings require management, staff, and Board to take an official view about the report, and thus IEO reports motivate dialogue. In addition, several informal meetings take place. For instance, some IMF departments have found it useful to hold informal meetings and discussions on some IEO evaluation reports, and the IEO has on occasion been invited to make presentations or take part in such sessions. Moreover, individual reading by staff members produces introspective learning and self-examination, which is fundamental for organizational learning.

But even before the IEO engages formally in an evaluation report, independent evaluation stimulates debate and learning within the organization. This is because the IEO undertakes a thorough consultation with the Board, staff, and management on possible topics for evaluation. Furthermore, before an evaluation report is finalized, the IMF staff has an opportunity to comment on a draft. All of these are opportunities to engage in dialogue and learning.

- (ii) *Stimulating debate outside the IMF.* Externally, IEO reports offer a vehicle to stimulate dialogue among country authorities, civil society, and the public at large. The IEO takes part in seminars and presents its findings to country authorities and other audiences. This external channel, while less structured than the internal formal conduit to discuss IEO reports at the IMF, has succeeded in promoting change, as some IEO findings have fed back into internal institutional responses and learning.
- (iii) *Following established procedures to follow up on IEO reports.* The established follow-up process for IEO reports obliges

management and staff to take action on Board-endorsed IEO recommendations and to periodically monitor the implementation of those actions. This implementation stage would be expected to be the main tool through which the IMF learns and uses the new knowledge generated by independent evaluation. This expectation comes from the fact that presence of well-established procedures would ensure that some action and response takes place.

Thus internal, external, formal, and informal channels play a role in fostering the IMF's use of the knowledge produced by the IEO, and the interaction among these channels—along with other elements and conditions outside the control of the IEO, such as other Fund initiatives or external circumstances—affects the Fund's ability to learn from its experience.

Nevertheless, the impact of independent evaluation on institutional learning, and on the use of new knowledge through the formal follow-up channel, depends heavily on the receptivity of management and staff. If these stakeholders are willing to accept and incorporate the new knowledge into the IMF's policies and operations, the formal channel has a high probability of delivering significant change. However, if the evaluation findings are met with defensive attitudes and no receptivity, the follow-up process is likely to fail.

Stedman, in reviewing the implementation of IEO recommendations, states:

Our main conclusion is that the IMF has taken some action on the majority of the recommendations examined. . . . At the same time, issues remain with respect to the implementation of many recommendations. For instance, actions may have been taken to implement a recommendation but also failed over time to satisfy the objective set out; or an issue may have persisted despite the targeted steps taken to address it. And in a few cases, the IMF has taken no or minimal actions to follow up on a recommendation endorsed by the Board (Stedman, 2012: 117).

While we should acknowledge that Stedman's analysis is based on recommendations made before 2011, it is our opinion that her findings are also representative of the status of implementation of IEO recommendations during the most recent years.

It is our belief that though the official follow-up process for IEO evaluations is the most structured and organized of the three channels through which the IMF learns and incorporates new knowledge through

evaluation, it is also the least efficient of the three. The follow-up process is not “owned” by those required to implement it, namely, IMF management and staff, and it obliges management and staff to take action on something they do not believe is necessary or that they may prefer to address in their own way. As a result, even with all of the progress made to date on the follow-up process, current procedures may look good on paper but are not backed by the incentives that would be needed to ensure that evaluation findings are appropriately followed up.

## **Formal Procedures Versus “Ownership” of Independent Evaluation**

Once an Executive Board discussion of an IEO report has taken place, IMF management is now expected to produce, within a reasonable timeframe, an implementation plan for IEO’s Board-endorsed recommendations, and the staff is expected to put those into action. A process for monitoring the progress made in implementing the agreed recommendations is also in place. These mechanisms for follow-up are an improvement over the past, but still have some way to go to be considered optimal.

There were no formal procedures for follow-up on IEO recommendations when the office was first created. Instead, mechanisms were put in place in 2006 after the first external evaluation of the IEO and were revised following the second external evaluation.

The first external evaluation of the IEO (Lissakers, Husain, and Woods, 2006) found little evidence that findings and recommendations of specific IEO reports were being systematically followed up by senior management and the Board. The panel found that the Board was surprisingly passive in the follow-up of IEO evaluations, leaving any action largely to management. The report suggested that the Board needed to take charge and engage more systematically on follow-up.

As a result of the Lissakers Report, in 2006 the Board established a follow-up mechanism for IEO recommendations, comprising:

- (i) a forward-looking Management Implementation Plan (MIP) that outlines actions to be taken by management to address Board-endorsed recommendations and is to be transmitted to Directors soon after the Board discussion of the IEO report; and
- (ii) an annual Periodic Monitoring Report (PMR), prepared by the Strategy, Policy, and Review Department, to report on the status of implementation since the last report and any actions pending

from prior reports as well as to propose any remedial actions or substitutes in the event of difficulties in implementation.<sup>2</sup>

Having reviewed the follow-up process that was put in place as a result of the Lissakers Report, the second external evaluation of the IEO (Ocampo, Pickford, and Rustomjee, 2013) concluded that it lacked strong ownership by the Board; involved a conflict of interest for management; was not well suited for responding to broader, more substantive recommendations from the IEO; and had become very bureaucratic. The report also picked up on evidence cited in the IEO's ten-year review of independent evaluation at the IMF that the lag in producing MIPs had greatly increased over time and was by then nowhere near the "soon after" originally contemplated by Directors.

Hence the Ocampo Report called for a revamped follow-up process. In response, the Executive Board agreed that MIPs must be prepared no later than six months following the Board discussion of an IEO evaluation, and—to avoid staff's conflict of interest in monitoring the implementation of IEO's Board-endorsed recommendations—transferred the responsibility for preparing the PMR to the Office of Internal Audit. In addition, the Board Evaluation Committee has discussed the need for more careful attention to the monitoring phase of the follow-up process, in particular whether the underlying concerns raised by IEO evaluations are being addressed. In approving the MIP for the IEO report on *Self-Evaluation at the IMF*, the Evaluation Committee asked for a report within one year on the progress being made in implementing specified actions.

The procedural amendments made over the years have clarified the steps that take place once an IEO report is produced and certainly have improved the follow-up process. However, they do not address the lack of management and Board "ownership" of the required and agreed changes, and it remains to be seen whether issues raised by IEO evaluations will be better addressed. Moreover, the Executive Board, with the regular rotation of many Directors, faces challenges in consistently overseeing follow up, and thus leaves management with the important responsibility to "own" the process. Consequently, a clear willingness and decisive involvement by management will be required to move the

---

<sup>2</sup> As noted in Abrams and Lamdany (2012), the Lissakers Report also recommended, and Directors discussed, establishing a system for the effectiveness of actions undertaken in response to Board-endorsed recommendations. At that time the Board decided to postpone such a mechanism until after more experience had been gained from the MIP/PMR experience, but to date such a mechanism has not been put in place.

process forward. Like both the Lissakers and the Ocampo panels, we conclude that management holds the key for the IMF to benefit more from the presence of the IEO.

Ideally, those whose work is evaluated should have the responsibility for deciding what to do about the findings and recommendations of an evaluation report and for implementing these decisions. As such, independent evaluation should lead to active engagement between those that evaluate and those that are evaluated. Unfortunately, this type of positive engagement between evaluator and evaluatee seldom takes place.

It is our experience that when IEO findings are aligned with the institution's operational or policy priorities or concerns, there seems to be common ground to move forward using the new knowledge afforded by the IEO. While progress may be slow, there is a sense of shared objectives and ownership in learning from independent evaluation that can propel the follow-up process.

But when IEO findings are not in keeping with the Fund's priorities, it is our experience that IEO messages are sidelined, there may be pushback, and, therefore, the prospects for incorporating new knowledge into the Fund's operations may be limited. In this case, the established procedures for follow-up on IEO recommendations can tend to be bureaucratic, take a long time, and result in deviating from the IEO and the Board's intended purpose. Thus, lack of ownership obstructs the possibility of using new knowledge gained through independent evaluation to promote change.

What is the alternative? How can the IEO promote a dialogue of openness and learning? The answer to these questions has to do with the culture of the organization, a topic addressed in the next chapter.



This page intentionally left blank

## Culture, Leadership, and Independent Evaluation

This chapter discusses the concepts of culture, cultural change, and leadership, and how these can be related to independent evaluation. This is relevant because the culture of an organization is an important determinant of how people within the organization react to different circumstances, and hence how the organization as a whole evolves and adapts to changing circumstances. In IFIs, the concept of organizational culture becomes even more relevant when related to the role and function of independent evaluation offices within these institutions. Leadership is relevant since it plays an important role in promoting change within an organization, and thus in transforming an organization into the ideal of a learning organization.

The concept of organizational culture has traditionally been linked to firms in the private sector and has been related to those less tangible and less obvious elements that are more powerful than market factors in determining a firm's success (Cameron and Quinn, 2011). While some of the literature has addressed organizational culture in public sector organizations (see, for example, Mahler, 1997; Schraeder, Tears, and Jordan, 2005; Junge, Kelleher, and Hadjivassiliou, 2010), the concept is less developed in the analysis of international financial organizations.<sup>1</sup>

Our objective here is to understand what culture means for an organization, and the challenges that it entails for current and future activities. For example, does the organization's prevailing culture obstruct or slow the attainment of certain objectives? Does it impede the functioning of the organization? Or does it promote learning, adaptability, and flexibility to new situations?

These questions are particularly pertinent for every evaluation office within an organization. This is because evaluation tends to examine the organization's activities from a different perspective from that used by

---

<sup>1</sup> IEO (2011) offers evidence on some cultural elements of the IMF—such as groupthink and lack of incentives to work across units or raise contrarian views—that hindered the Fund's ability to correctly identify the mounting risks in the run-up to the financial and economic crisis that began to manifest in mid-2007 and reached systemic proportions in September 2008.

other stakeholders of the organization. In the case of the IEO, its reports analyze IMF policies and operations through the lens of independence that allows it to “speak truth to power.” Thus, the IEO may address specific IMF activities from a different angle from that of management and staff or reveal problems or concerns that management or staff do not share. As such, the office runs against the prevailing culture. It is the prevailing culture in the IMF—which is shaped by the constraints the organization faces and conditions its behaviors and its responses—that we must consider if we are to better understand the challenges the IEO faces when producing its reports and when challenging the IMF’s underlying beliefs and assumptions. This is important if one expects the IEO to play its part in the promotion of a learning IMF. First, however, we briefly review theories of organizational culture.

## Organizational Culture Theory

While the concept of culture in an anthropological sense has been around for several centuries, the understanding that “culture” has something to do with organizational performance dates from the 1930s. The studies that were conducted with the workers at the Hawthorne plant of the Western Electric Company in the late 1920s and early 1930s (the Hawthorne studies) marked the first systematic attempt to use a concept of culture to understand the work environment. For example, among these studies, Roethlisberger and Dickson (1939) realized that the most significant variable behind the performance of a firm was the culture of the work group. However, it was not until the beginning of the 1980s that organizational scholars in the United States began paying serious attention to the concept of culture. Interest in organizational culture is credited largely to the economic conditions of the 1970s when international competition had heightened and more foreign companies were operating factories in the United States. Specifically, the success of the Japanese in many industries sparked curiosity about whether their differing corporate values, attitudes, and behaviors were responsible for their often superior performance. Hence, corporate culture was offered as an asset that could be managed to improve business performance (Ouchi, 1981; Pascale and Athos, 1981; Peters and Waterman, 1982; Deal and Kennedy, 1982).

For many decades, managers and scholars paid little attention to the role of organizational culture in organizational performance. This was basically because organizational culture is not readily detectable most

of the time, being the product of the assumptions, values, collective memories, and expectations of the organization and its members.

While there are many definitions of organizational culture (see, for example, Lundy and Cowling, 1996; Hellriegel, Slocum, and Woodman, 1998; Smit and Cronje, 1992) the one that has served as a pivotal point of departure for future work, and encompasses most of the other definitions, is Schein's 1984 definition:

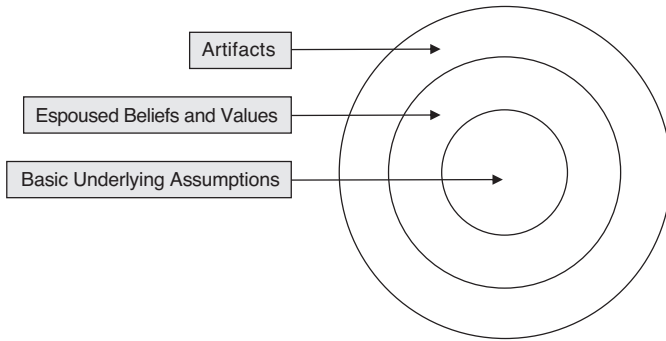
Organizational culture is the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems (Schein, 1984: 3).

According to Cameron and Quinn, "most discussions of organization culture agree that culture is a socially constructed attribute of organizations that serves as the social glue binding an organization together" (Cameron and Quinn, 2011: 18).

Schein's definition of organizational culture presents three unifying attributes. One is the concept of shared meaning. That is, the values and the learning experiences are shared by members of the organization, and everyone in the organization is on the same track. Once a set of shared beliefs has come to be taken for granted it determines much of the group's behavior; even if some members of the organization leave, the shared assumptions and values prevail and will be inculcated in new members, thus providing stability to the group.

The second unifying attribute is that the notion of organizational culture is socially constructed and is affected by the environment and history. That is, past experiences, and the resolution of problems by the organization in a specific manner, determine the willingness to continue doing things in the same way and to transfer this knowledge to new members of the organization. Third, organizational culture is "thick," in the sense that it resides at all levels of the organization members' behavior. Thus, organizational culture is a process of social learning, and the outcome of prior choices and experiences. And, as discussed below, it is also at the core of an organization's adaptability and willingness to change—and hence it can either facilitate or hinder organizational transformation.

According to Schein (1984), the culture of any group consists of elements that can be studied at three different levels of awareness or degrees to which the cultural phenomenon is visible to the observer (see [Figure 9.1](#)): (i) the level of its artifacts; (ii) the level of its espoused beliefs and values; and (iii) the level of its basic underlying assumptions.

**Figure 9.1. Levels of Cultural Analysis**

These levels range from very tangible overt manifestations that one can see and feel to deeply embedded, unconscious, basic underlying assumptions. The meanings attached to these elements help members of the group make sense out of everyday life in the organization and are more or less shared by people within the organization.

Though the essence of a group's culture is its pattern of shared, basic, underlying assumptions, the culture will manifest itself at the level of observable artifacts and shared espoused beliefs and values. In analyzing cultures, it is important to recognize that artifacts are easy to observe but difficult to decipher, and also that espoused beliefs and values may not accurately reflect the inner core of the organization's culture.

*Artifacts.* At the surface, the highest level of cultural manifestation is the level of artifacts, which includes all the phenomena that one can immediately see when first encountering an organization. Artifacts include the visible aspects of an organization, such as members' behavior; the way they interact; their work space; their outputs, systems, and procedures; and all the elements that are easy to observe from the outside. As just noted, artifacts may be difficult to interpret. This is because they are only symbols of the deeper and more difficult-to-observe cultural levels, such as the espoused beliefs and values and basic underlying assumptions that Schein defines as the essence of culture.

*Espoused beliefs and values.* These represent unwritten rules of behavior, and guide how members of an organization should behave in particular situations. Beliefs and values basically tell members what is important in the organization and what deserves their attention. Espoused values are conformed by ideals, goals, and aspirations. Beliefs and values often become embodied in an ideology or organizational philosophy, which then serves as a guide to dealing with the uncertainty

of intrinsically uncontrollable or unexpected events. When the group learns that certain beliefs and values “work,” in the sense of reducing uncertainty in critical aspects of the way the group functions, and as these beliefs and values continue to provide meaning and comfort to group members, they become transformed into non-discussible basic underlying assumptions that represent the essence of the culture. Basic underlying assumptions need to be fully understood before one can predict group members’ future behavior.

*Basic underlying assumptions.* The essence of a culture lies in the pattern of basic underlying assumptions that are at the deepest levels of organizational culture, and thus more difficult to unveil. To understand a group’s culture, one must attempt to get at its shared basic assumptions and understand the learning process by which such basic assumptions evolve. Once there is a clear understanding of what these assumptions imply and represent, the others that are closer to the surface—the artifacts and the beliefs and espoused values—become easier to interpret and thus easier to understand and handle.

Basic underlying assumptions serve as a guide for members in an organization on how to perceive, think, and feel about things. They define, for the members of an organization, what to pay attention to, what things mean, and what actions to take in various kinds of situations. Repeated success in implementing actions based on certain beliefs and values may result in taken-for-granted basic underlying assumptions that members of an organization accept as their own way of confronting different situations.

As such, one may find a broad consensus among organization members on the way to address specific circumstances. Members will assume and expect a specific behavior associated with a particular underlying assumption, and will tend to be comfortable with others who share the same set of assumptions. Once a basic assumption comes to be strongly held in a group, members will find behavior based on any other premise inconceivable, and any deviation will be seen with suspicion. Organization members will feel uncomfortable and vulnerable in situations where different assumptions operate.

Given their deep-rooted nature, basic underlying assumptions tend to be unassailable and nondebatable, and hence difficult to change. Any challenge or questioning of a basic assumption will evoke opposition and defensiveness. In this case, the shared basic assumptions that make up the culture of a group work as a defense mechanism that reinforces the prevailing views within the group and rejects views that seem to contradict them, making an organizational learning process more difficult.

For an organization to learn something new—that is, to challenge the innermost part of its culture—requires its members to revisit and modify some of their more stable and assumed understandings, undertaking what Argyris (1977) has called double-loop learning. Such learning is intrinsically difficult because the reexamination of basic assumptions temporarily destabilizes our understanding of how things evolve. Thus, attempts at cultural change, in the sense of changing the basic underlying assumptions in an organization, tend to encounter resistance and defensive attitudes. According to Schein, once our underlying assumptions are challenged, “we tend to want to perceive the events around us as congruent with our assumptions, even if that means distorting, denying, projecting, or in other ways falsifying to ourselves what may be going on around us” (Schein, 2010: 28).

What if some of an organization’s basic underlying assumptions turn out to be wrong? They may have worked well and been valid for long periods, but if circumstances change, and some of the assumptions cease to be valid, defensive attitudes will abound, and the organization as a whole will tend to reject and even ridicule new assumptions or evidence that contradicts the embedded beliefs. If this is the case, only the organization’s leaders and managers will be able to steer the organization in the right direction and force organizational learning to take place such that new values and beliefs start guiding organizational behavior.

Hence, it becomes central for leaders and managers in an organization to understand the deepest levels of culture within an organization, to assess the functionality of the assumptions made at those levels, and to deal with the resistance that is unleashed when those assumptions are challenged. As noted by the World Bank’s Independent Evaluation Group (IEG) in this regard:

The behavior of managers breathes life into the culture and the incentives of the organization, helping to define the scope and the outcome of any reforms, including attempts to nurture a learning culture. Influencing the culture is seen as one of the critical jobs of leaders of any organization. Experience both with successful and failed efforts at cultural change underscores that leading by example is the only way by which leaders can effect cultural change (IEG, 2014: 59).

As mentioned at the beginning of this chapter, evaluation offices address some issues from a different angle from that of the current thinking of the organization. What if the current thinking is perhaps no longer valid and the evaluation office has something to contribute that contradicts this thinking? Understanding the culture of an organization, and the constraints and reactions that it entails, would not only help us

recognize the challenges that evaluation offices confront, but also the responsibility of the leaders and managers of the institution in promoting the required learning and cultural change, and their needed reliance on evaluation to help them guide the required change.

