

Building on Trust—An Opportunity for the IMF

The IEO evaluation of *The Role of the IMF as Trusted Advisor* was released in February 2013. It considered whether and in what circumstances member country authorities viewed the Fund as a trusted advisor.

The IEO found that the IMF's image had improved markedly since the onset of the global crisis in 2007 and that the institution was viewed as more flexible and responsive than in the past. Nonetheless, the degree to which the Fund was viewed as a trusted advisor varied by region and country type; authorities in Asia, Latin America, and large emerging markets in general were the most skeptical, and those in large advanced economies the most

indifferent. Recognizing that there will always be an inherent tension between the Fund's roles as a global watchdog and as a trusted advisor to member country authorities, the evaluation explored how the IMF could sustain the more positive image it had achieved in the aftermath of the recent global crisis.

The evaluation recommended that the IMF take action to enhance the value-added of Article IV consultations; strengthen the continuity of the relationship between the IMF and member countries; work more closely with country authorities on outreach; reduce unnecessary disclosure concerns; and implement the Fund's transparency policy



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in a uniform and fair manner. The Executive Board agreed on the need for additional efforts to enhance the role of the Fund as a trusted advisor to the membership and generally endorsed IEO's recommendations, while expressing different views on specific steps to implement them.

External Evaluation Concludes IEO Contributes to IMF Performance and Credibility

The IMF Executive Board launched an external evaluation of the IEO in August 2012. The evaluation panel, consisting of José Antonio Ocampo, Stephen Pickford, and Cyrus Rustomjee, completed its work in January 2013 and submitted a report to the Executive Board.

The panel found that the IEO is viewed as the most independent evaluation office among international financial institutions. They concluded that the IEO has been a successful institution, having played an important role in improving the governance and transparency of the IMF. They also found that IEO evaluations were highly relevant and of high quality, and that they had contributed to strengthening the effectiveness, learning culture, external credibility and accountability of the IMF—the IEO's main goals.

The external evaluation report highlighted several key areas for improvement.

- **Evaluation topics.** The panel reiterated the importance of choosing topics that are central to the IMF's mandate and highlighted the need to clarify the appropriate timing of IEO evaluations to ensure that they address relevant issues while not interfering in current operations. The panel recommended defining current operations as current lending programs.
- **Enhancing IEO's "in-reach" to IMF staff and other outreach.** The panel called on the IEO to increase "in-reach" to IMF staff and urged IMF Management to do more to make staff aware of IEO analysis and recommendations. The panel also recommended, as had the 2006 external evaluation (the Lissakers Report), that the IEO enhance its

outreach to country authorities and external stakeholders, including civil society, to broaden the input for its evaluations and increase awareness of its findings.

- **Follow-up process.** The panel determined that this process was not working well and proposed alternative approaches for preparing the record of Board discussions of IEO evaluations and for monitoring actions taken to implement Board-endorsed recommendations.
- **Interactions with IMF staff.** The panel emphasized the need to strengthen mutual trust between the IEO and IMF Management and staff, utilizing both formal and informal channels.

The Executive Board discussed the external evaluation report on March 21. Directors welcomed the report and its findings about the IEO's contributions and independence, and they also welcomed many of the recommendations made by the panel. They supported increased efforts by the IEO to communicate the results of its evaluations, both within and outside the IMF. They agreed on the need to improve the follow-up process on IEO evaluations and acknowledged the importance of strong ownership by and a proactive role for the Board.

The full external evaluation report and the Summing Up of the Board discussion are available on the IEO website (www.ieso-imf.org).

José Antonio Ocampo, Chairman of
the External Evaluation Committee



IMF Analysis of Reserves Should Be Robust, Balanced, and Put in Broader Context

The IEO evaluation of *International Reserves: IMF Concerns and Country Perspectives* was released in December 2012. It examined two distinct aspects of the IMF's analysis: the role of reserve adequacy assessments in the context of bilateral surveillance, and the effect of reserves on the stability of the international monetary system.

The evaluation concluded that IMF discussions of international reserves in the context of bilateral surveillance were often pro forma, overly reliant on traditional indicators, and insufficiently attuned to country circumstances. To address these concerns, the evaluation recommended that the IMF apply reserve adequacy indicators flexibly and in a way that incorporates country-specific circumstances; recognize the multiple tradeoffs involved in decisions on reserves; and integrate advice on reserves with advice in related areas, directing

this advice not just to emerging markets but also to advanced economies where appropriate.

In the multilateral context, the IEO welcomed the Fund's broader work stream on the international monetary system but noted that this work had not sufficiently informed the analysis and recommendations regarding reserves. The IEO recommended that the IMF take a comprehensive approach to threats to financial stability when discussing reserve accumulation, and that when addressing systemic externalities, IMF policy initiatives take into account the relative size of countries' contributions to those externalities.

During its discussion of the evaluation, the Executive Board generally supported the IEO's recommendations, while recognizing that the Fund had already made progress in many of these areas in the broader context of its work on the international monetary system.

Follow-Up on Past Evaluations

In February 2013, the Executive Board considered the *Fifth Periodic Monitoring Report on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations* and determined that appropriate steps had been or were being taken by the IMF to follow up on the IEO evaluation of *IMF Interactions with Member Countries*.

In March, the Executive Board endorsed the Management Implementation Plan (MIP) for the *International Reserves* evaluation, which laid out proposed actions to follow up on this evaluation. The MIP is available on the IMF website.

Independent Evaluation at the IMF: The First Decade

In early 2013, the IEO released a volume describing experience with independent evaluation at the IMF over the past 10 years. A hard copy of the compendium is available from the IMF Bookstore, or it may be downloaded at <http://www.ieo-imf.org/ieo/pages/CompletedEvaluation159.aspx>.

Upcoming Evaluations

The IEO is in the final stages of work on "An Assessment of IMF Self-Evaluation Systems." This evaluation examines how the IMF learns from experience. The IEO expects to submit an evaluation report to the Executive Board in the coming months.

Following broad-based consultations and a discussion with the Executive Board, the IEO has initiated three new evaluations on: IMF forecasting; country statistics; and the IMF's response to the global financial crisis. A Draft Issues Paper for the forecasts evaluation is available on the IEO website.

Periscope

October 2012

The IEO consulted about its future work program with about 30 country delegations during the Annual Meetings in Tokyo, Japan.

November 2012

The IEO presented results of its evaluations of *Governance of the IMF* and *IMF Performance in the Run-Up to the Financial and Economic Crisis* at the EBRD in London, the United Kingdom.

December 2012

The IEO presented the results of the *Crisis* evaluation to Ambassadors at the OECD, in Paris, France.

February 2013

The IEO conducted a seminar for the IMF Executive Board on how the IEO works to support the Board's institutional governance and oversight responsibilities.

The IEO presented its evaluation of *International Reserves: IMF Concerns and Country Perspectives* at the Chinese Academy of Social Sciences in Beijing, China; and the Hong Kong Monetary Authority and Lingnan University in Hong Kong SAR.

March 2013

The IEO presented its evaluation of *The Role of the IMF as Trusted Advisor* at the UN ECLAC in Santiago, Chile.

The IEO presented its evaluation on *International Reserves* at the Central Bank of Chile in Santiago; the Central Bank of Uruguay in Montevideo; the Asian Development Bank in Manila, Philippines; and the Asian Development Bank Institute in Tokyo, Japan.



External stakeholders discuss IEO work.