



Independent Evaluation Office
of the International Monetary Fund

POSSIBLE TOPICS FOR FUTURE IEO EVALUATIONS

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This note identifies possible topics for evaluation by the Independent Evaluation Office (IEO) that could be launched over 2021 and 2022. Compared to previous menus of topics, the list is focused on those that seem particularly relevant as the IMF continues to grapple with the aftermath of the COVID-19 pandemic. For each topic, the note provides a rationale for why the topic merits IEO attention in the current environment and discusses the relevant format of a possible evaluation. The IEO welcomes comments and suggestions from country authorities, Executive Directors, IMF management and staff, and outside stakeholders. After consultation, the IEO will initiate work on a selection of these topics as ongoing evaluations are completed, consistent with the aim of the office to bring two evaluations for Board consideration each year. The IEO may also identify other topics as circumstances change.

1. The IMF's Emergency Response to the COVID-19 Pandemic

Context. The Fund reacted rapidly to the outbreak of the pandemic, working across the board to provide economic assessment, policy advice, lending support and technical assistance. The Fund rapidly reassessed its view on the economic outlook in the face of the unprecedented health-related shock and provided policy guidance on a multitude of issues raised by the pandemic—in all, staff produced over 80 special (“how to”) notes during 2020. To assist countries with acute financing needs arising from the pandemic, the Fund introduced wide-ranging modifications to its lending toolkit: streamlining procedures, increasing access to emergency financing instruments, introducing a new precautionary instrument, and strengthening governance safeguards in the context of emergency financing with no ex post conditionality. By end-2020, 83 countries had been provided with emergency financing, 10 countries gained access to new or augmented arrangements and to precautionary financing, and 29 of the poorest countries received relief on debt service to the IMF. Looking ahead, as the COVID-19 crisis continues to unfold, the Fund will remain heavily engaged in helping countries to secure durable exits from the crisis and achieve sustained and inclusive recoveries, with lending support expected to largely shift back to the more usual conditionality-based instruments.

Evaluation focus. It is proposed to address the broad topic of the IMF's response to the COVID-19 pandemic in two stages. The first stage would focus on the IMF's emergency response, leaving the broader aspects of the Fund's pandemic response to a subsequent evaluation that would take a longer time perspective and be able to look back on the Fund's still evolving work during the stabilization and recovery phases. Specific issues to be considered in this initial evaluation could include: whether the rolling out of emergency financing support provided an effective response to countries' immediate financing needs notwithstanding serious staffing and travel constraints; whether the Fund provided access evenhandedly across regions and groups of countries with similar economic and vulnerability characteristics; whether adequate policy commitments, monitoring mechanisms and safeguards were put in place to help ensure

appropriate use of Fund resources and to mitigate risks to the IMF's balance sheet; and whether the Fund worked effectively with partner agencies in the provision of financial support. Issues related to economic assessment and policy advice could include how the Fund's assessment of the economic outlook at global and country levels was adapted to take account of the unique features of the COVID-19 shock and how much value added was provided by the special "how to" policy notes. The proposed evaluation could provide timely input into discussions about the adequacy of Fund resources, the appropriateness of Fund's lending toolkit in the face of major shocks, including those associated with climate change and pandemics that may well be more frequent in the future, and about the process for revising the Fund's economic outlook and modifying policy advice in the face of a game-changing global shock. It would also pave the way for a second more comprehensive evaluation of the Fund's pandemic response that would cover, for example, the experience with follow-on lending programs, the approach to dealing with increasing debt burdens, and how multilateral and bilateral surveillance were adjusted during the stabilization and recovery phases of the pandemic.

Format. Under this two-stage approach, the initial *shorter evaluation* would focus on providing an early assessment of the emergency response by the Fund during the crisis phase of the pandemic (March–December 2020); a *full-scale evaluation* would be initiated two or three years later, after experience has been gained with the stabilization and recovery phases that would assess the overall approach, influence, and value added of the Fund response to the COVID-19 pandemic and to the subsequent global economic and financial crisis.

