



THE INDEPENDENT EVALUATION OFFICE
OF THE
INTERNATIONAL MONETARY FUND

POSSIBLE TOPICS FOR EVALUATION OVER THE MEDIUM TERM

May 8, 2006

INTRODUCTION

This note identifies possible topics for evaluation by the Independent Evaluation Office (IEO) over the medium term. It is not a work program. In accordance with its mandate, the IEO sought ideas from a wide range of stakeholders. What follows is a deliberately broad list reflecting the many suggestions received from outside stakeholders as well as IMF Executive Directors, Management, and staff. IEO in identifying its work program will focus on a small number of areas, and, in some cases, only on some of the issues identified.

The list is being circulated at this time to elicit comments, both on the substance of the suggestions and on priorities in timing. With this feedback, the IEO intends to prepare a short list of three topics to be added to the IEO's work program. The topics listed below do not necessarily constitute similar size projects: some topics clearly would require more resources to complete than some others and, at this stage, there will inevitably be overlap across various candidates. Subsequent selection from this list will depend on many factors, including judgment on overall importance, the balance of issues, and appropriate timing. In particular, several key topics on the list are now being reviewed in other contexts, which will significantly affect overall IEO priorities as well as timing. Topics will be chosen only where a strong case can be made for the deployment of scarce IEO resources.

The list is organized into four sections, covering (i) IMF impact in member countries; (ii) major areas of the IMF's policy advice; (iii) specific IMF instruments; and (iv) the IMF's internal governance. The order of listing of topics implies no judgment on relative priorities at this stage.

The criteria for inclusion on the list include consistency with the stated objectives of the IEO: (i) to enhance the learning culture within the Fund, (ii) to strengthen the Fund's external credibility, (iii) to promote greater understanding of the work of the Fund throughout the membership, and (iv) to support the Executive Board's institutional governance and oversight responsibilities. All of the topics suggested below meet one or more of these criteria, and several of them have been subject to widespread debate and/or criticism.

I. EVALUATIONS OF IMF IMPACT IN COUNTRIES

1. **The IMF's role from the perspective of member countries.** Based on the views of country authorities and others, such a project could evaluate the effectiveness of IMF engagement with member countries. It could examine the perceived impact of IMF country operations across a wide array of instruments, including program relationships, Article IV consultations, and technical assistance and training, and the modalities of interaction, including through missions, resident representatives, and communication with headquarters. The evaluation would attempt to assess how well the IMF's instruments and modalities of operation are aligned with the needs of policymakers, and how well the relationship with member countries is managed.
2. **Economies in transition.** The IMF played both a central and a controversial role in post-communist transition economies. Distilling lessons from that experience is relevant because economic conditions in these countries are still shaped by the decisions taken at that time, and because other countries still face transition from central planning to market economy.
3. **Countries in or emerging from conflict.** Conflict affects a number of member countries. This project could address whether the Fund's role in these countries is clearly defined, including relative to the roles of other international institutions. How effectively is that role being carried out? Such an evaluation would draw on a range of experiences in Africa, Asia, Europe, and Latin America. It could look at important issues concerning the IMF's role in areas such as collaboration with donors, program design, financing, and capacity building.
4. **Turkey.** Earlier consultations suggested a strong view that the IEO should undertake an evaluation of all cases involving exceptional access to IMF financial resources. In that context, an evaluation of the role of the IMF in Turkey was already included in the short list of topics for the FY2005 work program.

II. EVALUATIONS OF IMF ACTIVITIES ON THEMATIC POLICY ISSUES

5. **Macroeconomic aspects of financial risk management.** Such a project could evaluate the effectiveness of IMF advice to countries in their management of macroeconomic risks and vulnerabilities that could derive from mismatches in their national balance sheets in the financial, corporate, and fiscal sectors (including quasi fiscal operations). It would look at the application of balance sheet concepts in the Fund's surveillance and program work. Although the IMF has made several efforts to utilize such analysis in its work, some observers argue that the use is still inadequate in the day-to-day operations of the IMF. The evaluation would seek to assess the extent to which IMF policy advice could be enhanced through more extensive use of this approach.

