

## CHAPTER 3

# External Evaluation of the IEO

When the IEO was established in 2001, periodic external evaluations of its work were envisaged. The first external evaluation, completed in 2006, assessed whether the IEO had fulfilled its mandate in its first five years of operation and made a number of recommendations to enhance the IEO's role. In discussing the 2006 evaluation report, IMF Executive Directors agreed that the IEO had served the IMF well and had earned strong support across a broad range of stakeholders. Directors also welcomed the report's recommendations to enhance IEO effectiveness, including a more focused and strategic orientation as well as enhanced Board involvement, and agreed on another external evaluation of the IEO in five years.

The Board approved terms of reference for the second external evaluation on May 22, 2012, and appointed a high-level panel to conduct the evaluation.<sup>7</sup> The aim was to assess how successfully the IEO had met its mandate to help enhance the learning culture within the IMF, promote greater understanding of the work of the IMF throughout the membership, and support the IMF Executive Board's institutional governance and oversight responsibilities in the period since the first external evaluation. In carrying out the evaluation, the panel undertook a survey of IMF staff and consulted extensively with country authorities, current and former IMF Management and staff, other organizations, experts, and civil society. The panel completed its work in January 2013 and submitted a report to the Executive Board.<sup>8</sup>

<sup>7</sup> The panel was composed of José Antonio Ocampo, former United Nations Under-Secretary-General for Economic and Social Affairs and Executive Secretary of the Economic Commission for Latin America and the Caribbean; Stephen Pickford, former Managing Director (International and Finance) at H.M. Treasury, United Kingdom, and former IMF Executive Director; and Cyrus Rustomjee, Director of Economic Affairs at the Commonwealth Secretariat and former IMF Executive Director. Mr. Ocampo chaired the group.

<sup>8</sup> The full report, along with the Summing Up of the Board discussion, is available on the IEO website, [www.icio-imf.org](http://www.icio-imf.org).

The report concluded that IEO remained highly relevant, that it had been successful in making a significant contribution to the performance and accountability of the IMF, and that it was widely considered to be the most independent of the evaluation offices among international financial institutions. Furthermore, the report determined that the IEO had played an important role in improving the governance and transparency of the IMF, helping to build a learning culture within the IMF, and strengthening the IMF's external credibility—the IEO's main goals.

The quality of IEO reports and selection of topics, focusing mainly on longer-term cross-cutting issues, were found to be important factors in the IEO's success. Full access to internal IMF information deemed necessary by the IEO during the evaluation period also represented an important step forward, overcoming problems in this area that had been identified in the 2006 external evaluation report. While welcoming the decline in the number of recommendations over time, the 2013 report expressed concern about the increasing focus of recommendations on process rather than operational changes and outcomes to be achieved. The report considered that there was low awareness and knowledge of the work of IEO among IMF staff, and it highlighted some tensions in relationships between the IEO and some parts of IMF staff.

The report argued that the structure of the follow-up process established following the 2006 external evaluation was not working well. In particular, the conversion of IEO recommendations into a series of specific actions tended to dilute the substance of the recommendations. Further, there was no monitoring of broad policy conclusions and concerns raised in IEO reports unless specific recommendations had been explicitly endorsed by the Board. The report identified four major problems with the follow-up process: a lack of strong ownership by the Board; conflicts of interest for Management; lack of capacity to respond to the broader, more substantive recommendations in IEO evaluations; and its bureaucratic nature. The panel proposed alternative approaches to

preparing the Summing Up of Board discussions of IEO evaluations and to monitoring actions taken to implement Board-endorsed recommendations.

The report also highlighted several other areas for action.

- The report reiterated the importance of choosing topics that are central to the IMF's mandate. It highlighted the need to clarify the appropriate timing of IEO evaluations to ensure that they address relevant issues while not interfering in current operations, which it recommended to define as current lending programs.
- The report called on the IEO to increase "in-reach" to IMF staff and urged IMF Management to do more to make staff aware of IEO analysis and recommendations. The report also recommended, as had the 2006 external evaluation report, that the IEO enhance its outreach to country authorities and external stakeholders, including civil society, in order to broaden the input for its evaluations and increase awareness of its findings.

- The report emphasized the need to strengthen mutual trust between the IEO and IMF Management and staff, utilizing both formal and informal channels.
- The report also recommended dropping the mandate for the IEO to promote greater understanding of the IMF's work throughout its membership, arguing that this was no longer a crucial part of the IEO's work and was being achieved by other means.

The Executive Board discussed the report on March 21, 2013. Directors welcomed the findings about the IEO's contributions and independence, and many of the recommendations made by the panel. They supported increased efforts by the IEO to communicate the results of its evaluations, both within and outside the IMF. They agreed on the need to improve the follow-up process on IEO evaluations and acknowledged the importance of strong ownership by, and a proactive role for, the Board. Concrete proposals on outstanding issues will be considered in coming months.