

IEO Welcomes New Director

Mr. Moises Schwartz assumed his duties as the third Director of the IEO in February 2010. Before joining the IEO, Mr. Schwartz was President of the National Commission for Retirement Savings in Mexico. Between 2004 and 2006, he served as Executive Director of the IMF representing Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, and Venezuela. Previously, Mr. Schwartz held several senior positions in Mexico's public administration, including as the Finance

Minister's Chief of Staff and Director General of International Financial Affairs within the Ministry of Finance. He has also served as Director of Macroeconomic Analysis and of Economic Studies in Mexico's Central Bank. Mr. Schwartz has been a Professor of Economics at Instituto Tecnológico Autónomo de México (ITAM) and has published articles on fiscal, financial and monetary policies. He holds a Ph.D. in economics from the University of California at Los Angeles (UCLA).



Moises Schwartz, IEO Director

New Evaluation Report: IMF Interactions with Member Countries

In January, the IEO released its report on *IMF Interactions with Member Countries* covering the period 2001-2008. The evaluation found that IMF interactions were more effective with low-income countries and with other emerging economies than they were with advanced and large emerging economies. The difference reflects the greater relevance of IMF interactions, as perceived by country authorities and staff, in program and technical assistance contexts than in the surveillance-only context.

The evaluation found other differences across country groups as well. The authorities of advanced economies valued exchanging views with IMF staff on their economic prospects, but the large advanced economies did not expect interactions to go beyond the assessment of policies. Authorities in large emerging economies felt that surveillance lacked value and/or evenhandedness, but they rated technical interactions more highly. For other emerging economies, the evaluation found a more positive view of the quality of interactions and a somewhat negative view of the management of interactions, especially on staff turnover. Most low-income country authorities gave high marks to IMF technical assistance, signaling with donors, and programs. However, for some low-income country authorities and civil society organizations, negative memories of

past experiences with the Fund in the first half of the evaluation period continued to influence current perceptions. They also faulted the Fund for excessive turnover. Overall, the evaluation found that interactions were undermanaged, although some individuals managed particular interactions very well.

The report recommends a number of actions to improve the effectiveness of core IMF activities, including:

- upgrade the content and substantive quality of Fund surveillance, especially with respect to its international dimensions;
- develop knowledge-based products to enhance the Fund's ability to engage and influence government authorities;
- develop professional standards for staff interactions with the authorities;
- clarify the modes of and approaches to outreach; and
- undertake steps to better manage interactions, including a more strategic approach, longer tenures for mission chiefs, and clarified responsibilities for relationship management.

The Executive Board discussed the IEO report on December 14, 2009, and broadly supported the thrust of key IEO recommendations on enhancing traction, improving outreach effectiveness, and

strengthening interactions management. With respect to specific proposals, Directors stressed the importance of further enhancing the international dimensions of the Fund's surveillance and policy work with greater attention to cross-country analysis and spillovers. They looked forward to considering proposals to improve surveillance and its traction. The Board generally supported the proposal to increase mission chief and staff tenure on country assignments while balancing this with the need for fresh and cross-country perspectives. Directors strongly supported efforts to enhance the candor and effectiveness of Fund engagement with country authorities, acknowledging the importance of Management and the Board supporting staff analysis involving politically difficult messages. Directors supported continued deepening of guidance and training for staff in conducting country relations. Directors also generally considered it useful to provide greater guidance for staff on outreach, while preserving sufficient flexibility.

IMF staff will now prepare a Management Implementation Plan for consideration by the Board.

The full report, IMF management and staff responses, IEO comments on the management and staff responses, and the summing up of the Executive Board meeting are available at http://www.ieo-imf.org/eval/complete/eval_01202010.html.

What happens after an IEO evaluation has been discussed by the Board? The Process and Current Status

Follow-up on IEO recommendations endorsed by the Board is vital to establishing accountability and completing the cycle of learning to which independent evaluation contributes. A two-step process was set up in 2007 following the External Evaluation of the IEO (<http://www.imf.org/external/np/pp/eng/2006/032906.pdf>).