6. **Governance in member countries.** The IMF's current guidelines on governance issues, initially prepared in August 1997, were reviewed by the Board in early 2001.¹ At that time, Directors agreed that the IMF's approach to governance would be dealt with in the context of regular reviews of conditionality and surveillance. Governance issues have since assumed greater prominence in terms of both specific country discussions and new policy initiatives (e.g., safeguards assessments and public expenditure management in HIPCs). An examination of the effectiveness of the current approach is thus called for. An evaluation could cover such issues as conditionality, collaboration with the World Bank, uniformity of treatment across the membership, and the management of revenue from natural resources.

7. **Transparency and accountability in member countries.** The last decade has seen a dramatic rise in the emphasis given to transparency and accountability in economic policymaking. An evaluation could examine the role and effectiveness of the IMF in contributing to greater transparency and accountability in member countries, through such efforts as standard-setting, assessment of the observance of standards and codes, publication policy for country documents, and communications strategy. While internal reviews have been conducted on aspects of this topic, an independent assessment could explore the impact the IMF may have had on member countries, taking appropriate note of the complex interplay of incentives among various parties as well as country-specific factors.

8. **Policies to ensure fiscal and external sustainability.** In light of two major debt relief initiatives in recent years—the Multilateral Debt Relief Initiative (MDRI) and the Enhanced Initiative for Heavily Indebted Poor Countries (HIPC)—such an evaluation could address the broader question of how the IMF helps its member countries to establish fiscal and external sustainability. An evaluation could assess the Fund's role in debt relief initiatives, e.g., by reviewing the criteria used to provide official debt relief and assessing their implementation. In this respect, an evaluation would complement the recent Evaluation Update of the HIPC Initiative undertaken by the Independent Evaluation Group of the World Bank.² In addition, it could examine the IMF's policy advice aimed to ensure fiscal sustainability, including policies to contain expenditures as well as taxation and other domestic resource mobilization policies.

9. **Debt problems involving private creditors.** An evaluation could examine the Fund's policy on private sector involvement and its role in the prevention and resolution of balance of payments crises. Drawing on the experiences of countries with various types of

¹ The 1997 guidelines and the 2001 review are available at <http://www.imf.org/external/pubs/ft/survey/pdf/080597.pdf> and <http://www.imf.org/external/np/gov/2001/eng/gov.pdf>, respectively.

² See [http://wbln1023.worldbank.org/oed/oeddoclib.nsf/DocUNIDViewForJavaSearch/44D514EE447F94B68525715300688D1C/\\$file/hipc_update_evaluation.pdf](http://wbln1023.worldbank.org/oed/oeddoclib.nsf/DocUNIDViewForJavaSearch/44D514EE447F94B68525715300688D1C/$file/hipc_update_evaluation.pdf).

private sector involvement, it could seek to identify why some attempts were more effective than others. This is an area where policy is still evolving, but lessons from earlier experience could be valuable.

10. **International trade.** A stated purpose of the IMF is to facilitate the expansion and balanced growth of international trade. An evaluation could start with the fundamental question of whether the Fund's advice on trade—and the models on which it may have been based—was appropriate. It could go on to assess the quality and effectiveness of the Fund's advice on trade policy at the country, regional and multilateral levels, given through both surveillance and program related activities. Coordination with the WTO and the World Bank (both of which have their own respective mandates in this area) would also be assessed. The evaluation would complement the review of the World Bank's trade policy advice recently carried out by the Bank's Independent Evaluation Group.³

11. **Privatization.** Especially in developing countries, there is a wide-spread public perception that the IMF pressures its members to privatize indiscriminately. An evaluation could assess the IMF's policy and practice in this area, in terms of both surveillance and program work. It would ask whether expected results have been achieved. Among the issues to be considered could be the Fund staff's openness to country specific approaches to privatization and collaboration with the World Bank.

