

# Views on the IEO from Current and Former Executive Directors

This chapter presents the views of current and former Executive Directors. It contains remarks by the following current or former Executive Directors: Christopher Legg, Eduardo Loyo, Meg Lundsager, Moeketsi Majoro, Thomas Moser, Yaga Venugopal Reddy, and Arrigo Sadun.

### Remarks by Christopher Legg

I take as a given that a strong culture of evaluation, including self-evaluation, is crucial in any effective institution. I therefore attach a lot of importance to the role of the IEO.

Moreover, as an IMF Board member over the last three years, I have seen at first hand the value the IEO can contribute. Naturally, I am thinking primarily of the IEO reports that have come to the Board during my tenure. But I have also dipped into earlier reports, such as those on the Fund's approach to capital account liberalization<sup>1</sup>—in search of some institutional history—and on IMF governance.<sup>2</sup> The evaluation of IMF governance, as Joanne Salop points out in her very useful retrospective on the IEO's activities,<sup>3</sup> is unique because it directly addresses some of the key issues that underlie many of the challenges tackled in other IEO reports. (This is also the only IEO evaluation that directly addresses the Board's own operations and effectiveness—and it is perhaps not a good sign in terms of the Board's commitment to independent evaluation that this is one of the few IEO reports not to have been well received by the Board!)

Before making some specific proposals for strengthening the evaluation system, I want to make two overarching general observations.

### Institutional Ownership of the Evaluation System Is Crucial to Effectiveness

First, I would argue that the overall effectiveness of any institutional evaluation system depends on the extent to which all parties—in this case, IMF staff, Management, the Board, and the IEO—buy into it in a constructive way.

---

<sup>1</sup>IEO, *The IMF's Approach to Capital Account Liberalization* (2005).

<sup>2</sup>IEO, *Governance of the IMF: An Evaluation* (2008).

<sup>3</sup>Salop, "IEO Retrospective: Ten Years of Independent Evaluation at the IMF" (see Chapter 8 in this volume).

This point is a little analogous to a point my chair has made from time to time about surveillance. Surveillance is a collective responsibility, not just the Fund's. Similarly, we cannot just look to the IEO to make evaluation work: we are all responsible for ensuring we get the most value out of the evaluation system. If we did all accept that collective responsibility, process design would be less important. Put another way, without such a collective commitment to effective evaluation, no amount of reform of processes may improve things much.

### **The Effectiveness of the Evaluation System Is Constrained by the IMF Governance Structure**

Second, an evaluation system is only likely to be as good as the overall institutional governance structure within which it sits.

The Fund's governance structure has a number of unique strengths; but, as the IEO has pointed out, it has not evolved in a way that encourages a strong focus on driving strategic direction from the Board. Experience suggests that this situation requires Management to be actively engaged in shaping the strategic vision in alliance with the Board. And that, in turn, reinforces my earlier point about collective responsibility.

### **Topic Selection, External Consultations, and Evaluation Methods**

As regards the early stages of the evaluation cycle, I have been broadly satisfied with the process for selecting evaluation topics. I also found the note on the evaluation cycle<sup>4</sup> illuminating and reassuring, in its description of the effort made to bring in external experts to shape each study. And I have been impressed with the quality of IEO reports. I am confident that the IEO will give careful consideration to Joanne Salop's analysis regarding the evolution of IEO methodology and continue to build on the progress on that front.

### **Follow-Up: Stressing the Learning Function of Evaluation May Help Reduce Defensiveness**

The aspect of the evaluation system that probably gives rise to most frustration, for me and for others, is that of follow-up to evaluation findings. Rather than focusing on processes at the tail end of the cycle, I want to pose the question whether the challenge in achieving follow-up reflects a collective lack of clarity about the objectives of evaluation. I suspect we have not spent enough time thinking about the balance that needs to be struck in the evaluation function between learning and accountability. Unless we have a common view on this fundamental question, we cannot sensibly debate or design appropriate follow-up arrangements.

