

IEO Distills Recurring Issues from Its First 20 Evaluations

The IEO's latest evaluation identifies key issues affecting IMF performance from the IEO's first twenty evaluations and assesses progress in addressing these issues.

The report, *Recurring Issues from a Decade of Evaluation: Lessons for the IMF*, focuses on five areas:

- **Executive Board guidance and oversight.** Some IEO evaluations pointed to a lack of clear Board guidance in areas such as the longer-term role of the IMF in low-income countries and the appropriate scope and design of structural conditionality. This led, at times, to inconsistent advice and application of policies.
- **Organizational silos.** Several recent IEO evaluations concluded that silo behavior contributed to, for instance, insufficient integration of global perspectives into bilateral surveillance and of financial sector issues in macro surveillance; and discrepancies in the advice provided in products produced by different departments.
- **Attention to risks** in surveillance and program design. A number of IEO evaluations found inadequate discussion of major risks and the link between assumptions and targets in program design. This made it difficult for the IMF to make timely mid-course corrections to programs when assumptions turned out not to hold.
- **Country and institutional context** in analytical work and policy advice. Past IEO evaluations identified instances where country-specific implementation capacity, feasibility, and political constraints were insufficiently considered in program design. They also noted country authorities' complaints that the analytical framework used in IMF research was overly generic and "one-size-fits-all."
- **Evenhandedness** in the treatment of member countries. IEO evaluations

cited differences across country groups, for example, in the analysis underlying IMF policy advice on managing capital flows. They also found a reluctance to deliver candid messages about risks and vulnerabilities to the larger or more advanced economies.

The IMF has made considerable efforts to improve its effectiveness in these areas. For instance, steps have been taken to strengthen the coordination mechanisms for integrating work across departments, and a number of procedures have been put in place to spell out risks and uncertainties in the IMF's analytical work. However, challenges remain. Similar issues have recurred in different contexts because they are rooted in the IMF's culture, policies, and governance arrangements. To varying degrees, these issues emanate from the IMF's character as a multilateral institution with multiple objectives and a complex governance structure. Hence, the evaluation report emphasized that efforts to address these issues must go beyond the specific contexts in which they have been raised. Further, it underscored that areas inherent to the Fund's complex governance, in particular evenhandedness and Executive Board guidance and oversight, will likely pose persistent challenges for the institution.



Moises Schwartz, IEO Director

The Managing Director broadly agreed with the findings of the report and indicated Management's commitment to addressing the shortcomings identified. In particular, she emphasized that "the Fund takes concerns about lack of evenhandedness (real or perceived) in surveillance or program design very seriously" and pledged to undertake periodic reviews of this issue. The Executive Board discussed the evaluation on June 11. Directors welcomed the report and supported the IEO's recommendation to establish a framework for reviewing and monitoring recurring issues in order to create incentives for progress, strengthen the Board's oversight, and provide learning opportunities for staff.

Executive Board to Discuss IEO Evaluation of IMF Response to the Financial and Economic Crisis

The evaluation assesses the IMF's actions since September 2008 to help contain the crisis and navigate a global recovery, assist individual economies in coping with the impact of the crisis, and identify and warn about future risks. It focuses on IMF coordination with multilateral entities, surveillance, and financial support to member countries. The report will be released to the public after the Board discussion scheduled for October 27, 2014.

IEO Revisits Aspects of IMF Engagement with Low-Income Countries

The IEO report, *Revisiting the IEO Evaluations of The IMF's Role in PRSPs and the PRGF (2004) and The IMF and Aid to Sub-Saharan Africa (2007)*, updates past findings on IMF processes and programs in low-income countries. The report finds that the IMF has made significant progress on most of the challenges identified by the two evaluations. Highlights include clarifications of relevant operational policies on a broad front; program measures to protect social and other priority spending; and improved external communications, especially in Sub-Saharan Africa. The IMF maintained momentum in these areas as it launched a new facilities framework for low-income countries, including replacement of the PRGF with the Extended Credit Facility in 2009.

Going forward, the most important strategic issue is to maintain critical collaboration with the World Bank in the wake of the Bank's recent decision to eliminate the requirement for PRSPs, which have been the main organizing process for Bank-Fund cooperation in low-income countries over the past decade. Both institutions will need to find new processes to coordinate their work in this context. The lessons from experience indicate that collaboration works best where there are clear and complementary institutional mandates, defined links to core Fund and Bank activities, and a shared understanding of respective staff roles and responsibilities.

Follow-Up on IEO Evaluations

The IMF's sixth Periodic Monitoring Report on the implementation of Board-endorsed IEO recommendations was approved by the Executive Board in August. This report, prepared by the IMF's Office of Internal Audit and Inspection, focuses on the status of implementation plans for four IEO evaluations issued during 2011-13: *IMF Performance in the Run-Up to the Financial and Economic Crisis*; *Research at the IMF*; *International Reserves*; and *The Role of the IMF as Trusted Advisor*.

The IEO is also following up on its evaluations. In addition to the report on *Recurring Issues from a Decade of Evaluation: Lessons for the IMF* (featured in this newsletter), last year the IEO launched a new series of reports revisiting past evaluations. These updates are brief stock-taking exercises assessing the current status and relevance of key findings and recommendations. To date, update reports have been issued for five evaluations:

- The update on the *Evaluation of Prolonged Use of IMF Resources (2002)* concluded that the need for deeper analysis of country institutional, political, and ownership issues and the need to consider program arrangements for prolonged users in a

longer-term framework remain relevant.

- The update on *Fiscal Adjustment in IMF-Supported Programs (2003)* found considerable progress, but noted that more could be done to improve the way IMF program documents analyze and explain the magnitude and pace of fiscal adjustment and articulate structural issues important to fiscal management and sustainability.
- The update on *IMF Technical Assistance (2005)* emphasized the continued importance of prioritizing country needs and implementation capacities in the allocation of technical assistance resources; ensuring that the IMF's quality-assurance processes are able to cope with the significant expansion of technical assistance activities; and improving the monitoring and evaluation of IMF technical assistance.
- The update on the *Evaluation of the IMF's Role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility (2004)* and *The IMF and Aid to Sub-Saharan Africa (2007)* is featured in this newsletter.

Reports in this series are available on the IEO website at <http://www.ieo-imf.org/ieo/pages/Updates.aspx>.

Ongoing Evaluations

The evaluation of "Statistics for Global Economic and Financial Stability: The Role of the IMF" will examine whether the IMF's activities regarding data and statistics are adequate for fulfilling the IMF's objectives in a rapidly evolving global economy.

The evaluation on "Learning from Experience at the IMF" will examine the self-evaluation systems used by the Executive Board, IMF Management, and staff.

The next study in the series revisiting past IEO evaluations will update the 2005 IEO evaluation of *The IMF's Approach to Capital Account Liberalization*.

Periscope

April 2014

The IEO participated in the Spring meeting of the Evaluation Cooperation Group in Johannesburg, South Africa and gave a presentation on self-evaluation systems at the IMF.

June 2014

The IEO gave a presentation on its 2014 evaluation of *IMF Forecasts: Process, Quality, and Country Perspectives* at the Research Department of the Hong Kong Monetary Authority in Hong Kong SAR, China.



IEO staff