

**IMMEDIATE
ATTENTION**

EB/EVC/08/9

August 6, 2008

To: Members of the Evaluation Committee
(Mr. Moser, Chairman; Mr. Alazzaz, Mr. Gakunu, Mr. Kishore,
Mr. Murray, Mr. Nogueira Batista, Mr. Sadun, and Mr. Silva-Ruete)

From: Padma Gotur, Committee Secretary

Subject: **Independent Evaluation Office—Possible Topics for Evaluation Over the
Medium Term**

Attached for the information of Committee members and other Executive Directors is a note that identifies possible topics for evaluation by the Independent Evaluation Office (IEO) over the medium term. It is not a work program. In accordance with its mandate, the IEO sought ideas from a wide range of stakeholders. What follows is a deliberately broad list reflecting the many suggestions received from outside stakeholders as well as IMF Executive Directors, management, and staff. In identifying its work program, the IEO will focus on a small number of areas, and, in some cases, only on some of the issues identified. The additions to the work program are expected to be finalized by early fall.

The paper is being sent simultaneously to management and staff, and will also be posted on the IEO's external website.

Executive Directors who have comments are invited to submit them to the IEO by **Friday, September 12, 2008**. Questions on this note may be addressed to Mr. Bernes (ext. 39980) and Mr. Hicklin (ext. 37137) in the IEO.

Att: (1)

Other Distribution:
Members of the Executive Board
Department Heads

INDEPENDENT EVALUATION OFFICE (IEO)
OF THE
International Monetary Fund

POSSIBLE TOPICS FOR EVALUATION OVER THE MEDIUM TERM

August 5, 2008

INTRODUCTION

1. This note identifies possible topics for evaluation by the Independent Evaluation Office (IEO) over the medium term. It is not a work program. In accordance with its mandate, the IEO seeks ideas from a wide range of stakeholders. What follows is a deliberately broad list reflecting the many suggestions received from outside stakeholders as well as IMF Executive Directors, management, and staff. IEO in identifying its work program will focus on a small number of areas, and, in some cases, only on some of the issues identified.
2. We circulate this list to elicit comments on the substance of the suggestions and on priorities in timing. At the conclusion of these discussions, we will add four topics to the work program. The topics considered differ in size and scope and there are inevitable overlaps, at this stage. Further selection will depend on many factors, including judgment on overall importance, the balance of issues, and appropriate timing. For several key topics, there are ongoing reviews in other contexts and these results will affect our priorities as well as timing.
3. As in the past, the list comprises four sections, covering (i) IMF impact in member countries; (ii) major areas of the IMF's policy advice; (iii) specific IMF instruments; and (iv) the IMF's internal governance. The order of listing of topics implies no judgment on relative priorities.
4. The criteria for inclusion on the list include consistency with the stated objectives of the IEO: (i) to enhance the learning culture within the Fund, (ii) to strengthen the Fund's external credibility, (iii) to promote greater understanding of the work of the Fund throughout the membership, and (iv) to support the Executive Board's institutional governance and oversight responsibilities. All of the topics suggested below meet one or more of these criteria, and several of them have been subject to widespread debate and/or criticism.

I. EVALUATIONS OF IMF IMPACT IN COUNTRIES

5. **Turkey.** A strong view elicited in earlier consultations is that the IEO should do an evaluation of all cases involving exceptional access to IMF resources and, with this aim in mind, an evaluation of the role of the IMF in Turkey was included in the short list of topics

for FY2005 and FY2006. Including it now, after the conclusion of the latest Stand-by Arrangement (ending an uninterrupted sequence of programs since December 1999) is, arguably, even more timely.

6. **Countries in or emerging from conflict.** Conflict affects a number of member countries. Drawing on a range of experiences the evaluation would seek to answer questions such as, Is the Fund's role in these countries well defined, including relative to the roles of other international institutions? How effective is this role, how timely the advice, lending and technical assistance? How did the IMF interact with other donors in areas such as mutual collaboration, program design, financing, and capacity building?

7. **Advanced economies.** Advanced economies figure prominently in surveillance work. The knowledge gained and advice given is critical to the work of the IMF on global issues and in other members. The advanced economies were not the focus of the 1999 external evaluation of surveillance. Even so, the report observed, "Japan and the United States stood out in terms of the extent to which surveillance was seen as a low-impact exercise." The report recommended a greater focus on the international aspects of surveillance "for the very largest countries or policy areas;" specifically, a focus on how they may generate, absorb and transmit shocks to the rest of the world. The IEO 2006 report on multilateral surveillance makes a similar recommendation for the "systemically important countries." The evaluation would focus on how the IMF carries out its formal surveillance mandate in advanced countries and, as such, a central question would be the assessment of external sustainability including the exchange rate. It would seek to answer questions about the capacity of past surveillance exercises to identify key risks to the macroeconomic outlook of the country and their sources; to take into consideration the possible cross-border spillover effects of these imbalances and risks.

