

2018

SPRING ISSUE

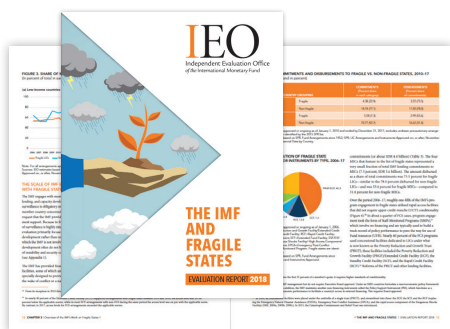
## IEO DIALOGUE



*Building the Fund's Culture of Learning through Independent Evaluation*

## THE IMF AND FRAGILE STATES

The great needs of countries in fragile and conflict-affected situations (FCS) and the dangerous implications of persistent fragility for regional and global stability makes helping these countries an international priority. With its crisis response and prevention mandate, the IMF has a key role to play in these international efforts. However, in practice, there has been considerable debate about the IMF's contribution, and critics have called on the Fund to increase its engagement.



The IEO examined the IMF's role and contribution in an evaluation released just before the spring meetings. The evaluation of *The IMF and Fragile States* found that the IMF has played an important role in helping FCS restore macroeconomic stability and rebuild core macroeconomic institutions. The IMF has catalyzed donor support through its assessment of a country's economic policies and prospects, even while the IMF itself has provided relatively little direct financing.

Notwithstanding this positive assessment, however, the evaluation concluded that the IMF's impact on FCS has fallen short of what could be achieved. Past efforts to adapt IMF policies and practices to FCS needs have often not been sufficiently bold or adequately sustained, and the staff has tended to revert to treating fragile states using IMF-wide norms, rather than as countries needing special attention.

In a discussion by the IMF Executive Board on March 22, 2018, Executive Directors welcomed the evaluation report and its findings that the IMF has played a critical role and made important contributions in its work on fragile states. At the same time, Directors agreed that the IMF could achieve more through further efforts taking into account the unique circumstances and challenges facing fragile states. Directors expressed broad support for the evaluation's recommendations to:

- ▶ Prepare a statement on the importance of work on fragile states for the IMF that could be endorsed by the IMFC;
- ▶ Establish an effective institutional mechanism to better coordinate the work by the IMF and other stakeholders;
- ▶ Develop forward-looking and holistic strategies for each FCS country;
- ▶ Consider modifications to the IMF lending toolkit in the context of the 2018 review of facilities for low-income countries;
- ▶ Take practical steps to strengthen the impact of IMF capacity development support to FCS; and
- ▶ Provide robust incentives for high-quality and experienced staff to work on FCS.

IMF Management also welcomed the report and will work with staff to implement the recommendations based on a Management Implementation Plan to be presented to the Board by early 2019.

## GAINING TRACTION - FOLLOW UP ON PAST EVALUATIONS

In January 2018, the Executive Board approved a Management Implementation Plan (MIP) prepared by IMF staff to follow up on the 2017 evaluation of *The IMF and Social Protection*. IMF staff will prepare a paper laying out a clear strategic framework to guide IMF involvement in social protection, for consideration by the Board in February 2019. This framework will discuss how to assess the macro-criticality of social protection and will lay out more effective approaches to program design for both concessional and non-concessional lending to mitigate adverse impacts of program measures on the most vulnerable.

In the last few months, the IMF has taken important actions to follow up on earlier evaluations. In February, the Executive Board approved general guidance on Fund engagement with currency unions when the policies of union-level institutions are critical to the success of Fund-supported programs—a step recommended in the 2016 evaluation of *The IMF and the Crises in Greece, Ireland, and Portugal*. Acting on recommendations of the 2016 IEO evaluation of *Data at the IMF*, the Executive Board approved an “Overarching Strategy on Data and Statistics at the Fund in the Digital Age” that sets a course for the IMF to better respond to the challenges and opportunities of digitalization.



(From left to right) Prakash Loungani, IEO Advisor; Charles Collins, IEO Director; Montek Singh Ahluwalia, former Deputy Chairman of the Planning Commission and former IEO Director; and N.K. Singh, Chairman of Fifteenth Finance Commission, participate in a seminar in New Delhi, India in February 2018.