2. IMF Advice on Fiscal Policy as a Counter-Cyclical Tool

Context. Since the global financial crisis (GFC), the Fund's macroeconomic policy advice has paid increasing attention to the role of fiscal policy as a counter-cyclical tool. In the immediate post-GFC period, the Fund pushed for an aggressive global fiscal stimulus to help offset the contractionary impact of the crisis, and then pivoted to support consolidation. Subsequently, the Fund's advice became more nuanced, on the one hand looking for opportunities to use fiscal policy to support demand in a world with persistent large output gaps and diminished ammunition for monetary policy, while on the other hand being concerned to ensure medium-term fiscal sustainability. Following the outbreak of the COVID-19 pandemic, the Fund supported even larger fiscal stimulus and warned against the danger of premature withdrawal, while also cautioning about the need to find room for meeting crisis-related needs in fiscally constrained economies. In this context, the Fund also advised on how fiscal support can be shaped to foster green and inclusive recoveries. The Fund's advice has been informed by considerable technical work by staff, including to develop and refine tools to quantify fiscal multiplier effects on economic activity, on how to assess the availability of fiscal space and debt sustainability, and on how to design growth-friendly fiscal reforms. At the same time, the appropriate role of fiscal policy has been the subject of intense research outside the Fund, in particular with regard to the implications of "secular stagnation" and the progressive decline in real interest rates to very low levels.

Evaluation focus. This evaluation, which would complement the recent evaluation of *IMF Advice on Unconventional Monetary Policies* (IEO, 2019), would assess the Fund's advice on fiscal policy as a counter-cyclical tool since the GFC. I would look at issues such as: how well has advice balanced short-term support for the economy and longer-term fiscal risks; the role of multilateral dimensions (including cross-border spillovers) in shaping advice; how advice on fiscal institutions and fiscal rules has reflected concerns for smoothing the economic cycle (e.g., through automatic stabilizers); how consistent has advice been across countries and over time; how advice on counter-cyclical fiscal policies has reflected broader goals (for example, related to addressing inequality and climate change); and how closely advice has been guided by the Fund's analytical toolkit and how well this toolkit has been informed by cutting-edge research.

Format. Given the breadth and relevance of this topic, it would seem well suited for a **full-scale evaluation**. Launching the evaluation over the next year would allow it to provide relevant lessons for the recovery phase following the pandemic when countries are likely to be challenged by continuing headwinds to growth from scarring effects of the pandemic while also facing high and rising debt vulnerabilities.

3. Exceptional Access Policy

Context. The Fund's exceptional access policy (EAP) was introduced in 2002 to provide a framework to guide decisions on lending to members in amounts exceeding normal access limits to address particularly large balance of payments needs. The EAP specified four criteria to justify exceptional access (EA) and introduced strengthened decision-making procedures in view of the additional risks that arose for the Fund with such lending. This policy has been modified on a number of occasions since then, notably to modify the debt sustainability criterion in 2016, although its last full review dates back to 2004. Since 2002, the Board has approved 21 General Resource Account (GRA) arrangements with EA, roughly one-quarter of all GRA arrangements over this period and equivalent to more than three-fourths of total GRA resources committed. Use of exceptional access was particularly heavy during the period following the GFC and the euro area crisis. Since 2016, there have been three EA cases under the GRA, the 2018 Stand-By Arrangement (SBA) with Argentina as well as the arrangements with Ecuador and Egypt in 2020 to help address challenges from the COVID-19 pandemic. There is a separate EAP applied to use of Poverty Reduction and Growth Trust (PRGT) resources, and a policy covering combined use that was introduced in 2020, although use of exceptional access in the PRGT context has been much rarer. Under EAP, the Fund has been able to move quickly to deploy large-scale financial support to members in a number of very difficult circumstances. However, concerns have been raised by the IEO and others about program design in the context of very large external financing needs; whether the EA criteria (including the assessments of debt sustainability and prospects for program success) and decision-making procedures were followed with sufficient rigor and even-handedness; the adequacy of early Board consultation; and the application of ex post internal

evaluations.¹ These issues have contributed to concerns about balance sheet and reputation risks associated with EAP.

Evaluation focus. This evaluation would assess the experience with EAP focusing on the period since 2008 but also drawing on earlier experience where relevant. It would review the application of the EA criteria and the decision-making procedures and assess to what extent the EAP has been able to meet its objective of applying more stringent conditions for Fund lending than would apply in cases of more normal access in order to take account of the additional risks involved, while also supplying the Fund with needed agility to provide large-scale and prompt financial support to members facing extraordinary needs.

Format. This topic covers a highly complex area of Fund lending operations and involves some high-profile program cases, and thus seems suited for a **full-scale evaluation**. An alternative would be a **shorter evaluation** focused on one particularly difficult case, Argentina, although such a format might not provide as rich a basis for institutional learning.

