



**The Independent Evaluation Office:  
Lessons Learned, Emerging Themes, and Priorities for  
Future Work**

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## **The Independent Evaluation Office: Lessons Learned, Emerging Themes, and Priorities for Future Work**

1. Good afternoon.
  - I have listened with great interest to the presentations and discussions—both during the sessions and during the breaks.
  - I have learned a lot from your insightful comments and suggestions.
2. I intend to organize my remarks this afternoon around five broad headings.
  - First, I will provide background on the IEO itself.
  - Second, I will briefly review IEO’s completed evaluations to date.
  - Third, I will summarize cross-cutting lessons from those evaluations.
  - Fourth, I will present our current thinking on our evaluations currently underway, but in very early stages of development.
  - Fifth, I will set out some tentative ideas on the IEO work program going forward, on which your advice and suggestions would be most welcome.

***Starting first with the IEO itself, you may know that the IEO is small, young, and independent...***

3. The IEO is small—by design.
  - We basically produce about 2–3 reports per year.
  - This means that to be effective, we must be very strategic, which we try to be.
  - This point is highly relevant to the selection of topics for evaluation, a theme to which I will return later in my remarks.
4. The IEO is young—established only six years ago—as a means of providing an objective and independent evaluation of IMF activities.
  - An independent external review last year of our first years of existence rated IEO as having produced reports of generally high quality and independence but observed that impact or follow-up has been limited within the organization.

- Critical here is the recent introduction, as called for by the Board, of management implementation plans for the recommendations endorsed by the Board—a process that has been used for two evaluations to date.
- Even more critical for ensuring systematic follow-through on IEO recommendations—though as yet untested—is the agreement that management will present to the Board (and presumably subsequently publish) a periodic monitoring report on the implementation of the IEO’s Board-endorsed recommendations.

5. Most important, the IEO is independent—totally independent of IMF management and staff. And it operates at arm’s length from the Board of Executive Directors, representing the Fund’s 185 member countries.

- This independence gives the IEO a comparative advantage over *internal* reviews, which embody the staff and management position.
- At the same time, our special status vis-à-vis the institution—and our unfettered access to all internal documents and staff—gives us a comparative advantage over external reviews and watchdogs.
- Of course, this independence and access carry major responsibilities as well. This is especially so in the fact-finding aspects of our work, where our privileged access to documents can help to resolve “he-said, she-said” kinds of debates about what the Fund may have said or done on a particular country or issue.

6. The bottom line is that our reports—and my remarks—tend to be critical of the Fund. That’s the job—we are the Fund’s “ruthless truth teller”. This said, I do want to stress several points at the outset:

- First, it is a tribute to the strength and governance of the IMF that it has created such an independent body to provide critical (and sometimes controversial) advice to assist the Fund in strengthening its performance.
- Second, our evaluations have found many examples of good practice and strong commitment by Fund management and staff.
- Third,—these caveats and pleasantries notwithstanding—our evaluations have indeed surfaced problems, at all levels, where the institution can and must do better.

***Let me now turn to the IEO’s completed evaluations to date, which number 13, since the IEO’s creation in 2001...***

7. To provide specificity and granularity for today's discussion of the IEO's emerging lessons and priorities, I will list the 13, in the order of their completion, albeit without providing any detail.

- *Prolonged Use of IMF Resources*
- *The IMF and Recent Capital Account Crises*
- *Fiscal Adjustment in IMF-supported Programs*
- *The IMF and Argentina, 1991-2001*
- *The IMF's Role in Poverty Reduction Strategy Papers (PRSPs) and the Poverty Reduction and Growth Facility (PRGF)*
- *IMF Technical Assistance*
- *The IMF's Approach to Capital Account Liberalization*
- *The Financial Sector Assessment Program (FSAP)*
- *IMF Support to Jordan, 1989-2004*
- *Multilateral Surveillance*
- *The IMF and Aid to Sub-Saharan Africa*
- *IMF Advice on Exchange Rate Policy*
- *Structural Conditionality in IMF-supported Programs*

8. These 13 evaluations have covered a broad range of IMF functions:

- Some evaluations have focused on individual country issues—the reports on Argentina and Jordan—one a relationship of much controversy and global interest and the other of much less controversy and more localized interest. Yet other evaluations have focused on how the IMF has dealt with major issues of the day affecting groups of countries—whether they be in emerging market economies (as in the IMF and Recent Capital Account Crises) or low-income countries (as in the IMF and Aid to Sub-Saharan Africa).
- Some evaluations have focused on Fund instruments—technical assistance, PRSP/PRGF, and the prolonged use of Fund resources. While

others have focused on the conditionality associated with the use of Fund instruments—fiscal adjustment and structural conditionality.