## Organizational and Cultural Change

Culture is an important determinant of an organization's ability to learn from experience and adapt to new circumstances. Culture affects organizational performance and effectiveness through its influence on the organization's ability to implement change. It is important to understand culture so that we can better comprehend how change can take place within an organization, and what impediments to change the existing culture imposes. A deeper understanding of the barriers to change can provide the organization's leaders and managers a clearer path for the steps required to promote the required change, so that the organization is better prepared to face new challenges and remain competitive and efficient.

Much of the emphasis in the 1970s on formulating business strategies shifted to organizational culture in the 1980s as firms discovered cultural barriers to implementing a new strategy. A number of practitioners and academics focused on helping firms implement new strategies by better aligning their corporate culture with their new desired direction. Several studies (for example, Uttal, 1983; Lau, Kilbourne, and Woodman, 2003; Cameron and Quinn, 2011) conclude that the sustained success of many firms had less to do with the traditional "market forces and competitive edge" interpretation than with the implicit, often indiscernible, aspects of organizations, such as core values and consensual interpretations about how things take place within the firm: in other words, organizational culture.

Notwithstanding the recognition that organizational culture has a powerful effect on the performance and long-term effectiveness of organizations, and the need for organizations to be sustained by a culture that welcomes innovation and promotes learning and adaptation, it has also been acknowledged that cultural change is an extremely difficult and long-term process. Culture is an enduring, slow-to-change, core characteristic of organizations. For cultural change to take place, it must generally be managed consciously, and it requires clear strategic vision, top-management commitment, and leadership. Data from hundreds of organizations and interviews with thousands of managers across the world show that 70 percent of organizational change efforts do not succeed and the main factors contributing to failure include



employee resistance to change and management behavior that does not support the alleged change (Keller and Price, 2011). Again, quoting the World Bank's Independent Evaluation Group: "Employees resist change when the signals they receive from their managers are unclear (for example, when everything is labeled a priority) and when bosses' behavior fails to model the reforms that they are trying to promote" (IEG, 2014: 60).

## How Does the Culture of an Organization Change?

What if the organization's culture inhibits change, and prevents adaptation to changing circumstances? If this is the case, the culture will need to evolve towards a new culture that emphasizes being nimble and innovative and is more welcoming to change.

Schein (2010) divides cultural change in organizations into two broad categories: (i) a natural process whereby culture evolves and changes as organizations grow and age; and (ii) managed change initiated by leaders of the organization when the evolutionary process is too slow or going in the wrong direction.

With regard to the natural evolutionary process of cultural change, Schein categorizes the change mechanism according to the stage at which the organization finds itself. That is, in the founding or early stages of the organization, the organizational culture evolves in small increments by continuing to assimilate what works best over the years. Once the organization is more established, cultural change takes place through the advancement of some of the subcultures of the organization, or by the inclusion of outsiders who bring in new ideas. As the organization reaches maturity or declines, cultural change takes place as a result of a dramatic experience—such as a major accident or a merger or acquisition—that invalidates previous beliefs. These events require an important turnaround, and thus a significant cultural change.

Organizational culture rarely changes just because leaders want to change it. When leaders realize the presence of problems in the organization that need to be fixed, or that new goals need to be achieved, they need to assess whether the existing culture will aid or hinder the change process. If they see that the prevailing culture deters the organization from solving the problems at hand, the culture itself becomes the change target. In these instances, cultural change becomes a clear objective, and the organization gets involved in a "managed" cultural change. In this case, the cultural change requires leaders who are consciously and consistently engaged in the process.

In his book on leadership and management, Kotter devotes a chapter to corporate culture and emphasizes that creating the proper environment “is probably the most important task that management can undertake” (Kotter, 1990: 133). He quotes the CEO from one of his case studies as saying:

Our objectives are to create a culture that: facilitates and emphasizes striving for high goals and high standards, emphasizes developing people and ideas, emphasizes high participation and high involvement between managers and their people, and emphasizes collaboration and close professional association among peers—where rivalries between departments are de-emphasized and instead we focus on the objectives that unify us rather than those that are divisive (Kotter, 1990: 133).

For Kotter, to develop the kind of culture that creates strong leadership and management requires:

. . . first and foremost, providing a vision of the kind of culture that is needed. It also means helping people to understand what leadership is, why it is important, how it is different from management, and how it can be created. It means giving people the opportunity to lead and manage. It means supporting efforts with resources and enthusiasm that are consistent with the desired culture. It means recognizing and rewarding success. In short, it means providing leadership on the issue of culture. . . . It takes strong leadership to create a useful culture. . . . In a sense, institutionalizing a leadership-centered culture is the ultimate act of leadership (Kotter, 1990: 138).

The culture of an organization determines the way the organization responds to different circumstances, and the way it adapts to a changing environment and to new information. Since culture provides a reservoir of organizational meanings that affects every aspect of the organization’s response to any particular development, it exerts significant influence on the organization’s ability to learn from experience and to change. Hence organizational culture may guide and motivate learning, or it can simply obstruct or repress it. That is, culture not only establishes the conditions on how and when organizational learning takes place, but also determines whether the organization has attained the status of a learning organization.

Garvin, Edmonson, and Gino’s three building blocks of the learning organization, presented in [Chapter 7](#) above, represent the culture that needs to be present for an organization to call itself a learning organization. And, as previously said, the three building blocks are precisely what independent evaluation needs to function properly in an organization.

If the prevailing culture of an organization is seen as stifling learning, then a cultural change will be required in order to transform the organization into a learning organization. Chapter 7 concluded that independent evaluation is a powerful tool to promote learning in an organization, and to move an organization closer to the ideal status of a learning organization. We believe there is a virtuous circle that encompasses organizational culture, learning, and independent evaluation: that is, independent evaluation promotes learning within an organization, and this learning promotes a “natural” cultural change that is needed to help the organization become a learning organization. Furthermore, the learning organization, as an aspirational concept, is one that welcomes independent evaluation. Hence the circle that goes from independent evaluation to learning, to cultural change, to the learning organization, and back again to independent evaluation is completed:

Independent Evaluation → Learning → “Natural” Cultural Change → Learning Organization → Independent Evaluation

This sequence of events can be marred by difficulties if the organizational culture does not favor learning through independent evaluation. In these circumstances, learning from independent evaluation (the first link of the chain) is constrained and thus cannot contribute to the rest of the phases.

What if the leaders of the organization realize the value of independent evaluation, and thus “force” a cultural change towards a more open and receptive culture that welcomes independent evaluation? This could take place through a “managed” process of cultural change towards openness and learning, which would in turn move the organization closer to a learning organization and thus provide more fertile ground for independent evaluation to flourish, and to offer its full potential. Independent evaluation would sequentially foster learning, and thus a “natural” cultural change that feeds back into a learning organization and independent evaluation.

“Managed” Cultural Change → Learning Organization → Independent Evaluation → Learning → “Natural” Cultural Change → Learning Organization → Independent Evaluation

## **Effective Leadership and Independent Evaluation**

Up to now we have simply defined “managed” cultural change as the leaders’ response to a change that they believe is needed in the organizational culture.

The recognition of leaders' or managers' role in the promotion of cultural change in an organization is not new (see, for example, Humble, 1973; Lloyd, 1990; Senge, 1990; Senge and others, 1994). Senge and others, referring to the role of senior managers in the culture of an organization, note that "Every aspect of their performance, every conversation they hold, and every action they take demonstrates what values they believe are important to the organization. That is why a learning organization cannot exist without its senior managers' commitment and leadership" (Senge and others, 1994: 66). Members of the organization, seeing how significant the change is to the leadership, tend to accept the change more easily.

A report by the Global Agenda Council on Institutional Governance Systems identifies ways in which leadership makes a positive difference in the performance of international agencies, and highlights some of the best practices across 11 international organizations (one of which is the IMF) that facilitate good leadership. According to that report:

Leaders influence their agencies' operational and strategic direction. They work with member states to identify priorities and set strategy, and translate this into operational goals, which in turn are monitored and evaluated as progress is made towards them. Leaders direct a bureaucracy and see that it has sufficient staffing, expertise and financing to carry out mandated tasks. They also must consult and work with other stakeholders. While their room for maneuvering is limited, their actions and behavior are vital to their organizations' success (Global Agenda Council on Institutional Governance Systems, 2015: 7).

The same report identifies seven indicators contributing to effective leadership that the organization's members, through their boards, and their senior management, are collectively responsible for making sure are in place:

- Selecting and re-electing leadership on merit
- Managing performance
- Setting and evaluating ethical standards
- Developing and retaining talent
- Setting strategic priorities
- Engaging with a wide range of stakeholders
- Evaluating independently and effectively

While all seven indicators are important, we focus here on the last: the importance of effective and independent evaluation. On this, the report emphasizes the need for the evaluation office to report directly

to the organization's board, and for the management of the organization to respond to evaluations. On this, the IMF, along with other international organizations, scores favorably, since it long ago established the basics of what is expected of an independent evaluation office from an accountability point of view.

We take the view that international organizations and their leadership should not be satisfied with establishing an independent evaluation function as an accountability device but should also:

- ensure that independent evaluation keeps on functioning as an important determinant of the organization's effectiveness;
- continuously promote open communication and nurturing from the evaluation function to the organization and vice versa, and to encourage understanding and respect between evaluator and evaluatee; and
- ensure that ultimately independent evaluation serves also as a learning mechanism.

To conclude, through its role in accountability, independent evaluation is an important determinant of effective leadership in international organizations—and effective leadership is needed to understand and benefit from the learning afforded by independent evaluation. Successful leadership works to develop the culture that provides an appropriate environment for the organization to assimilate the lessons from evaluation and fully benefit from the presence of its evaluation function. [Chapter 10](#) provides some ideas on how the management of the IMF can take the lead in encouraging or enhancing such a culture.

---

## Conclusion: What Is to Be Done?

The IMF is a remarkable organization. Its work is outstanding and continues to improve. The world has changed and with it the Fund, to address the evolving challenges of the world economy. The same can be said of the IEO, though it is many years younger. 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. We have no doubt that independent evaluation has played a significant role in contributing to the improvement of the IMF.

But to us as authors, having seen what the IEO produces, and having observed the multiple challenges it still faces within the organization, it is clear that the independent evaluation function within the Fund can and should play a much bigger role in promoting a more effective organization.

As mentioned in the introduction of this book, the benefits of independent evaluation for accountability and learning in IFIs have long been recognized. However, independent evaluation in these organizations is of increased relevance during uncertain times that call for more credible and legitimate institutions, as it offers assurances to their membership that they stay focused on their objectives and mandates. Hence, the Fund must embrace independent evaluation, as it functions as an amalgamating force that helps to keep the membership together during turbulent times.

The IEO and the Fund are bound together. They co-habit the same institution and they need each other for the successful implementation of their respective work, but they have not yet developed the partnership that would bring out the best of the two. The IEO has gained its position and status within the Fund and the international community as an entity that adheres to its mandate, is independent, and does serious and careful work. It is well established and well regarded. For its part, the IMF has clearly benefited from the IEO and increased its credibility because of the IEO. But the Fund has not genuinely embraced independent evaluation. Thus the coexistence has areas of success but also of missed opportunities.

How can this situation be improved, so that the Fund benefits much more from the knowledge and analysis provided by the IEO? The challenge we have elucidated is for the IMF and the IEO to create a shared culture and encourage the leadership to be more receptive to critical and sometimes unwelcome advice. The IMF's organizational culture, and the values and culture of the leadership, have profound roles to play in any improved relationship between the IMF and the IEO. If the positive value of independent evaluation is accepted and signals are sent that the IMF benefits from the IEO's work, then we can attain a "win-win" situation for both the Fund and the IEO.

Creating this type of culture is the joint challenge that we see for the IMF and IEO, neither of which can create the necessary culture alone. The IEO's role is to foster a more open and accountable organization. The Fund's part is to make sure that it actually reaps all the benefits of independent evaluation.

While the Executive Board and senior staff have roles to play in fostering a more open and welcoming independent evaluation culture within the Fund, we particularly call on to the management of the organization to be more active in this regard. This is because we believe that management holds the key for transmitting to the rest of the Fund the importance of independent evaluation, as well as for signaling to staff a commitment to learn from evaluation reports and embracing the purpose and mission of the IEO. Management's involvement is crucial because, even if procedures change so as to facilitate IEO's work (as they have), the ultimate obstacle to the use of independent evaluation is that the Fund has not yet established the proper atmosphere or culture to truly absorb and apply IEO evaluation findings and lessons. We conclude that there is no incentive to systematically learn from independent evaluation because the Fund identifies the IEO as essentially an accountability device rather than as both an accountability and learning instrument. And this approach can only change if the management of the Fund—as a matter of priority—introduces and leads a managed change process towards a culture that is more open and receptive to the learning gathered by independent evaluation.

As mentioned earlier in this book, the creation of an independent evaluation office within an organization inevitably creates some structural tensions. These tensions may be necessary for the Fund to reap all the benefits of independent evaluation. However, we believe the management of the organization needs to set the tone on how this friction is to be handled, by modeling how to foster a proper appreciation for what the IEO does and what it offers, so that the culture of evaluation

within the IMF is more deeply rooted and the Fund benefits more from independent evaluation.

We propose that independent evaluation should serve as an input for the management of the organization to bring about change and that independent evaluation should be its best ally in promoting the required change. Only when IMF management recognizes the IEO as a collaborator in promoting learning within the Fund will the IMF be able to fully transform itself into a genuine learning organization.

IMF management needs to make the IEO's success its own objective. It is essential that management help the Fund understand that the IEO's success is a prerequisite for a more effective organization. Thus, management has a fundamental role to play in making sure that the IEO remains independent, that procedures to learn from the past actually work, that the follow-up process for IEO reports functions well, that the staff has adequate mechanisms to discuss IEO's findings, and that staff actions do not impede the IEO from carrying out its work.

We understand the staff's attitude towards the IEO. While some staff are supportive, the staff writ large tends to be defensive, in favor of the status quo, and dismissive of what it perceives to be outsider suggestions on how it should do its work. But what about management? 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 guidance that 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; and ultimately make the IEO's mission its own. In other words, for the IMF's own benefit, we call for a stronger partnership between IMF management and the IEO.

Independent evaluation should be management's partner since it is undertaken with no other objective than to contribute to the learning process of the Fund and provide a fresh view of the issues. These are features that should be embraced and valued, and from which management can only benefit and construct a better organization. Management should be more open, receptive, and focused on the ultimate message of IEO analysis, and use this analysis to learn and instill change.

The guidelines and protocols that govern IEO procedures and interactions in the Fund distinguish clearly between staff and management roles regarding the IEO. There are good reasons for this distinction: staff and management face different incentives and have different objectives concerning the IEO. But in practice staff and management



procedures and roles regarding the IEO have differed little: staff and management have, most of the time, acted as one entity and one voice vis-à-vis the IEO, and management seems to have delegated to staff most if not all of its responsibilities concerning the IEO.

This lack of differentiation between the respective roles of management and staff towards the IEO perpetuates the current situation in which systematic learning from evaluation is hindered. No doubt the management of the Fund has many priorities, with urgent matters requiring attention. But independent evaluation addresses matters that go beyond the current juncture, and most of the time have to do with issues that have long-lasting effects on the organization. Independent evaluation, too, requires the undivided attention of management.

By no means should IMF management stop listening to staff views and concerns regarding IEO reports; but the challenge that management faces is to discern the value in IEO findings, to understand that the staff faces different incentives than does management, and to decide how best to proceed to improve performance even if the staff tends to resist. Management needs to distinguish the ultimate objective of IEO's analysis and, if convinced of the merits, make sure the organization is headed in that particular direction.

What the Fund needs is an honest and genuine willingness to learn from the past, and this can only emerge from a strategic and conscious decision by management, with readiness to monitor reforms and the determination to instill this attitude in staff. What is required is management's undeterred commitment to undertake the unending journey of a truly learning organization, and to make sure that IEO's work is a fundamental piece of this rewarding strategy.

## IEO Evaluations, 2002–16

### Evaluations

- Evaluation of Prolonged Use of IMF Resources* (2002)
- The IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil* (2003)
- Fiscal Adjustment in IMF-Supported Programs* (2003)
- Evaluation of the IMF's Role in PRSPs and the PRGF* (2004)
- The IMF and Argentina, 1991–2001* (2004)
- IMF Technical Assistance* (2005)
- The IMF's Approach to Capital Account Liberalization* (2005)
- IMF Support to Jordan, 1989–2004* (2005)
- Financial Sector Assessment Program* (2006)
- Multilateral Surveillance* (2006)
- The IMF and Aid to Sub-Saharan Africa* (2007)
- IMF Exchange Rate Policy Advice* (2007)
- Structural Conditionality in IMF-Supported Programs* (2007)
- Governance of the IMF: An Evaluation* (2008)
- IMF Involvement in International Trade Policy Issues* (2009)
- IMF Interactions with Member Countries* (2009)
- IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07* (2011)
- Research at the IMF: Relevance and Utilization* (2011)
- International Reserves: IMF Concerns and Country Perspectives* (2012)
- The Role of the IMF as Trusted Advisor* (2013)
- IMF Forecasts: Process, Quality, and Country Perspectives* (2014)
- Recurring Issues from a Decade of Evaluation: Lessons for the IMF* (2014)
- IMF Response to the Financial and Economic Crisis* (2014)
- Self-Evaluation at the IMF: An IEO Assessment* (2015)
- Behind the Scenes with Data at the IMF: An IEO Evaluation* (2016)
- The IMF and the Crises in Greece, Ireland, and Portugal* (2016)

### Evaluation Updates

- Prolonged Use of IMF Resources: Revisiting the 2002 IEO Evaluation* (2013)
- Fiscal Adjustment in IMF-Supported Programs: Revisiting the 2003 IEO Evaluation* (2013)

*IMF Technical Assistance: Revisiting the 2005 IEO Evaluation* (2014)  
*Revisiting the 2004 Evaluations of The IMF's Role in PRSPs and the PRGF  
and the 2007 Evaluation on The IMF and Aid to Sub-Saharan Africa*  
(2014)  
*The IMF's Approach to Capital Account Liberalization: Revisiting the 2005  
IEO Evaluation* (2015)

---

# Summaries of IEO Evaluations, 2002–16

## 1. Evaluation of Prolonged Use of IMF Resources (2002)

This evaluation assesses the causes and consequences of countries having repeated access to IMF financing. For the report, any country engaged in an IMF-supported program for at least seven of the previous ten years is classified as a prolonged user in that year. Under this definition, 51 of the 128 countries that borrowed in the period 1971–2000 were prolonged users at some point. Prolonged use has increased over time and is persistent; few countries “graduate” from such use. While most of the increase involved low-income countries eligible for IMF concessional financing, the bulk of financial commitments to prolonged users came from nonconcessional resources.

The evaluation identified five factors contributing to prolonged use: (i) a broadening of the rationale for IMF program involvement in recognition that many balance of payments problems, especially in low-income countries, arose from deep-seated structural problems that needed more time for adjustment; (ii) a demand for IMF lending as a “seal of approval” by many donors and creditors; (iii) the extension of programs because of judgments that IMF surveillance is insufficient for signaling the soundness of the macroeconomic framework or promoting desired policy changes; (iv) weaknesses in program design and implementation, including overoptimistic growth projections, too broad conditionality on structural policies, and insufficient attention to the domestic ownership of core policy commitments; and (v) lack of effective follow-up within the IMF on already approved elements of a strategy to reduce prolonged use. One reason for this lack of follow-up was the absence of an explicit definition of prolonged use, which made it difficult to enforce due diligence requirements for identified cases.

The evaluation recognizes that prolonged use can be justified in cases where the simultaneous challenges of macroeconomic adjustment, structural reform, and institutional development take considerable time to resolve. However, prolonged use can also hinder the development of robust domestic policy formulation processes, undermine country “ownership,” and lead to pressure to agree to a series of weak programs to unlock other sources of financing. IMF surveillance can also be “crowded out” by short-term program issues.

