

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

**October 15, 2019**

1. **Overview.** The past six months have been productive ones for evaluation at the IMF. The IEO has completed the evaluation of *IMF Advice on Unconventional Monetary Policies* and has embarked on three new evaluations as well as an evaluation update. In addition, good progress has been made in following through with recommendations of the recent evaluations on *The IMF and Social Protection* and *The IMF and Fragile States*. Staff has presented a management implementation plan to follow up on the IEO evaluation of *IMF Financial Surveillance*, and is also working to apply the new framework to deal with outstanding actions from past evaluations.

2. **IMF Advice on Unconventional Monetary Policies.** In June, the IEO completed its evaluation of *IMF Advice on Unconventional Monetary Policies*, examining the IMF's advice both to the countries which initiated unconventional monetary policies (UMP) and to countries affected by spillovers from such policies. The evaluation found that the IMF's response to monetary policy developments in the wake of the Global Financial Crisis and its aftermath has been wide-ranging, and in many respects, impressive. Elements of this response include providing early support and validation for UMP, monitoring of the potential buildup of financial stability risks from UMP, helping develop a new macroprudential policy toolkit, and drawing attention to and analyzing cross-border spillovers.

3. However, the evaluation also identified shortcomings in the IMF's engagement, reflecting in part long-standing challenges that have limited the value added and influence of the Fund's advice. While country officials often find discussions with IMF staff useful and well-informed, they typically turn elsewhere when looking for expert monetary policy advice.

4. To help the IMF enhance its role on monetary policy issues, the evaluation recommended that the IMF:

- Develop a small core group of top monetary policy experts at the IMF to contribute to cutting-edge discussions in the central banking community and support country teams.
- Deepen work on the costs and benefits of UMP and related policies to develop a playbook on policy responses for use in future downturns.
- Make sure that the Fund is at the forefront of financial spillover analysis and provision of advice on dealing with capital flows.

- Consider steps to deepen and enrich country engagement in bilateral surveillance, including longer tenure of mission chiefs and less turnover among country teams.

5. In discussing the evaluation on June 5, 2019, Executive Directors expressed appreciation for the IEO's insights on how the Fund can further improve the value added of its advice on monetary policy issues and traction with member countries, and broadly endorsed the report's recommendations. The Managing Director also welcomed the report, noting that it offered valuable insights on how to further improve the timeliness and value added of the IMF's advice on UMP. IMF management will work with staff to propose a follow-up implementation plan within six months of the Board meeting.

6. **IMF Financial Surveillance.** Staff presented a management implementation plan (MIP) to follow up on the IEO evaluation of *IMF Financial Surveillance* in September. The MIP identifies actions that are specific, measurable, actionable, and relevant to implement Board-endorsed recommendations. A number of key recommendations from this evaluation will be considered in the context of the upcoming Comprehensive Surveillance and FSAP Reviews. The MIP also lays out actions to increase the traction of multilateral surveillance and enhance analytical tools – some of which have already been completed. It also specifies actions to be taken to help build financial skills and expertise among IMF staff.

7. **Follow-up on past evaluations.** The IMF has acted quickly to follow up on a number of recommendations from recent evaluations, including by adopting a policy on social protection, strengthening the Fund's approach on fragile states, and moving ahead on actions to address the recommendations of the Financial Surveillance evaluation ahead of Board approval of the MIP. This is consistent with greater commitment to follow up on IEO evaluations called for by last year's external evaluation of the IEO. Important next steps will include Board discussion of the 10th Periodic Monitoring Report, which will examine progress in implementing Board-endorsed recommendations from past IEO evaluations and apply the new framework for dealing with outstanding actions. This "triage," expected to be completed by the end of this year, will be key in helping to set priorities and bringing down the stockpile of incomplete actions, especially from older evaluations.

8. **IEO work program.** The IEO is in the final stages of an update of the 2009 evaluation on *IMF Involvement in International Trade Policy Issues*, which is on track for completion before end-2019. In addition, work is underway on three evaluations. A short evaluation of IMF collaboration with the World Bank on macro-structural issues will assess how the Fund worked with the Bank in its recent work on employment, gender, inequality, climate change, and macrostructural reforms. The evaluation of IMF advice on capital flows will assess the value added and influence of Fund work on capital flows for its member countries and for the global monetary system. The evaluation of adjustment and growth in IMF-supported programs will assess how well IMF-supported programs have helped to sustain economic growth while delivering necessary adjustment for external viability.