- Some evaluations have focused on the Fund’s advice to countries, in looking at the Fund’s potential value-added as a confidential advisor to individual members—as in the evaluations of IMF Advice on Exchange Rate Policy and The IMF’s Approach to Capital Account Liberalization. Others have focused on the Fund’s value-added to the membership at large, in its handling of surveillance processes—the exchange rate evaluation, again, as well as the evaluations of Multilateral Surveillance and the FSAP.

9. Each of the 13 evaluations has produced its own full set of findings, recommendations, and messages. But my point this afternoon is not to dwell on the specifics of any one evaluation.

- Rather it is simply to recall the complexity and debate that has underpinned each of the evaluations, as IEO staff have strived—both in the evaluation process itself and in their subsequent outreach efforts—to get it right.
- This was as true of the IEO’s first evaluations, as it is today.
- I also wanted to highlight the fact that, taken as a whole, the set of IEO evaluations completed to date cover a substantial part of the institution’s work, often from complementary perspectives.

*These complementary perspectives also apply to the lessons learned from our evaluations, which brings me to my third topic, the emerging patterns and messages of the IEO’s 13 evaluations...*

10. Of course there is nothing magical about the number 13—it can be unlucky or lucky, depending on where you’re from.

- But for the IEO, 13 has proved a charm.
- With these 13 evaluations, the IEO has assembled a critical mass of evaluative material that produces increasingly holistic insights about IMF institutional performance.
- These insights go beyond what we were previously able to capture from one-off evaluations. We have now reached the stage where the whole of the evaluation program is greater than the sum of its parts, especially with respect to lessons learned.

11. This is not to say that the IEO previously did not take stock of emerging patterns across evaluations. *It did.* Indeed in preparing for today, I went back and looked at the IEO's early reflections on lessons learned, drawing on IEO annual reports of previous years. *What did I find?*

- First, I found recurring concerns about staff candor both on surveillance and program presentation; the need to reflect uncertainty in program design; and the importance of ownership for conditionality.
- Second, I found recurring concerns about the lack of clarity in program design—deficiencies in program “evaluability”, if you will. In turn, these deficiencies mean that staff did not state program objectives clearly enough in Board documents or set out the reasoning for including particular policies or benchmarks.
- Third, I found the beginnings of concerns about the relationship between the Board and management and staff.

12. Today, with the benefit of all 13 completed evaluations—plus the ongoing work on several others—I would cast this list somewhat differently, and also include a few addenda.

- Probably the biggest change from previous stock takings is the focus on the institutional drivers and incentives that lie behind the evaluations' behavioral findings—and the underlying theme that Fund management needs to tighten up.
- Whereas, *previously* we would have concluded that “the IMF” should do this or that, or stop doing this or that.
- *Now*, we focus on the policies, processes, and incentives for getting *IMF staff* to do this or that differently, recognizing explicitly the different roles of the *Board* in setting policies and staff in implementing them, with *management* the critical intermediary.

13. Nevertheless, there are several constants. Candor continues to be a challenge for the institution—and the need for dealing with it *better* continues to top the list of cross-cutting lessons.

- Let's face it: Tough messages are hard to give. Of course, they are even harder to receive. Because of that, staff too often perceive pressures to mute their public criticisms of countries' policies and actions in their documents unless their evidence is absolutely watertight.

- My predecessor Montek Ahluwalia noted this in the 2004 Annual Report, while observing that lack of candor was more problematic for surveillance issues than for country advice, given the former's systemic implications. That distinction remains relevant today—and along with it, the associated irony that candor is more difficult to achieve precisely in the area where it is most important. This puts a premium on staff and management efforts to promote candor, especially in the pursuit of the institution's core surveillance mandate.
- It is also a case where it is easier to diagnose the problem than to cure it, although counterbalancing pressures from external voices scrutinizing the Fund's work are clearly essential features of the cure. In turn, the importance of these external voices—in many cases *your* voices—reinforces the importance of Fund transparency and also the work of the IEO in bringing to light instances where staff reports differ from staff analytic findings.

14. A closely related but new lesson relates to a different dimension of candor—with respect to the Fund's own policies and actions.

- Just as it's hard to give tough messages, it's also hard to be frank about one's own performance with critical audiences. And, as the IEO found, because of the very vocal criticisms of the Fund in recent years on many items on the low-income country agenda, Fund communications obscured the reality.
- As noted, this is a new finding, which was not previously pursued in IEO evaluations.
- And the cure for this finding is at once easier and harder than for the other dimension of candor. *Easier*, in that the clear recommendation is to talk straight and avoid spin—to prevent miscommunications, disconnects between rhetoric and reality, and cynicism about the institution's policies and practices. *Harder*, in that there are deep-seated divisions within the institution that make such a cure difficult to administer.