The evaluation makes a number of recommendations covering institutional arrangements, program design, surveillance, and internal IMF governance that would help reduce prolonged use. First, the IMF should adopt a definition of prolonged use as a trigger for enhanced due diligence actions, including systematic ex post assessments of previous programs and forward-looking consideration of “exit” strategies. It should also provide credible alternatives to IMF lending arrangements as a signaling device to donors and creditors. Greater selectivity in program content, aligned with steps to maximize ownership, are also needed, along with a better tailoring of the program timeframe to the foreseeable length of a country’s adjustment needs. A greater operational separation between surveillance and program activities is also needed in prolonged use cases.

## **2. The IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil (2003)**

The evaluation examines the crisis management role of the IMF in Indonesia (1997–98), Korea (1997–98), and Brazil (1998–99). Among the major findings are:

- Surveillance was more successful in identifying macroeconomic vulnerabilities than in recognizing the risks in financial sector and corporate balance sheet weaknesses. Even when the diagnosis was broadly accurate, insufficient candor limited the impact.
- Macroeconomic outcomes turned out to be very different from program projections, because insufficient attention was paid to (i) the possibility of a large depreciation and (ii) the balance sheet effect of currency depreciation.
- In view of output developments and the initial stock of debt, fiscal tightening was not warranted in Indonesia and Korea. In Brazil, it was appropriate because fiscal sustainability was a major issue.
- Monetary policy was initially set tight, in recognition of the tradeoff between higher interest rates and a weaker exchange rate. However, the experience is mixed and does not provide definitive evidence on the stabilizing effect of high interest rates.
- The official package for Korea was inadequate because of ambiguity over the “second line of defense,” which contributed to the program’s failure. When major countries decided to involve the private sector, the IMF played a useful facilitating role.
- The Indonesian and Korean programs were heavily loaded with conditionality in structural reform. Measures to rehabilitate the financial sector were necessary, but many other measures were not essential. The experience suggests that a successful bank closure and restructuring program must include a comprehensive and well-communicated strategy in which transparent rules are consistently applied.

- A program for restoring confidence must include a strategy to communicate the logic of the program. None of the three programs initially contained such a strategy.
- While the close involvement of the Executive Board and the major shareholders was proper and necessary, frequent contacts at multiple layers unnecessarily subjected staff to micromanagement and political pressure.

*Key recommendations*

- Article IV consultations should take a “stress-testing” approach to the analysis of a country’s exposure to a potential capital account crisis.
- Additional steps should be taken to increase the impact of surveillance, including through making staff assessments more candid and more accessible to the public, and providing appropriate institutional incentives to staff.
- Since restoration of confidence is the central goal, the IMF should ensure that the financing package, including all components, should be sufficient to generate confidence and also of credible quality.

### **3. Fiscal Adjustment in IMF-Supported Programs (2003)**

Fiscal adjustment plays a key role in IMF-supported programs, and it has also been the subject of some controversy in two dimensions. First, the quantitative dimension: does the IMF’s approach to fiscal adjustment reflect a “one-size-fits-all” approach leading to an unnecessary economic austerity? Second, the qualitative dimension: could the efficiency, sustainability and equity of that adjustment be improved by an alternative mix and sequence of revenues and expenditure policies? The evaluation is based on a cross-section analysis of 133 programs and a detailed examination of 15 programs.

*Key findings*

- The evidence does not support the view that IMF-supported programs adopt a one-size-fits-all approach to fiscal adjustment. In fact, there is significant variability in program design. About 40 percent of programs targeted a larger current account deficit (as a percent of GDP) and about one-third targeted an increase in the primary deficit and primary spending. Program targets are often revised during implementation, suggesting some flexibility.
- Further, in spite of significant variability, the cross-country evidence does not show that growth rates decline systematically, although the capital account crisis cases are notable exceptions. There is, however, the possibility of a contractionary bias in the fiscal design because programs tend to be over-optimistic in projecting the recovery of private spending, thereby targeting stronger fiscal adjustment than necessary. Programs are

reluctant to project a slowdown or negative growth—hence the possibility for some countercyclical fiscal policy is rarely discussed explicitly.

- Program documents often do not clearly explain the rationale for the magnitude and pace of the fiscal adjustment and how the proposed adjustments fit into other assumptions of the program. This reduces the transparency of the program and the ability to identify the critical assumptions that need to be monitored for possible midcourse corrections. Sustained progress in structural fiscal reforms that improve resilience is often not satisfactory, and Article IV consultations are not sufficiently candid in flagging policy inaction. A core issue is how to match the shorter time frame of a program with the longer time frame often necessary to carry out these reforms.
- There is no evidence that IMF-supported programs, in and of themselves, have an adverse effect on aggregate social spending. However, maintenance of aggregate spending may not be sufficient to protect the most vulnerable groups under crisis situations.

#### *Key recommendations*

- Programs documents should explain much better the rationale for the magnitude and pace of the fiscal adjustment and how it is linked to other program assumptions.
- The internal review should give more emphasis to the earlier stages of the process.
- Programs should give more importance to the formulation and implementation of key fiscal structural reforms—even if they cannot be fully implemented during the program period.
- Surveillance should provide such a longer term road map of reform and assess progress.
- Clearly delineate the operational framework in which social issues will be addressed within program design in non-PRGF countries. This could include encouraging countries to identify critical social programs they wish to protect in case of shocks.

## **4. Evaluation of the IMF's Role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility (2004)**

This evaluation, conducted in parallel with one by the World Bank's Operations Evaluation Department, assessed the role of the IMF in the PRS process and the extent to which the PRGF is living up to its key features. It concludes that while the PRS approach has the potential to encourage the development of country-owned and credible long-term strategies for growth and poverty reduction, actual achievements thus far have fallen considerably

short of potential. This outcome is attributed, in part, to shortcomings in the design of the initiative, including a lack of clarity about the role of the IMF.

Participation in the formulation of PRSPs is more broadly based than in previous approaches, although it was typically not designed to strengthen existing domestic institutions for policy-making and accountability (e.g., through parliaments). Results in terms of ownership are mixed, with the least change in macroeconomic policy areas where there is relatively strong ownership in the narrow circle of official stakeholders but much less among other domestic stakeholders. Most PRSP strategies are an improvement over previous efforts, in terms of providing greater poverty focus, a longer-term perspective, and some orientation toward results. However, most PRSPs still do not provide a strategic road map for policymaking, especially in the area of macroeconomic and related structural policies, often avoiding difficult strategic choices. Insufficient attention was given to strengthening implementation capacity, including in the areas of IMF competence. Budgetary processes remain weak, and the linkages between the PRSP, medium-term expenditure frameworks, and budgets are generally poor.

The effectiveness of the IMF contribution has varied considerably, with marked difference between “good” and “average” practice. IMF staff typically did not participate actively to inform the policy debate on macroeconomic policy issues during the PRS formulation process and made limited contributions to understanding country-specific micro-macro linkages. Success in embedding the PRGF in the overall growth and poverty reduction strategy has been limited, partly reflecting shortcomings in those strategies. Nevertheless, program design under the PRGF has incorporated greater fiscal flexibility to accommodate aid inflows, and the IMF has been more open to considering alternative, country-driven policies. There is no evidence of generalized “aid pessimism” or a systematic “disinflation” bias.

The report makes two broad sets of recommendations. The first set recommends greater flexibility in the PRS approach to fit better the needs of countries with different administrative capacities and political systems as well as a shift in emphasis from the production of documents to the development of sound domestic policy formulation and implementation processes. The second set aims to improve IMF effectiveness by clarifying what the PRS approach means for IMF operations and strengthening accountability on what the IMF itself is supposed to deliver, guided by the priorities emerging from the PRS process.

## 5. The IMF and Argentina, 1991–2001 (2004)

The evaluation examines the role of the IMF in Argentina during 1991–2001. Among the major findings are:

- Surveillance underestimated the vulnerability inherent in the steady increase in public debt, when much of it was dollar-denominated and externally held, and did not consider exit strategies when meaningful progress in structural reform was not forthcoming.



- In late 2000, the IMF increased its commitment of resources by viewing any exchange rate or debt sustainability problem as manageable with strong policy action. This may have worked, but the authorities proved unable to implement the policies as agreed.
- Even when two successive Ministers of Economy resigned in March 2001, and the new Minister began to take a series of controversial and market-shaking measures, the IMF continued to support the existing policy framework.
- By mid-2001, it should have been clear that the initial strategy had failed and that Argentina's exchange rate and public debt could not be considered sustainable. However, the IMF did not press the authorities for a fundamental change in the policy regime.
- The decision to call the program off-track in December 2001 was fully justified, but the way it was done limited the ability of the IMF to continue to be engaged with Argentina.
- An earlier shift in the IMF's strategy could have mitigated the costs because Argentina's economic health would have deteriorated that much less and more resources would have been available to moderate the inevitably painful transition process.
- The Argentine experience reveals weaknesses in the IMF's decision-making process: (i) contingency planning was insufficient; (ii) from March 2001 on, the IMF accepted a less cooperative relationship with the authorities; (iii) the IMF paid little attention to the risks of giving the authorities the benefit of the doubt beyond the point where sustainability was in question; and (iv) the Executive Board did not fully perform its oversight responsibility.

The evaluation suggests six sets of recommendations, the major points of which include:

- IMF surveillance needs to be strengthened further, by making medium-term exchange rate and debt sustainability the core focus. Systematic discussion of exchange rate policy must become a routine exercise on the basis of candid staff analysis.
- The IMF should have a contingency strategy from the outset of a crisis. Where the sustainability of debt or the exchange rate is in question, the IMF should indicate that its support is conditional upon a meaningful shift in the country's policy.
- The IMF should refrain from entering a program relationship with a country when there is no immediate balance of payments need and there are serious political obstacles to needed policy adjustment or reform.
- To strengthen the role of the Executive Board, procedures should be adopted to encourage: (i) effective Board oversight of decisions under management's purview; (ii) provision of candid and full information to

the Board on all relevant issues; and (iii) open exchanges of views between management and the Board on all topics.

## 6. IMF Technical Assistance (2005)

The evaluation examines the technical assistance (TA) provided by the IMF to its member countries. It is based on desk reviews of a sample of countries, cross-country data on TA, and in-depth country case studies with country visits. The evaluation unbundles TA into three stages—priority setting; delivery; and monitoring and evaluation of impact. Key findings include:

- *Prioritization:* Seventy percent of IMF TA is directed to countries with per capita income below \$1,000. The volume of TA provided to countries is also positively associated with having a Poverty Reduction and Growth Facility (PRGF) or Extended Fund Facility (EFF) supported program. However, there is a weak link between TA priorities and Poverty Reduction Strategy Papers (PRSPs) or key policy issues identified in Article IV consultations. In most cases, the PRS process has still not been able to clearly identify major capacity-building needs to be taken up by TA. Thus, TA activities do not appear to be guided by a medium-term country-based policy framework.
- *Delivery:* Country officials have generally been satisfied with the resident experts provided by the IMF, particularly their hands-on role. However, there is little involvement of the authorities in the preparation of their TA. This reduces their ownership and often masks important differences in expectations between authorities and staff.
- *Monitoring and impact evaluation:* There has been progress in enhancing the technical capacity of the agencies receiving IMF TA. Significant variability was found in whether agencies have made full use of the increased capacity in order to have an impact on the ground. It is critical that the IMF should understand fully what prevents agencies from doing so. Part of the problem is that IMF documentation and reporting does not clearly unbundle and track the different stages of progress and hence limits the discussion with the authorities.
- Frequently political interference or lack of support by the authorities prevents agencies from using the knowledge transmitted by TA effectively. Indeed, the case studies suggest that resistance by vested interests may mount as these agencies improve their ability to act. Such constraints are not candidly reported and discussed with the authorities.

### *Main recommendations*

- The IMF should develop a medium-term country policy framework for setting TA priorities, incorporating country-specific strategic directions and linked to more systematic assessments of factors underlying past performance.

- The IMF should develop more systematic approaches to track progress on major TA activities and to identify reasons behind major shortfalls.
- The IMF should emphasize greater involvement by the authorities and counterparts in the design of TA activities and arrangements, as a signal of ownership and commitment.
- TA experts should make stronger efforts to identify options and discuss alternatives with local officials prior to drafting TA recommendations.
- The program of ex post evaluations of TA should be widened and more systematic procedures for disseminating lessons put in place.
- Prioritization filters should be discontinued or replaced by ones that would more effectively guide TA allocation.

## 7. The IMF's Approach to Capital Account Liberalization (2005)

The evaluation reviews the IMF's policy advice to emerging market economies on capital account liberalization and related issues during 1990–2004. Among the major findings are:

- In multilateral surveillance, the IMF's analysis emphasized the benefits of greater access to international capital flows, while paying less attention to the risks inherent in their volatility. As a consequence, its policy advice was directed toward emerging market recipients of capital flows, and focused on how to manage large capital inflows and boom-and-bust cycles; little policy advice was offered on how source countries might help to reduce the volatility of capital flows on the supply side.
- In country work there was apparent inconsistency in the IMF's advice. Sequencing was mentioned in some countries but not in others; the intensity of advice on capital account liberalization differed across countries or across time; and a range of views was expressed on use of capital controls. Analysis of country documents suggests that this largely reflected reliance on the discretion of individual IMF staff members.
- The lack of a formal IMF position on capital account liberalization gave individual staff members freedom to use their own professional and intellectual judgment in dealing with specific country issues.
- In more recent years, somewhat greater consistency and clarity has been brought to bear on the IMF's approach to capital account issues. While the majority of staff members now appear to accept the new paradigm (the so-called "integrated approach" that emphasizes sequencing and preconditions), there continues to be some uneasiness with the lack of a clear position by the institution.

On the basis of these findings, the evaluation makes two sets of recommendations:

- There is a need for more clarity on the IMF's approach to capital account issues. Possible steps could include: (i) clarification by the Executive Board of the scope of IMF surveillance on capital account issues; (ii) development of an operationally meaningful indication of the benefits, costs, and risks of capital account liberalization as well as moving at different speeds; (iii) a statement by the Board clarifying the common elements of agreement on capital account liberalization, in order to provide staff with clear guidance on what the IMF's official position is.
- The IMF should give greater attention to the supply-side factors of international capital flows and what can be done to minimize the volatility of capital movements. Building on recent initiatives, the IMF should provide analysis of what can be done to minimize the volatility of capital flows by operating on the supply side.

## 8. IMF Support to Jordan, 1989–2004 (2005)

The report assesses the extent to which the IMF contributed to tackling Jordan's major macroeconomic challenges during the period of the country's engagement in IMF-supported programs. Jordan "graduated" from reliance on such programs in July 2004 after 15 years of almost continuous involvement. The main focus of the evaluation was on the effectiveness of the IMF-supported programs to Jordan. Jordan was on the verge of defaulting on its external debt payment obligations following a severe balance of payments crisis during late 1980s. In addition to high external debt, twin deficits, rigid fiscal structure, and structural impediments to growth, Jordan was susceptible to external shocks in the region.

### *Main findings*

The report's overall assessment of the IMF's role in Jordan was that it had been moderately successful. The IMF helped the authorities to address macroeconomic stabilization challenges successfully, but some of the main structural rigidities that underlay the financial crisis that led Jordan to its first IMF-supported program still remained, especially on the fiscal side. The evaluation found that most staff papers to the Board on Jordan did not provide a clear rationale for the magnitude and composition of targeted adjustment. This made it difficult for the Board to make judgments on the factors underlying any subsequent failures to achieve key objectives, and on the appropriateness of any program modifications. A greater focus on public expenditure policy to advice on the major expenditure cuts envisaged in the early programs would have been desirable. In general, there was not much difference in the macroeconomic policy discussions undertaken during Article IV consultations and those in program discussions.

### *Key lessons*

The report highlighted broad lessons relevant to IMF operations in other countries and two specific lessons for the IMF in Jordan.

Lessons with broad applicability:

- The underlying rationale for key program design elements should be explained clearly in Board papers.
- There is need for more candor in staff report assessments of risks to programs.
- The programs need to be set in an explicitly longer-term perspective.
- Fiscal reforms should be emphasized at an early stage of formulation of institutional reforms.
- The IMF and the World Bank need to set clear objectives signaling what the needs and obligations of each institution are on specific items in the program.
- Timetables need to take into account the political economy aspects.
- There is need for wider dissemination of IMF TA reports to have a more informed public discourse on policy advice.

IMF's future role in Jordan:

- There is need to help the authorities design a macroeconomic framework to manage a decline in grants and preserve fiscal sustainability.
- There is need to help design strategies to tackle Jordan's key remaining fiscal rigidities.

## 9. Financial Sector Assessment Program (2006)

This evaluation assesses the IMF role in the Financial Sector Assessment Program (FSAP) along with a parallel report by the World Bank's Independent Evaluation Group. The evaluation concludes that the FSAP significantly improves the IMF's ability to conduct financial sector surveillance and to understand the key linkages between financial sector vulnerabilities and macroeconomic stability. Key features to be preserved going forward include an integrated approach to assessing financial sector vulnerabilities and development needs; an institutional linkage to surveillance; and a mechanism to coordinate IMF and World Bank inputs.

Despite these achievements, the initiative is at a critical crossroads and some of the gains could be eroded without significant modifications to address two related sets of problems. First, financial sector assessments (FSAs) have not been fully integrated as a regular part of IMF surveillance. Second, there are serious doubts that current incentives for participation and associated priority-setting will ensure adequate coverage of systemic and vulnerable countries. Moreover, while the evaluation concludes that the overall average quality of the FSAP exercises is quite high, several shortcomings are identified. Most notably, insufficient attention has been paid to cross-border financial linkages and their potential consequences. In addition, many FSAPs

inadequately prioritize the urgency of their recommendations, which hampers effective follow-up by both surveillance and technical assistance.

The evaluation's recommendations focus on three key themes. First, changes are needed in how country choices for FSAs are made and in how those assessments are integrated into IMF surveillance. The approach proposed by the report contains three mutually supporting recommendations: sharper criteria for priority-setting, with choices for country-specific strategies across a range of modalities for financial sector surveillance; strengthened incentives for comprehensive assessment exercises to foster coverage of countries of systemic importance, albeit within a still voluntary framework for the FSAP; and strengthened links between FSAPs and Article IV surveillance.

Second, steps are needed to improve further the quality of the FSAP and strengthen its impact. These would include clearer prioritization of recommendations and candid discussion of potential consequences; more systematic inclusion of cross-border financial sector issues; and greater involvement of the authorities in the overall process. Changes are also needed in the organization of IMF mission activities to utilize scarce financial sector expertise more effectively in the surveillance process.

Third, the evaluation found that the use of joint IMF-World Bank teams (as well as outside experts) enhanced the depth of analytical expertise and credibility of the findings. But if strengthened incentives for participation are successful, more concrete guidelines for setting priorities and contributing resources will be required, with the IMF taking the lead where significant domestic or global stability issues are present.

## 10. Multilateral Surveillance (2006)

The evaluation examines the effectiveness of multilateral surveillance. Among the major findings are:

- The outputs of multilateral surveillance are largely successful in analyzing topical issues in ways that reflect the IMF's comparative advantage. However, they give insufficient coverage to exchange rate issues, which is surprising given the IMF's mandate.
- The *World Economic Outlook (WEO)* has largely succeeded in identifying relevant issues and global risks in a timely way. In terms of identifying global macroeconomic and financial risks, the *WEO* and the *Global Financial Stability Report (GFSR)* compare favorably with similar publications of other bodies.
- IMF surveillance has a strong country orientation. As a result, multilateral surveillance has not sufficiently enriched the policy advice offered through bilateral surveillance by identifying scope for collective action.
- The *WEO* and the *GFSR* are insufficiently integrated. This owes largely to a "silo" problem in the IMF's internal organization in which different

departments pursue their individual mandates with insufficient attention to the organization's overall mission.

