

## POSSIBLE TOPICS FOR FUTURE IEO EVALUATIONS

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This note identifies possible topics for evaluation by the Independent Evaluation Office (IEO) over the next three years. The list of possible topics is organized under the following categories: (i) IMF surveillance; (ii) IMF lending and program design; (iii) governance and partnerships; and (iv) IMF engagement and advice on specific issues. The IEO welcomes comments and suggestions from country authorities, Executive Directors, IMF management and staff, and outside stakeholders. After further consultations, the IEO will initiate work on a selection of these topics as ongoing evaluations are completed.<sup>1</sup> The IEO may also identify other topics as circumstances change.

### I. IMF SURVEILLANCE

1. **IMF Advice on Unconventional Monetary Policy.** Since the global financial crisis, monetary policy has been used aggressively in large advanced economies to combat wide output gaps and deflationary concerns. As conventional policies approached their limits, central banks turned to unconventional instruments including negative policy interest rates, massive asset purchases, and more active forward guidance. In addition to the impact on the originating economies, these monetary policy responses have had spillovers on other smaller advanced and many emerging market economies, which have complicated these countries' policy tradeoffs. They have also led to concerns about financial risks by reducing the available supply of safe assets and raising the possibility of excessive risk-taking in an environment of very low returns. The evaluation would assess IMF advice to advanced economies implementing unconventional monetary policies and to a selection of advanced and emerging market economies heavily impacted by such policies during the period of aggressive easing, as well as advice on dealing with potential problems from exiting. The evaluation would assess IMF advice on the range of instruments available to central banks, the likely efficacy of monetary policy relative to other policy options, and broader repercussions associated with these choices, for both the originating countries and countries affected by spillovers. It would consider the extent to which IMF advice was receptive to a wide range of views and to analytical work inside and outside the Fund and the extent to which Fund advice was even-handed and multilaterally consistent.

2. **The IMF and Structural Issues.** In recent years, the IMF has increasingly recognized that a broad range of structural issues can affect domestic or external stability, and therefore can be

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<sup>1</sup> A list of ongoing and completed evaluations is provided in the Annex.

macro-critical and warrant attention in IMF surveillance. A number of emerging macro-critical issues have been identified (including inequality, gender, climate change, jobs and growth, and infrastructure), and staff have been encouraged to embark on pilot studies in preparation for mainstreaming of these activities. This evaluation would assess the effectiveness and impact of this initiative on IMF surveillance. A central issue would be the strategy to ensure the right priorities for the Fund, both vis-a-vis the countries concerned and for global stability, bringing due attention to the new structural issues without detracting from the Fund's work on core macro and macro-financial issues in a resource-constrained environment. The evaluation would also consider the extent to which the IMF should develop in-house expertise in these structural issues and how it can best work with external partners.

3. **External Sector Assessment.** This evaluation would gauge progress in strengthening the Fund's analytical capacity and traction on external sector assessment. In recent years, the Fund has worked hard to enhance its toolkit for external assessment (e.g., the External Balance Assessment (EBA) methodology for current account norms and exchange rate evaluation, and new metrics for official reserves) and sought to increase the transparency and impact of its findings, including through implementation of the Integrated Surveillance Decision and through new vehicles such as the External Sector Report. This evaluation would look into how far this new framework has enhanced the IMF's ability to provide technically sound advice and promoted frank assessments in this highly sensitive area of surveillance, and assess the impact both at the country level and the global level. It would also review whether the framework has helped in the context of new challenges for external assessment, including how to reflect the impact of unconventional monetary policies and how to analyze currency unions. The evaluation would build on the update of the 2007 IEO Evaluation of IMF Exchange Rate Policy Advice to be completed later this year.

4. **IMF Fiscal Policy Advice.** Since the global financial crisis, the Fund's advice on fiscal policy has evolved significantly. In the immediate post crisis period, the Fund pushed for a global fiscal stimulus to help offset the contractionary impact of the crisis. Subsequently, the Fund's advice has been more differentiated, on the one hand looking for room to use fiscal policy as a counter-cyclical tool in a world with large output gaps and diminished ammunition for monetary policy, but on the other hand being concerned to ensure medium-term fiscal sustainability. This advice has been supported with technical work for example on how to assess the availability of fiscal space, how to design growth-friendly fiscal reforms, and how to analyze multiplier effects of fiscal policy shifts on economic activity. This evaluation would assess the Fund's fiscal advice since the crisis, looking at issues such as: how well has advice balanced short-term and longer term considerations; how consistent has advice been across countries and over time; how have multilateral aspects including spillovers been treated; and what progress has been made in upgrading the analytical toolkit.