First, for each evaluation, IMF management prepares a Management Implementation Plan (MIP) in response to recommendations endorsed by the Executive Board. The latest MIP – on Board-endorsed recommendations arising from the IEO evaluation of *IMF Involvement in International Trade Policy Issues* – was agreed by the Executive Board on December 17, 2009. The document is available at <http://www.imf.org/external/np/sec/pn/2010/pn1035.htm>. Among the follow-up steps are:

- reviews of Fund work on trade every 5 years, beginning in 2014;
- guidance to staff on trade in financial services and preferential trade agreements, to be developed by July 2010;
- revised guidance on trade policy advice/conditionality in the context of Fund-supported programs.

Second, looking across past evaluations, each year IMF management prepares a Periodic Monitoring Report (PMR) on implementation of IEO

recommendations that were endorsed by the Board. The PMR is reviewed by the Executive Board.

The most recent PMR (October 2009) reviewed the status of actions identified in the MIP for the IEO evaluation of *Structural Conditionality in IMF-Supported Programs*, as well as outstanding items from the previous PMR relating to evaluations of *Exchange Rate Policy Advice and Sub-Saharan Africa*. The Evaluation Committee broadly endorsed the PMR assessment that all key performance benchmarks had been met or were on track for timely completion and proposed no new remedial actions.

The Evaluation Committee also noted that more needs to be done in some cases to achieve the broader policy objective underlying specific IEO recommendations, despite the fact that specific actions previously proposed may have been completed. The Committee drew attention in particular to Board-endorsed recommendations from the *Exchange Rate Policy Advice* evaluation, including the integration of macro and financial surveillance and the review of the stability of the system of exchange rates. The Committee further emphasized the need to improve implementation of Board-endorsed IEO recommendations, possibly including revisions to the PMR process. The Third PMR and the Evaluation Committee's assessment thereof are available at <http://www.imf.org/external/np/sec/pn/2010/pn1023.htm>.

Under Evaluation: IMF Performance in the Run-Up to the Crisis and Research at the IMF

Work continues apace on the two evaluations initiated in 2009, *IMF Performance in the Run-Up to the Current Financial and Economic Crisis* and *Research at the IMF: Relevance and Utilization*.

Crisis: The evaluation will assess IMF performance in identifying the factors that brought about the crisis, examine the advice that the IMF provided to the membership on how to avoid or mitigate its consequences, and draw lessons for the future. The final issues paper, which defines the scope, main questions and methodology, is available at http://www.ieo-imf.org/eval/eval_ongoing.html.

Research: The IMF produces a large quantity of research – nearly 7000 pieces from 1999 to 2008. The main focus of the evaluation is on the relevance and utilization of this research by member countries. In addition, the evaluation will consider the technical quality and the management of the research, including priority-setting, topic selection and resource allocation. The final issues paper is available at http://www.ieo-imf.org/eval/eval_ongoing.html.

Periscope

As part of the ongoing evaluations of *Research at the IMF* and *IMF Performance in the Run-Up to the Crisis*, IEO leadership and staff has met for consultations with authorities, other international organizations, and civil society in Africa, Asia, Europe, and Latin America. As part of these efforts, the IEO co-hosted a seminar with InWent, the capacity-building organization sponsored by the German government, and participated in the XXII Regional Seminar on Fiscal Policy at the Economic Commission for Latin America and the Caribbean (CEPAL).

In March, Ruben Lamdany, IEO Deputy Director, presented the evaluation on *Governance of the*

IMF to the Development Effectiveness Committee of the Board of Directors of the African Development Bank in Tunis. Also in March, John Hicklin, IEO Deputy Director, and senior consultant Joanne Salop reported on the findings of the IEO evaluation of *IMF Interactions with Member Countries* at a workshop in Berlin organized by InWent.



Senior officials and academics from around the world, along with IEO staff, attend a seminar in Berlin co-hosted by InWent and the IEO.