

**Staff Response to the  
External Evaluation of the Independent Evaluation Office  
Executive Board Meeting  
March 21, 2013**

*Staff welcome the considered analysis in this report. We believe that the IEO continues to make important contributions to enhance the learning culture and support institutional governance and oversight of the Fund—the IEO’s two most important mandates. We also agree that the value of the IEO could be augmented by having a more collaborative relationship between the IEO and staff and by improving the follow-up process to Board-endorsed IEO recommendations. We see the report as a starting point for discussions on how to enhance the effectiveness of the IEO, and staff stand ready to contribute to that process.*

**The IEO has increased the integrity and quality of Fund work and it continues contributing to a learning culture, including by providing alternative views on analyses, processes, and operational work.** IEO recommendations are highlighted in staff policy reviews, such as the recent Triennial Surveillance Review and the Review of Conditionality. Also, the report’s survey results show that staff perceive that IEO recommendations are taken seriously—especially by Department Heads—and this perception has improved since the previous survey in 2006.

**The recommendation to improve relations between Fund staff and the IEO is well taken,** although some tension is natural and healthy given the nature of the IEO’s role. Moreover, there is a difference between hostility and having—and expressing—a different view. We believe that honest and clear exchanges of view have actually enhanced the learning process and generated better outcomes. Just as that the IEO should continue to “present its recommendations in a clear and, when necessary, blunt way”, we believe that staff should continue to articulate their opinions with equal honesty. At the same time, we accept the need to improve relations, and believe that this can be done *without compromising the IEO’s independence*. We would welcome more two-way interactions with, and in-reach from the IEO. In particular, seminars would be helpful during the conduct of an evaluation and before reports are finalized. Such engagement would help sharpen the analysis and recommendations in the final report.<sup>1</sup> Such interactions were more prevalent in the first few years of the IEO, but have since fallen into disuse.

**On the selection of topics for evaluations, the terms of reference of the IEO gives it a very broad mandate to consider and evaluate issues of relevance to the Fund’s mandate.** The only limitation is that the IEO shall “avoid interfering with operational activities, including programs, or that would attempt to micromanage the institution”. Staff is of the view that this limitation should continue to apply as otherwise IEO activities could adversely affect the Fund’s ongoing operational activities, including the authorities’ efforts to

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<sup>1</sup> On issues where fundamental differences of opinion remain following such discussions, the final IEO report could reflect Fund staff views in a separate section, similar to the presentation of country authorities’ views in Article IV staff reports—a process that does not compromise the independence of Fund staff vis-à-vis country authorities.

implement their adjustment programs.

**The recommendations to focus IEO reports on long-term cross-cutting issues and to focus IEO recommendations more on Fund policy and culture issues are well founded.**

Reviews of broader cross-cutting issues tend to add more value to improving Fund operations, although reviews of certain “paradigmatic cases” in more depth should not be ruled out (as long as they do not interfere with current operations). We endorse the idea that the IEO could undertake periodic evaluations of a sample of internal ex post assessments (EPAs) and ex post evaluations (EPEs). We also agree that “the comparative advantage of the IEO is to identify issues that require changes to existing practices...[and that it is] primarily the responsibility of Management to propose how to operationalize the solutions to these problems.” Indeed, too many process-driven recommendations risk resulting in a follow-up process that would be too focused on box-ticking.

**The recommendation to improve the follow-up process is appropriate, but some of the specific recommendations could be reconsidered.**

- We agree with the need for a timely response to the Board-endorsed recommendations and support the proposal to put a time limit on the presentation of the Management Implementation Plan (MIP). Staff suggest that Management should be expected to present the MIP to the Evaluation Committee within three months following the Board discussion. This would allow for sufficient time to give considered thought to designing and, in some cases, piloting proposed actions and building consensus around them.
- We support the recommendation of a biennial issues-oriented IEO review of the extent to which previous recommendations have been implemented, as long as this could fit in the IEO work program. This review could also examine how IEO recommendations are incorporated in internal staff policy reviews.
- The recommendation that the IEO should make presentations during the Annual Meetings has merit, and an appropriate forum should be found.
- The report proposes that the chair of the Evaluation Committee (EVC) prepares the record of the Board discussion of IEO reports. This approach would not be consistent with the Fund’s governance structure under which Management is not only the chief of staff but also the chair of the Board. In staff’s view, the IEO could follow the standard practice for other papers, where the authoring office or department produces the first draft of the Summing Up, which the Secretary’s Department (SEC) would amend to reflect Directors’ statements and the Board discussion. As in other cases, Executive Directors have an opportunity to comment on the Summing Up after the Board meeting, and they also have the ability to request modifications to the Summing Up, provided such modifications are grounded in the record of the meeting. In this process as with other papers, SEC would retain responsibility—under Management’s direction—for the document, including its finalization.
- While staff agree that Periodic Monitoring Reports should continue to be prepared annually, the involvement of the Office of Internal Audit (OIA) will need to be

considered carefully. In particular, it would be necessary to seek the views of the External Audit Committee before any decision to move forward with this recommendation to ensure that it is consistent with OIA's mandate. The rationale presented by the report for not assigning this responsibility to the IEO applies equally to OIA.

Factual comments will be conveyed separately.