12. **Fund advice on oil markets.** In the light of highly volatile markets for oil, an evaluation could review Fund advice to both oil producing and oil consuming countries. The consistency of advice given to oil producers and consumers with advice on global oil market developments could be a major issue to be addressed.

13. **Anti-money laundering.** Almost five years after the Fund intensified its anti-money laundering initiatives, an independent assessment of their effectiveness may be useful. An evaluation could review the consistency of the Fund's efforts across economies and the effectiveness of its coordination with other agencies. To the extent possible, it could also assess the outcomes of the IMF engagement.

III. EVALUATIONS OF THE IMF'S TOOLKIT OF INSTRUMENTS

14. **Bilateral surveillance.** As outlined in the IEO's Work Program for FY 2006,⁴ an evaluation of IMF bilateral surveillance could be useful in light of the increasing emphasis placed by the IMFC and the Executive Board on the need to assess the effectiveness of surveillance. The evaluation would seek to assess the value added of bilateral surveillance to national policy-makers, the international community, and to markets. It would also examine the integration of the multilateral and bilateral components of surveillance, especially for

³ See <http://www.worldbank.org/ieg/trade/report.html>.

⁴ See <http://www.imf.org/External/NP/ieo/2005/wp/eng/index.htm>.

systematically important economies and review internal processes for monitoring IMF surveillance. Given the recent announcement by the Managing Director in his Report on Implementing the Fund's Medium-Term Strategy⁵ to restructure the surveillance activities of the Fund, the timing of such an evaluation would need to be carefully considered.

15. **Capacity and institution-building.** Given the importance of country institutions and capacity for effective policy design, ownership, and implementation, an evaluation could focus on the Fund's activities in these fields, including the support it provides to member countries in helping to build monetary and fiscal institutions. It could assess the impact of external training provided by the IMF Institute and regional facilities to government officials. It could cover such issues as whether technical assistance training has contributed to the quality of policy processes in specific areas. It could also follow up on the issue arising from the 2005 IEO Evaluation of IMF Technical Assistance.⁶

16. **Support for country Poverty Reduction Strategies.** In addition to assessing overall progress following the earlier IEO evaluation of the Fund's involvement in PRSP/PRGF processes, an evaluation could in particular address selected issues that arose in the original evaluation, including an assessment of Poverty and Social Impact Analysis, Joint Staff Assessment Notes, or Fund advice on domestic resource mobilization. The determination of the external resource envelope is being addressed in an ongoing evaluation, which focuses on Sub-Saharan Africa. The World Bank's Independent Evaluation Group is likely to undertake a PRSP follow-up evaluation.

17. **Research.** Six years ago, a group of independent experts evaluated the IMF's economic research activities.⁷ At that time, the Executive Board agreed with the group's finding that there was "substantial room for improvement in the overall quality of the Fund's research." Among others, Directors endorsed the recommendation that the mix of research conducted at the Fund would need to be directed more to areas where it could add the most value and agreed that it could be integrated to a greater extent into policy work. An evaluation would be a follow up exercise and look at the costs and value added of IMF research that is undertaken inside and outside the Research Department.

18. **Production and management of macroeconomic data.** Especially in low income countries, the generation of consistent macroeconomic data is regarded as an important public good emanating from the IMF's work. Still, the IMF has been criticized for its data management practices as well as for using data sets that do not always appear consistent. An evaluation could assess the process by which country data are collected, produced,

⁵ See the Managing Director's Report on "Implementing the Fund's Medium-Term Strategy," (SM/06/112), March 17, 2006.

⁶ See <http://www.imf.org/external/np/ieo/2005/ta/eng/013105.htm>.

⁷ See <http://www.imf.org/external/pubs/ft/extev/res/index.HTM>.

disseminated and managed within the Fund, including the interfaces within and between departments.