Certainly, learning and accountability are not an "either/or" proposition. Indeed these two objectives can support one another.

---

<sup>4</sup>Alisa Abrams and Ruben Lamdany, "Independent Evaluation at the IMF: Understanding the Evaluation Cycle" (see Chapter 7 in this volume).

Nevertheless, my strong inclination for an institution like the Fund is to stress the learning objective as the primary focus. Emphasizing learning is central to building a collaborative partnership between the evaluator, staff, Management, and the Board. And I would argue that re-emphasizing the learning function would go a long way to laying the basis for a revitalized commitment to effective follow-up.

Evaluation in the Fund is far less likely to add value if we allow it to degenerate into a game of “gotcha.” I am not suggesting that this is the IEO’s agenda, but I sense we are nevertheless drifting in that direction, to some extent with the implicit endorsement of the Board. Such a tendency too easily degenerates into an adversarial model, in which Management and staff default to a defensive mindset too much of the time. Defensiveness is understandable. But at present, I sense it is too predominant, as evidenced for example in the inordinate delays in the staff’s preparation of responses, and other passive (and not so passive) resistance.

Equally, defensiveness distracts the IEO into worrying about process issues—such as what is the best way to pitch its recommendations—that are unlikely to solve the underlying problem. For example, while pitching recommendations at a high level of generality allows them to be too easily subsumed and lost in existing Management agendas, more concrete recommendations run the risk of fostering a mechanical “check the box” approach to accountability—in which, again, the key messages from the evaluation are likely to be lost. It is very difficult to get this balance right if one is caught in an adversarial mindset.

My preferred model would comprise relatively high-level findings and recommendations, more specific suggestions on how staff and Management might operationalize such recommendations, and a commitment to a collaborative, and most likely iterative, process for taking the issues forward. Often the key need at the outset will be to ensure that all parties have a shared understanding of the problem. But this sort of model can only work if all parties agree that the primary focus is on learning.

### **Broaden Involvement in Early Consultations on Evaluation Studies**

Perhaps one “process” reform that could be considered would be to involve Management and staff in the early consultation processes for an evaluation, including seminars and so forth, designed to help define the issues to be studied and to shape individual studies. It should be possible to explore such involvement without compromising the IEO’s crucial independence.

### **Role of the Board**

Let me turn finally to the role of the Board, which I suggested may be inadvertently complicit in the drift towards a “gotcha” mentality.

Clearly a more collaborative, learning-focused approach will require buy-in from the Board and the active leadership of the Evaluation Committee. Accountability mechanisms will need to focus less on specific actions, and more on whether systems are in place to promote agreement on the key lessons from

IEO studies and to foster their internalization. We will need to look carefully at the forthcoming IEO review of self-evaluation processes in the Fund, to see how better to leverage IEO and Evaluation Committee processes to strengthen self-evaluation, and at the same time build on these processes to strengthen the IEO/Evaluation Committee approach to follow-up. It may also be worth making use of follow-up studies by the IEO on progress in addressing key findings of specific investigations, after a lapse of say, three to five years.

I recognize that the Board may itself struggle sometimes to reach a common interpretation of the key problems identified by the IEO. We Board members are not immune from the tendency, identified by the IEO in the context of its study of the Fund's pre-crisis performance, to attach greater weight to those pieces of evidence that confirm our individual prejudices. And we all have agendas to pursue—hence the tendency to interpret some aspects of recent IEO studies quite selectively, in terms of, say, diversity, or the need for rebalancing voice as part of governance reform. This is not to deny the relevance of such issues. But the Board too will have to get beyond using IEO reports as stalking horses for its members' individual agendas if it is to make the best use of the IEO in strengthening the Fund's effectiveness.

As I noted above, any evaluation system will be constrained by the effectiveness of the institution's overall governance arrangements. Nevertheless, the onus is first and foremost on the IMF Board to take the lead in recalibrating the current balance between accountability and learning in favor of the latter. I believe this is necessary if we are to lay the basis for a more collaborative, less adversarial approach that is more likely to reap long-term gains for the institution from its evaluation architecture.

