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

We thank Ms. Lissakers and her colleagues for an excellent report. It is rigorous, challenging to us all and demonstrates a degree of candour seldom seen in this institution. We agree with the vast majority of its analysis and conclusions. This chair has always been a firm supporter of the IEO and sees it as an essential element of good governance. We should seek to strengthen its role and certainly do nothing to impede or diminish it.

In a short statement it is not possible to cover all of the interesting points raised in the report, but we would emphasize that it has strong messages for everyone involved – the Board, management, senior staff and the IEO itself.

It is disappointing that the report identifies support for the IEO as weakest among management and department heads and the evidence backs up that conclusion. It would seem that some consider the IEO a costly nuisance that is getting in the way of people doing their job and that they would like to see its role curtailed. This is not the view of this chair nor, we believe, of the Board in general.

There is an onus on the Board to show more active commitment to the IEO. We are sometimes guilty of falling into the routine of verbal support for the IEO, issuing standard Gray statements on its reports and then doing nothing in terms of follow-up. In this respect, we need to act on the third conclusion on page 29 relating to systematic follow-up. While we respect management's prerogative in terms of scheduling Board discussions and have no desire to micro-manage implementation of recommendations, we think the Panel's suggestion that the chair of the Evaluation Committee, the Head of the IEO and the Secretary should jointly decide the timing of Board discussions is an appropriate way forward. In terms of following up on recommendations, we would support the idea of the Evaluation Committee playing a more active role, monitoring follow-up and periodically reporting back to the Board. As the Panel note, the Board must take the lead.

We are concerned about the less than full access by IEO to information. Failure to provide all relevant documentation or even refusal to grant interviews is not acceptable: the April 16, 2002 memorandum of the Managing Director should be used only very sparingly to restrict

access to information and should not be used to thwart legitimate requests. There should be a strong presumption that the IEO has access to virtually everything and the Board should reconsider this issue. The events surrounding the “stop-loss” issue with Argentina are disconcerting and it is disappointing that in such a key report, the final version considerably watered down criticism of management in the earlier draft. More generally, IEO reports are becoming more like staff reports in terms of drafting; they are too long and riddled with Fund-speak. As the Panel notes, IEO is in danger of becoming bureaucratized, routinized and thus marginalized.

It is easy to agree with the recommendation that IEO reports should address fundamental questions – whether or not the IMF activities have contributed to achieving the institutions strategic objectives. It is equally easy to criticize a focus on process rather than substance. But, we should not carry this line of argument too far. Posing the big question may not lead to any real answer and itself can lead to a loss of focus; moreover, the process is important in itself. We should be unrealistically ambitious in this regard.

On the question of the diversity of staff in the IEO, it is largely a question of balance and judgment. The IEO needs staff who know, understand and appreciate the world in which we operate. At the same time, it also needs strong outsiders who can challenge the entrenched customs and culture of this institution. Whether insiders or outsiders, the critical point is that those doing any particular evaluation have the requisite expertise: the ability to use experts on a contractual basis gives a high degree of flexibility. On balance, we could move a little further towards external staff, but not radically so.

We accept the recommendation that IEO dissemination and outreach activities need a complete overhaul. It is not clear who is primarily responsible for the deficiencies in this area. In the early years, IEO failed to spend its outreach budget, which eventually was cut. Unfortunately, we are now entering a much less benign budgetary environment and it will not be easy to expand any function’s budgetary envelope without cogent justification. The Panel do, however, also note that outreach has not really extended beyond G7, whereas the greater need and relevance may lie in developing and emerging economies. Some re-prioritization may be possible.

Overall, we share the view that the IEO has done a very good job in its first five years and that it has impacted on the modus operandi of an institution seemingly impervious to change. The IEO plays an important role in the governance of the Fund and this role was recognized in the IMFC Communiqué. This chair remains fully committed to supporting its contribution to keeping the Fund an effective and relevant institution.