

**PROGRESS REPORT TO THE IMFC ON THE ACTIVITIES OF THE
INDEPENDENT EVALUATION OFFICE OF THE IMF**

October 4, 2018

1. **Overview.** Over the past six months, a key theme has been ensuring strong follow-up to IEO evaluations, a priority stressed by the recently completed External Evaluation of the IEO. Of particular note, the Managing Director has issued a statement highlighting actions planned to strengthen the IMF's engagement with fragile states following our recent evaluation, and this statement is being presented to the IMFC for endorsement. In addition, the IEO has completed two updates of past evaluations, advanced work on two ongoing evaluations (on IMF financial surveillance and on IMF advice related to unconventional monetary policies), and is now considering its future work program in light of the External Evaluation.
2. **Fragile states.** The IMF has followed up on the IEO's *Fragile States* evaluation by preparing an ambitious implementation plan of interlinked actions to further strengthen the effectiveness of IMF engagement and to underline the importance of its work on countries in fragile and conflict situations. A key feature is the creation of an institutional mechanism to coordinate IMF work in these countries. The plan also includes: development of country engagement strategies; consideration of options to provide more sustained financial support; practical steps to increase the impact of IMF capacity development; and consideration of human resources policies to ensure that the IMF has appropriate staff expertise and experience to work effectively in fragile and conflict situations. The Managing Director's statement on this plan is now being presented to the IMFC for endorsement in its October meeting, providing the opportunity for the Committee to further underscore the importance of IMF support for fragile and conflict-affected states as a global priority that affects all members.
3. **Structural conditionality.** The IEO completed an evaluation update revisiting its 2007 evaluation of *Structural Conditionality in IMF-Supported Programs* in May. The update highlighted a number of important changes to the IMF's structural conditionality framework over the last decade, including the elimination of structural performance criteria in 2009. It found that the IMF had made progress in streamlining the use of structural conditionality and focusing such conditions in areas of IMF core expertise. However, while the shift towards review-based conditionality is broadly welcome, some concerns remain, for instance with respect to authorities' implementation capacity, country ownership, and possible stigma effects. Further, the volume of structural conditions has shown some signs of rising in recent years while impact remains a question. In discussing this update at an informal seminar on May 10, 2018, Executive Directors called on staff to consider its findings in the upcoming Conditionality Review.
4. **IMF governance.** The IEO presented an evaluation update looking back at the findings of its 2008 evaluation of IMF governance in an informal seminar for the Executive Board in September. The update documented a number of steps taken to strengthen IMF governance in

the last decade—particularly the 2008 and 2010 quota and voice reforms that achieved a sizeable reduction in misalignments of member country voting power with the evolving global economy. Other governance reforms mainly related to the Executive Board’s practices and procedures have improved efficiency and the Board’s scope for providing strategic input.

5. Notwithstanding these steps, the report found that the balance of the IMF’s governance structure remains weighed in favor of effectiveness and efficiency, while accountability and voice have continued to raise concerns that, if unaddressed, could affect IMF legitimacy and, ultimately, effectiveness. Ongoing issues include the adequacy of quota and voice reforms as discussions now proceed with the 15th General Quota Review; the selection process for Management positions; and the role of the IMFC vis-à-vis the G-20 in providing strategic direction to the institution. The report emphasized that tackling continuing challenges for IMF governance will depend on collective commitment and goodwill across the membership, and will require facing multiple, difficult trade-offs among governance objectives.

6. **External evaluation of the IEO.** The panel—composed of Donald Kaberuka (chair), Pernilla Meyersson, and Der Jiun Chia—completed the *Third External Evaluation of the Independent Evaluation Office* in June. The report concluded that the IEO has cemented its reputation for high-quality and independent work, and broadly endorsed steps taken over the last year by the IEO to engage more closely with staff and management as well as the Board. Nonetheless, the external evaluation concluded that the traction of IEO work remains a concern and emphasized that greater commitment is required from all parties—management, staff, the Board, and the IEO itself—to increase the IEO’s capacity to act as a change agent for the institution. In discussing the report, Directors agreed that improving IEO’s traction is the responsibility of all parties involved and concurred on the need to strengthen the follow-up process on IEO evaluations. Concrete steps are being planned to follow up on the External Evaluation’s recommendations in the coming months.

7. **Follow-up on past evaluations.** The Board’s Evaluation Committee discussed the “Ninth Periodic Monitoring Report (PMR) on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations” in June. The report recognized that improvements in the follow-up process approved by the Board in October 2015 have contributed to more consistent implementation of recent actions. At the same time, however, the PMR emphasized the growing stock of outstanding actions and introduced new indicators to help highlight actions that may require management or Board intervention to advance implementation. The Executive Board’s Evaluation Committee plans to take additional steps to resolve challenges with the long-outstanding actions in coming months, building on recommendations of the External Evaluation.

8. **IEO work program.** The IEO is in the final stages of its evaluation of IMF financial surveillance, which will go to the Board before the end of the year. The evaluation of the IMF’s advice on unconventional monetary policies is on track for completion by mid-2019. Looking ahead, as part of the follow-up to the External Evaluation, the IEO will be working with the Evaluation Committee and the Executive Board to enhance the process for selecting topics for future evaluations. The IEO is also starting to engage in consultations with stakeholders to seek input on the next topic(s) for evaluations to be launched as existing projects are completed.