## Remarks by Eduardo Loyo

You will not be surprised if I shamelessly refer to the main legacy of my short and otherwise uneventful tenure as Evaluation Committee Chairman: the creation of the follow-up system for IEO recommendations that is now in place. Although I am no longer an insider, my concern is that the system has not lived up to initial expectations. As I will argue in this brief note, it may have improved things, but it does not seem to have entirely solved the problems.

*The evaluation follow-up system is not seen to have had much effect.* IEO's retrospective paper, just issued,<sup>5</sup> basically views the IEO's history as being split between the first five years and the second five years, with the Lissakers independent evaluation report<sup>6</sup> as the watershed between the two periods. It was the Lissakers Report that first recommended the IMF to introduce a follow-up system. And of all the recommendations in that report, this was probably the one

<sup>5</sup>Joanne Salop, "IEO Retrospective: Ten Years of Independent Evaluation at the IMF" (see Chapter 8 in this volume).

<sup>6</sup>"Report of the External Evaluation of the Independent Evaluation Office" (Lissakers Report), March 2006. Available at [www.ieo-imf.org/ieo/files/evaluationofieo/032906.pdf](http://www.ieo-imf.org/ieo/files/evaluationofieo/032906.pdf).

that received the clearest endorsement by the Board. It is unfortunate that the introduction of the follow-up procedure is not recorded as playing a more central role in whatever transformation took place between the IEO's first and the second five years. This may be a fair interpretation, but if the follow-up system has not worked well, that is regrettable, and the parties should work harder to improve things.

*Follow-up on IEO recommendations seems mainly perfunctory.* From other, more recent, documents, I sense that those who are supposed to operate the system—IMF staff, Management, and Board—are using it in a perfunctory manner to satisfy the formal, bureaucratic element that has been put in place, but not really taking it to heart. I cannot say for certain that this is the case. But apparently it has been the object of complaints. It seems to be true of Management's implementation efforts, where because IEO recommendations are scattered it is easy to focus on little things and to lose track of the bigger picture—and so risk doing more harm than good. It also seems to be true for the Periodic Monitoring Reports. There is a complaint that Management, the Board, and everybody else have been a bit too quick to close files. Of course the ultimate objective of a follow-up system is always to close files. Files are not supposed to be open forever. But neither should they be closed too early—first you are supposed to be sure that implementation has been completed.

*Lack of will is a problem hard to solve.* There is little that can be done to redesign a system to make it foolproof if what really prevents it from functioning perfectly is lack of will. So I do not think that there is an obvious answer to how to make the follow-up system more effective except calling upon every one of the parties involved to actually make the best use of it.

## Remarks by Meg Lundsager

The support of the IEO for the Executive Board's oversight of the IMF cannot be divorced from the IEO's other goals, particularly that of promoting a learning culture within the Fund. IEO reports have succeeded in promoting learning and improving accountability on the part of all involved in the IMF: Board, staff, Management, and member-country authorities. In this brief note I will first review some key features of the IEO and its successes in the first 10 years, and then make recommendations for strengthening the IEO's contribution to oversight.

### Two Key Features of the IEO

A crucial feature of the IEO is that it operates independently of staff yet has access to internal staff documents (including those not available to the Board). This feature furthers learning and oversight, as well as the Fund's external credibility.

Another valuable feature of the IEO is that it stands back from the daily workflow of the institution, and can hence take a broader perspective. At the same time, its evaluations descend into technical details in specific areas.