## II. IMF LENDING AND PROGRAM DESIGN

5. **Evenhandedness of IMF Lending Policy.** The IMF's handling of the Euro crisis has raised concerns that smaller, often low-income countries may be treated less well in programs, including through more limited access, less favorable macro assumptions and projections, tighter design and implementation of program conditionality, and more constrained staffing of country teams. Many reforms have been implemented to assist LICs, including the increase in resources available through the Poverty Reduction and Growth Trust (PRGT), the doubling of average access limits, the introduction of new facilities, new guidelines on the blending of PRGT and General Resources Account (GRA), and the periodic review of the eligibility of members to access concessional financing. Nevertheless, concerns about even-handedness have lingered. Following the 2014 Triennial Surveillance Review, the IMF introduced a new policy to promote evenhandedness of IMF surveillance, but attention to concerns about evenhandedness of IMF lending has been deferred to 2019. This evaluation would review recent experience and changes in lending policies to assess whether the IMF's lending policies and practices are fair and unbiased across the member countries.

6. **IMF Policies on Debt Issues.** This evaluation would assess the efficacy of recent changes in Fund policy on debt issues, the extent to which they incorporate lessons from recent experience, and how they have affected Fund advice on debt management strategies. In 2011, the IMF revised its approach to debt sustainability in market-access countries (MACs), prompted by recent crises and rising sustainability concerns in some advanced economies. In addition, the IMF refined its debt sustainability framework for low-income countries (LICs), in coordination with the World Bank, and further modifications are now being considered. To provide a more tailored approach to risk assessment, the IMF adapted its policy on public debt limits in Fund-supported programs for both MACs and LICs, inter alia, to ensure evenhandedness, unified and comprehensive coverage, and appropriate incentives for financing on concessional terms for eligible countries. The IMF also undertook reforms to the Policy on Non-toleration of Arrears to Official Creditors and on the treatment of debt sustainability issues in the Exceptional Access Framework in January 2016, and has supported steps to strengthen the contractual framework for sovereign debt restructuring. Issues to be addressed in the evaluation would include: whether these policies and approaches provide an appropriate balance between ensuring caution about an excessive debt build-up and room for needed investment across a range of country circumstances; whether the evolving policy approaches take adequate account of recent market developments and innovations; and whether the current framework provides a sufficient basis for effective and orderly resolution of sovereign debt problems.

7. **IMF Lending Toolkit.** Since the 2008 crisis, the IMF has significantly revamped and extended its lending toolkit. Changes have been made to the design and terms of the concessional and non-concessional lending facilities, and new insurance instruments have been introduced. Access norms and limits have been increased; a new Trust has been established for countries that are hit by catastrophic natural disasters or public health disasters; and there have

been changes to related policies, such as “blending” use of the General Resources Account and the Poverty Reduction and Growth Trust for countries that qualify. A possible new short-term swap facility is now being considered. Building on work done for the evaluation of the *IMF Response to the Financial and Economic Crisis*, this evaluation would examine the effectiveness of these reforms. It would assess the extent to which the new toolkit responds to members’ external financing and insurance needs, including in a non-systemic crisis context, and consider whether there are gaps that still need to be addressed or whether the whole structure has become over-complex. The timing of this evaluation would take into account the forthcoming reviews of IMF facilities and IMF program conditionalities scheduled for 2017–18.