15. Those deep-seated divisions reflect major differences at the Board—especially on the role of the Fund in low-income countries, and to a lesser extent, on several issues affecting emerging market economies. But arguably more important than the divisions themselves has been the weakness of Fund management in effectively dealing with—should I say *managing*—these divisions, especially in its role chairing the Executive Board. Indeed our work suggests that management has failed in its job of (i) pressing the Board for sufficiently clear policy guidance, and (ii) translating the emerging policy

guidance into an institution-wide operational framework with adequate follow-up and accountability for implementation.

- This is a new but critical cross-cutting lesson. Without clear policy intent, it is difficult—and often impossible—to provide coherent guidance to staff on policy implementation and in turn candid communications to stakeholders on performance.
- Clearly the “cure” requires management to engage more seriously with Executive Directors—to ensure clearer policies and operational guidance to staff, in the face of differences of view among Executive Directors.
- The cure also requires that management follow through in putting in place and then strengthening processes for achieving a coherent institutional perspective—rather than acquiescing in the proliferation of individual departmental perspectives. This follow-through would clearly need to include the setting of measurable performance benchmarks—a process that would itself contribute to both the clarification of institutional commitments and the strengthening of institutional accountability in meeting them.

***Let me now turn to the current work program, my fourth topic...***

16. Having unbundled “the IMF” in this way—into its component parts of the Board, management, and staff—there is no turning back for the IEO.

- Going forward, we can no longer treat “the IMF” and “IMF staff” as one and the same. Nor can we consider what staff did, without asking why they did it and what were the respective contributions (positive or negative) from the Board and management. Nor can we recommend changes in staff behavior without considering the enabling actions by the Board and/or management.
- This said, our evaluations will continue to mine the evaluation-specific issues for performance and behavior that conflict with our understanding of Fund policy and/or where the evidence points to outcomes that are at variance with the Fund’s policy intent.
- Against this background, let me say a few words on four evaluations in the current IEO pipeline—simply to give a flavor of their direction, as a basis for your comments and advice. The four are: IMF corporate governance; IMF interactions with member countries; trade; and research.

17. Of the four evaluations in the pipeline, the one on *IMF Corporate Governance, including the Role of the Board* is the furthest advanced. We expect to release this report in about six months. This evaluation:

- focuses on various aspects of IMF governance, including the formal and informal relationships that govern IMF activities and decision-making, which have evolved over time to adapt to the membership's changing membership and mission;
- looks at the clarity, transparency, and accountability of institutional decision-making across a broad front—from the selection of the Managing Director to day-to-day decision making; but
- does not address issues of voting power or the ownership structure of the IMF, as these are currently under active consideration.

18. The evaluation of the *IMF's Interactions with Member Countries* is the next most furthest advanced. It aims 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. To this end, the evaluation:

- focuses on how the relationship between Fund staff and the country authorities is working under different kinds of conditions—in conditions of (i) policy agreement and policy disagreement, (ii) where use of Fund resources is/is not involved, and (iii) in rich and in poor countries;
- examines 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 communications with headquarters; and
- considers the effectiveness of Fund communications to stakeholders other than the authorities.

19. The evaluation of *IMF Trade Policy Advice* is at an earlier stage of development, with the team leader having just joined the IEO last month. This evaluation will examine the Fund's advice on trade in light of: (i) the institution's stated purpose to facilitate the expansion and balanced growth of international trade; (ii) the views of external critics, who see the Fund's free-trade trade advice as biased towards the interests of rich countries; and (iii) the findings of internal staff studies, which have tended to see Fund support for open trade regimes in much more benign terms. Against this background, the evaluation will:

- develop case studies of program, surveillance, and technical assistance activities focusing on IMF involvement in trade reforms and their impacts;

- assess the quality and effectiveness of the Fund's advice at country, regional, and multilateral levels; and
- look at the Fund's coordination with other organizations like UNCTAD, UNDP, World Bank, and the WTO—all with their own trade mandates—including on the Integrated Framework.

20. The evaluation of *Fund Research* is at an even earlier stage of development. On current thinking, it will look at the selection of topics, the quality of the analysis, and the integration of the findings into the Fund's operational thinking and activities. To this end, it will focus on how and how well the Fund research department (and other departments engaged in research):

- has set its research priorities;
- has carried out its research; and
- has reached and influenced key audiences (internal and external) with its findings.

***Finally, a few words on the IEO future work program—both process and substance...***

21. On *process*, we are just now starting to think about additions to the work program. As last year, we will pursue a transparent consultation process, seeking suggestions for evaluation topics and comments on specific proposals.