II. EVALUATIONS OF IMF ACTIVITIES ON THEMATIC POLICY ISSUES

8. **Fund advice on oil markets.** Against the background of record high oil prices and volatile markets, the evaluation would review Fund intelligence and advice to producers, consumers and markets more broadly. It would consider the in-house capacity to monitor and forecast developments in oil markets, including derivatives. It would assess the influence and repercussions of the IMF's intelligence work on key markets and market players, as well as the consistency of advice given to producers and consumers. Did the IMF foresee the current market imbalances? Did it assess its implications for the global economy and most affected countries? Did it effectively disseminate its findings and did they affect subsequent developments in the market?

9. **Governance in member countries and capacity building.** Guidelines on governance issues were prepared in August 1997 and reviewed in early 2001. At that time, Directors agreed that issues of governance would be dealt with in the context of regular reviews of conditionality and surveillance. However, governance issues have since assumed greater prominence, both in terms of country discussions and new policy initiatives

(e.g., safeguards assessments and public expenditure management in HIPC countries). Moreover, new findings confirm that country specific institutions and capacity for effective policy design are important components for ownership and successful implementation of IMF programs. An evaluation of the IMF's role in governance issues, including advice and assistance in institutional building, would be timely. It could cover such aspects as IMF advice and technical assistance in developing institutions for monetary and fiscal policy with an assessment of their subsequent performance, including aspects of governance. It could examine governance and institution building in specific areas such as the management of revenue from natural resources. It could tackle questions of uniformity of treatment of governance issues across the membership, conditionality, and collaboration with the World Bank.

10. **Transparency and accountability (T&A) in member countries.** Recent research underscores the importance of T&A in public management for economic success. The proposed evaluation would examine the role and effectiveness of the IMF in contributing to greater T&A in member countries, through such efforts as standard-setting, assessment of the observance of standards and codes, publication policy for country documents, and communications strategy. Supplementing partial internal reviews of the topic, the evaluation would explore the impact the IMF may have had on member countries, taking appropriate note of the complex interplay of incentives among various parties as well as country-specific factors.

11. **Anti-money laundering and counter terrorist financing.** Almost five years after the Fund intensified its anti-money laundering initiatives, an independent assessment of their effectiveness may be useful. The international community has made the fight against money laundering and terrorist financing a priority. An evaluation could review the consistency of the Fund's efforts across economies and the effectiveness of its coordination with other agencies. To the extent possible, it could also assess the outcomes of the IMF engagement.

III. EVALUATIONS OF THE IMF'S TOOLKIT OF INSTRUMENTS

12. **Production and management of macroeconomic data.** Especially in low-income countries, the generation of consistent macroeconomic data is as an important and valued public good supplied by the IMF. Still, there are notable gaps in the data available (including for some prominent countries in the Middle East). Critics fault data management practices at the IMF and the use of data from inconsistent sources. Despite years of effort, the measurement of government statistics is untimely, incomplete, and often inconsistent across countries. The evaluation would focus on the collection, production, dissemination, and management of country specific data within the IMF, including the interfaces within and between departments.

13. **Ex-Post Assessments (EPAs).** IEO's 2002 evaluation of the prolonged use of IMF resources highlighted inadequacies in the coverage of critical issues in the internal staff-assessment of expired programs. An evaluation could assess the current EPA strategy and the

independence of the assessments made. It could ask whether EPAs focus sharply enough on the performance of the IMF (as opposed to the recipient countries) in the design and review of programs. Do EPAs go far enough in providing a realistic exit strategy for the IMF and in distilling lessons for future engagement?

14. **Debt problems involving private creditors.** Notwithstanding progress since the introduction of Collective Action Clauses, the IIF's "Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets," and the discussions surrounding the IMF's Sovereign Debt Restructuring Mechanism (SDRM) a few years ago, the interaction between official and private creditors in debt crisis prevention and resolution remains an open question. The evaluation would examine the Fund's policy and advice on private sector involvement in the prevention and resolution of balance of payments crises. Drawing on the experiences of countries with various types and extent of private sector involvement, it would seek to identify why some attempts succeeded and others failed.

IV. EVALUATIONS OF THE IMF'S GOVERNANCE

15. **Internal self-evaluation processes and systems.** Does staff self-assessment contribute to the IMF's ability to learn from experience? Is this knowledge potentially important to improve the efficacy and timeliness of the products and services provided by the IMF? An evaluation could examine the extent to which internal staff incentives reinforce the Fund's learning culture. Questions include the current allocation of evaluation responsibilities within the IMF (Is it well suited to effective learning and dissemination of lessons?) and whether internal processes and incentives foster candid discussions and peer review.

16. **IMF collaboration with the IFIs and consultative groups.** Admittedly, it is premature to consider an IEO evaluation of IMF-World Bank collaboration with the findings of the 2007 Malan Report not yet fully absorbed. Nevertheless, the topic of collaboration more broadly will remain in our prospective work agenda because close cooperation is a key step towards enhancing the effectiveness of the international organizations. A future evaluation could focus on areas where cooperation has significant impact on IMF operations: When and how joint initiatives are suitable to address common objectives, and of how effectively the demarcation of responsibilities in the institutional and structural areas is working in practice including, importantly, the functioning of consultative groups.

17. **Communication and transparency.** For many years now, the modus operandi of the IMF has been gradually shifting from reliance on confidential peer review to greater use of transparency as a way to strengthen policy accountability. An evaluation could examine the effectiveness, efficiency, and impact of this shift in the Fund's transparency policy, including the impact on the quality of surveillance.