

2018

FALL ISSUE

IEO DIALOGUE



Building the Fund's Culture of Learning through Independent Evaluation

GOVERNANCE OF THE IMF – REVISITING THE 2008 IEO EVALUATION

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 over the last decade. Of particular note, the 2008 and 2010 quota and voice reforms achieved a sizeable reduction in misalignments of member country voting power with the evolving global economy. Other governance reforms have improved the Executive Board's efficiency and its scope for providing strategic input.

Notwithstanding these steps, the report found that the balance of the IMF's governance structure remains weighed in favor of effectiveness, while accountability and voice have continued to raise concerns that, if unaddressed, could affect IMF legitimacy and, ultimately, effectiveness. IMF governance has supported the Fund's capacity to fulfill its mandate, particularly in responding to the global financial crisis and subsequent shocks. However, the quota and voice reforms are not considered sufficient by much

of the membership, and the alignment of "shares and chairs" remains a work in progress as discussions now proceed with the 15th General Review of Quotas. Many Executive Directors feel that the Executive Board's capacity for strategic oversight is still constrained, that Management continues to play a dominant role in the decision-making process, and that the modified management accountability framework has limited practical impact. Notwithstanding steps to open the nominations process for the Managing Director, the selection process for Management positions is still viewed by many stakeholders as insufficiently transparent and merit-based, as well as too limited by nationality considerations. Further, the IMFC's provision of strategic direction to the IMF is seen by some members as at times overshadowed by the less-representative G20.

These findings suggest continuing challenges for IMF governance. The report emphasized that tackling these issues will depend on collective commitment and goodwill across the membership, and will require balancing multiple difficult trade-offs among governance objectives.

EVALUATING THE EVALUATORS

Every five years or so, the IEO itself is evaluated, providing a useful stocktaking of the office's work, as well as an occasion to reflect on the broader framework for evaluation at the IMF. The *Third External Evaluation of the Independent Evaluation Office*—prepared by Donald Kaberuka (chair), Pernilla Meyersson, and Der Jiun Chia—was completed in July 2018. It concluded that the IEO has cemented its reputation for high-quality and independent work—which is the foundation for the IEO to fulfill its mandate of strengthening accountability, institutional learning, and the Fund's external credibility. The external evaluation broadly endorsed steps taken over the last year by the IEO to engage more closely with staff and management as well as the Board, as key to strengthening the quality and focus of the evaluations and the buy-in from the institution that is crucial for impact.

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 a joint responsibility 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.

FRAGILE STATES – FOLLOW UP ON IEO EVALUATION

The IMF has prepared an ambitious implementation plan in response to the IEO's evaluation of *The IMF and Fragile States*. The plan lays out interlinked actions to further strengthen the IMF's engagement, including an institutional mechanism to coordinate IMF work on these countries, development of country engagement strategies,

consideration of options to provide more sustained financial support, actions to increase the impact of IMF capacity development, and steps to strengthen staff incentives to work in fragile and conflict situations.

Right photo, Charles Collyns, IEO Director, speaks at the joint IEO-Le Cercle des Economistes Arabes event at the American University in Beirut.



For further information on the IEO's work, please visit www.ieo-imf.org

STRUCTURAL CONDITIONALITY – TEN YEARS LATER

The IEO revisited 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.

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. There are also ongoing challenges related to cooperation with the World Bank and other partners in areas outside of the IMF's core expertise; the adequacy of IMF documentation to explain why structural conditions are justified and critical; and the quality and usability of MONA, the IMF's database on IMF-supported programs.

The Executive Board discussed this update at an informal seminar, and called on staff to consider its findings in the upcoming Conditionality Review.

ON THE HORIZON – IEO'S WORK PROGRAM

The IEO is in the final stages of its evaluation of IMF financial surveillance. 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 provide input in selecting the next topic(s) for evaluations to be launched as existing projects are completed.

GAINING TRACTION – FOLLOW UP ON PAST EVALUATIONS

The IMF recently assessed progress in following up on earlier IEO evaluations in the "Ninth Periodic Monitoring Report (PMR) on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations." This report recognized that improvements in the follow-up process approved by the Board in October 2015 have contributed to speedier 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-standing actions in coming months, building on recommendations of the External Evaluation.

Top right photo, Malcolm Knight of CIGI and Ceyla Pazarbasioglu of the World Bank take part in a seminar for the evaluation of IMF Financial Surveillance. Bottom right photo, Jianping Zhou and Prakash Loungani of the IEO, participate in seminar for the evaluation of the IMF Advice on Unconventional Monetary Policies.



OUTREACH

MAY

Joint ODI-IEO event "Do we need a new approach to support fragile states?" in London, UK.

Joint BMF/BMZ/GIZ-IEO seminar on the IEO evaluation of *The IMF and Fragile States* in Berlin, Germany.

JULY

Joint IEO-Les Cercle des Economistes Arabes event on the IEO evaluation of *The*

IMF and Fragile States at the American University of Beirut in Beirut, Lebanon.

AUGUST

Presentation of the IEO evaluation of *The IMF and Fragile States* at the African Caucus Meeting in Sharm El Sheikh, Egypt.

Seminar on IEO's evaluation of *The IMF and Fragile States* at the Tokyo Foundation for Policy Research in Tokyo, Japan.

SEPTEMBER

Seminar on the evaluation of *The IMF and Fragile States* at the 2018 Asia Evaluation Week in Chengdu, China.

OCTOBER

Seminar "Building a Better IMF—Strengthening the IMF's Legitimacy and Credibility" during the Civil Society Policy Forum at the 2018 Annual Meetings in Bali, Indonesia.

ABOUT THE IEO

The Independent Evaluation Office (IEO) was established in 2001 to conduct independent and objective evaluations of IMF policies and activities. Under its Terms of Reference, the IEO is fully independent from the Management of the IMF and operates at arm's length from the Board of Executive Directors. The IEO's mission is to enhance the learning culture within the Fund, strengthen the IMF's external credibility, and support institutional governance and oversight.