

The contents of this document are preliminary and subject to change.

GRAY/06/1443

April 26, 2006

**Statement by Ms. Lundsager and Ms. Segal on the  
External Evaluation of the Independent Evaluation Office  
(Preliminary)  
Executive Board Meeting 06/39  
April 26, 2006**

We thank Ms. Lissakers, Governor Husain and Dr. Woods for their report on the IMF's Independent Evaluation Office (IEO). Modern principles of good governance and accountability require the IMF to have an independent evaluation unit and, like other Directors (and member governments), we strongly endorse the ongoing efforts of the IEO. Overall, the report concludes that the IEO has served the Fund well and has contributed to specific enhancements in the Fund's work. However, the report also highlights areas of needed improvement. In the spirit of this discussion, we suggest the Evaluation Committee take some time to consider the appropriate next steps in light of the report's recommendations, with consideration given to suggestions on page 26 of the report. We welcome a follow-up external evaluation of the IEO's activities in five years.

With regard to the IEO's utility, we are concerned by the apparent divergence in views of the Board and country authorities, on the one hand, and senior staff and Fund Management on the other. Is it a reflection of internal IMF reticence toward the IEO that only a fraction of Fund staff believe a rotation with the IEO to be career-enhancing? Without a doubt, "too much evaluation" within the Fund could result in "routinized and mechanistic" analyses, thereby diminishing their impact; however, the limited mandate of the IEO mitigates this risk. To avoid the potential duplication of evaluation efforts, we see value in seeking to limit overlapping evaluations between the IEO and PDR. We also agree with colleagues that EPAs should not be shifted to IEO.

We agree that the IEO plays a role in opening the IMF to the "real world," a role that should be reflected in the composition of the IEO staff. Within its budget constraints, the IEO should make efforts to attract professionals with financial market and policymaking expertise and make greater use of prominent outsiders to lead evaluations or otherwise contribute to IEO reports. There should be more balance between Fund "insiders" and "outsiders" which promises to sharpen the IEO's focus on issues central to its mandate. We also support the panel's suggestion that outside IEO hires be subject to a cooling off period of at least one or two years before they are able to take a position with the Fund. Given efforts to include a significant number of Fund "outsiders" in IEO work, we do not see the need to standardize the practice of peer review for IEO reports.

Regarding the panel's concerns about access to information, we take some comfort in Mr. Ahluwalia's recollection that the IEO received all documents requested of Management and the staff and that "privacy restrictions" did not impede IEO evaluations at any stage during his time as IEO Director. With that said, we are open to the panel's recommendation to review the content and implications of the April 2002 memorandum. We also strongly agree with the sentiment expressed by Messrs. Zurbrugg and Haegeli that the IEO's full access to information can only be achieved if there is a sense of shared goals and a relationship of mutual trust between Management and the IEO. We were reassured by Mr. Ahluwalia's comment that at no time was he subject to any pressure from Management to tone down IEO criticism in any IEO report.

We agree that the IEO should have discretion to report on those topics which are consistent with its mandate, and this should continue to include an openness to evaluating the Fund's performance in individual country cases. However, given the IEO's appropriate focus on a limited number of reports per year (perhaps 2-3), we presume that broader thematic and functional analysis will provide the greatest value to the Fund and its membership. We would expect relatively few country-specific reports, which would exclude any discussion of an active program. As such, we agree with the panel's recommendation for each report to state clearly why the scarce resources of the IEO should be deployed in a given case. We concur that IEO reports should look beyond process to substance, including judgments on the theoretical foundations and analytical frameworks on which Fund advice is based, and whether Fund activities are contributing to accomplishment of its mandate. We would appreciate additional comment on how the panel's proposed change to the IEO's Terms of Reference would help achieve this goal.

We agree with the panel's findings that Management and the Executive Board should do more to ensure follow-up on specific recommendations of IEO reports. While management and the staff note that Board endorsement of IEO recommendations results in "automatic" follow-up by their inclusion in Fund policy, the fact that the panel did not view this as sufficient to measure follow-up on past IEO recommendations suggests that additional efforts to track the outcome of IEO recommendations is warranted. The report contains a number of recommendations to support a more methodical approach to follow-up which merit consideration by the Evaluation Committee and the full Board.

While a more balanced approach to outreach in emerging, transition and developing countries versus OECD countries appears advisable, we are not convinced of the need to "overhaul" the IEO's dissemination and outreach activities and believe that greater reliance on EXR, Resident Representatives and the Executive Board would go a long way toward enhancing outreach efforts. We concur that shorter, jargon-free reports could help sharpen key conclusions and make reports more accessible. We would not expect there to be significant costs associated with these efforts. Here again, we believe that visible Management support for the IEO's work would assist in soliciting support for IEO outreach efforts across the institution. We view outreach to be a separate exercise from IEO analysis, and therefore do not see that relying on existing Fund networks for information dissemination would impinge on IEO independence.