## IEO Influence on IMF Practices

The IEO has been most effective when its reports led to specific improvements in the Fund's practice. Here I will cite three examples of IEO recommendations that have received strong Board support, leading to changes in practices:

- The first IEO study, on prolonged use of IMF resources,<sup>7</sup> was very revealing of how some country authorities viewed serial IMF loans. Board endorsement of this study's conclusions led the Fund to conduct systematic ex post evaluations, in which IMF staff have generally been very candid in what approaches worked and what did not in promoting adjustment in the borrowing country.
- The evaluation of the Fund's exchange rate policy advice<sup>8</sup> led to noticeable improvements in surveillance in this area, and a subsequent bilateral Surveillance Decision reasserted this key focus of the IMF's mandate.
- The IEO evaluation of structural conditionality<sup>9</sup> resonated with many Board members and led IMF Management to issue guidance on streamlining conditionality, including a decision to discontinue the use of performance criteria for structural measures in all Fund arrangements.

Looking forward, I have several recommendations, including on the crucial issue of follow-up to IEO evaluation findings.

## Recommendations

*Help to improve follow-up.* The Executive Board has ultimate responsibility for follow-up on IEO recommendations, but is open to ways in which IEO can play a constructive role. In this regard it might be useful for the IEO to assess the implementation of those of its recommendations that have received Board support—particularly since many of the obvious Fund policy and operational issues have already been the subject of evaluations over the past 10 years.

I do believe that IEO recommendations should be more specific. This is important particularly with regard to how the IMF conducts its work, given the IEO's access to internal documents and notes. While the Board is not Management, it can help Management bring about changes in internal practices if Board members know enough about them.

*Consult more with the Board.* The IEO is very transparent about the preparation of its reports, and its website is very accessible in laying out draft and final issues papers for ongoing reports as well as outlining plans for future projects. IMF staff are also personally responsive and I find IEO recommendations to be a useful impetus to improvements. The IEO could usefully consult with the Board while it is doing a study, much as it consults with country authorities and other stakeholders. In particular, such outreach could complement the IEO's consulta-

<sup>7</sup>IEO, *Evaluation of Prolonged Use of IMF Resources* (2002).

<sup>8</sup>IEO, *IMF Exchange Rate Policy Advice* (2007).

<sup>9</sup>IEO, *Structural Conditionality in IMF-Supported Programs* (2007).

tions with country authorities—which are important in assessing the effectiveness of IMF policy advice through surveillance or programmatic lending—as well as the IEO’s discussions with staff and Management regarding sensitivities.

*Make reports shorter and issue them sooner.* IEO reports are of generally high quality and provide sufficient evidence to support their findings and recommendations. However, in some cases they could have more of an impact if they were shorter and thus could be prepared more quickly. This could also reduce the front-running problem that was identified by the external evaluation of the IEO.<sup>10</sup> I note that the IEO’s high-quality report on the IMF’s performance in the run-up to the financial crisis<sup>11</sup> was only completed this year—after the Fund had already instituted reforms to remedy the shortcomings in its pre-crisis surveillance.

*Consider holding seminars on evaluations in progress.* Holding seminars for interested Board members and/or staff ahead of Board consultations could be a useful way to deliver a timely preview of the IEO’s analysis. However, I hope that presenting IEO analysis to a broader audience while it is still in draft form does not lead to a softening of a report’s final conclusions.

## **Remarks by Moeketsi Majoro**

The IEO has served the IMF well, helping the Fund to deliver its mandate more effectively, and has earned strong support for its work from a broad range of stakeholders. In these comments I will first outline the purpose and mandate of independent evaluation at the Fund, and then point out actions that are needed—by the IEO, Management, and the Board—to strengthen the evaluation process.

### **Purpose and Mandate of Independent Evaluation at the IMF**

The general view within the Executive Board is that the IMF needs an Independent Evaluation Office not only to facilitate the Board’s task of oversight and governance but also to contribute to the institution’s learning culture. For the IMF to remain relevant and thrive, learning better and faster is critically important. As Charles Darwin said, it is not the strongest of the species who survive nor the most intelligent. Rather it is those most responsive to change. A learning organization values the role that an independent evaluation organization can play in developing organizational effectiveness. For effectiveness in instilling a learning culture in the IMF, IEO’s independence must be protected and nurtured through goals that are shared by the Executive Board, Management, IMF staff, the IEO, and the membership.