4. IMF Lending Toolkit for Low-Income Countries

Context. The Fund has long provided concessional financing to low-income countries (LICs) through a specific suite of lending instruments that has been regularly adapted to serve this large group of Fund members. A new facilities architecture for LICs became effective in January 2010, supported by resources from the dedicated PRGT. The LIC facilities and financing for concessional assistance were last reviewed in 2019, when a number of changes were made to increase access limits, extend the maximum program duration, strengthen safeguards, increase responsiveness to the needs of fragile states, modify guidelines for blending use of PRGT with GRA resources, and strengthen links to poverty reduction. Further temporary modifications to access limits were introduced in 2020 as part of the IMF's COVID-19 pandemic response. These changes have occurred against the background of a number of long-standing issues related to IMF concessional lending to LICs that have been further heightened by the challenges of achieving a durable and inclusive recovery from the pandemic, including the traction of IMF PRGT program support on country policies, the adequacy of the tailoring of the LIC facilities to country needs, the extent to which IMF concessional lending has catalyzed other sources of external financing, and more broadly the appropriate role for IMF financing to support low-income members.

Evaluation focus. An IEO evaluation of the IMF lending toolkit for LICs could build on the ongoing evaluation of Adjustment and Growth in IMF-Supported Programs by looking in more detail at the LIC facilities architecture, providing an assessment of the 2019 reforms and offering lessons ahead of the next LIC facilities review scheduled for 2024. Issues to be covered could

¹ Relevant material is included in *Self-Evaluation at the IMF: An IEO Assessment* (IEO, 2015) and *The IMF and the Crises in Greece, Ireland, and Portugal* (IEO, 2016). Concerns have also been flagged in internal documents of the Office of Risk Management and the Office of Internal Audit.

include: (i) has program design been appropriate for the policy challenges faced by LICs; (ii) has conditionality been evenhanded and effective; (iii) how well has the toolkit has been adapted to changing circumstances and needs, for example, by including steps to address shocks and natural disasters, longer-term macro-structural challenges, and increasing levels of public indebtedness; and (iv) how well the limited resources in the PRGT have been used to help LICs meet their financing needs, including through catalyzing other sources of external finance?

Format: This evaluation would cover a broad range of issues and would be suited for a **full-scale evaluation**.

5. The IMF and the Sustainable Development Goals

Context. With just 10 years to go, an ambitious global effort is underway to deliver the promise to achieve the Sustainable Development Goals (SDGs) by 2030. The IMF is committed to support this global partnership, with its primary contribution being to deliver on its mandate to maintain macroeconomic and financial stability. In addition, since 2015 the Fund has undertaken a series of initiatives to intensify its support for the SDG agenda in specific areas related to IMF expertise and mandate, including, inter alia, initiatives to boost domestic revenue mobilization, to support infrastructure policy, to intensify engagement on inclusion issues, to address macroeconomic aspects of climate change, to increase engagement on corruption vulnerabilities, to quantify the fiscal resource needs for achieving the SDGs, and to support international efforts to mobilize the needed external funding. A 2019 Board Paper (IMF, 2019) took stock of the implementation of these commitments, suggesting that the Fund has fared well but also emphasizing the need to produce greater impact from existing resources in view of constraints on donor financing. Since then, the COVID-19 pandemic has been a major setback to progress towards achieving the SDGs, through its direct adverse impact, the added headwinds to future growth and by further tightening financing constraints.

Evaluation focus. The evaluation would seek to assess the effectiveness of the Fund's contribution to the SDGs by focusing on the areas of special attention (e.g., revenue mobilization, infrastructure, inclusion, climate change, assessment of resource needs), as well as looking at broader issues such as the Fund's catalytic role in mobilizing needed financial resources, the prioritization of the SDG support efforts within the institution, and partnership with other multilateral institutions. The evaluation would assess how much the Fund has been able to support individual country efforts in these areas, as well as through research, analysis and advocacy. It will draw on a number of recent and ongoing evaluations, including *The IMF and Fragile States* (IEO, 2018), *IMF Collaboration with the World Bank on Macro-Structural Issues* (IEO, 2020a), *IMF Engagement in Small States* (IEO, 2020b), and *The IMF and Capacity Development* (IEO, 2020c).

Format. This topic covers a broad range of issues and is suited for a **full-scale evaluation**. Giving priority to this evaluation would allow it to offer early lessons on the Fund's contributions to the global development agenda as the global economy undertakes the challenge of

rebuilding back better after the COVID-19 pandemic. An alternative approach that could be suited to a **shorter evaluation** would be to focus on a specific area, such as the IMF's work on inequality and inclusive growth or on climate change (see following proposal), rather than to cover the full range of the SDGs.