For further information on the IEO's work, please visit [www.iao-imf.org](http://www.iao-imf.org)

## REVISITING PAST EVALUATIONS: IMF EXCHANGE RATE POLICY ADVICE

In October 2017, the IEO completed an update of its 2007 evaluation of *IMF Exchange Rate Policy Advice*. This Update found that, over the last decade, the IMF had substantially overhauled its approach to exchange rate policy advice, including by adopting a more comprehensive approach under the 2012 Integrated Surveillance Decision, developing enhanced analytical tools, and introducing an annual External Sector Report. The Update noted that increased attention to spillovers and adoption of an institutional view on capital flow management had also helped enhance IMF work related to exchange rate policy.

Nonetheless, the report concluded that, despite ongoing efforts, challenges remain for the effectiveness of the IMF's work in an area central to its mandate. Of note, the IMF's approach and tools for assessing external balances and exchange rates remain contentious, in part reflecting differing views across the membership about the process of external adjustment. Consequently, concerns remain about the evenhandedness and traction of IMF analysis and advice on exchange rates. The IEO intends to undertake a full evaluation of the IMF's approach to external sector assessment as part of its medium-term work program.



## ON THE HORIZON – IEO'S WORK PROGRAM

The IEO is currently working on two evaluations and two updates of past evaluations. The evaluation of the IMF's ongoing efforts to enhance financial surveillance is on track for completion by the end of this year. The evaluation of the IMF's advice on unconventional monetary policies is also well underway and targeted for completion in early 2019. An update of the 2007 evaluation of *Structural Conditionality in IMF Programs* is nearing completion and will be presented in an Executive Board seminar in May. In addition, the IEO initiated an update of its 2008 evaluation of *Governance of the IMF*. This update will assess the current relevance of the findings and recommendations of the 2008 evaluation in the areas of effectiveness, efficiency, accountability, and voice. The update will focus on the role of the IMFC, the Executive Board, and Management; it will not cover issues related to quotas.

## OUTREACH

### DECEMBER

Presentation to the G20 Eminent Persons Group at the Symposium on Global Financial Governance in Frankfurt, Germany.

### FEBRUARY

Presentation on independent evaluation at the IMF, jointly organized with the SMERU Research Institute in Jakarta, Indonesia.

Presentation on independent evaluation at the IMF at the Indian Council for Research on International Economic Relations in New Delhi, India.

Presentation on independent evaluation at the IMF at the French Center for

International Economics (CEPII) in Paris, France.

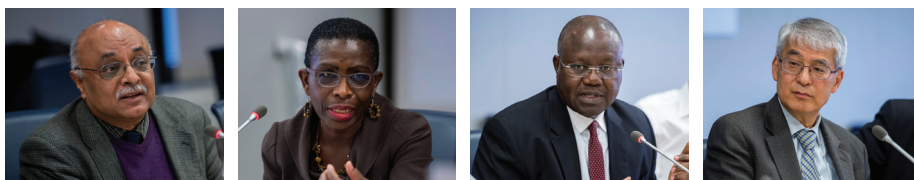
### MARCH

Presentation at the 30th Regional Seminar on Fiscal Policy at the United Nations Economic Commission for Latin America and the Caribbean in Santiago, Chile.

### APRIL

Joint workshop with the Center for International Governance Innovation in Toronto, Canada.

Seminars on the evaluation of *The IMF and Fragile States* during the civil society policy forum at the Spring Meetings and at the Center for Growth and Development in Washington, D.C.



Participants in the December IEO workshop on *The IMF and Fragile States*, from left to right: Ravi Kanbur, Professor of Economics, Cornell University; Antoinette Sayeh, Distinguished Visiting Fellow, Center for Global Development; Kordjé Bedoumra, Secretary General of the Presidency of the Republic of Chad; and Shinji Takagi, IEO Assistant Director.

## EVALUATING THE EVALUATORS

The panel undertaking the third external evaluation of the IEO—Donald Kaberuka (chair), Pernilla Meyersson, and Der Jiun Chia—is expected to issue a report to the Executive Board in mid-2018. Terms of reference for the external evaluation are posted on the IEO website.

### 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.