<sup>10</sup>“Report of the External Evaluation of the Independent Evaluation Office” (Lissakers Report), March 2006. Available at [www.ieo-imf.org/ieo/files/evaluationofieo/032906.pdf](http://www.ieo-imf.org/ieo/files/evaluationofieo/032906.pdf).

<sup>11</sup>IEO, *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07* (2011).

As a watchdog the IEO must “tell it like it is,” bringing out both successes and shortcomings in its evaluations. The IEO’s mandate to improve the effectiveness of the IMF can be categorized into four goals: (1) to enhance the learning culture of the IMF and enable it to better absorb lessons for improvement in future work; (2) to help build external credibility by undertaking objective evaluations in a transparent manner; (3) to provide independent feedback to the Executive Board in its governance and oversight responsibilities over the Fund; and (4) to foster greater understanding of the work of the IMF.

### **Benefits Achieved from Evaluation in the First Ten Years**

The Fund has come a long way to fully embracing and facilitating the work of the IEO. Over time the Fund has implemented changes to its strategies, policies, and programs that have been driven in part by IEO recommendations. It has introduced ex post assessments in the surveillance process, and issues regarding internal processes have been brought to the attention of Fund Management. Such changes have been improving professionalism and even-handedness in Fund operations. IMF Management has been providing the Board with forward-looking implementation plans for IEO recommendations as well as with annual monitoring reports on the status of those recommendations. Written management responses checked by the Executive Board have certainly improved organizational learning and accountability.

### **Looking Ahead**

To increase the value added from independent evaluation calls for adhering to strategic principles, sharpening evaluation strategies, distinguishing recommendation typologies, making recommendations that are clearer and more closely linked to findings, and taking action on recommendations. I perceive three specific needs:

- *IEO should become more focused and strategic.* A more focused and strategic orientation by IEO, together with strong support from the Board and Management, will help ensure the IEO’s continued usefulness and relevance. IEO’s recommendations, as endorsed by the Board, need to become integral to the Fund’s work. For the IEO, this implies that the relevance and usefulness of IEO evaluation findings to core audiences should be enhanced through better selection of evaluation topics. The IEO should also improve the timeliness of its evaluations and increase access to and exchange of the lessons they draw.
- *IEO should strengthen its outreach.* The IEO should also strengthen its outreach, in order to promote greater understanding of IMF work in the context of critical issues raised in its reports. This is especially the case in developing and emerging market economies, where greater efforts may be needed to enhance understanding of the IMF’s role, including in dealing with long-held myths about IMF operations.

- *IEO recommendations need more committed follow-up.* There is a strong feeling within the Evaluation Committee and the Executive Board that not enough has been done to follow up on IEO recommendations, and that a lack of traction undermines the many motives of independent evaluation. Addressing this concern is a priority for the Evaluation Committee in engaging with Management. Looking ahead, there is a need to establish an ambitious mechanism for a far-reaching review of the effectiveness of the actions that have been undertaken based on IEO recommendations. With IEO reports in the public domain it is critical that IMF Management and the Executive Board be viewed by IMF members as responding to the issues raised in these reports. Recommendations that are repeated across various evaluation reports and other internal evaluation processes point to the need for Management and the Board to show readiness to implement evaluation recommendations.

An external evaluation of IEO is planned for 2012. The Evaluation Committee on behalf of the Executive Board is committed to strengthen the evaluation process for better learning and accountability by the institution. As part of continuing efforts to improve the evaluation cycle, the Executive Board is to undertake an external evaluation of the IEO in 2012 with a view to strengthening the evaluation process.

## Remarks by Thomas Moser

I have a confession to make. Ten years ago, I was against the establishment of the IEO. Not because I was against regular evaluations of IMF activities but rather because I did not believe it would be possible to establish a truly independent evaluation unit within the IMF.

I am glad that I was wrong. While people may disagree on many aspects concerning the IEO, everyone would agree that it has proven to be independent—and more so than the evaluation unit of any other international organization. This alone is a reason to celebrate.