- The *WEO* and the *GFSR* enjoy wide media coverage but they reach senior policymakers only indirectly. This is understandable. Still, much shorter G7 and G20 surveillance notes are also rarely read by policymakers themselves.
- Interviews with the senior country officials suggest that multilateral surveillance, if effectively conducted and communicated, is able to provide valuable input into policymaking.

On the basis of these findings, the evaluation makes four key recommendations:

- Define more clearly the goals of multilateral surveillance and the mechanisms to achieve them. Multilateral perspectives must be better integrated into bilateral surveillance.
- Engage more deeply with such intergovernmental groups as the G7 and the G20, as they provide opportunities for a more frank discussion of policy spillovers and possibilities for collective policy action and for more effective peer pressure.
- Enhance the roles of the Executive Board and the International Monetary and Financial Committee (IMFC) in multilateral surveillance. The Board should identify key global policy actions, while the IMFC should focus on policy spillovers and opportunities for collective action.
- Key multilateral surveillance products must be more “customer” focused, by streamlining their content and targeting them more strategically at various audiences. Surveillance notes should concentrate on spelling out the consequences of policy spillovers and identifying options for dealing with them.

## 11. The IMF and Aid to Sub-Saharan Africa (2007)

This evaluation examined the IMF's role and performance in the determination and use of aid to low-income countries in Sub-Saharan Africa (SSA). The time period of the evaluation (1999–2005) saw improving performance in much of SSA and increasing aid levels as debt relief gained momentum and donors introduced multi-donor budget support. It also saw the IMF replace the Enhanced Structural Adjustment Facility (ESAF) with the Poverty Reduction and Growth Facility (PRGF) as its primary lending instrument in low-income countries.

### *Context*

A recurring theme of the evaluation was the perceived disconnect between the IMF's rhetoric on aid and poverty reduction and its practice at the country level. Underlying this theme was a larger issue of attempted—but ultimately

unsuccessful—institutional change that the evaluation explored in explaining its findings. When introduced, the PRGF was intended to involve a new way of working for the IMF, with programs based on country-owned measures geared to promoting poverty reduction and growth. However, institutional developments within the Fund, including limited support from the Executive Board, which was deeply divided on the Fund's role in low-income countries, and turnover in top management, prevented the actualization of significant change. The result was widespread ambiguity and confusion—both internally and externally—about what the Fund's policies and practices actually were in the areas under study.

### *Findings*

- PRGF-supported macroeconomic policies generally accommodated the use of incremental aid in countries with high stocks of reserves and low inflation; in other countries additional aid was programmed to be saved to increase reserves or to retire domestic debt.
- PRGFs neither set ambitious aid targets nor identified additional aid opportunities, including in country circumstances in which absorptive capacity exceeded projected aid inflows.
- Of the key features distinguishing the PRGF from the ESAF, fiscal governance (a long-standing IMF mandate) was far more systematically treated than other (newer) elements, such as the use of social impact analysis or the pro-poor and pro-growth budget provisions.
- IMF communications on aid and poverty reduction contributed to the external impression that the IMF committed to do more on aid mobilization and poverty-reduction analysis.
- The IMF missed opportunities for communicating with a broader audience in SSA.

### *Recommendations*

- The Executive Board should clarify IMF policies on the underlying performance thresholds for the accommodation of additional aid, the mobilization of aid, alternative scenarios, poverty and social impact analysis, and pro-poor and pro-growth budget frameworks. IMF management should provide clear guidance to staff on these policies, including what is expected with respect to working with the World Bank and other partners. The External Relations Department should ensure the consistency of institutional communications with Board-approved operational policies and IMF-supported operations.
- IMF management should establish transparent mechanisms for monitoring and evaluating the implementation of the clarified policy guidance.
- Management should clarify expectations and resource availabilities for resident representatives' and mission chiefs' interactions with local donor groups and civil society.



## 12. IMF Exchange Rate Policy Advice (2007)

The main finding is that, over the 1999–2005 period, the IMF was simply not as effective as it needs to be to fulfill its responsibilities to exercise surveillance over the international monetary system and members' exchange rate policies.

The reasons for the IMF's failing to fully meet its core responsibility are many and complex. Among these reasons are: a lack of understanding of the role of the IMF in exchange rate surveillance; a failure by member countries to understand and commit to their obligations to exchange rate surveillance; a strong sense among some member countries of a lack of evenhandedness in surveillance; a failure by management and the Executive Board to provide adequate direction and incentives for high-quality analysis and advice on exchange rate issues; and the absence of an effective dialogue between the IMF and many countries.

Recommendations require action by IMF staff, management, the Board and authorities:

First, the rules of the game for the IMF and its member countries need to be clarified, with a revalidation of the fundamental purpose of surveillance. At the same time, practical policy guidance should be developed on key analytical issues, including on the stability of the system (flowing from periodic Executive Board policy review of the stability of exchange regimes and exchange rates), and on the use and limits of intervention.

Second, management should give much greater attention to ensuring effective dialogue with authorities, by developing a strategic approach to identify opportunities for improvement, and by adjusting incentives to raise controversial issues.

Third, actions are required to deal with problems in implementing existing policy guidance. These should: resolve inconsistencies and ambiguities over the issue of regime classification; back up advice on exchange rate regimes more explicitly by analytical work; improve assessments of the exchange rate level, including by developing needed analytical work; pursue the problems of data provision for surveillance; and give incentives to implement guidance for the integration of spillovers into bilateral and regional surveillance.

Fourth, to improve the management of staff work, better focus is needed on the analytical work on exchange rates, including by clarifying responsibility and accountability for exchange rate policy issues, and reconsidering the structure of staff teams.

Fifth, to address issues of confidentiality and Executive Board oversight over policy discussions, an understanding is needed on what would, and what would not, be revealed to the Board. Confidential discussions about contingent policy actions should be a regular feature of dialogue with member countries, while establishing a way for the Board to exercise its oversight responsibilities in this area.

Finally, since action on global imbalances has not been fully explored, the opportunities for potential multilateral concerted action deserve to be a key strategic management focus.

### 13. Structural Conditionality in IMF-Supported Programs (2007)

This evaluation examines factors influencing the effectiveness of IMF structural conditionality in bringing about structural reform, and assesses the impact of the streamlining initiative launched in 2000 and of the 2002 Conditionality Guidelines. These aimed at reducing the volume and scope of structural conditionality by requiring “parsimony” in the use of conditions and stipulated that conditions must be “critical” to the achievement of the program goals.

The evaluation finds that during the period 1995–2004 there was extensive use of structural conditionality in IMF-supported programs, with an average of 17 conditions per program/year. Most of these conditions had little structural depth and only about half of them were met on time. Compliance was only weakly correlated with subsequent progress in structural reform. Ownership of the reform program by the economic team and by the line ministries in charge of the specific measures was necessary both for compliance and for continuity of the reform. Compliance and effectiveness were higher in the areas of IMF core competency, such as public expenditure management and tax-related issues, and lower in areas such as privatization and reform of the wider public sector.

The streamlining initiative did not reduce the volume of conditionality, partly because structural conditions continued to be used to monitor other initiatives such as donors’ support programs and the European Union accession process. But it helped to shift the composition of conditionality toward IMF core areas and new areas of basic fiduciary reform. At the same time, the IMF moved away from controversial areas where it had little impact and that largely fall within the World Bank’s areas of expertise. Nonetheless, Fund arrangements still included conditions that seem not to have been critical to program objectives.

Recommendations include reaffirming the need to reduce the volume of structural conditionality. As a practical first step, a notional cap could be set, possibly at four or five conditions per year—half the current average for performance criteria and prior actions. The use of structural benchmarks should be discontinued and measures with low structural content should not be part of conditionality. Normally, conditionality should be restricted to the core areas of IMF expertise. In other critical areas such as the wider public sector, the IMF should play a subsidiary role to that of the World Bank, which has greater expertise in these areas. Explicit Board guidance would be needed when reforms in noncore areas are deemed critical but effective cooperation with the Bank is unlikely to crystallize in time. The Fund should develop a monitoring and evaluation framework linking conditions to reforms and goals, which would provide a more robust basis for assessing programs results. Program documents should explain how the proposed conditionality is critical to achieve explicit objectives. For PRGFs, in particular, program requests should be accompanied by an operational roadmap

covering the length of the program, explaining the proposed reforms, their sequencing, and expected impact.

## 14. Governance of the IMF: An Evaluation (2008)

This evaluation assesses the degree to which Fund governance is effective and efficient, and whether it provides sufficient accountability and channels for stakeholders to have their views heard. The focus is on institutional structures as well as on the formal and informal relationships between the Fund's main bodies of governance: the Executive Board, management, and the International Monetary and Financial Committee (IMFC).

For much of the past six decades, gradual reforms in its governance allowed the Fund to remain relevant in a changing world economy. But the reforms have not kept pace with changes in the environment in which it operates. Today, the institution's legitimacy and relevance are being questioned. Much attention has recently been focused on quotas and voting power, but broader governance reform also holds the potential to strengthen the Fund's legitimacy, accountability, and effectiveness.

Overall, effectiveness has been the strongest aspect of Fund governance, allowing fast and consistent action particularly in times of systemic crisis. On the other hand, accountability and voice have been its weakest aspects, which if left unaddressed would likely undermine effectiveness over the medium term. The evaluation has four broad conclusions and recommendations, and it proposes a series of detailed measures specific to each of the main governance bodies.

First, there is a lack of clarity on the respective roles of the different governance bodies, and in particular between the Board and management. To strengthen the IMF's effectiveness and to facilitate accountability, the roles and responsibilities of each of its governance bodies need to be clarified with a view to minimizing overlaps and addressing possible gaps.

Second, the Fund needs more systematic ministerial involvement. The IMFC, as an advisory body, lacks a mandate for setting strategic directions and providing high-level oversight of the institution. To fulfill these functions, the evaluation calls for the activation of the Council, as contemplated in the Articles of Agreement, which should operate with a high degree of consensus, perhaps through the use of special majorities.

Third, the Board's effectiveness is hindered by excessive focus on executive, rather than supervisory, functions. The Board should reorient its activities towards a supervisory role, playing a more active part in formulating strategy, monitoring policy implementation to ensure timely corrective actions, and exercising effective oversight of management. To this end, the Board would need to change many of its working practices, shifting away from executive, day-to-day operational activities, including through more delegation to committees and possibly to management.

Finally, a framework needs to be put in place to hold management accountable for its performance. Work is under way to set up such a framework, which should specify criteria and a process for regular assessments.

## 15. IMF Involvement in International Trade Policy Issues (2009)

Trade policy occupies an unusual and at times problematic place in the work of the IMF. Few would dispute that trade policies of IMF members have strong influences on macroeconomic stability. However, trade policies are often seen as peripheral to the IMF's core competency. This leaves scope for a range of views on the proper role for the IMF in advising on trade policy. Also, the IMF's orientation toward unilateral trade liberalization has stoked the debates on whether such liberalization is always in a country's own interests and whether preferential trade agreements are harmful. Added to these debates are charges that the IMF has pressed harder for liberalization in borrowing countries than in countries with which it has a surveillance-only relationship.

This evaluation, which examines the IMF's involvement in trade policy issues during 1996–2007, addresses five questions. What is the nature of the IMF's mandate to cover trade policy? Did the IMF work effectively with other international organizations on trade policy issues? Did the Executive Board provide clear guidance to staff on the IMF's role and approach to trade policy? How well did the IMF address trade policy issues through lending arrangements and surveillance? Was IMF advice effective?

The evaluation finds that the IMF's role in trade policy has evolved in some desirable and some less desirable ways. In its general streamlining after 2000, the IMF scaled back its involvement in traditional trade policy issues (tariff and nontariff barriers to merchandise trade), especially in the context of conditionality. This is welcome as average tariffs in most countries had fallen to relatively low levels, conditionality often did not achieve lasting changes in trade policy, and the pressure for unilateral liberalization especially through conditionality created tensions with multilateral negotiations in the World Trade Organization.

But in other respects the IMF's scaling back on trade policy advice came at the cost of constructive roles in trade issues central to financial and systemic stability. Three such gaps stand out. First, the IMF has not clearly enough defined or pursued a role vis-à-vis trade in financial services—an area where its perspective is essential. Second, fairly active interest of IMF researchers in macroeconomic and systemic effects of preferential trade agreements has not adequately filtered into bilateral and multilateral surveillance. Third, the IMF has not given due attention recently to global effects of trade policies (such as high agricultural tariffs and subsidies) in systemically important countries.

The evaluation recommends several ways to use the limited resources the IMF can devote to trade policy to fill these gaps. More active

inter-institutional cooperation, backed by formal interactions, is essential. Also, however, the IMF needs a small repository for in-house expertise—a division solely devoted to trade policy—to be the locus of such cooperation and to help identify trade policy issues in which the IMF should be involved. Finally, regional and global implications of trade policy developments should be explored in depth periodically in World Economic and Regional Economic Outlook exercises. The Board should regularly review and give guidance on the IMF's role in trade policy issues.

## 16. IMF Interactions with Member Countries (2009)

This evaluation assesses the degree to which IMF interactions with member countries were effective and well managed in 2001–08, with particular attention paid to 2007–08. It contains a number of findings that are relevant to the tasks that lie ahead for the Fund in implementing the new responsibilities it has recently been given to help members deal with the global financial crisis.

Overall, the evidence is mixed. While one may be tempted to take solace from relatively high perceptions of overall effectiveness in some country groupings, such reaction needs to be tempered by clear evidence of lack of agreement between the authorities and staff on the scope of interactions in some cases, and of widely varying effectiveness in particular roles. Interactions were effective in a program and technical assistance context, and, in general, in contributing to a good exchange of views and in providing objective assessments. However, in other areas, including in the international dimensions of its surveillance and other work, where one would expect the IMF to excel, effectiveness and quality were not rated highly.

The evaluation evidence shows that IMF interactions were least effective with advanced and large emerging economies. They were most effective with PRGF-eligible countries, and, to a lesser extent, with other emerging economies. Particularly troubling was the continuing strategic dissonance with large advanced economies, especially about the Fund's role in international policy coordination, policy development, and outreach. The authorities did not give the Fund high marks for its effectiveness in these areas. Neither did staff, who nevertheless aimed to do more. The evidence also points to limited effectiveness with large emerging economies, many of whom saw the surveillance process as lacking value and/or evenhandedness.

The evaluation found that outreach with stakeholders beyond government contributed little to the effectiveness of IMF interactions. The Fund's transparency policy did less than staff had hoped to increase the Fund's traction, as some authorities blocked timely dissemination of mission findings. Dissemination initiatives designed to gain influence in domestic policy debates by repositioning the Fund as an informed analyst—and distancing it from the negative legacy of past engagement—remain work in progress.

The evaluation found that interactions were undermanaged, although some individuals managed particular interactions very well. The Fund's

strategy was ineffective in enhancing traction with surveillance-only countries. The Fund paid too little attention to the technical expertise and other skills that might have added value, and neglected to manage pressures that staff felt to provide overly cautious country assessments—a finding of major concern, especially in respect to staff work on systemically important countries. In PRGF-eligible countries, an institutional strategy replete with attractive financing, debt relief, and strong links to donor funding made for an abundance of traction. But in some cases it also led to what authorities perceived to be arrogant and dictatorial staff behavior—though they saw evidence of progress in recent years. Staff incentives and training largely ignored interactions, and responsibilities and accountabilities for relationship management were not clear.

The following recommendations aim at enhancing the effectiveness of IMF interactions with members:

- To make the Fund more attractive to country authorities and promote traction: (i) improve the quality of the international dimensions of the Fund's work; (ii) recruit specialist skills and bring more experts on country visits, especially where traction is waning; (iii) articulate menus of products and services for emerging market and advanced economies; and (iv) replace the now defunct country surveillance agendas with strategic agendas to enhance country focus and accountability.
- To improve the effectiveness of outreach: (v) clarify the rules of the game on outreach; and (vi) decide how to handle the Fund's negative reputational legacy in countries where it is a factor undermining interactions, and equip staff with the skills and resources to follow through.
- To improve the management of interactions: (vii) develop professional standards for staff interactions with the authorities on country assessments; (viii) increase mission chief and staff tenure and training, and improve incentives for interactions; and (ix) clarify relationship management responsibilities and accountabilities.

## **17. IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07 (2011)**

This evaluation assesses the performance of IMF surveillance in the run-up to the global financial and economic crisis and offers recommendations on how to strengthen the IMF's ability to discern risks and vulnerabilities and to warn the membership in the future. It finds that the IMF provided few clear warnings about the risks and vulnerabilities associated with the impending crisis before its outbreak. The banner message was one of continued optimism after more than a decade of benign economic conditions and low macroeconomic volatility. The IMF, in its bilateral surveillance of the United States and the United Kingdom, largely endorsed policies and financial practices that were

seen as fostering rapid innovation and growth. The belief that financial markets were fundamentally sound and that large financial institutions could weather any likely problem lessened the sense of urgency to address risks or to worry about possible severe adverse outcomes. Surveillance also paid insufficient attention to risks of contagion or spillovers from a crisis in advanced economies. Advanced economies were not included in the Vulnerability Exercise launched after the Asian crisis, despite internal discussions and calls to this effect from Board members and others.

Some of the risks that subsequently materialized were identified at different times in the *Global Financial Stability Report*, but these were presented in general terms, without an assessment of the scale of the problems, and were undermined by the accompanying sanguine overall outlook. These risks were not reflected in the *World Economic Outlook* or in the IMF's public declarations. The IMF did appropriately stress the urgency of addressing large global current account imbalances that, in the IMF's view, risked triggering a rapid and sharp decline in the dollar that could set off a global recession. But the IMF did not link these imbalances to the systemic risks building up in financial systems.

The IMF's ability to detect important vulnerabilities and risks and alert the membership was undermined by a complex interaction of factors, many of which had been flagged before but had not been fully addressed. The IMF's ability to correctly identify the mounting risks was hindered by a high degree of groupthink, intellectual capture, a general mindset that a major financial crisis in large advanced economies was unlikely, and inadequate analytical approaches. Weak internal governance, lack of incentives to work across units and raise contrarian views, and a review process that did not "connect the dots" or ensure follow-up also played an important role, while political constraints may have also had some impact.

The IMF has already taken steps to address some of these factors, but to enhance the effectiveness of surveillance it is critical to clarify the roles and responsibilities of the Board, management, and senior staff, and to establish a clear accountability framework. Looking forward, the IMF needs to (i) create an environment that encourages candor and considers dissenting views; (ii) modify incentives to "speak truth to power;" (iii) better integrate macroeconomic and financial sector issues; (iv) overcome the silo mentality and insular culture; and (v) deliver a clear, consistent message on the global outlook and risks.

## **18. Research at the IMF: Relevance and Utilization (2011)**

This evaluation assesses research produced at the IMF between 1999 and 2008. It focuses on relevance and utilization, but also examines technical quality and management. Research is defined broadly to capture most analytical publications of the IMF, ranging from surveillance-oriented output, for



example, selected issues papers (SIPs) prepared for Article IV consultations and the analytical chapters of the *World Economic Outlook (WEO)* and *Global Financial Stability Report (GFSR)*, to more academically-oriented output, for example, working papers (WPs) and publications in external journals. These outputs comprised a large body of research, about 650 publications annually, at a cost of about 10 percent of the IMF budget.

The evaluation finds that IMF research was widely read, that it included a large number of high-quality and very useful publications, and that it was appreciated by country authorities and the research community. This was particularly true for the *WEO* and *GFSR*, but also for many other publications. Nonetheless, several issues merit attention.

First, the relevance of research was often hampered by lack of early consultation with country authorities on research themes and by lack of sufficient country and institutional context. Also, authorities indicated that some important issues, such as macro-financial linkages and aspects of monetary policy, were not adequately covered. To strengthen relevance, the IMF should conduct a periodic strategic review of the function and uses of its research product lines to establish whether they should be strengthened, redesigned, or discontinued. Consultation with authorities on research topics and discussions of results should become standard practice. Increased and earlier interaction with authorities as well as longer country assignments by mission members would enhance the country and institutional context of research.

