CHAPTER

1 Introduction

1. This evaluation aims 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 are tendencies that the IEO has found in specific instances and that have affected the IMF's performance in all of its core areas of responsibility: surveillance, lending, and capacity development. Almost all of them have been frequently discussed within the IMF as requiring institutional attention. While the Fund has addressed these issues in specific instances, their recurrence in different contexts in multiple IEO evaluations suggests that they are intrinsic to the nature of the IMF, with deep roots in its culture, policies, and governance arrangements.

2. 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* further proposed that the review "should focus on major generic issues identified by the IEO rather than [being] an exhaustive review of specific actions" (Ocampo, Pickford, and Rustomjee, 2013, p. 28). This proposal received broad support from the Executive Board, Management, and staff when the report was discussed at the Board in March 2013.

3. The *External Evaluation* proposed such a review as a means to strengthen the follow-up process for Board-endorsed IEO recommendations.[1] At present, this process consists of (i) Management Implementation Plans (MIPs) for those IEO recommendations endorsed by the Board, and (ii) Periodic Monitoring Reports (PMRs) to track the implementation of those recommendations. The *External Evaluation* found that the follow-up process has several weaknesses. One is "conflicts of interest for Management, which has the triple responsibility of overseeing the summing up of the Board discussion, preparing the subsequent implementation plan, and monitoring its application" (Ocampo, Pickford, and Rustomjee, 2013, p. 24). The external evaluators recommended that the preparation of PMRs be moved to the Office of Internal Audit in order to separate Management's implementation and monitoring functions. This change has been approved by the Executive Board to take effect in 2014 (IMF, 2014).

4. Another weakness the external evaluators identified in the follow-up process is that it has become a "box-ticking" exercise, in which IEO recommendations are turned into "a series of specific actions" that tend to dilute their substance; there is no monitoring of broad policy conclusions and concerns raised in IEO reports. The implementation of an IEO recommendation is no longer tracked once the IMF staff judges, and the Board concurs, that the benchmarks for implementation noted in the MIP have been met or are progressing to timely completion.[2] This may in part explain why "recommendations deemed by the Fund to have been met or on track for completion tend to be raised again in subsequent IEO reports" (Ocampo, Pickford, and Rustomjee, 2013, pp. 23–24).

5. In line with the *External Evaluation*'s proposal, the present report focuses on key issues that have recurred in past IEO evaluations, rather than on specific

[1] From 2002 to 2013, the IEO's 20 evaluations made 129 high-level recommendations, of which 111 (or 86 percent) received support from the Executive Board, either fully, partially, or in a nuanced way (Stedman, 2012, updated to include two additional evaluations). In addition, many of these evaluations included subsidiary recommendations or suggestions on how the high-level recommendations might be implemented in practice. Stedman (2012, updated) counts about 160 subsidiary recommendations and about 80 suggestions or examples; the Board supported about 40 percent of the subsidiary recommendations.

[2] For example, the third through fifth PMRs, produced between 2009 and 2012, all concluded that agreed actions had been implemented or were in train (with no outstanding performance benchmarks to be reviewed in the next PMR), and the Board agreed, even while noting that more needed to be done in some cases to address broader policy issues raised in IEO recommendations. In assessing the fourth PMR, the Board noted that the issue of staff mobility was still outstanding.

IEO recommendations and their implementation. IEO recommendations, even when endorsed by the Board, do not preclude the IMF from addressing the identified issues in an alternative way. By highlighting the recurring issues, this report aims to advance the overall effort to enhance the follow-up process, the need for which has been recognized by the Board. This approach also accords with the suggestion made by the Managing Director, in her response to the *External Evaluation*, that it would be useful to "refocus the follow-up process … on the broader policy objectives."[3]

6. Though some of the issues highlighted in this report may not be fully solvable, recognizing them and understanding their root causes is a first step in moving to address them in a fundamental way. Without strategic efforts to get to the bottom of the problems, the IMF will keep attempting to address the same issues in different contexts without finding permanent solutions.

7. The rest of the report is organized as follows. Chapter 2 discusses the framework of evaluation, including the identification of recurring issues, the evaluation questions, and the sources of evidence. Chapter 3 applies the framework to issues identified by the evaluation team as most frequently recurring in five areas, namely: (i) Executive Board guidance and oversight; (ii) organizational silos; (iii) attention to risks and uncertainty; (iv) country and institutional context; and (v) evenhandedness. Chapter 4 presents conclusions and issues for Board consideration. Annexes 1 and 2, respectively, present a complete list of IEO findings related to the five groups of issues and a selective chronological summary of relevant IMF initiatives and decisions adopted during 2008–13.

[3]Statement by the Managing Director on the External Evaluation of the Independent Evaluation Office, Executive Board Meeting, March 21, 2013.