In this note I will focus on the ownership of independent evaluation within the Fund and make some suggestions on how ownership—and hence the application of evaluation findings—can be strengthened.

## Has the IEO Assisted or Strengthened the Board in Its Oversight Function?

The answer to this question is clearly yes but it needs to be qualified: (1) there has been too little ownership of the IEO's findings and recommendations by the Executive Board and by Management; and (2) as a consequence, the Board has not made full use of the IEO.

This does not mean that the IEO has had no impact. Many of the IEO's analytical insights and recommendations have been incorporated into IMF policy. Moreover, interaction with the IEO has led to introspection by staff and in the

Board. And finally, the mere prospect of possible future evaluations has influenced the way staff (and probably also Executive Directors) work (better documenting their decisions, for example).

Why has there been insufficient ownership, and what can be done about it? I propose that: (1) the attitude/culture on the part of Management and Board could and should become more positive about evaluation; (2) the IEO should do more to encourage ownership by the Board, and possibly by Management.

### Evaluation Culture

Leaders—in the Fund’s case, Management and the Board—have a particular responsibility for framing and promoting an institution’s vision and culture of evaluation and learning. In the Fund, this promotion has been insufficient. This is not a problem unique to the IMF. But the IMF as an international public institution that gives advice to governments around the world should seek for itself the highest standards of evaluation and learning. Management and Board should recognize and raise awareness of the positive side of evaluations and frame them accordingly for staff.

Management and Board should have a genuine interest in evaluations. In my experience, evaluations are often a good tool to get unfiltered information from staff below the senior level. Auditors and evaluators—rather than finding unidentified problems—often learn from staff about problems that staff are well aware of but have not been addressed.

Is there a negative side to evaluations? I know there has been a concern among Management, Board, and senior staff that regular public criticism by the IEO could over time damage the Fund’s reputation. On the contrary, however, I believe that the IMF’s courage in establishing a truly independent evaluation office, coupled with the professionalism of the IEO, have served to strengthen rather than weaken the Fund’s reputation.

Management and staff often argue that IEO evaluations tie up too many staff resources. However, I believe that this is partly a problem of the evaluation culture. Particularly, behavioral economics suggests that framing matters. It makes a difference whether something is framed as a potential loss or a potential gain. Rather than consider the IEO as a threat to the IMF, Management and the Board should consider IEO evaluations as a learning opportunity. If evaluations are framed as a threat, too many staff resources are committed to defend the status quo and staff time spent on IEO evaluations is naturally not considered time well spent. Management and Board should be less defensive and more curious about IEO evaluations.

A strong evaluation culture should come naturally to the IMF. An institution that aspires to solve real-world problems should seek and value evidence on the results of its efforts. An institution run by professionals who consider peer reviews a seal of quality when it comes to publications should value feedback given by its IEO peers as a way to improve the quality of its work. And frankly speaking, an institution that sends mid-level staff around the world to evaluate the performance of ministers and central bank governors should clearly have the guts to expose its own performance to professional independent evaluations.

## What Could the IEO Do to Increase Management and Board Ownership?

The IEO could and should better engage the Board. It does this well in the process of topic selection, but could engage better in the presentation of its findings. One single Board discussion on an IEO evaluation is simply not enough. There should be presentations and discussions of findings and recommendations before the Board meeting, possibly in the Evaluation Committee.

Also, the IEO should put more effort into motivating its topics and recommendations. An evaluation should clearly convey the reasons why its topic merits the time of Management and Board, and why they should care about its findings. Recommended changes in policies need to be significant and worthwhile.

However, a good evaluation does not necessarily have to identify problems and recommend change. It should not be considered a failure of an evaluation if it does not entail negative findings. Reporting positive achievements and exploring the reasons for success are just as valuable. Evaluations should place equal emphasis on problems and achievements. Emphasizing also positive achievements could help improve the ownership of evaluation among Management and staff.