19. **Ex-Post Assessments (EPAs).** Following up on the IEO's earlier evaluation of the prolonged use of IMF resources, concerns have been raised regarding the inadequate coverage of critical issues in completed EPAs. An evaluation could assess the current EPA strategy and the independence of the assessments made. It could ask whether EPAs are sufficiently focused on assessing performance of the Fund (as opposed to the recipient countries) in the design and review of programs and whether they go far enough in providing a realistic exit strategy and distilling lessons for future engagement.

IV. EVALUATIONS OF THE IMF'S GOVERNANCE

20. **IMF corporate governance—including the role of the Board.** While this is potentially a very broad topic, aspects that may be more likely to generate important evaluation lessons could include (i) whether the current mechanisms for consultation and allocation of decision-making responsibilities between the Board and management are best suited to the objectives of the institution, in terms of accountability and efficiency of decision-making, and how effectively this allocation is operating in practice; and (ii) whether the Board has been able to exercise its oversight functions effectively, and whether the current modalities of Board operations, including the flow of information to the Board, are well suited to fulfilling these functions. While keeping in mind the sui generis nature of the IMF, an evaluation could also attempt to benchmark the IMF corporate governance structure with that of other international organizations, governments, and private sector organizations.

21. **Internal self-evaluation processes and systems.** An evaluation could examine the structure and effectiveness of staff self-assessment and how well it contributes to the Fund's ability to learn from past experience. This could involve an assessment of the extent to which internal staff incentives reinforce the Fund's learning culture. Issues that could be addressed include whether the current allocation of evaluation responsibilities within the Fund is well suited to effective learning and dissemination of lessons, and whether internal processes and incentives foster candid discussions and peer review.

22. **IMF-World Bank collaboration.** Given the recent announcement by the IMF Managing Director and the World Bank President of the creation of an external committee to review IMF-World Bank collaboration, any IEO evaluation should probably be undertaken in several years time depending on the outcome of this review.⁸ A closer cooperation between the IMF and other international organizations has been identified as a key step towards enhancing the effectiveness of these institutions. An evaluation could seek to address a number of key issues where the effectiveness of IMF-World Bank cooperation has significant impact on IMF operations. These could include the issues of when and how "joint" IMF-

⁸ See <http://www.imf.org/external/np/sec/pr/2006/pr0665.htm>.

World Bank initiatives are the most suitable approach to addressing common objectives, and of how effectively the demarcation of responsibilities in the institutional and structural areas is working in practice.

23. **Communication and transparency.** For many years now, the modus operandi of the IMF has been gradually shifting from reliance on confidential peer review to greater use of transparency as a way to strengthen policy accountability. An evaluation could examine the effectiveness, efficiency, and impact of this shift in the Fund's transparency policy, including the impact on the quality of surveillance.

Completed and Ongoing IEO Work Program

Project	Status 1/
Initial round of evaluation projects	
Prolonged Use of IMF resources	Completed (September 2002)
The IMF and Recent Capital Account Crises (Indonesia, Korea, Brazil)	Completed (May 2003)
Fiscal Adjustment in IMF-Supported Programs	Completed (August 2003)
Additions to Work Program 2/	
FY2004	
The IMF and Argentina, 1991-2001	Completed (July 2004)
Poverty Reduction Strategy Papers/Poverty Reduction Growth Facility	Completed (July 2004)
IMF Technical Assistance	Completed (January 2005)
FY2005	
IMF's Approach to Capital Account Liberalization	Completed (April 2005)
IMF Assistance to Jordan	Completed (October 2005)
Financial Sector Assessment Program	Completed (November 2005)
Multilateral Surveillance	Completed (February 2006)
FY2006	
IMF Structural Conditionality	In progress (2 nd quarter of 2006)
The Role of the IMF in the Determination of the External Resource Envelope in Sub-Saharan Africa	In progress (end-2006)
IMF Advice on Exchange Rate Policy	In progress (early 2007)
Bilateral Surveillance	Pending further consideration

1/ The date refers to the time the completed report was, or is expected to be, circulated to the Evaluation Committee of the Board.

2/ Refers to the fiscal year in which the projects were first added to the work program.