Second, the technical quality of IMF research publications was quite diverse. The *WEO*, *GFSR*, and external publications were generally of high quality. On the other hand, the quality of SIPs and WPs, which are not subject to a rigorous quality review, was lower and more variable. To enhance quality, adequate time and resources should be allocated to each research project, even if this leads to fewer publications. The review of research products should be strengthened to improve quality and to prevent the publication of low-quality products.

Third, many authorities reported that IMF research was message-driven, and many staff indicated that they often felt pressure to align their conclusions with IMF views. To enhance their quality, reputation, and utilization, working papers should reflect the results of technical analysis even if these are not well aligned with messages in surveillance activities documents.

Finally, there is a need for greater prioritization and coordination of research across the IMF. To this end, management should designate a senior staff member, the Research Coordinator, to coordinate research activities across the organization, including by setting standards for quality review processes and publication policies, to promote greater openness, and to address other weaknesses identified in this evaluation. The coordinator should prepare an indicative medium-term research agenda, in consultation with member countries and the Executive Board, and should report annually to them on its implementation. This medium-term agenda should not be seen as excluding research on other relevant issues.



## 19. International Reserves: IMF Concerns and Country Perspectives (2012)

This evaluation focuses on two aspects of the IMF's concerns and advice related to international reserves. First, it examines the origin, rationale, and robustness of the IMF's concerns about the effects of excessive reserve accumulation on the stability of the international monetary system. Second, it assesses the conceptual underpinnings and quality of the advice on reserve adequacy in the context of bilateral surveillance.

In 2009, IMF management and some senior staff began to emphasize the potential for large reserve accumulation to threaten the stability of the international monetary system. The evaluation argues that the focus on reserve accumulation as a risk for the international monetary system was not helpful in that it stressed the symptom of problems rather than the underlying causes, and it did not appear to be different from the longer-standing concerns about risks from global imbalances. Many country officials also felt that the IMF should have placed greater emphasis on other developments relating to the evolution and stability of the international monetary system—in particular the causes and consequences of fluctuations of global liquidity and international capital flows—that they considered to be of more pressing concern than reserves.

The evaluation found a broadly held view that management's emphasis on excessive reserve accumulation was a response to frustration among some member countries with the IMF's inability to achieve exchange rate adjustments in Asian countries with persistently large current account surpluses.

In parallel with the aforementioned concerns about excessive reserve accumulation, IMF staff developed a new indicator to assess reserve adequacy in emerging market economies. The new indicator defined upper and lower bounds for precautionary reserves. A number of country officials became worried that its use would engender pressures on countries to reduce their reserves at a time of heightened uncertainty in the global economy.

With respect to reserve adequacy assessments in the context of bilateral surveillance, the evaluation centered on a sample of 43 economies that had accumulated the bulk of global reserves during the 2000–11 period. The country sample reflects the evaluation's focus on the possible implications of excess reserves. The evaluation concludes that the IMF's assessments and discussions of international reserves were often pro forma, emphasizing a few traditional indicators and insufficiently incorporating country-specific circumstances. It also identifies cases where the Fund's analysis and advice could have been improved, notably by embedding the assessment of reserve adequacy in a broader analysis of countries' internal and external stability.

The evaluation recommends that:

- Policy initiatives should target distortions and their causes rather than symptoms such as excessive reserves;
- Discussion of reserve accumulation in the multilateral context should be embedded in a comprehensive treatment of threats to global financial

stability, one that is informed by developments in global liquidity and financial markets;

- Policy initiatives that are meant to deal with systemic externalities must take into account the relative size of countries' contributions to the externality;
- Reserve adequacy indicators should be applied flexibly and reflect country-specific circumstances; and
- The multiple trade-offs involved in decisions on reserve accumulation and reserve adequacy at the country level need to be recognized, and advice on reserves should be integrated with advice in related policy areas. Advice should not be directed only to emerging markets but, when necessary, take into account the concerns in advanced economies that have arisen since the financial crisis.

## 20. The Role of the IMF as Trusted Advisor (2013)

The IMF carries out its mandate to foster macroeconomic stability and thereby facilitate prosperity by promoting the adoption of sound policies and international cooperation. Ultimately, the means to achieve these goals is to have Fund policy advice translated into concrete action. Key to achieving such traction is the relationship between Fund staff and member country authorities, together with the quality of the advice and members' confidence in it. That is, the Fund needs to be seen as a trusted advisor.

This evaluation examines in what circumstances the Fund is viewed as a trusted advisor to its member countries. It uses evidence gathered since 2005, but emphasizes the period since the onset of the global crisis in 2007–08. Because the concept of trusted advisor is “in the eyes of the beholder,” the evaluation derives the main attributes from country authorities themselves.

The degree to which the Fund is viewed as a trusted advisor is found to differ by region and country type, with authorities in Asia, Latin America, and large emerging markets the most skeptical, and those in large advanced countries the most indifferent. But in the aftermath of the global crisis, the Fund's image has improved markedly, and the Fund is now viewed as more flexible and responsive than in the past. The evaluation explores how the IMF can sustain this more positive image when the crisis abates, while recognizing that tensions will always exist between the Fund's roles as a watchdog of the global and individual economies and as a trusted advisor to member countries.

The evaluation's recommendations aim to address some long-standing problems that undermine trust in the Fund and other key challenges identified by this evaluation. Among these:

- To enhance the value and relevance of the Fund's advice, Article IV mission teams should consult early with country authorities on their key areas of interest; share with them the major policy issues, macroeconomic

framework, and preliminary policy lines prior to the mission; and work closely with them on a country-specific outreach strategy. The Fund should reduce unwarranted disclosure concerns, so Fund staff can act as a sounding board for authorities.

- To strengthen the continuity of the relationship between Fund staff and members, the staff, in consultation with country authorities, should develop a country-specific medium-term strategic plan and promote an ongoing dialogue and close working relationship with Executive Directors. The Fund should develop incentives for staff that make their role as trusted advisors an important part of their performance.
- To help address concerns about lack of evenhandedness, the Fund should incorporate early and openly the views of all countries during the preparation of its major policy papers and implement its transparency policy in a consistent and fair manner.
- The Fund's recent reform efforts and initiatives, spurred in part by the global crisis, provide an opportunity for the institution to address some of the findings identified by this evaluation. But to ensure that these reforms truly take root in the culture of the institution will require close monitoring and accountability by all IMF stakeholders over an extended period.

## 21. IMF Forecasts: Process, Quality, and Country Perspectives (2014)

Macroeconomic forecasts are important inputs into IMF bilateral and multi-lateral surveillance. They form the basis of the analysis and advice contained in Article IV consultations and of the Fund's view of the outlook for the world economy, as presented in the flagship publications: the *World Economic Outlook (WEO)*, the *Global Financial Stability Report (GFSR)*, and the *Fiscal Monitor*. The IMF also uses macroeconomic forecasts extensively in other contexts, such as debt sustainability analysis, spillover reports, pilot external balance assessments, and negotiations of IMF-supported adjustment programs, and as the baseline for constructing scenarios and risk assessments for the global economy.

For member country officials to have confidence in the IMF's analysis and advice, the underlying forecasts must be viewed as sound, evenhanded, and of high quality.

This evaluation assesses these aspects of IMF forecasts. Though the forecasting process at the IMF has evolved significantly in the past five years, the assessment deals with current practice. It finds that:

- The processes and methods used to generate short-term forecasts for Article IV consultations and the *WEO* are well structured and, in general, appropriately tailored to country-specific characteristics. By and large, country officials have confidence in their integrity. Some officials believe the forecasting process lacks transparency, however—which is

consistent with the evaluation team having to spend considerable time and effort to determine exactly how it is structured.

- Averaged over all member countries and over the period 1990–2011, *WEO* short-term and medium-term forecasts overpredicted GDP growth and underpredicted inflation. Measured biases in IMF forecasts are highly dependent on the chosen sample period, however. In particular, significant overpredictions of GDP growth tended to occur during regional or global recessions, as well as during crises in individual countries. Except for these episodes, the forecasts did not show substantial positive or negative biases.
- The accuracy of IMF short-term forecasts was comparable to that of private sector forecasts. This was the case for normal periods as well as for recessions and crises, and for advanced as well as emerging economies.
- Short-term forecasts of GDP growth and inflation made in the context of IMF-supported programs were unbiased in the majority of cases. However, they tended to be optimistic in high-profile cases characterized by exceptional access to IMF resources; these cases represented over 80 percent of the dollar amount of IMF resources disbursed. At the first program review (normally about three months into the program), forecast biases were typically reduced or reversed.
- The IMF has procedures in place to learn from past forecast performance, but these procedures are not always utilized to their full potential.
- Changes in the world economy call for continuous adaptation of the forecasting process and learning by individual forecasters. The evaluation identifies areas where action can be taken to enhance the credibility of the forecasting process and to ensure that high quality is maintained. The recommendations of the evaluation fall into three broad categories. The IMF should:
  - o *Promote a culture of learning* from past forecast performance by introducing a more structured process for implementing and disseminating the recommendations of commissioned studies of forecast performance, and by ensuring that the accumulated knowledge and experience in the institution is effectively incorporated into the forecasting process.
  - o *Ensure that best practice is followed* by providing appropriate guidance to desk economists in forecasting for both the short- and medium term. Attention should focus on how forecast methods should be adapted to economies with different structural features and data availability. The IMF should monitor the consistency of medium-term forecasts across the institution as it does now for the short-term outlook.
  - o *Enhance transparency* by describing the forecasting process in an accessible form, and by making historical forecasts more easily accessible.

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

This evaluation seeks to help the IMF enhance its effectiveness by identifying major recurring issues from the IEO's first 20 evaluations and assessing where they stand. These issues have affected the IMF's performance in all of its core areas of responsibility: surveillance, lending, and capacity development. Their recurrence in different contexts in multiple IEO evaluations suggests that they are intrinsic to the nature of the institution, with deep roots in its culture, policies, and governance arrangements.

The evaluation has been prepared in response to the 2013 *External Evaluation of the IEO*, which proposed that the IEO prepare a review of “generic and substantive issues” that are not “encapsulated in specific recommendations” but deserve monitoring. The *External Evaluation* made this proposal as a way to strengthen the follow-up process for Board-endorsed IEO recommendations, which in its authors' view had become a “box-ticking” exercise that tended to dilute their substance (Ocampo and others, 2013, pp. 23–24, 26). This report aims to contribute to strengthening the follow-up process by focusing on key issues that have recurred in IEO evaluations, rather than on specific recommendations and their implementation.

The present evaluation focuses on recurring issues in the following five areas:

- Executive Board guidance and oversight;
- Organizational silos;
- Attention to risks and uncertainty;
- Country and institutional context; and
- Evenhandedness.

The evaluation finds that though the Board and management have taken actions to address each of the five sets of issues, challenges remain in each, and are likely to persist. To varying degrees, these challenges all emanate from the IMF's character as a multilateral institution with multiple objectives and a complex governance structure. Despite their difficulty, efforts to address these issues are important for enhancing the IMF's effectiveness and credibility. More can and should be done, especially in terms of broad-based, strategic responses.

### *Issues for Board consideration*

The recurring issues identified by the evaluation in five areas—(i) Executive Board guidance and oversight, (ii) organizational silos, (iii) attention to risks and uncertainty, (iv) country and institutional context, and (v) evenhandedness—are to varying degrees inherent to the nature of the IMF and are thus likely to present ongoing challenges for the institution. This raises the question of how best to address them, going forward, in view of the IMF's overall institutional priorities and resource constraints. Despite their long-term nature,

the IMF should try to mitigate their adverse impact while keeping these issues at the forefront of its agenda.

This evaluation, given its nature as a stock-taking exercise and in keeping with the suggestion of the 2013 *External Evaluation of the IEO*, does not propose specific recommendations on how to address the five sets of issues reviewed in the report. Nonetheless, after preparing this evaluation, the IEO believes that a framework of reviewing and monitoring recurring issues would be useful in establishing incentives for progress, strengthening the Board's oversight, and providing learning opportunities for the IMF.

In light of this conclusion, the IEO recommends that the following reports be prepared for the Board periodically:

- An IEO report, similar to this one, identifying and reviewing important issues that have recurred in its evaluations. This could be done every five years.
- A status report, prepared by staff, to monitor the progress the IMF has made in addressing recurring issues, focusing on the big picture rather than on the implementation of specific IEO recommendations that will continue to be monitored via the Periodic Monitoring Report. The first staff report could be prepared within two years, followed by similar reports every five years thereafter.

### **23. IMF Response to the Financial and Economic Crisis (2014)**

The IMF played an important role within the global response to the crisis. It reformed its lending toolkit and ramped up nonconcessional lending, from almost nil to about \$400 billion in 2008–13. IMF-supported programs reflected many lessons from past crises and helped member countries cope with the crisis. The increased lending was enabled by a resource mobilization effort that quadrupled the IMF's resources to about \$1 trillion by 2013. But the agreed doubling of quotas has not become effective, leaving the IMF dependent on borrowing arrangements for more than two-thirds of its total credit capacity.

The IMF's record in surveillance was mixed. Its calls for global fiscal stimulus in 2008–09 were timely and influential, but its endorsement in 2010–11 of a shift to consolidation in some of the largest advanced economies was premature. At the same time, the IMF appropriately recommended monetary expansion in these countries if needed to maintain the recovery. However, this policy mix was less than fully effective in promoting recovery and exacerbated adverse spillovers. As time progressed and the growth outlook worsened, the IMF showed flexibility in reconsidering its fiscal policy advice and called for a more moderate pace of fiscal consolidation.

The IMF launched many initiatives to strengthen macro and financial sector surveillance, and expanded its tools and processes to identify and warn

about risks and vulnerabilities. Authorities interviewed for this evaluation were largely supportive of these efforts, but they indicated that the number of such initiatives has grown beyond their capacity to absorb the results. Moreover, they highlighted that they would have appreciated earlier and clearer warnings regarding recent critical risks. There are also questions on whether IMF surveillance is currently well placed to detect emerging financial sector vulnerabilities in systemic financial centers in time to warn authorities and the membership at large.

The IMF collaborated with other organizations in important initiatives including the G20 Mutual Assessment Process and the Financial Stability Board. These collaborations were largely effective in addressing aspects of the crisis and also enhanced the traction of IMF advice. Looking forward, to protect the institution's independence and to ensure uniform treatment of the entire membership, the IMF should develop guidelines for structuring such collaboration arrangements that clarify the parties' roles and accountabilities.

Two reforms would enhance the IMF's ability to warn about emerging systemic risks. First, the IMF needs to consolidate the initiatives aimed at identifying risks and vulnerabilities, and it should better disseminate their findings to authorities. Second, it should focus its financial sector surveillance on the five to seven truly systemic financial centers. For these centers, a Financial Sector Stability Assessment should be updated annually in conjunction with the Article IV consultation.

To be better positioned to respond to the next crisis, the IMF should aim to have resources in place in advance of a need arising, relying primarily on member quotas to reduce uncertainty and to strengthen its legitimacy.

## **24. Self-Evaluation at the IMF: An IEO Assessment (2015)**

This evaluation assessed the self-evaluation conducted by the IMF to learn from experience and improve the quality and effectiveness of its work. It found that considerable self-evaluation takes place at the IMF; that many IMF self-evaluation activities and reports were of high technical quality; and that self-evaluation informed reforms in policies and operations. Yet, there are gaps in coverage, weaknesses in quality, and shortcomings in the dissemination of lessons, in part because of the absence of an explicit, conscious, institution-wide approach to this work. Further, decisions taken in April 2015 as part of a cost-cutting exercise risk further weakening self-evaluation.

The IMF does not have an institution-wide framework or overall policy to establish what needs to be evaluated and how, who is responsible, and how to follow up. This may explain how recent decisions to reduce self-evaluation activities were taken without serious consideration of their impact on learning and accountability. Therefore, the IEO recommends that the IMF adopt an overall policy for self-evaluation, setting its goals, scope, key outputs, expected



utilization, and follow up. Such policy should be general to allow practices to evolve with the operational environment.

Assessments of programs for countries with longer-term program engagement (EPAs) and exceptional access programs (EPEs) mostly fulfilled their roles of taking stock of IMF-supported programs and generating country-specific lessons. These lessons were often incorporated in subsequent programs. However, there was no requirement to evaluate other types of programs. This gap may now widen, following a decision to discontinue EPAs. The IEO recommends that the IMF should conduct self-assessments for every IMF-supported program. The scope and format of these assessments could vary across programs, but all of them should include the views of the authorities of the borrowing country.

Self-evaluation of policies and other institution-wide issues was an element of many reviews aimed at policy development. However, the evaluative analysis of staff practices and institutional performance was often overshadowed by the discussion of proposed reforms.

The IEO recommends that each policy and thematic review explicitly set out a plan for how the policies and operations it covers will be self-evaluated going forward. Management should also ensure continued self-evaluation of policies and practices—even if policy reviews become less frequent—to promote ongoing learning and improvement and to help signal when broader policy reviews may be needed.

Self-evaluation activities were weak in distilling lessons on staff practices and more generally in disseminating lessons in a way that promotes learning. To address these concerns, management should develop products and activities aimed at distilling and disseminating evaluative findings and lessons in ways that highlight their relevance for staff work and that facilitate learning.

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

In the 70 years since the IMF's founding, the global economy and the IMF's role have evolved markedly. So too has the IMF's need for data, but what has not changed is the fundamental role that data play in supporting the IMF in its efforts to foster global economic and financial stability. This evaluation examines whether the IMF has effectively leveraged this important asset.

In general, the IMF has been able to rely on a large amount of data of acceptable quality. Data provision from member countries has improved markedly over time, allowing the institution, to a large extent, to keep abreast of the growing complexity and interconnectedness of the world economy. Nonetheless, problems with data or data practices have, at times, adversely affected the IMF's surveillance and lending activities. In the aftermath of crises, data have often been put at the forefront, prompting important changes in global initiatives and in the Fund's approach to data. Yet, once these crises subside, data issues are usually viewed as mere support activities to the Fund's strategic operations.



The roots of data problems are diverse, ranging from problems due to member countries' capacity constraints or reluctance to share sensitive data to internal issues such as lack of appropriate staff incentives, institutional rigidities, and long-standing work practices. While most of these problems have been recognized for decades, they have recently been cast in a different light by the proliferation of data sources and rapid technological change and, in particular, by the surge in demand for multilateral and financial surveillance and cross-country analysis. These latter activities require data with greater comparability and granularity.

Tackling these data problems would better enable the Fund to deliver on this evolving and more challenging role. Efforts are under way in this regard (e.g., a new data management governance structure, initiatives to fill data gaps revealed by the global crisis), but these efforts are, as previous attempts, piecemeal without a clear comprehensive strategy which recognizes data as an institutional strategic asset, not just a consumption good for economists. The current conjuncture may provide an opportunity for greater progress.

The evaluation thus recommends, that the IMF, first and foremost (i) develop a long-term strategy for data and statistics at the Fund that goes well beyond just data management. This is followed by four recommendations—on some key elements of the overarching strategy—aimed at addressing the most salient problems: (ii) define and prioritize the IMF's data needs and support data provision by member countries accordingly; (iii) reconsider the role and mandate of the IMF's Statistics Department; (iv) re-examine the staff's structure of incentives in the area of data management; and (v) make clear the limits of IMF responsibility regarding the quality of the data it disseminates, and the distinction between "IMF data" and "official data."

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

A series of crises hit several euro area countries from 2010 to 2013. The crises, coming so soon after the global financial and economic crisis of 2007–08, and occurring in a common currency area comprising advanced and highly integrated economies, posed extraordinary challenges to European and world policymakers. This evaluation assesses the IMF's engagement with the euro area during these crises in order to draw lessons and to enhance transparency. In particular, of the five financing arrangements the IMF concluded with four euro area members, this evaluation covers the 2010 Stand-By Arrangement with Greece, the 2010 Extended Arrangement with Ireland, and the 2011 Extended Arrangement with Portugal.