An often-heard criticism of IEO evaluations is that its recommendations are not tangible enough. While this criticism is itself rather intangible, the IEO should try hard to make its recommendations clearer and better prioritized. Audit reports usually list their recommendations in order of importance/urgency. The IEO should do the same, offering a clear separation of what needs to be urgently addressed and what would be nice to have.

The weakest part of the evaluation process—and the clearest manifestation of a lack of ownership—remains the follow-up to IEO recommendations, despite the improvements that have been introduced since the Lissakers Report.<sup>12</sup> Action plans are currently prepared by Management alone. The process would be strengthened if they could be prepared jointly by Management/staff, Board, and the IEO, and worked out jointly in the Evaluation Committee.

Finally, process—especially the question of how decisions are reached—is extremely important and relevant. I do not agree that the IEO should focus less on process and that its recommendations are too process-related. For example, if one day the IEO evaluates the IMF's current involvement in Greece, it will probably be more productive to ask *how* the IMF reached its decisions rather than to ask what decisions were reached and why. It will also be more productive to make recommendations on how to improve process in order to avoid undue political pressure in the future, rather than to simply state—once more—that staff should be more candid and outspoken.

---

<sup>12</sup>"Report of the External Evaluation of the Independent Evaluation Office" (Lissakers Report), March 2006. Available at [www.ieo-imf.org/ieo/files/evaluationofieo/032906.pdf](http://www.ieo-imf.org/ieo/files/evaluationofieo/032906.pdf).

## Remarks by Yaga Venugopal Reddy

My involvement with the IEO has been close since the IEO's inception and has been in several capacities, helping me to gain multiple perspectives on the IEO's functioning. After leaving the IMF Board in late 2003, I was involved with IEO activities as Governor, Reserve Bank of India, for five years. Subsequently, I have been associated with the Office in advisory capacities in addition to maintaining an interest in it as an academic.

The IEO has impressed me by the interactive process by which it continues to improve the quality of its work. Its reports are lucid and presentations including supporting evidence are good. Its credibility has increased significantly in recent years. And I notice the increased attention being paid to its reports in several global and national forums I am associated with now.

In my comments below, I first emphasize the need to view the role of IEO within the overall IMF governance structure, and then address some specific aspects of the IEO's work and the follow-up to evaluation recommendations. I conclude by exploring how changes in the global economy are likely to increase the demand for IEO evaluations.

### IEO and the Executive Board in the IMF Governance Structure

The IEO's contribution to the Board's oversight is critical but is only one of the IEO's several mandates. The IEO assists the IMF Board in its oversight responsibilities by providing independent feedback on the appropriateness and effectiveness of the IMF's policies and operations. In the process of evaluation, the IEO is required to enhance learning by the Board and Management as well as the staff. IEO is also expected to strengthen the Fund's credibility with the authorities of IMF member countries and with the public.

The IEO's contribution to the Board's work occurs mainly through feedback. The IEO puts Management on the defensive, and enhances the Board's capacity to discharge oversight by providing insights into operational details that are generally not otherwise available to the Board.

IEO evaluation is a process in which the staff is closely involved. The process itself contributes to learning since it entails revisiting of issues and retrospection by all who were involved in the decisions that are being evaluated.

The follow-up to evaluation depends on Management and staff. Given the overall structure and functioning of the Fund's governance arrangements, the real effectiveness of IEO depends critically on the response of Management and staff to IEO recommendations.

### Selection of Evaluation Topics

The IEO's selection of topics for evaluation appears well thought out and appropriately balanced between substantive and process issues. Going forward, however, a change in the mix may be warranted in view of the dynamics of the IMF's role in the global economy. The ultimate test of balance is in better learning and desirable outcomes of policies.

## Consultations and Discussions

In my view the IEO has held adequate consultations with all stakeholders including academics and researchers, and drawn on the available literature.

From my experience, I find seminars for Board members, ahead of formal Board discussions, generally very useful. They contribute to frank discussions, interaction, and mutual understanding because they give Directors an opportunity to go beyond the formal positions of their authorities.