6. IMF Advice on Policies to Deal with Climate Change

Context. The Earth's climate is changing rapidly, in ways that are already having important impacts on macroeconomic stability and growth prospects, consequences that could escalate catastrophically absent drastic action to stabilize green-house gas concentrations in the atmosphere. The IMF has been involved in the climate change debate since at least 2008, concluding early on that "climate change is a potentially catastrophic global externality and one of the world's greatest collective action problems" (IMF, 2008). In the following years the Fund focused on energy taxes, work that culminated in the book *Getting Energy Prices Right* in 2014 (Parry and others, 2014) and issued guidelines for policymakers on how to mitigate climate change through such policies. Fund engagement has grown since the 2015 Paris Agreement, leading to increased attention to the topic in the Fund's flagships (WEO, Fiscal Monitor, GFSR), REOs (e.g., AFR Spring 2020) (IMF, 2020), Article IV surveillance (pilots on climate issues 2015-17), and the Financial Sector Assessment Program (FSAP). During this period, the Fund's work has focused on issues at the intersection of macroeconomics and climate, including carbon pricing and other mitigation policies and policies to build resilience to climate risks, including through several policy papers and books (on energy subsidies, carbon pricing, resilience building to natural disasters, etc.) as well as introducing special country policy tools (like the Climate Change Policy Assessments, prepared jointly with the World Bank). The Fund's work on macro-relevant climate issues is now being scaled up further, in a targeted manner, in the context of broader consideration of the Fund's role on climate issues and the resource implications.

Evaluation focus. This evaluation would assess the value added and influence of the IMF's work on policies to deal with climate change over the past decade. Questions that would be addressed include: Has the IMF appropriately set priorities for work on climate change consistent with its mandate and capabilities? How well has the Fund met members' demands for climate policy advice on mitigation and resilience strategies? Has the Fund employed cutting-edge tools to analyze climate impact and mitigation strategies? How well has climate change been factored into FSAPs and other risk assessment instruments? Did the Fund, in providing advice, give proper attention to country circumstances, distributional aspects, and technological, business, and market constraints? How well has the Fund's work on climate at both the multilateral and bilateral levels achieved synergies with strategic partners? To what extent has the Fund developed in-house expertise on climate issues and were HR policies and organizational structures modified appropriately to support staff work on climate related goals?

Format. This topic would be tackled as a **short evaluation** and completed by the end of 2021. The evaluation would build on the recently completed evaluation of *IMF Collaboration with the World Bank on Macro-structural Issues* (IEO, 2020a), including the climate pilot. Early completion

of the evaluation would allow it to offer timely input to the way in which Fund provides climate advice at a time when this work is being ramped up and much of the membership is seeking to foster “green” economic recoveries.

7. IMF Work on Governance and Corruption

Context. The Fund has stepped up its attention to governance and corruption issues in recent years, often working closely with partners in this field, against a growing recognition that systemic corruption can undermine prospects for delivering sustainable and inclusive growth. In response to a request by the IMFC to revisit the 1997 policy on Fund engagement on governance issues, in 2018 the Fund adopted a new Framework for Enhanced Engagement on Governance. This framework aims to promote more systematic, effective, candid, and evenhanded engagement with member countries regarding governance vulnerabilities—including corruption—that are critical to macroeconomic performance, to address transnational aspects of corruption, and strengthen collaboration with other international organizations. Recognition of the importance of addressing corruption around public spending has been further heightened by the need to ramp up healthcare and other public spending in the face of the COVID-19 pandemic. Staff provided the Board with a progress report on implementing the 2018 framework in July 2020, which included a discussion of new measures adopted in the context of emergency financing in response to the COVID-19 pandemic. The report concluded that implementation of the new framework is well underway with increasing attention in Article IV reports, conditionality in Fund-supported programs and capacity development work, while recognizing that the role of the Fund in assessing and advising in this area remains a work-in-progress. It identified a number of challenges, including building further country ownership, supporting staff in complex technical discussions, and filling data gaps. Beyond this, broader concerns have been raised at the Board and elsewhere about unevenness of country engagement, the evenhandedness of advice, the importance of a more multilateral approach to addressing the sources of corruption, the objectivity and adequacy of third-party indicators, the need for a more consistent approach to applying safeguards in the context of emergency lending, the limited expertise of Fund staff in corruption and governance matters, and the long time horizon needed for progress on addressing governance issues.

