

Ten Years of Independent Evaluation at the IMF

This year marks the tenth anniversary since the IMF Executive Board created the Independent Evaluation Office (IEO). In these ten years, the IEO has produced 18 evaluation reports, which have assisted the Executive Board in its oversight function and helped to strengthen the IMF's learning culture. The IEO's work has reached a broad audience and contributed to greater public understanding of the IMF. IEO evaluations have touched on some of the most important issues facing the IMF during the past decade.

On December 6, 2011, IEO will hold a conference to recognize this 10th anniversary and to explore how to further improve its work. As background for the conference, IEO is looking back at its contributions—assessing how its reports have evolved, reviewing what has resulted from its recommendations, and exploring challenges in the process for following up on its evaluations.

In preparing for this event, IEO Director Moises Schwartz reflected on the important

legacy of his predecessors Montek Singh Ahluwalia (2001-2004) and Tom Bernes (2005-2009) and looked forward to their joining the discussion of IEO's achievements and challenges. In addition to IMF Executive Directors, a number of leaders of past evaluations, experts on the IMF, and evaluators from other international organizations will be invited to participate. Conference proceedings will be reported in a future newsletter.

IMF Research Well-Regarded, But Significant Room for Improvement

The IEO released its latest evaluation, *IMF Research: Relevance and Utilization*, on June 21, 2011. This study evaluated the relevance and utilization of IMF research to member country authorities, to IMF staff, and to other stakeholders; it also examined the technical quality and management of research.

Findings

The evaluation found that the vast body of research produced by the IMF included a large number of high-quality products, many of which are widely read in member countries and play a significant role in policymaking. This was particularly true for the *World Economic Outlook (WEO)* and *Global Financial Stability Report (GFSR)*, but also for many other publications.

At the same time, the evaluation concluded that there was significant scope to improve the relevance and quality of IMF research and therefore enhance its utilization. The relevance

of research was often hampered by lack of early consultation with country authorities on research themes and by lack of sufficient country and institutional context. Authorities indicated that there were important gaps in thematic coverage, such as macro-financial linkages and aspects of monetary policy. Further, the technical quality of IMF research publications was quite diverse. The *WEO*, *GFSR*, and external publications were generally of high quality, while the quality of selected issues papers and working papers, which are not subject to a rigorous quality review, was lower and more variable.

In addition, the IEO found that many studies had conclusions and recommendations that did not appear to flow from the analysis, while other studies seemed to be designed with the conclusions in mind. Moreover, the evaluation pointed to a widespread view among IMF staff that research findings need to be aligned with current IMF policies. Because of this, member country authorities and other stakeholders perceived IMF research as “message-driven.”

Recommendations

To strengthen relevance, the evaluation recommended that the IMF conduct a periodic strategic review of the function and uses of its research product lines to establish whether they should be strengthened, redesigned, or discontinued. Consultation with authorities on research topics and discussions of results

should become standard practice. Increased and earlier interaction with authorities as well as longer country assignments by mission members would enhance the country and institutional context of research.

To enhance quality, adequate time and resources should be allocated to each research project, even if this leads to fewer publications. The review of research products should be strengthened to improve quality and to prevent the publication of low-quality products. Of key importance, IMF Management and the Executive Board need to cultivate an open, independent, and innovative research environment, explicitly encouraging staff to explore differing and alternative views.

Executive Board Response

In their discussion on June 13, 2011, Executive Directors broadly endorsed the main conclusions and recommendations of the report. They saw scope for enhancing the relevance and technical quality of the analytical work, openness to alternative points of view, and coordination of research activities across the institution. They looked forward to further analysis and discussion in the context of the forthcoming Management Implementation Plan.

Three Evaluations Underway

The IEO continues its work on two evaluations announced last spring, on “International Reserves: IMF Advice and Country Perspectives” and on “The Role of the IMF as Trusted Advisor.” The IEO has also launched a new study, “Learning from Experience at the IMF: An IEO Assessment of Self-Evaluation Systems.” Draft issues papers on these three evaluations were circulated to

the Executive Board and posted on the IEO website for public comment.

The evaluation on international reserves will assess the nature and quality of IMF advice to member countries on international reserves against the background of its mandate, taking into account the perspective of country authorities.

The evaluation on the IMF as trusted advisor will seek to determine whether and in what circumstances the IMF is

perceived as a trusted advisor by its member countries. It will examine the factors that affect authorities’ choices to engage in a substantive way with the IMF, including potential disclosure concerns with respect to advice on sensitive issues.

The evaluation of IMF self-assessment will examine the systems used by the IMF and individual departments to learn from experience and to incorporate these lessons into their work.

Tracking Past Evaluations

The process for follow-up on IEO evaluations and their recommendations instituted in 2007 calls for a Management Implementation Plan to be issued soon after the Board discussion of each IEO report and for a Periodic Monitoring Report to be prepared by IMF staff on an annual basis to assess the Fund’s progress in implementing recommendations endorsed by the Board.

The Evaluation Committee of the Executive Board met on July 26, 2011, to discuss the Fourth Periodic Monitoring Report on the

Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations. This report focused on implementation of the IEO evaluation of *IMF Involvement in International Trade Policy Issues*. The Committee broadly endorsed the report, which was then approved by the Board on a lapse of time basis. However, the Committee also noted that further work is needed to improve the process for monitoring follow-up on recommendations endorsed by the Board. In particular, Committee members were concerned about the lack of a mechanism to monitor the implementation of recommendations from earlier IEO evaluations.

The follow-up on more recent IEO evaluations is pending. A Management

Implementation Plan for the IEO evaluation of the *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07* will be presented for Board approval after the completion of the Triennial Surveillance Review. IEO believes it is critical to take action promptly to address issues raised in the evaluation. There has been no report on the status of implementation of Board-endorsed recommendations arising from the evaluation of *IMF Interactions with Member Countries* that was discussed by the Board at the end of 2009. Currently, there is no mechanism to follow up on IEO’s evaluation of *Governance of the IMF* (2008).

Periscope

May

Moises Schwartz, IEO Director, presented the findings of the evaluation of *IMF Performance in the Run-up to the Financial and Economic Crisis: IMF Surveillance in 2004-07* at the 91st meeting of Central Bank governors at the regional association of Latin American and Caribbean central banks (CEMLA) in Cartagena, Colombia.

June

Ruben Lamdany, IEO Deputy Director, delivered a key note address “Groupthink and Overconfidence: Predictive Failures in the Global Economic Crisis” at the Center for International Governance Innovation in Waterloo, Canada.

IEO co-hosted a seminar with the German Federal Ministry for Economic Cooperation and Development (BMZ) in



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

Berlin to discuss the evaluation of *IMF Research: Relevance and Utilization* and to consider issues for the new evaluation of IMF advice on international reserves.

Hans Genberg, IEO Assistant Director, and Nancy Wagner, IEO Advisor, visited a number of countries over the last several months to meet with authorities as part of ongoing IEO evaluations.