### *Surveillance*

The IMF's pre-crisis surveillance mostly identified the right issues but did not foresee the magnitude of the risks that would later become paramount. The IMF's surveillance of the euro area financial regulatory architecture was

generally of high quality, but staff, along with most other experts, missed the buildup of banking system risks in some countries. In general, the IMF shared the widely-held “Europe is different” mindset that encouraged the view that large imbalances in national current accounts were little cause for concern and that sudden stops could not happen within the euro area. Following the onset of the crisis, however, IMF surveillance successfully identified many unaddressed vulnerabilities, pushed for aggressive bank stress testing and recapitalization, and called for the formation of a banking union.

### *Decision making*

In May 2010, the IMF Executive Board approved a decision to provide exceptional access financing to Greece without seeking preemptive debt restructuring, even though its sovereign debt was not deemed sustainable with a high probability. The risk of contagion was an important consideration in coming to this decision. The IMF’s policy on exceptional access to Fund resources, which mandates early Board involvement, was followed only in a perfunctory manner. The 2002 framework for exceptional access was modified to allow exceptional access financing to go forward, but the modification process departed from the IMF’s usual deliberative process whereby decisions of such import receive careful review. Early and active Board involvement might or might not have led to a different decision, but it would have enhanced the legitimacy of any decision.

### *Working with European partners*

The IMF, having considered the possibility of lending to a euro area member as unlikely, had never articulated how best it could design a program with a euro area country, including conditionality on policies under the control of regional institutions. In the circumstances of these programs, where there was more than one conditional lender, the troika arrangement (in which the Fund worked with the European Commission and the European Central Bank) proved to be an efficient mechanism in most instances for conducting program discussions with national authorities, but the IMF lost its characteristic agility as a crisis manager. And because the European Commission negotiated on behalf of the Eurogroup, the troika arrangement potentially subjected IMF staff’s technical judgments to political pressure from an early stage.

### *Program design and implementation*

The IMF-supported programs in Greece and Portugal incorporated overly optimistic growth projections. More realistic projections would have made clear the likely impact of fiscal consolidation on growth and debt dynamics, and allowed the authorities to prepare accordingly or persuaded European partners to consider additional—and more concessional—financing while preserving the IMF’s credibility as an independent, technocratic institution. Lessons from past crises were not always applied, for example when the IMF underestimated the likely negative response of private creditors to a high-risk

program. The IMF's performance was uneven although there were instances where IMF staff shone technically and many officials have expressed a positive assessment of the Fund's overall contribution.

#### *Accountability and transparency*

The IMF's handling of the euro area crisis raised issues of accountability and transparency, which helped create the perception that the IMF treated Europe differently. Conducting this evaluation proved challenging. Some documents on sensitive issues were prepared outside the regular, established channels; the IEO faced a lack of clarity in its terms of reference on what it could or could not evaluate; and there was no clear protocol on the modality of interactions between the IEO and IMF staff. The IMF did not complete internal reviews involving euro area programs on time, as mandated, which led to missed opportunities to draw timely lessons.

#### *Recommendations*

The evaluation offers five key recommendations. First, the Executive Board and management should develop procedures to minimize the room for political intervention in the IMF's technical analysis. Second, the Executive Board and management should strengthen the existing processes to ensure that agreed policies are followed and that they are not changed without careful deliberation. Third, the IMF should clarify how guidelines on program design apply to currency union members. Fourth, the IMF should establish a policy on cooperation with regional financing arrangements. Fifth, the Executive Board and management should reaffirm their commitment to accountability and transparency and the role of independent evaluation in fostering good governance.

---

# External Evaluations of the IEO: Terms of Reference

## External Evaluation of the Fund's Independent Evaluation Office (IEO) Terms of Reference

September 14, 2005

### 1. Purpose of the Evaluation

As foreseen in the terms of reference of the Independent Evaluation Office, the Executive Board has decided to initiate an external evaluation of the IEO. The purpose of the evaluation is to assess the effectiveness of the IEO and to consider possible improvements to its structure, mandate, operational modalities, and terms of reference. The main points of reference for the assessment are the IEO's goals, as set out in its terms of reference, namely to:

- serve as a means to enhance the learning culture within the Fund;
- strengthen the Fund's external credibility;
- promote greater understanding of the work of the Fund throughout its membership;
- support the Executive Board's institutional governance and oversight responsibilities.

### 2. Focus of the Evaluation

In assessing the IEO's goals as set out in Section 1, the evaluators are requested to give particular attention to the following topics:

- (i) *Independence of the IEO.* The actual and perceived independence of the IEO is a key element for its successful operation. Has the framework defining the relationships between the IEO, management, and the Executive Board ensured its independence? Has the staffing of the office (internally and externally recruited personnel) and of the evaluation teams (full-time IEO personnel and external consultants) contributed to its independence? How independent are IEO evaluations perceived inside and outside the Fund?
- (ii) *Topics for evaluation.* The IEO terms of reference contains only very broad guidelines regarding the choice of evaluation topics. Has the

choice of topics been appropriate in view of the IEO's goals, as set out in Section 1, and the Fund's institutional needs? How has the broad-based consultation process worked in defining evaluation topics? Has the guideline regarding the avoidance of interfering with operational activities or attempting to micromanage the institution been effective? Is there an appropriate division of labor between the IEO, the Office of Internal Audit, and the self-evaluation efforts? Should the IEO's role in assessing the Fund's organizational structure and internal processes be strengthened?

- (ii) *Conduct of evaluation.* Providing the opportunity for different parties to comment on the evaluation before its finalization while ensuring its independence constitutes a difficult trade-off. How have these issues been dealt with?
- (iii) *Evaluation results.* The effectiveness of independent evaluations hinges on the quality of the reports and the relevance and usefulness of their recommendations. How do target audiences (both internal and external) perceive the overall quality of IEO reports? Were the recommendations generally perceived as useful by staff, management, the Board, and external audiences? Was an appropriate balance achieved between generality and specificity of the recommendations? Are follow-up procedures sufficient to ensure effective implementation of approved recommendations? Should the IEO's role in monitoring follow-up be strengthened? Is the current number of evaluations appropriate in terms of the Fund's ability to react effectively to the recommendations? Have the IEO's dissemination and outreach activities within and outside the Fund been appropriate and effective?

### 3. Evaluators

The evaluation will be carried out by Ms. Karin Lissakers (Chairperson), Mr. Ishrat Husain and Ms. Ngairé Woods. They shall conduct their work freely and objectively and shall render impartial judgment and make recommendations to the best of their professional abilities. As noted in the IEO's terms of reference, an important element of the evaluation would be the solicitation of input from a broad range of stakeholders, both from the official as well as the nongovernmental community.

### 4. Access to Confidential Information and Protection of Confidentiality

The evaluators shall have unrestricted access to interview staff, management, and Executive Board members, as well as to access all relevant Fund and IEO documents, minutes, and internal staff memoranda needed to carry out their task.

The evaluators undertake not to disclose, deliver, or use for personal gain or for the benefit of any person or entity without the consent of the Fund, any restricted or confidential information in possession of the Fund that they receive in the course of the evaluation. The Chairman of the Evaluation Committee will request an appropriate officer of the Fund to review the draft evaluation report with the purpose of pointing out to the evaluators any inadvertent disclosure of restricted or confidential information.

The evaluators are free to request information from country authorities and other sources outside the Fund as they deem appropriate.

## **5. Evaluation Report: Publication, Executive Board Consideration, and Comments**

The Fund reserves the exclusive right to publish the report, and the evaluators undertake not to publish any part of the report separately. The staff, management, the Executive Board, and the IEO will have the opportunity to respond to relevant parts of the evaluation report in draft form, as well as in final form. Evaluators are free to take account of any comments on the draft evaluation report.

Comments on the final evaluation report shall be considered part of the official record. There is a strong presumption that the Executive Board will decide to publish the evaluation report, any comments thereon, as well as the conclusions of the Executive Board consideration of the report.

## **6. Resources and Timing**

The budget for the external evaluation of the IEO is expected to be US\$175,000 (excluding any administrative support from Executive Directors or Fund/IEO staff that might be requested by the evaluators). Within this total, and in consultation with the Chairman of the Evaluation Committee, the evaluators may arrange for research assistant support. The Fund will provide administrative support for the external evaluation.

The evaluators shall be provided with a letter of engagement, setting forth the terms and conditions approved by the Chairman of the Evaluation Committee. The “Terms of Reference of the External Evaluation of the Independent Evaluation Office,” dated September 14, 2005, shall be attached to the letter and acceptance of the engagement by the evaluators shall also mean acceptance of the “Terms of Reference.” The engagement will expire with delivery of the evaluation report and its consideration by the Executive Board, or if the Executive Board determines that the engagement should be terminated for any reason.

Evaluators will begin work in September 2005; completion of the evaluation report is expected for January 2006. The evaluators will keep the Chairman of the Evaluation Committee informed of the progress of the work.

## External Evaluation of the Fund's Independent Evaluation Office (IEO) Terms of Reference

May 9, 2012

### 1. Purpose of the Evaluation

As foreseen in the terms of reference of the Independent Evaluation Office, the Executive Board has decided to initiate a second external evaluation of the IEO. The first external evaluation was concluded in April 2006, and in the resulting summing up Executive Directors considered it appropriate to conduct another external evaluation in five years.

The purpose of the evaluation is to assess the effectiveness of the IEO and to consider possible improvements to its structure, mandate, operational modalities, and terms of reference.

### 2. Focus of the 2012 Evaluation

*The central objective for the upcoming evaluation will be to assess how successfully the IEO has met its goals to serve as a means to enhance the learning culture within the Fund, strengthen the Fund's external credibility, promote greater understanding of the work of the Fund throughout the membership, and support the Executive Board's institutional governance and oversight responsibilities.*

Without limiting the choices of the evaluation team within this broad contour, the external evaluation could assess the IEO's effectiveness along several dimensions, including: (i) the appropriateness of evaluation topics; (ii) the independence of the IEO; (iii) the cost-effectiveness of the IEO and its operations; and (iv) the appropriateness and adequacy of the evaluation process including, but not limited to, how IEO recommendations are endorsed by the Board and implemented.

### 3. Evaluators

The evaluation will be carried out by José Antonio Ocampo (Chairperson), Stephen Pickford, and Cyrus Rustomjee. They shall conduct their work freely and objectively and shall render impartial judgment and make recommendations to the best of their professional abilities. As noted in the IEO's terms of reference, an important element of the external evaluation would be the solicitation of input from a broad range of stakeholders, both from the official as well as the nongovernmental community.

### 4. Access to Confidential Information and Protection of Confidentiality

The evaluators will have unrestricted access to interview staff, management, and Executive Board members, as well as to access all relevant Fund and

IEO documents, minutes, and internal staff memoranda needed to carry out their task.

The evaluators undertake not to disclose, deliver, or use for personal gain or for the benefit of any person or entity without the consent of the Fund, any restricted or confidential information in possession of the Fund that they receive in the course of the evaluation. The Chairman of the Evaluation Committee may request an appropriate officer of the Fund to review the draft evaluation report with the purpose of pointing out to the evaluators any inadvertent disclosure of restricted or confidential information.

The evaluators are free to request information from country authorities and other sources outside the Fund as they deem appropriate.

## **5. Evaluation Report: Publication, Executive Board Consideration, and Comments**

The Fund reserves the exclusive right to publish the report, and the evaluators undertake not to publish any part of the report separately. The staff, management, the Executive Board, and the IEO will have the opportunity to respond to relevant parts of the evaluation report in draft form, as well as in final form. Evaluators are free to take account of any comments on the draft evaluation report.

Comments on the final evaluation report will be considered part of the official record. There is a strong presumption that the Executive Board will decide to publish the evaluation report, any comments thereon, as well as the conclusions of the Executive Board consideration of the report.

## **6. Resources and Timing**

The budget for the external evaluation of the IEO is expected to be \$215,000 (excluding any administrative support from Executive Directors or Fund/IEO staff that may be requested by the evaluators). The budget will cover the costs of the evaluation, including honoraria and travel costs. Within this total, and in consultation with the Chairman of the Evaluation Committee, the evaluators may arrange for research assistant support. The Fund will provide administrative support for the external evaluation.

The evaluators shall be provided with a letter of engagement, setting forth the terms and conditions approved by the Chairman of the Evaluation Committee. The “Terms of Reference of the External Evaluation of the Independent Evaluation Office,” dated May 15 2012 shall be attached to the letter and acceptance of the engagement by the evaluators shall also mean acceptance of the “Terms of Reference.” The engagement will expire with delivery of the evaluation report and its consideration by the Executive Board, or if the Executive Board determines that the engagement should be terminated for any reason.

Evaluators will begin work in May 2012; completion of the evaluation report is expected for December 2012. The evaluators will keep the Chairman of the Evaluation Committee informed of the progress of the work.



This page intentionally left blank

# Public Information Notices: IMF Executive Board Discusses External Evaluations of the IEO

## IMF Executive Board Discusses External Evaluation of the Independent Evaluation Office

Public Information Notice (PIN) No. 06/67  
June 15, 2006

On April 26, 2006, the Executive Board of the International Monetary Fund (IMF) discussed an External Evaluation of the Independent Evaluation Office (IEO).

### Background

The IEO provides objective and independent evaluation on issues related to the IMF. It operates independently of IMF management and at arm's length from the IMF's Executive Board. The goals of the IEO are to:

- serve as a means to enhance the learning culture within the Fund;
- strengthen the Fund's external credibility;
- promote greater understanding of the work of the Fund throughout its membership;
- support the Executive Board's institutional governance and oversight responsibilities.

An external evaluation of the IEO was foreseen in the terms of reference of the Independent Evaluation Office (IEO). The purpose of the evaluation was to assess the effectiveness of the IEO and to consider possible improvements to its structure, mandate, operational modalities, or terms of reference.

The independent team of experts reviewing the IEO was led by Karin Lissakers, former U.S. Executive Director to the IMF and currently chief advisor to George Soros on globalization issues; Ishrat Husain, Governor of the Central Bank of Pakistan from 1999–2005; and Ngaire Woods, Director of the Global Economic Governance Program at Oxford University.

### Executive Board Assessment

Executive Directors welcomed the opportunity to assess the effectiveness of the IEO's operations since its creation five years ago, based on a concise and

frank report prepared by an External Evaluation Panel. They thanked the Panel for its valuable efforts, and agreed with its main conclusion that the IEO has served the IMF well and has earned strong support for its work across a broad range of stakeholders. They also agreed that the IMF continues to need an independent evaluation office to contribute to the institution's learning culture and facilitate oversight and governance by the Executive Board. In this connection, Directors welcomed the Panel's observation that the individuals it has interviewed inside and outside the Fund are overwhelmingly of the view that the IEO has acted independently. At the same time, Directors noted the weaknesses highlighted in the report, and welcomed its analysis and recommendations for further strengthening the IEO's effectiveness. In particular, Directors concurred that, going forward, a more focused and strategic orientation, together with strong support from the Board and management, will help ensure the IEO's continued usefulness and relevance.

Directors agreed with the Panel that IEO evaluations complement internal reviews by exploiting the IEO's independence in conveying messages. In this context, they generally saw scope for a better sequencing of IEO and internal reviews, which would help reduce the potential for duplication—while recognizing that some overlap is inevitable.

Directors agreed that the choice of topics for IEO evaluations is critical, and that evaluations should focus on the Fund's core activities. Given resource constraints, Directors considered it important that the IEO make a compelling case for the topics selected. They also agreed that the IEO should continue to have maximum freedom in choosing evaluation topics. At the same time, Directors reaffirmed the appropriateness of the current limitation in the IEO's Terms of Reference that the IEO should avoid interfering with operational activities, including programs, or attempting to micro-manage the institution. In this context, most Directors considered that the IEO should continue to evaluate country cases selectively, refraining from evaluations of ongoing Fund-supported programs, but it could review a member's previous Fund-supported program after a reasonable interval. To allow for more in-depth and substantive treatment of the selected topics, a number of Directors also suggested that the IEO consider the option of reducing the number of evaluations undertaken each year. Directors were open to the suggestion to consider sharpening the IEO's terms of reference. Most Directors did not support the Panel's recommendation to transfer the responsibility for conducting ex post assessments from staff to the IEO.

Directors generally supported the recommendations aimed at improving the IEO's effectiveness in fulfilling its mandate, and most considered that their implementation should be carried out within existing budgetary resources. To maintain the high quality of the IEO reports, Directors called for shorter reports, with more focused assessments and recommendations. In this context, most Directors observed that the IEO does not need to prepare cost assessments of its recommendations, unlike proposals in staff papers that are expected to be costed. Such cost assessments can be undertaken later

by staff. To enhance the usefulness of IEO evaluations, many Directors emphasized that IEO reports should look beyond process to substance, including judgments on the theoretical foundations and analytical frameworks underlying the Fund's advice.

Directors discussed extensively the feedback process for draft IEO evaluation reports as described in the Panel's report, and its implications for the IEO's independence, both actual and perceived. They agreed that best practice requires the IEO to solicit comments from staff, management, and other players on its draft reports but, at the same time, to exercise its independent judgment and responsibility on whether to take these comments on board. Thus, any changes introduced by the IEO in the feedback process would be expected to be based on the exercise of best judgment by the IEO, rather than constituting evidence of accommodating management or staff sensitivities. In this connection, Directors welcomed the communication sent by the former Director of the IEO stating for the record that at no time was he subjected to any pressure from management to tone down the IEO's criticism in the Argentina report, or any other report. A few Directors suggested that the practices for submitting the IEO's draft reports to management and staff for comment should be reviewed.

With regard to the attribution of responsibility for the missteps leading up to Argentina's currency collapse, Directors noted that the major findings section of the IEO report on Argentina had clearly conveyed a balanced message about the respective responsibility of both the IMF and the Argentine authorities. For this reason, most Directors did not share the Panel's view that the relevant paragraph of the IEO report had focused on misjudgments by the Argentine authorities. Indeed, the assessment of respective responsibility is also consistent with the conclusion reached by the Executive Board at its discussion of the IEO evaluation on Argentina in July 2004. Moreover, Directors recalled clearly that official and public perceptions of the thrust of the IEO's conclusions, both at the time of their publication and subsequently, had been critical of IMF missteps. A few Directors would have welcomed more information to substantiate the Panel's view.

Directors underscored that safeguarding the IEO's independence also requires full access to information for IEO staff. They supported the recommendation to review the existing guidelines for sharing of information with the IEO by management, staff, and Executive Directors. Directors recognized, however, that IEO independence and access to information need to be nurtured by a sense of shared goals and a relationship of mutual trust. In this context, Directors welcomed the former IEO Director's assurance that the IEO had received all requested documents.

While recognizing that IEO reports often contain important findings and lessons that require further careful consideration, Directors stressed the importance of prompt discussion by the Executive Board of IEO evaluations. Some Directors noted that the Board discussion of IEO reports would be better informed if Directors have additional time to consider both the IEO's evaluation report and the statements by the staff and management.

Directors generally welcomed the Panel's suggestions for strengthening follow-up to the IEO's recommendations—including more Board involvement—to enhance the effectiveness of the IEO. They considered that the Panel's call for a more systematic approach for following-up on and monitoring the implementation of IEO recommendations approved by the Board should be further examined, including through greater discussion in the Evaluation Committee and the full Board.

Directors considered that appropriate IEO staffing rules are also an important element in maintaining the independence of the IEO. In this regard, they emphasized the need for a balanced mix of staff composed of insiders and outsiders, and for careful consideration of the rules governing employment of outside IEO staff in the Fund. Directors generally welcomed the recommendation to hire more outside experts to lead some evaluations, within the IEO's budget envelope. They agreed that outside experts can provide a fresh perspective and enhance the credibility of the reports, although peer reviews should not become standard practice.