## Outreach and Dissemination

I note that the IEO's reports are publicly available. Possibly outreach to multi-lateral institutions relevant to the IMF's work, such as the UN, UNCTAD, World Bank, regional development banks, and some policy research institutions and think tanks could be strengthened. The best way of reaching out to the public at large is through honesty and candor backed by competence and objectivity. Commentators and analysts can then do the outreach based on the quality of IEO's work.

## IEO Recommendations and Follow-Up

IEO recommendations pertain both to high-level policies and strategies and to actionable specifics. In regard to follow-up, I would attach greater weight to recommendations dealing with high-level policies and strategies, and consider specific recommendations as illustrative. Specifics are often contextual and ideally they should be treated as illustrative ways to achieve the broader priorities and policies.

Proper follow-up to IEO recommendations is crucial. But I would not advocate an active role for IEO here: once the IEO submits its report, follow-up is the responsibility of Management, with oversight by the Board. The IEO should not engage in the follow-up process unless it is specifically asked to evaluate the follow-up process itself.

## Changing Realities and Future IEO Role

Changing realities in the global economy are likely to strengthen the Fund's need for independent evaluation and receptiveness to evaluation findings.

Changing economic balances among countries will be reflected in new approaches to discussions in the Board and actions of Management and staff. These changes may foster a better learning culture in the Fund and hence greater attention to the work of the IEO.

The qualitative divide between developing countries that take money from IMF and developed countries that do not is dwindling. This strengthens the role of objective evaluation since all Fund members may then seek objective reality rather than politically convenient reality.

Within the IMF, the recent experience with global crisis may produce greater intellectual humility and more openness to learning. Looking ahead, the IMF's

close involvement in the euro zone crisis will be a great learning experience. This subject will be a challenging and complex task for IEO in the near future.

Today the IMF is generally accepted as a very important pillar of the global financial architecture, though a few years ago its relevance was questioned by some. The IMF is virtually an operating arm of the G-20, and the links between the G-20 and governance in the IMF may strengthen. The IEO can provide independent feedback to the G-20, perhaps in an indirect fashion.

## Remarks by Arrigo Sadun

In this short statement I will make two points about the role and relationships of the IEO and offer two opinions about appropriate evaluation practice and topics.

*IEO's role is to keep the IMF intellectually honest.* Imagine an anthropomorphic picture. In the IMF, Management arguably is the heart of the organization, while the staff and particularly the missions are the arms, and Strategy, Policy, and Review Department perhaps is the brain. What is the IEO? To me the IEO is the Fund's conscience, our good conscience and our bad conscience. As the Managing Director has said, very few organizations will tolerate an independent evaluation organization within their ranks. The IEO has not only been tolerated but fostered. Its role is not to nag the staff and the Board per se, but to keep the IMF intellectually honest.

*IEO acts as a bridge between the IMF and external stakeholders.* For the IMF the IEO has in practice provided an important bridge with the external world. Maybe at the beginning that was not the intention, but I think it has been very beneficial, and something that should be encouraged.

*Cooling-off periods are necessary for objective evaluation.* Should the IEO tackle current issues? Previous IMF senior managers have stressed the need to have a cooling-off period between the time the IMF confronts an issue and the time that the IEO starts to evaluate it. I believe that a postmortem is a very useful exercise, and that it is most useful when it is done after the patient is dead. Indeed if the patient is not dead, then it is not a postmortem but a prescription. Being a doctor is not really the IEO's role. So I myself subscribe to the need to allow time to elapse before very important issues confronting the IMF are taken up by the IEO.

*IMF governance.* Should the IEO get more involved in this type of topic? Previous managers of the IMF have said that other bodies should be more involved than the IEO in the debate on IMF governance, and have explicitly quoted the Manuel report.<sup>13</sup> Certainly I believe that the IEO should not be doing what Management or the Board has the primary responsibility for doing. We have a collective responsibility to impose into the IMF the best practices in governance, but it is not primarily the responsibility of the IEO.

---

<sup>13</sup> Committee on IMF Governance Reform: Final Report, March 24, 2009.