### III. GOVERNANCE AND PARTNERSHIPS

8. **The IMF’s Framework for Managing Risks to the Institution.** The IMF faces a variety of strategic and operational risks, such as credit risk to its balance sheet; the reputational risk that surveillance could miss critical vulnerabilities in member countries or that its advice could be seen as biased; and the risk of a breach in IT security. The IMF’s framework for identifying, assessing, and mitigating such risks has been substantially extended in recent years. In 2014, a new architecture was established that introduced a Risk Management Unit, reporting to directly to management, and a Risk Committee, composed of Department Directors, to complement the work of operational units and the internal audit office. Notwithstanding these mechanisms, by some metrics—including repeated program engagement and more protracted adjustment needs—there has been a buildup of credit risk in recent years. Moreover, as the global environment has become more challenging, the Fund staff has been asked to contribute on a broader range of policy issues, exacerbating reputational and operational risks. The evaluation would examine the IMF’s evolving approach to managing risks to the institution. It would review the IMF’s record in identifying and mitigating such risks, as well as their possible impact on the IMF’s own standing. It will consider the roles and responsibilities for Management, staff, the Executive Board, and the External Audit Committee under the current framework.

9. **Human Capital at the IMF.** As a knowledge-based institution, the IMF depends critically on its staff having the right skills and expertise and being deployed effectively. A key challenge is to ensure that Fund advice brings value added to member countries at a time when the Fund is seeking to engage on an expanding set of issues, in particular mainstreaming of financial sector work and greater attention to macro-critical structural issues. Moreover, many national authorities are concerned that Fund advice should be rooted in deeper familiarity with country circumstances. This evaluation would look at how the Fund manages its human capital in the face of these challenges and provide input to the evolving Fund-wide HR strategy. Issues would include: how the Fund manages work assignments and career development to balance the need to develop managers with broad experience and at the same time for teams to bring in-depth knowledge and expertise; the tradeoffs between centralized vs. departmental vs. individual management of assignments and career paths; the incentives for improved knowledge sharing

across the Fund and knowledge transfer within teams; and strategies to boost the diversity of background and experience of Fund economists and to attract and nurture high quality talent.

10. **IMF Collaboration with External Partners.** As the IMF deepens its involvement in non-traditional areas of expertise (e.g., gender, inequality, climate, structural issues, etc.) and has become more engaged in supporting groups like the G20, it has become increasingly important to ensure strong and efficient collaboration with other international organizations, development partners and country groupings. Stronger cooperation may enhance effectiveness of each organization given overlapping mandates and limited resources. It may also lighten the burden on member countries who borrow and receive TA in parallel from more than one entity. Building on recent and ongoing IEO analyses of a selection of IMF-external partnerships (e.g., with the G20, Financial Stability Board, and the Troika), this evaluation would assess how well these and other joint initiatives and lending arrangements have been working in practice, and the scope for improving such collaboration. IMF-World Bank collaboration offers one area of potential focus, given the lapse of the Joint Management Action Plan as well as recent changes to the mode of joint operational initiatives. The evaluation could assess how the IMF has managed partnerships with the regional development banks, the donor community, regional financing arrangements, the Paris Club, the OECD, and specialized UN agencies. The evaluation could also review how the Fund interacts with country groupings like the G20 with overlapping mandates, examining governance and traction issues as well as the resource costs involved.

#### IV. IMF ENGAGEMENT AND ADVICE ON SPECIFIC ISSUES

11. **The IMF and the Arab Spring.** Since early 2011, the IMF has been deeply engaged with a group of countries in the Middle East and North Africa that faced a wave of social and political unrest related in substantial part to popular frustration about the lack of inclusive growth. This evaluation would assess how effective has the Fund's involvement been with these countries. It would look at the relevance and traction of policy advice both before and after the Arab Spring. It would assess the role played by IMF financing including the appropriateness of conditionality and modalities of lending and insurance instruments (while being careful to avoid interfering with current lending operations). And it would review the Fund's interaction with other external partners supporting these countries, both inside and outside the region.

12. **IMF Engagement with Commodity Exporters.** The drop-off in commodity prices in recent years has increased pressures on commodity exporting countries that had previously benefitted from a period of high prices, particularly as the decline seems likely to be persistent. A number of commodity exporters have approached the IMF for financing, while the IMF has also provided policy advice on how to respond to lower export prices in the context of surveillance. While commodity-exporting countries have a broad range of characteristics, they face some common challenges, including how to judge the right balance between adjustment and financing; appropriate fiscal rules and sovereign wealth fund objectives; approaches to exchange rate management; and strategies for diversification and mitigation of "Dutch disease effects." This evaluation would assess how well the IMF has supported commodity exporters in the face of

a shifting external environment, including policy advice both before and after the price drop, application of relevant conceptual frameworks, recognition of local conditions, and the availability of suitable financing instruments.