Directors generally agreed with the Panel's recommendation that the IEO's outreach activities can, and should, be improved and intensified, especially in developing and emerging market economies where greater efforts might be needed to enhance the understanding of the IMF's role. As a first step, some Directors looked forward to the IEO developing an outreach strategy, so that its resource needs in this area can be better assessed. Noting budgetary constraints, however, most Directors suggested that the IEO rely on existing resources, by working more closely with EXR and resident representatives—as well as with the Executive Board where appropriate. These efforts, together with visible management support for the IEO's work, will serve to enhance outreach efforts.

Directors were pleased that the IEO is taking the lead in reviewing its existing publications policy to ensure that it reflects evolving best practice. They agreed that any changes in the IEO's publications policy, including in the handling of corrections, should be consistent with ensuring the independence of the office.

As for next steps, careful consideration will be given to the Panel's recommendations and the Board's views expressed today, and further discussions will be forthcoming among the Evaluation Committee, IEO, staff, and management. Directors also considered it appropriate to conduct another external evaluation of the IEO in five years.

## **IMF Executive Board Considers External Evaluation of the Independent Evaluation Office**

Public Information Notice (PIN) No. 13/40  
March 29, 2013

On March 21, 2013, the Executive Board of the International Monetary Fund (IMF) discussed the second External Evaluation of the Independent Evaluation Office (IEO).

## Background

The IEO provides objective and independent evaluation on issues related to the IMF. It operates independently of IMF management and the Executive Board. The IEO was set up with four mandates:

- to serve as a means to enhance the learning culture within the Fund;
- to strengthen the Fund's external credibility;
- to promote greater understanding of the work of the Fund throughout its membership; and
- to support the Executive Board's institutional governance and oversight responsibilities.

The purpose of the evaluation was to assess the effectiveness of the IEO and to consider possible improvements to its structure, mandate, operational modalities, or terms of reference.

The independent team of experts reviewing the IEO was chaired by José Antonio Ocampo, Professor at Columbia University and former Minister of Finance of Colombia, and includes two other members: Stephen Pickford, Senior Research Fellow at Chatham House and former Managing Director of the UK Treasury and Executive Director of the IMF, and Cyrus Rustomjee, Director of the Economic Affairs Division at the Commonwealth Secretariat and also a former Executive Director of the IMF.

This was the second external evaluation of the IEO, the first evaluation, chaired by Karin Lissakers, was published in 2006.

## Executive Board Assessment

Executive Directors welcomed the External Evaluation Panel's report to assess the effectiveness of the Independent Evaluation Office (IEO) in the seven years since the last assessment. They thanked the Panel for its efforts, and acknowledged its extensive consultations, interviews, and other interactions with key stakeholders that underlie the Panel's analysis and recommendations. Directors welcomed many of the recommendations for further enhancing the effectiveness of the IEO, including with regard to evaluation topics, follow-up processes, and interactions with the Board, management, and staff, which will be discussed further by the Evaluation Committee and the Board.

Directors welcomed the Panel's assessment that the IEO has played an important role in supporting the Fund's governance and transparency and enhancing its learning culture. They also welcomed the finding that the IEO's independence has been widely recognized and, as such, has strengthened the external perception of the Fund. Most Directors concurred with the Panel's assessment that the IEO's objective of promoting greater understanding of the Fund's work throughout the membership has become less important with the increased transparency of the Fund over the past decade, and therefore could be dropped as an element of the IEO's mandate.

Directors agreed that the focus of the IEO reports should be on long-term cross-cutting issues and drawing out lessons of wider relevance and applicability for the advance of Fund policy and culture. They noted that the IEO Director should continue to have full freedom in choosing the subjects for evaluation, consistent with the IEO's Terms of Reference. Most Directors considered that the current process for selecting evaluation topics is appropriate. A number of Directors saw scope for relaxing somewhat the current constraint that limits the choice of topics, and a number of Directors favored the Panel's proposal to define that boundary as "current lending programs." However, a few other Directors preferred not to modify the current Terms of Reference, which state that the IEO should avoid interfering with operational activities, including programs. Directors generally agreed that, in framing its recommendations, the IEO should focus on policy issues for the Fund, rather than on processes, which are the responsibility and comparative advantage of management, although they acknowledged the practical difficulties in separating substance from process, depending on the subject of evaluation. Many Directors also considered it useful for the IEO to undertake, subject to resource availability, periodic evaluations of ex post assessments and ex post evaluations of selected country programs.

Directors agreed on the need to improve the follow-up process to Board-endorsed IEO recommendations. They underscored the importance of strong ownership and active engagement by the Board, especially through its Evaluation Committee. In particular, Directors saw a role for the Evaluation Committee in reviewing and monitoring Management Implementation Plans (MIPs) and ensuring their timeliness, including by setting time limits for preparation and submission of the MIPs. Most Directors saw merit in regular IEO reviews of implementation of previous Board-endorsed recommendations, possibly every two years; however, a few others found it inappropriate for the IEO to conduct such reviews, which should be the responsibility of the Board. While many Directors were open to the idea that the Office of Internal Audit should prepare reports on the periodic monitoring of IEO recommendations, they noted that any decision to proceed in this direction would require confirmation by the External Audit Committee. Other Directors were not in favor of this recommendation.

Noting that interaction between the IEO and the membership is an essential part of the follow-up process, most Directors were open to considering an appropriate forum for the IEO to present its recent work during the Fund's Annual Meetings. A number of Directors favored the idea of the IEO presenting a report in a meeting of the IMFC, while a number of others doubted its usefulness.

With regard to Board discussions of IEO evaluation reports, most Directors did not see a need for a major change in the current governance structure whereby management functions as chair of the Board, and thus the Secretary's Department has a responsibility, under the direction of management, for finalizing the record of Board meetings. These Directors, therefore, did not favor

the Panel's suggestion that the Chair of the Evaluation Committee be responsible for drafting the record of Board discussions of IEO reports, although some saw merit in such an approach. Many Directors supported, or were open to, the suggestion by the IEO that it should prepare draft summings up for Board discussions of its reports and work with the Secretary's Department in preparing the final version, in line with standard procedures for all other summings up. Many Directors noted a lack of understanding on how Directors' silence on specific IEO recommendations is interpreted in recording the outcome of the Board discussion, with a number of them suggesting that the same treatment of silence should apply as in other Board meetings.

Directors noted the Panel's recommendations for raising the profile of the IEO within the Fund, thus increasing its effectiveness. They emphasized the need for enhanced dialogue between the IEO and Fund staff without compromising the IEO's independence, including through 'in-reach' activities such as internal seminars and discussions of recommendations. Directors welcomed management's intention to consider measures to facilitate mobility of high-performing staff to and from the IEO.

A number of Directors were open to considering the Panel's recommendation to increase the budget for the IEO to take on the additional activities as proposed. A number of others, however, did not see a clear case for a budget increase.

The recommendations of the Panel that have received broad support and outstanding issues that warrant further consideration will be followed up by the appropriate parties—the Evaluation Committee, the IEO, staff, and management. Directors would have further opportunities to discuss concrete proposals in the coming months.



This page intentionally left blank

# External Evaluations of the IEO: Recommendations and Follow-Up

Recommendation	Executive Board Response	Action
<p>The IEO should address issues fundamental to how effectively the IMF is fulfilling its mandate and its terms of reference should be changed to make this clear.</p>	<p>Directors agreed that . . . evaluations should focus on the Fund's core activities. Given resource constraints, Directors considered it important that the IEO make a compelling case for the topics selected. They also agreed that the IEO should continue to have maximum freedom in choosing evaluation topics. At the same time, Directors reaffirmed the appropriateness of the current limitation in the IEO's Terms of Reference that the IEO should avoid interfering with operational activities, including programs, or attempting to micro-manage the institution.</p>	<p>The IEO has placed more emphasis on large policy issues. Reports were made shorter and more concise, with messages more carefully targeted to the Board and authorities and with somewhat fewer recommendations.</p>

(Continued)

Recommendation	Executive Board Response	Action
<p>The IEO should be assured full access to information.</p>	<p>Directors underscored that safeguarding the IEO's independence also requires full access to information for IEO staff. . . . [They] recognized, however, that IEO independence and access to information need to be nurtured by a sense of shared goals and a relationship of mutual trust.</p>	<p>EBAP/07/4 reaffirms a 2002 memorandum from the Managing Director which states that the IEO has the right to obtain all information except to the extent it is covered by attorney-client privilege or falls in the "zone of privacy" with respect to confidential communications of the Managing Director and Deputy Managing Director's office with persons or institutions outside the Fund and within and between their immediate offices or between Executive Directors and their authorities and within and between their offices. The Director of IEO is also to be granted access to side letters on the same terms as apply to the Executive Board.</p>
<p>The IEO should diversify its staff and contractual mix and make greater use of people of eminence from outside the Fund to lead evaluation teams.</p>	<p>[Directors] emphasized the need for a balanced mix of staff composed of insiders and outsiders, and . . . generally welcomed the recommendation to hire more outside experts to lead some evaluations, within the IEO's budget envelope. They agreed that outside experts can provide a fresh perspective and enhance the credibility of the reports, although peer reviews should not become standard practice.</p>	<p>The memorandum also outlines a special procedure designed to protect confidential information that has been provided [by a member country] to staff from disclosure to the IEO to the extent it relates to an ongoing operational activity. Following the first external evaluation, the IEO made changes to its staffing policy in order to balance the mix of internal and external hires. Evaluation teams continue to be led by IEO staff, while the office also relies on outside experts to provide input at the evaluation design stage and for background work.</p>

(Continued)

Recommendation	Executive Board Response	Action
<p>A more systematic approach is needed to follow up the recommendations of the IEO and monitor their implementation. The Board and the Evaluation Committee need to take responsibility and play a more active role in this regard.</p>	<p>Directors generally welcomed the Panel's suggestions for strengthening follow-up to the IEO's recommendations—including more Board involvement—to enhance the effectiveness of the IEO. They considered that the Panel's call for a more systematic approach for following up on and monitoring the implementation of IEO recommendations approved by the Board should be further examined, including through greater discussion in the Evaluation Committee and the full Board.</p>	<p>Since the global economic and financial crisis, IEO has made use of eminent external advisory review panels for select high-profile reports.</p> <p>In early 2007, the Board and Management agreed on timing guidelines including that the Board's consideration of an IEO report would generally be scheduled within six weeks of circulation to the Board and that Executive Directors would receive any comments from Management and staff at least two weeks prior to the Board discussion; any departure from this guideline requires written explanation from Management in a memo to the Board and consultation with the Chair of the Evaluation Committee. In practice, this has mostly been followed, but there have been instances when the deadline for transmitting Management comments was not observed.</p> <p>In January 2007, a formal follow-up framework was agreed by the Board:</p> <ol style="list-style-type: none"> <li>1) Management should provide soon after the Board discussion of each IEO report a forward-looking implementation plan [MIP] for recommendations endorsed by the Board; and</li> <li>2) Management should present to the Board an annual Periodic Monitoring Report (PMR) on the state of implementation of Board-endorsed recommendations and propose remedial actions if necessary.</li> </ol> <p>At the time, the Board also discussed the establishment of a mechanism to assess the effectiveness of actions arising from a MIP, but decided to postpone this element until after experience had been gained with the MIP/PMR process. To date, no Board action has been taken on such a mechanism.</p>

(Continued)

Recommendation	Executive Board Response	Action
<p>The IEO's dissemination and outreach activities need a complete overhaul, particularly to raise the IEO's profile in developing and emerging economies.</p>	<p>Directors generally agreed with the Panel's recommendation that the IEO's outreach activities can, and should, be improved and intensified. . . . [N]oting budgetary constraints, however, most Directors suggested that the IEO rely on existing resources. . . .</p>	<p>Given budgetary resources, the IEO has not greatly expanded its external dissemination and outreach activities. It has added a twice-yearly glossy newsletter and maintains a website which contains all IEO outputs.</p>
<p><b>Second External Evaluation (Ocampo, Pickford, and Rustumjee, 2013)</b></p>		
<p>[T]he IEO's fourth mandate [promoting greater understanding of the work of the Fund throughout the membership] should be dropped.</p>	<p>Directors concurred with the Panel's assessment that the IEO's objective of promoting greater understanding of the Fund's work throughout the membership had become less important with the increased transparency of the Fund over the past decade, and therefore could be dropped as an element of the IEO's mandate.</p>	<p>IEO's terms of reference were revised accordingly.</p>
<p>The follow-up process of Board-endorsed recommendations should be revamped, and replaced by a new system with five key elements:</p>	<p>Directors agreed on the need to improve the follow-up process to Board-endorsed IEO recommendations.</p>	<p>The overall follow-up framework was retained, while process improvements have continued to be made, as noted per a) through f) below.</p>
<p>a) The draft of the record of Board discussions on IEO evaluations, and of recommendations that are endorsed by the Board would be prepared by the Chair of the Evaluation Committee, for approval by the Board.</p>	<p>[M]ost Directors . . . did not favor the Panel's suggestion that the Chair of the Evaluation Committee be responsible for drafting the record of Board discussions of IEO reports, although some saw merit in such an approach. . . . Many Directors noted a lack of understanding on how Directors' silence on specific IEO recommendations is interpreted in recording the outcome of the Board discussion, with a number of them suggesting that the same treatment of silence should apply as in other Board meetings.</p>	<p>After consultation with IEO, it was mutually agreed that the Secretary's Department will continue to prepare the Draft Summing Up. Prior to finalizing the Summing Up, it is shared concurrently with IEO when transmitted to Directors for their comments.</p> <p>The "Rule of Silence" for the discussion of IEO reports was clarified and codified in a footnote of the Compendium of Executive Board Work Procedures.</p>

(Continued)

Recommendation	Executive Board Response	Action
<p>b) Management should present the Management Implementation Plan within one to three months following the Board discussion. The Evaluation Committee should review the Management Implementation Plan on behalf of the Board and ensure that it is approved no later than two months after its release.</p>	<p>Directors saw a role for the Evaluation Committee in reviewing and monitoring MIPs and ensuring their timeliness, including by setting time limits for preparation and submission of the MIPs.</p>	<p>Following discussion by the Evaluation Committee and consultation with Management and staff, the Board specified that the MIP must be presented within six months following discussion on an IEO evaluation report (Decision No. 15877-(15/95), adopted October 8, 2015). The Decision also reaffirmed the objectives and requisite elements of the MIP as well as instituted a one-year ex post informal update on implementation progress.</p>
<p>c) Periodic Monitoring Reports should continue to be prepared annually, but by the Internal Audit Office.</p>	<p>While many Directors were open to the idea that the Office of Internal Audit should prepare reports on the periodic monitoring of IEO recommendations, they noted that any decision to proceed in this direction would require confirmation by the External Audit Committee. Other Directors were not in favor of this recommendation.</p>	<p>The responsibility for preparing the PMR was transferred to the Office of Internal Audit, which to date has prepared the PMR annually since 2014.</p>
<p>d) The IEO should prepare for the Board, on a biennial basis, an issues-oriented review of the extent to which its recommendations have been implemented. This report should be selective and focus on major generic issues identified by the IEO rather than be an exhaustive review of specific actions.</p>	<p>Most Directors saw merit in regular IEO reviews of implementation of previous Board-endorsed recommendations, possibly every two years; however, a few others found it inappropriate for the IEO to conduct such reviews, which should be the responsibility of the Board.</p>	<p>The IEO delivered an issues-oriented review to the Board (<i>Recurring Issues</i>, 2014) and has stated its intention to carry out such a review on a periodic basis.</p>

(Continued)

Recommendation	Executive Board Response	Action
<p>e) The IEO should present a report to the IMFC during the annual meetings, concentrating on the major policy issues arising from reports. . . . It is important for the Office to engage more frequently with the IMFC.</p>	<p>[M]ost Directors were open to considering an appropriate forum for the IEO to present its recent work during the Fund's Annual Meetings. A number of Directors favored the idea of the IEO presenting a report in a meeting of the IMFC, while a number of others doubted its usefulness.</p>	<p>The IEO continues its pre-existing practice of submitting a written Progress Report to the IMFC in advance of each IMFC meeting, which is subsequently published. The IEO Director may also request a meeting with the IMFC Chairman in the context of the Spring or Annual Meetings.</p>
<p>f) A special effort should be made to keep continuity in the membership of the Evaluation Committee beyond the regular two-year cycle.</p>	<p>[The Summing Up did not address Directors' views on this issue]</p>	
<p>Attitudes between some parts of Management and Staff and the IEO that are counter-productive . . . need be addressed through enhanced two-way dialogue and the building of mutual trust, particularly between the Strategy and Policy Review Department and the IEO. This dialogue should be frequent, include both formal and informal channels, while fully respecting the IEO's independence, and is essential to ensure that the IEO's reports are able to gain internal traction.</p>	<p>Directors noted the Panel's recommendations for raising the profile of the IEO within the Fund, thus increasing its effectiveness. They emphasized the need for enhanced dialogue between the IEO and Fund staff without compromising the IEO's independence, including through "in-reach" activities such as internal seminars and discussions of recommendations. Directors welcomed management's intention to consider measures to facilitate mobility of high-performing staff to and from the IEO.</p>	<p>In consultation with the Human Resources and Legal Departments, IEO revised its terms and conditions of employment in order to enhance and codify the mobility framework. These changes were supported by management and approved by the Board.</p>

(Continued)

Recommendation	Executive Board Response	Action
<p>[With regard to the IEO's terms of reference] the Board should define "current operations" as current lending programs. This would imply that the IEO should be free to review any other recent, current or recurrent Fund activities.</p>	<p>[Directors] noted that the IEO Director should continue to have full freedom in choosing the subjects for evaluation, consistent with the IEO's Terms of Reference. Most Directors considered that the current process for selecting evaluation topics is appropriate. A number of Directors saw scope for relaxing somewhat the current constraint that limits the choice of topics, and a number of Directors favored the Panel's proposal to define that boundary as "current lending programs." However, a few other Directors preferred not to modify the current Terms of Reference, which state that the IEO should avoid interfering with operational activities, including programs.</p>	<p>Following discussion by the Evaluation Committee on this issue, the IEO's revised terms of reference state that in conducting its work, IEO should avoid interfering with operational activities, including current programs.</p>
<p>The IEO should undertake periodic evaluations (typically every two years) of a sample of internal ex post assessments (EPAs) [of member countries with longer-term program engagement] and ex post evaluations (EPEs) of [exceptional access] country programs. If the Fund carries out ex post evaluations of all its programs [which the panel recommends], the IEO would then undertake an evaluation of a sample of all programs.</p>	<p>Many Directors also considered it useful for the IEO to undertake, subject to resource availability, periodic evaluations of ex post assessments and ex post evaluations of selected country programs.</p>	<p>In April 2015, the IMF abolished EPAs as part of cost-cutting efforts and agreed that instead the staff report for a new program request would contain a succinct, peer-reviewed assessment of the previous program for Board consideration. In its evaluation report on <i>Self-Evaluation at the IMF</i>, IEO noted that this new approach may lead to less forthright and candid assessments, does not provide a vehicle for member country authorities to express their views on the program or on the IMF or staff's performance, and will eliminate the opportunity for the Board to reflect on lessons from past programs in time to provide guidance for new requests. IEO recommended that the IMF should conduct self-assessments for every IMF-supported program, the scope and format of which could vary yet giving authorities the opportunity to express their views on the design and results of each program as well as on IMF performance. In discussing the report, the Board did not endorse this recommendation. Directors also noted that EPEs would continue.</p>

(Continued)