Evaluation focus. This evaluation would assess the Fund’s engagement on corruption and governance issues, looking at the evolution of Fund policies vis-à-vis best practices and country experience, assessing whether policies have been applied in an evenhanded and constructive way, evaluating to what extent the Fund’s engagement has influenced and added value to countries’ own efforts toward good governance, and assessing how the Fund’s increased attention to governance and corruption issues has supported the impact of the Fund’s broader policy advice and lending support.

Format: This evaluation would cover a broad range of issues and would be suited for a ***full-scale evaluation***.

8. IMF Interactions with Member Countries

Context. The 2009 evaluation of *IMF Interactions with Member Countries* (IEO, 2009) and the 2013 evaluation of the *Role of the IMF as Trusted Advisor* (IEO, 2013) found that the effectiveness of IMF interactions with members was uneven. It identified a range of concerns, including strategic dissonance with advanced economies, questions about relevance, even-handedness, and depth of country understanding for emerging market and developing economies, and lack of nationality diversity in the staff, all of which could adversely affect the influence and value added of IMF advice and support for its members. Many of the concerns have recurred in subsequent IEO evaluations and continue to be highlighted by Executive Directors in Board discussions—such as, for example, limited tenure of country assignments, the potential for lack of depth in country dialogue as staff time and resources have been spread thin as the Fund’s role has broadened in a resource-limited environment, and lack of progress in raising the share of staff from under-represented regions despite broader efforts to improve staff diversity. Most recently, the restrictions on travel arising from the COVID-19 pandemic have raised further challenges for ensuring effective interactions with member countries, although at the same time increasing acceptance of virtual meeting formats has created new opportunities for more flexible interactions.

Evaluation focus. This evaluation would revisit the issues identified in the earlier evaluations and consider new challenges and opportunities in the post-COVID 19 era. It would assess how much progress has been made in strengthening interactions between the IMF and member countries, including through efforts to ensure greater tailoring of advice to country circumstances and provide greater depth and expertise. It would consider obstacles to progress on issues such as country tenure and nationality diversity and how progress has been affected by changing surveillance and HR policies. And it would examine how the need to adapt institutional modalities and priorities after the outbreak of the COVID-19 pandemic has affected the value added and influence of IMF interactions with members.

Format. This topic could be tackled as an *evaluation update*, over ten years after the 2009 IEO evaluation. However, the wide-ranging issues involved and the new challenges after the pandemic could be better suited for a *full-scale evaluation* that could dig more deeply into the issues involved and provide recommendations for follow-up.

9. IMF Research and Forecasting

Context. Research and forecasts are important public goods provided by the IMF and account for a considerable share of its budget. For instance, research work has been estimated to account for about 10 percent of the Fund’s budget, while forecasts provide crucial inputs to policy advice and program work. The evaluations of *Research at the IMF: Relevance and Utilization* (IEO, 2011) and *IMF Forecasts: Process, Quality, and Country Perspectives* (IEO, 2014) provided recommendations to improve the quality of these public goods and make them more relevant to the needs of member countries and the global community. The former evaluation noted that the

relevance and impact of research was hampered by lack of quality control, inadequate consultation with country authorities, limited local knowledge due partly to frequent turnover of country teams, and the perception that research was message-driven rather than truly open to new frameworks and perspectives. The latter evaluation found that the IMF's short-term forecasts tended to be over-optimistic over the course of recessions and crises and also in high-profile cases of exceptional access to IMF resources. It also noted substantial room for improvement in the quality and internal processes used to generate medium-term forecasts, which play an important role in IMF assessments of debt sustainability and external balance.

Evaluation focus. This evaluation would revisit issues identified in the earlier evaluations that are likely to be particularly important for the IMF's work over the coming years. It would evaluate how authorities and external stakeholders assess the relevance and quality of IMF research, including on country-specific issues. Among other topics, it would assess progress in tightening quality control and in consulting country authorities when picking relevant themes for country research and consider whether newer outputs such as Staff Discussion Notes have served to make Fund research more open to innovative perspectives as well as satisfying institutional needs. The evaluation would provide an assessment of the performance of IMF forecasts over the past decade, including how well forecasting processes have worked to ensure consistent and up-to-date projections, particularly in response to a major global shock such as the COVID-19 pandemic, and the use of scenario analysis as a way to address fundamental uncertainties. The evaluation would also examine whether the IMF has put in place processes to improve and monitor the quality of medium-term forecasts to reflect developing macro-relevant trends and to ensure their consistency across the institution (as is done for short-term forecasts).

Format. By focusing only on selected issues from the two evaluations, this topic could be tackled as an *evaluation update* rather than a full-scale evaluation, reviewing the progress made in IMF research and forecasting over the course of around a decade since the earlier evaluations.

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