13. **The IMF and Capacity Development.** Capacity development is one of the IMF's core activities, accounting for more than one-quarter of the Fund's budget. The 2005 IEO evaluation of IMF technical assistance (TA) examined the process of TA prioritization and allocation, the effectiveness of TA delivery, and the monitoring and evaluation of TA. Almost a decade later, an IEO update noted that much has changed since that evaluation, including greater emphasis on a demand-driven approach and results-based management, the multiplication of regional TA centers, rising reliance on external funding and partnerships, and the integration of TA and training under the broader function of capacity development. The next (quinquennial) review of the IMF's capacity development strategy is scheduled to be completed in 2018. Once this review is complete, it may be useful for the IEO to launch a second-generation evaluation examining how recent changes have affected the relevance, quality, reliability, and effectiveness of the IMF's capacity development activities in member countries.

14. **IMF Engagement with Small States.** The Fund engages with small state members through bilateral surveillance, financial support, and capacity building. Until 2012, this work tended to be fragmented across departments. Since then, the Executive Board has reviewed the Fund's work with small states and concurred on an approach to enhance engagement. A number of operational changes have been implemented, including to lending facilities for emergency natural-disaster assistance. This evaluation would assess the Fund's strategy and the extent to which IMF engagement with small states has been impacted by it. Thus, the evaluation would assess the IMF's analytical work program, the appropriateness of the lending toolkit, efforts to strengthen institutional capacity in small states, and the nature of IMF collaboration with multilateral and key bilateral partners in such engagement.

## ANNEX

### Ongoing evaluations

1. The IMF and Social Protection
2. The IMF and Fragile States
3. Financial Surveillance at the IMF

### Completed evaluations

1. Evaluation of Prolonged Use of IMF Resources (2002)
2. The IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil (2003)
3. Fiscal Adjustment in IMF-Supported Programs (2003)
4. Evaluation of the IMF's Role in PRSPs and the PRGF (2004)
5. The IMF and Argentina, 1991–2001 (2004)
6. IMF Technical Assistance (2005)
7. The IMF's Approach to Capital Account Liberalization (2005)
8. IMF Support to Jordan, 1989–2004 (2005)
9. Financial Sector Assessment Program (2006)
10. Multilateral Surveillance (2006)
11. The IMF and Aid to Sub-Saharan Africa (2007)
12. IMF Exchange Rate Policy Advice, 1999–2005 (2007)
13. Structural Conditionality in IMF-Supported Programs (2007)
14. Governance of the IMF: An Evaluation (2008)
15. The IMF's Involvement in International Trade Policy Issues (2009)
16. IMF Interactions with Member Countries (2009)
17. IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07 (2011)
18. Research at the IMF: Relevance and Utilization (2011)
19. International Reserves: IMF Concerns and Country Perspectives (2012)
20. The Role of the IMF as Trusted Advisor (2013)
21. IMF Forecasts: Process, Quality, and Country Perspectives (2014)
22. Recurring issues from a Decade of Evaluation: Lessons for the IMF (2014)
23. IMF Response to the Financial and Economic Crisis (2014)
24. Self-Evaluation at the IMF: An IEO Assessment (2015)
25. Behind the Scenes with Data at the IMF: An IEO Evaluation (2016)
26. The IMF and the Crises in Greece, Ireland, and Portugal (2016)

### Ongoing evaluation updates

1. IMF Exchange Rate Policy Advice, 1999–2005: Revisiting the 2007 IEO Evaluation
2. Structural Conditionality in IMF-Supported Programs: Revisiting the 2007 IEO Evaluation

**Completed evaluation updates**

1. Prolonged Use of IMF Resources—Revisiting the 2002 IEO Evaluation (2013)
2. Fiscal Adjustment in IMF-Supported Programs—Revisiting the 2003 IEO Evaluation (2013)
3. IMF Technical Assistance—Revisiting the 2005 IEO Evaluation (2014)
4. 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)—(2014)
5. The IMF's Approach to Capital Account Liberalization—Revisiting the 2005 IEO Evaluation (2015)
6. Multilateral Surveillance—Revisiting the 2006 IEO Evaluation (2017)