Recommendation	Executive Board Response	Action
<p>In framing its recommendations, the IEO should focus more on issues related to policy and the culture of the Fund, rather than on processes, which are the responsibility and comparative advantage of Management.</p>	<p>Directors generally agreed that, in framing its recommendations, the IEO should focus on policy issues for the Fund, rather than on processes, which are the responsibility and comparative advantage of management, although they acknowledged the practical difficulties in separating substance from process, depending on the subject of evaluation.</p>	<p>Five evaluations to date have been produced since the second external evaluation. <i>Crisis Response</i> recommendations sought to focus more on issues related to policy and culture rather than on processes. <i>Forecasts, Self-Evaluation, and Statistics</i> recommendations necessarily contained a balance of these elements. The <i>Recurring Issues</i> evaluation was focused on policy and culture; due to the nature of the review, however, it did not contain any recommendations.</p>
<p>In order to maintain the effectiveness of the IEO, IMF Management will need to more actively and regularly stress to Staff the importance of the IEO for enhancing the Fund's credibility and learning culture. Measures to facilitate more frequent and informal engagement between Staff and the IEO need to be considered, while fully respecting the IEO's independence.</p>	<p>Directors welcomed many of the recommendations for further enhancing the effectiveness of the IEO, including with regard to . . . interactions with the Board, management, and staff, which will be discussed further by the Evaluation Committee and the Board.</p>	<p>Since the second external evaluation, Directors have also discussed their preference for general versus specific recommendations; to date, even while there has been rotation at the Board, Directors on the whole have remained equally divided on this preference.</p>

(Continued)

<b>Recommendation</b>	<b>Executive Board Response</b>	<b>Action</b>
<p>It is also important for the Board to more effectively use the IEO to support its oversight function.</p>	<p>[Directors] underscored the importance of strong ownership and active engagement by the Board, especially through its Evaluation Committee. In particular, Directors saw a role for the Evaluation Committee in reviewing and monitoring Management Implementation Plans (MIPs) and ensuring their timeliness, including by setting time limits for preparation and submission of the MIPs.</p>	<p>In October 2015, the Fund approved a new framework for the preparation of MIPs in response to Board-endorsed IEO recommendations. MIPs will be presented to the Evaluation Committee within six months of the Board's endorsement of IEO recommendations. At that time, MIPs should list those recommendations for which management would need more time to propose specific actions, with an explanation of the impediments, as well as a proposed new deadline. Each MIP should do the following: focus on key actions required effectively to address Board-endorsed IEO recommendations; provide an appropriate timetable for implementation; identify the resources that will be devoted to delivery; designate responsibility for the key actions; and set out how success will be measured. MIPs should establish clear responsibilities at the outset of the implementation process. Within one year after Board endorsement of a MIP, the Evaluation Committee will be provided with a short informal update on implementation progress. This could take the form of a short note or presentation and an oral briefing to the Evaluation Committee.</p>

This page intentionally left blank

# Terms of Reference for the Independent Evaluation Office of the International Monetary Fund

Revised September 3, 2015

## 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.

This page intentionally left blank

---

# References

---

- Abrams, A., and R. Lamdany, 2012, "Independent Evaluation at the IMF: Understanding the Evaluation Cycle," in R. Lamdany and H. Edison (eds.), *Independent Evaluation at the IMF: The First Decade* (Washington: International Monetary Fund).
- Argyris, C., 1977, "Double Loop Learning in Organizations," *Harvard Business Review*, 55 (5) (September/October): 115–25.
- , and D. Schon, 1978, *Organizational Learning: A Theory of Action Perspective* (Reading, MA: Addison-Wesley).
- Arrow, K. J., 1974, *The Limits of Organization* (New York, NY: W. W. Norton).
- Bemelmans-Videc, M., J. Lonsdale, and B. Perrin (eds.), 2007, *Making Accountability Work: Dilemmas for Evaluation and for Audit* (New Brunswick, NJ: Transaction Publishers).
- Bernes, T., 2012, "IEO: The Initial Vision and a Vision for the Future," in R. Lamdany and H. Edison (eds.), *Independent Evaluation at the IMF: The First Decade* (Washington: International Monetary Fund).
- Boorman, J., and A. Icard (eds.), 2011, *Reform of the International Monetary System: The Palais Royal Initiative* (New Delhi: Sage Publications India Pvt. Ltd).
- Cameron, K. S., and R. E. Quinn, 2011, *Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework*, 3rd ed. (San Francisco, CA: Jossey-Bass).
- Chhibber, A., 1998, "Institutions, Policies, and Development Outcomes," in R. Picciotto and E. Wiesner (eds.), *Evaluation & Development: The Institutional Dimension* (New Brunswick, NJ, and London: Transaction Publishers).
- Cummings, T. G., and C. G. Worley, 2008, *Organization Development & Change* (Mason, OH: South-Western Cengage Learning).
- Deal, T. E., and A. A. Kennedy, 1982, *Corporate Cultures: The Rites and Rituals of Corporate Life* (Reading, MA: Addison-Wesley).
- Dodgson, M., 1993, "Organizational Learning: A Review of Some Literatures," *Organization Studies* 14 (3): 375–94.
- Finger, M., and S. B. Brand, 1999, "The Concept of the 'Learning Organization' Applied to the Transformation of the Public Sector: Conceptual Contributions for Theory Development," in M. Easterby-Smith, J. Burgoyne, and L. Araujo (eds.), *Organizational Learning and the Learning Organization: Developments in Theory and Practice* (London: Sage Publications Ltd).
- Furubo, J. E., R. C. Rist, and S. Speer (eds.), 2013, *Evaluation and Turbulent Times: Reflections on a Discipline in Disarray* (New Brunswick, NJ: Transaction Publishers).
- Garvin, D., A. Edmonson, and F. Gino, 2008, "Is Yours a Learning Organization?" *Harvard Business Review* 86 (3): 109–16.
- Global Agenda Council on Institutional Governance Systems, 2015, "Effective Leadership in International Organizations," World Economic Forum and University of Oxford Blavatnik School of Government.
- Gray, C., 2014, "Accountability and Learning: Two Sides of the Same Coin," in *Evaluation for Better Results: 10 Years Independent Evaluation at the Asian Development Bank* (Manila: Asian Development Bank).
- Hellriegel, D., J. W. Slocum, and R. W. Woodman, 1998, *Organizational Behavior*, 8th ed. (Cincinnati, OH: South-Western College).
- Howlett, M., and M. Ramesh, 1995, *Studying Public Policy* (London: Oxford University Press).



- Humble, J., 1973, *Improving the Performance of the Experienced Manager* (London: McGraw-Hill).
- Huysman, M. 1999, "Balancing Biases: A Critical Review of the Literature on Organizational Learning," in M. Easterby-Smith, J. Burgoyne, and L. Araujo (eds.), *Organizational Learning and the Learning Organization: Developments in Theory and Practice* (London: Sage Publications Ltd).
- Independent Evaluation Group of the World Bank (IEG), 2014, *Learning and Results in World Bank Operations: How the Bank Learns, Evaluation 1* (Washington: World Bank).
- Independent Evaluation Office of the International Monetary Fund (IEO), 2011, *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07* (Washington: International Monetary Fund).
- , 2015, *Self-Evaluation at the IMF: An IEO Assessment* (Washington: International Monetary Fund).
- , 2016, *The IMF and the Crises in Greece, Ireland, and Portugal* (Washington: International Monetary Fund).
- International Monetary Fund (IMF), 2000a, "Review of Experience with Evaluation in the Fund," March 14 (Washington). Available at [www.imf.org/external/np/eval/2000/031400.htm](http://www.imf.org/external/np/eval/2000/031400.htm).
- , 2000b, "Executive Board Report to the International Monetary and Financial Committee on the Establishment of the Independent Evaluation Office (EVO) and its Terms of Reference," September 12 (Washington). Available at [www.imf.org/external/np/eval/2000/091200.htm](http://www.imf.org/external/np/eval/2000/091200.htm).
- , 2006, "Executive Board Discusses External Evaluation of the Independent Evaluation Office," Public Information Notice (PIN) No. 06/67, June 15 (Washington).
- , 2013, "Executive Board Considers External Evaluation of the Independent Evaluation Office," Public Information Notice (PIN) No. 13/40, March 29 (Washington).
- , 2015, IEO Terms of Reference (Washington). Available at: <http://www.ieo-imf.org/ieo/files/termsreference/tor.pdf>.
- Junge, K., J. Kelleher, and K. Hadjivassiliou, 2010, "Think Paper 1: What is the Scope for Organisational Change in the Public Sector in Europe?" Organisational Change for Citizen-Centric eGovernment. Available at: <http://www.ccegov.eu/>
- Klein, P. G., 2000, "The New Institutional Economics," in B. Bouckert and G. DeGeest (eds.), *Encyclopedia of Law and Economics* (Cheltenham, UK: Edward Elgar).
- Keller, S., and C. Price, 2011, *Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage* (New York, NY: John Wiley & Sons).
- Kotter, J., 1990, *A Force for Change: How Leadership Differs from Management* (New York, NY: Free Press).
- Kofman, F., and P. M. Senge, 1995, "Communities of Commitment: The Heart of Learning Organizations," in S. Chawla and J. Renesch (eds.), *Learning Organizations: Developing Cultures for Tomorrow's Workplace* (Portland, OR: Productivity Press, Inc).
- Lagarde, C., 2012, "Remarks," in R. Lamdany and H. Edison (eds.), *Independent Evaluation at the IMF: The First Decade* (Washington: International Monetary Fund).
- Lamdany, R., and H. Edison, 2012 (eds.), *Independent Evaluation at the IMF: The First Decade* (Washington: International Monetary Fund).
- Lau, C. M., L. M. Kilbourne, and R. W. Woodman, 2003, "A Shared Schema Approach to Understanding Organizational Culture Change," *Research in Organizational Change and Development* 14: 225–56.
- Lehtonen, M., 2005, "OECD Environmental Performance Review Programme: Accountability (f)or Learning?" *Evaluation* 11 (2): 169–88.
- Lissakers, K., I. Husain, and N. Woods, 2006, *Report of the External Evaluation of the Independent Evaluation Office* (Washington: International Monetary Fund).
- Locke, E. A., and V. K. Jain, 1995, "Organizational Learning and Continuous Improvement," *International Journal of Organizational Analysis* 3 (1) (January): 45–68.

- Lloyd, B., 1990, "A Learning Society," *Modern Management* 4 (2): 32–34.
- Lonsdale, J., and E. Bechberger, 2011, "Learning in an Accountability Setting," in J. Lonsdale, P. Wilkins, and T. Ling (eds.), *Performance Auditing: Contributing to Accountability in Democratic Government* (Cheltenham, UK: Edward Elgar).
- Lundy, O., and A. Cowling, 1996, *Strategic Human Resource Management* (London: Routledge).
- Mahler, J., 1997, "Influences of Organizational Culture on Learning in Public Agencies," *Journal of Public Administration Research & Theory* 7 (4) (October): 519–22.
- Marsick, V. J., and K. E. Watkins, 2003, "Demonstrating the Value of an Organization's Learning Culture: The Dimensions of the Learning Organization Questionnaire," *Advances in Developing Human Resources* (5) 2 (May): 132–51.
- Mayne, J., 2007, "Evaluation for Accountability: Myth or Reality?" in M. L. Bemelmans, J. Lonsdale, and B. Perrin (eds.), *Making Accountability Work* (New Brunswick, NJ: Transaction Publishers).
- , 2008, *Building an Evaluation Culture for Effective Evaluation and Results-Management*, ILAC Brief 20 (November). Available at: [www.cgjar-ilac.org/files/ILAC\\_Brief20\\_Evaluative\\_Culture.pdf](http://www.cgjar-ilac.org/files/ILAC_Brief20_Evaluative_Culture.pdf).
- Menard, C., and M. M. Shirley, 2005, "Introduction" in C. Menard and M. M. Shirley (eds.), *Handbook of New Institutional Economics* (Amsterdam: Springer).
- Morra-Imas, L., and R. C. Rist, 2009, *The Road to Results* (Washington: World Bank).
- Nevis, E. C., A. J. DiBella, and J. M. Gould, 1995, "Understanding Organizations as Learning Systems," *Sloan Management Review*, Winter: 73–85.
- Nielson, S., R. Turksema, and P. van der Knaap (eds.), 2015, *Success in Evaluation: Focusing on the Positive* (New Brunswick, NJ: Transaction Publishers).
- North, D. C., 1990, *Institutions, Institutional Change, and Economic Performance* (New York, NY: Cambridge University Press).
- , 1994, "Economic Performance through Time," *American Economic Review* 84 (3) (June): 359–68.
- Ocampo, J.A., S. Pickford, and C. Rustomjee, 2013, *External Evaluation of the Independent Evaluation Office: Report of the Panel Convened by the Executive Board* (Washington: International Monetary Fund).
- Organisation for Economic Co-operation and Development (OECD), 2001, "Background Synthesis Paper" (Paris: OECD).
- Ortenblad, A., 2001, "On Differences between Organizational Learning and Learning Organization," *The Learning Organization* 8 (3): 125–33.
- , 2004, "The Learning Organization: Towards an Integrated Model," *The Learning Organization* 11 (2): 129–44.
- Ouchi, W. G., 1981, *Theory Z: How American Business Can Meet the Japanese Challenge* (Reading, MA: Addison-Wesley).
- Pascale, R., and A. Athos, 1981, *The Art of Japanese Management* (New York, NY: Simon & Schuster).
- Pedler, M., J. Burgoyne, and T. Boydell, 1991, *The Learning Company: A Strategy for Sustainable Development* (London: McGraw-Hill).
- Peretz, D., 2012, "A Brief History of the IEO," in R. Lamdany and H. Edison (eds.), *Independent Evaluation at the IMF: The First Decade* (Washington: International Monetary Fund).
- Perrin, B., 2015, "Bringing Accountability Up To Date with the Realities of Public Sector Management in the 21<sup>st</sup> Century," *Canadian Public Administration* 58 (1).
- , M.-L. Bemelsman-Vedic, and J. Lonsdale, 2007, "How Evaluation and Auditing Can Help Bring Accountability into the Twenty-First Century," in M.-L. Bemelmans-Vedic, J. Lonsdale, and B. Perrin (eds.), *Making Accountability Work: Dilemmas for Evaluation and for Audit* (New Brunswick, NJ: Transaction Publishers).
- Peters, T. J., and R. H. Waterman, 1982, *In Search of Excellence* (New York, NY: Harper Collins).
- Picciotto, R., 1999, "Towards an Economics of Evaluation," *Evaluation*, Vol 5(1): 7–22.

- , 2005, “The Value of Evaluation Standards: A Comparative Assessment,” *Journal of MultiDisciplinary Evaluation* (2) 3. Available at: <http://www.jmde.com>.
- , 2012, “The Logic of Evaluation Independence and Its Relevance to International Financial Institutions,” in R. Lamdany and H. Edison (eds.), *Independent Evaluation at the IMF: The First Decade* (Washington: International Monetary Fund).
- , 2013, “Evaluation Independence in Organizations,” *Journal of MultiDisciplinary Evaluation* 9 (20). Available at: <http://www.jmde.com>.
- , and E. Wiesner (eds.), 1998, *Evaluation & Development: The Institutional Dimension* (New Brunswick, NJ, and London, UK: Transaction Publishers).
- Polak, J. J., 1998, *IMF Study Group Report: Transparency and Evaluation; Report and Recommendations by a Special Study Group Convened by the Center of Concern* (Washington: Center of Concern).
- Preskill, H., and R. Torres, 2000, “The Learning Dimension of Evaluation Use,” in V. Caracelli and H. Preskill (eds.), *The Expanding Scope of Evaluation Use: New Directions for Evaluation* 88 (Winter) (San Francisco, CA: Jossey-Bass).
- Rajan, R., 2008, “The Future of the IMF and the World Bank,” *American Economic Review: Papers & Proceedings* 98 (2): 110–15.
- Roethlisberger, F. J., and W. J. Dickson, 1939, *Management and the Worker* (New York, NY: Wiley).
- Schein, E. H., 1984, “Coming to a New Awareness of Organizational Culture,” *Sloan Management Review* 25 (2) (Winter).
- , 2010, *Organizational Culture and Leadership*, 4th ed. (San Francisco, CA: Jossey-Bass).
- Schon, D. A., 1973, *Beyond the Stable State: Public and Private Learning in a Changing Society* (Harmondsworth, UK: Penguin).
- Schraeder, M., R. S. Tears, and M. H. Jordan, 2005, “Organizational Culture in Public Sector Organizations: Promoting Change through Training and Leading by Example,” *Leadership & Organizational Development Journal* 26 (6): 492–502.
- Senge, P., 1990, *The Fifth Discipline: The Art and Practice of the Learning Organization* (New York, NY: Doubleday).
- , A. Kleiner, C. Roberts, R. Ross, and B. Smith, 1994, *The Fifth Discipline Fieldbook: Strategies and Tools for Building a Learning Organization* (New York, NY: Doubleday).
- Smit, P. J., and G. J. de J. Cronje, 1992, “Management Principles” Juta Academic.
- Sata, R., 1989, “Organizational Learning—The Key to Management Innovation,” *Sloan Management Review* 30 (3).
- Stedman, L., 2012, “IEO Recommendations: A Review of Implementation,” in R. Lamdany and H. Edison (eds.), *Independent Evaluation at the IMF: The First Decade* (Washington: International Monetary Fund).
- Uttal, B., 1983, “The Corporate Culture Vultures,” *Fortune*, October 17: 66.
- van der Knaap, P., 2006, “Responsive Evaluation and Performance Management: Overcoming the Downsides of Policy Objectives and Performance Indicators,” *Evaluation* 12 (3).
- van der Meer, F. B., and J. Edelenbos, 2006, “Evaluation in Multi-Actor Policy Processes,” *Evaluation* 12 (2).
- Vedung, E., 1998, *Public Policy and Program Evaluation* (New Brunswick, NJ: Transaction Publishers).
- Whyte, W. F., 1991, *Social Theory for Action: How Individuals and Organizations Learn to Change* (London: Sage).
- Williamson, O. E., 2000, “The New Institutional Economics: Taking Stock, Looking Ahead,” *Journal of Economic Literature* 38: 595–613.
- Woods, N., 2009, “A Commonwealth Initiative to Support Reform of the IMF and the World Bank,” in *Reform of International Institutions: Towards a Commonwealth Agenda*, Economic Paper No. 85 (London: Commonwealth Secretariat).

---

## About the Authors

---

**Moisés J. Schwartz** is Director of the Independent Evaluation Office at the IMF. Before coming to the IEO in 2010, Mr. Schwartz was President of the National Commission for Retirement Savings in Mexico. Between 2004 and 2006 he served as an Executive Director of the IMF, representing Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain and Venezuela. Prior to that, Mr. Schwartz held several senior positions in Mexico's public administration, including as the Finance Minister's Chief of Staff and Director General of International Financial Affairs within the Ministry of Finance. He has also served as Director of Macroeconomic Analysis and Director of Economic Studies at the Bank of Mexico. Mr. Schwartz earned a bachelor's degree in economics from the Instituto Tecnológico Autónomo de México (ITAM) and a Ph.D. in economics from the University of California, Los Angeles.

**Ray C. Rist** is the Co-Founder and Co-Director of the International Program for Development Evaluation Training (IPDET), which has been offered since 2001 at Carleton University in Ottawa, Canada. He is the Past President of the International Development Evaluation Association (IDEAS), a 1,000-plus member group of development evaluators. Retired from the Independent Evaluation Group of the World Bank, Dr. Rist continues to advise governments and organizations throughout the world on how to design and build results-based monitoring and evaluation systems. His career includes 15 years in the U.S. government with senior appointments in both the executive and legislative branches. He has held professorships at Johns Hopkins University, Cornell University, and George Washington University and has been a Fulbright Fellow at the Max Plank Institute. He has authored or edited 32 books, written more than 140 articles, and has lectured in more than 85 countries. He currently serves or has previously served on the editorial boards of nine professional journals and chairs an international working group that collaborates on research related to evaluation and governance.

The International Monetary Fund and the  
Learning Organization  
The Role of Independent Evaluation

ISBN-13: 978-1-47554-667-5



9 781475 546675