- That process began with external and internal discussions and requests for input, building on feedback received at events like this one and in conversations with stakeholders in various settings.
- Based on those discussions and that feedback, IEO staff developed a long list of possible topics, which was posted on our website for external comment.
- We also held an informal seminar with IMF Executive Directors to elicit their views.
- And finally, I decided on the ultimate program—for which I am personally and professionally fully accountable—which we provided to the Board for information at the same time we posted it on the website for external information.

22. On *substance*, we will be looking—as we did last year—at possible topics across four main categories: (i) country; (ii) thematic; (iii) instrumentality; and (iv) governance.

- To get the ball rolling for today’s conversation, let me say a few words about each of these categories.
- I will include a few suggestions that had been made in the last round, mindful that they may no longer be appropriate in current circumstances or that new candidates may be better.
- In considering these suggestions, please also bear in mind the strict limitations on program size the IEO is facing, with only 2-3 evaluations per year, and how we might use this small program most strategically in light of the major challenges the Fund is facing today.

23. For “country”, I mentioned our previous evaluations on Fund relations with Argentina and Jordan.

- Suggestions have been made for further studies on Fund advice to China (especially the exchange rate issue as suggested by former IMF Economic Counselor Mike Mussa) and/or Turkey (as an exceptional access case). Others have suggested evaluating the Fund’s approach and advice to regional initiatives.
- One caveat here: with all country cases, timing is a critical issue, given the injunction in the IEO’s terms of reference not to interfere with ongoing programs.

24. For “thematic”, the IEO team has been discussing other aspects of governance—somewhat different for the IMF’s own corporate governance—namely, the advice the Fund gives to members for improving *their* governance through the adoption of standards and codes and so on. Other thematic possibilities are:

- how the IMF adopted—and has subsequently implemented—the anti-money laundering agenda;
- IMF advice on oil markets—to oil producers and consumers alike; and
- IMF production and management of macroeconomic data.

25. For “instrumentality”,

- Suggestions include an evaluation of the IMF’s performance in helping low-income countries achieve middle-income status, or in assisting countries emerging from conflict.

26. For “internal governance”, three candidate evaluations have been suggested.

- One is the functioning of corporate governance, focused on the links between management and staff—a companion to the current evaluation of governance focused on the Board.
- Another possibility is a drill down on a specific function, such as knowledge management, to see how well that is handled.
- And last, but by no means least—especially in light of my earlier comments on candor—is an evaluation of Fund communications and transparency, including the implications for the quality of surveillance and for institutional accountability, the holy grail of evaluators.

*In closing, let me say that...*

27. My colleagues and I would welcome the feedback from participants—both today and later, in any shape or form.

- For corporate governance, the issues paper is on our website, and your comments and advice would be most welcome.
- For the other three evaluations in the pipeline, we will be posting issues papers for comment on the IEO website. But advice in advance of those postings is also invited.
- For the future program, we will post the proposals as we develop them also on the IEO website.

28. The IEO’s past work has benefited enormously from the advice and thinking of external stakeholders—including some in this room.

- I thank you for that engagement, and I hope that it will continue
- And if you are a newcomer to the IEO “family”, I urge you to get involved in the IEO process, as a unique channel for providing feedback on IMF performance that shareholders, management, and staff take seriously.
- This is a critical time for the IMF, and a critical opportunity for you to shape its future.
- My colleagues and I look forward to your input.

29. Thank you.

**Table 1. Completed and Ongoing IEO Work Program: Status****Project**

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**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)    |

**FY2004**

|  |                          |
|--|--------------------------|
| The IMF and Argentina, 1991-2001   | Completed (July 2004)    |
| The IMF's Role in Poverty Reduction Strategy Papers (PRSPs) and the Poverty Reduction and Growth Facility (PRGF) | Completed (July 2004)    |
| IMF Technical Assistance   | Completed (January 2005) |

**FY2005**

|  |                           |
|--|---------------------------|
| IMF's Approach to Capital Account Liberalization | Completed (April 2005)    |
| IMF Support to Jordan                            | Completed (October 2005)  |
| Financial Sector Assessment Program              | Completed (November 2005) |
| Multilateral Surveillance                        | Completed (February 2006) |

**FY2006**

|                                       |                        |
|---------------------------------------|------------------------|
| The IMF and Aid to Sub-Saharan Africa | Completed (March 2007) |
|---------------------------------------|------------------------|

**FY 2007**

|   |                           |
|---|---------------------------|
| IMF Advice on Exchange Rate Policy                  | Completed (May 2007)      |
| Structural Conditionality in IMF-supported Programs | Completed (December 2007) |
| IMF Corporate Governance                            | In progress               |
| Interactions Between the IMF and Member Countries   | In progress               |
| The IMF's Approach to International Trade Issues    | In progress               |
| The IMF's Research Agenda                           | Beginning shortly         |