

**COMMITTEE
MEETING**

EB/EVC/18/19

December 11, 2018

To: Members of the Evaluation Committee

From: Gilles Bauche, Committee Secretary

Subject: **Implementing Board-Endorsed Recommendations from the 2018 External Evaluation of the IEO—Proposals for Consideration of the Evaluation Committee**

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| Committee Action: | At the request of the Chairman, for discussion by Committee Members |
| Tentative Committee Meeting Date: | Tuesday, December 18, 2018 at 10:30 a.m. , in the Board Committee Room (HQ1 3-476) |
| Questions: | Ms. Gonzalez, SPR (ext. 36163) Ms. Garcia Martinez, SPR (ext. 37265) |
| Additional Distribution: | Members of the Executive Board |



December 11, 2018

IMPLEMENTING BOARD-ENDORSED RECOMMENDATIONS FROM THE 2018 EXTERNAL EVALUATION OF THE IEO— PROPOSALS FOR CONSIDERATION OF THE EVALUATION COMMITTEE

EXECUTIVE SUMMARY

The Third External Evaluation of the IEO (*"Kaberuka Report"*) was discussed by the Board in July 2018. While recognizing the valuable role of the IEO in promoting accountability and learning, the Kaberuka Report observed a need to improve traction of the IEO. The Report made a total of sixteen recommendations for implementation by the Board, Management and the IEO—of these, twelve recommendations were endorsed.

This paper presents proposals to implement Board-endorsed recommendations from the Kaberuka Report, complementing parallel work streams by: (i) the Office of Internal Audit and Inspection (OIA), in close consultation with staff, to reduce the backlog of open management actions in response to IEO's Board-endorsed recommendations; and (ii) the IEO to improve the topic selection process and effectiveness of its reports.

The proposed responses to the Board-endorsed recommendations are grouped within six broad areas: IEO's Traction inside the Fund; Implementation and Follow up of Management Actions (in response to IEO Evaluations); Effectiveness of IEO Reports; Topic Selection; Preparation of Summing Ups (SU) for Board Meetings on IEO Evaluations; and Staff Mobility. When referring to actions falling under the IEO's purview, the paper presents, for completeness, a brief summary of the IEO's detailed proposals that are presented in a separate paper.

Approved By
Martin Mülheisen

Prepared by SPR in collaboration with other Departments

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BACKGROUND: THE IEO'S EXTERNAL EVALUATION PROCESS

1. The terms of reference (ToR) for the IEO note that "...within three years of the launch of IEO operations, the Executive Board should initiate an external evaluation of IEO to assess its effectiveness and to consider possible improvements to its structure, mandate, operational modalities, or Terms of Reference."¹
2. The third external evaluation ("*Kaberuka Report*")² was commissioned in 2017 and discussed by the IMF's Executive Board in July 2018; its recommendations are presented in Table 1. Also, in line with the ToR, the first external evaluation of IEO ("*Lissakers Report*")³ was commissioned and discussed by the IMF's Executive Board in 2006. The second external evaluation ("*Ocampo Report*")⁴ was commissioned in 2012 and discussed by the IMF's Executive Board in 2013.
3. The following sections discuss proposals to address Board-endorsed recommendations by the Kaberuka report, considering the original proposals and corresponding sections in the Summing Up of the 2018 Board Meeting.

IEO'S TRACTION INSIDE THE FUND

4. **Endorsed Recommendations:** The Board should "...send a strong signal across the institution that it will reinforce the ownership of the IEO as tool for learning, accountability, and governance" (Table 1, **Recommendation 1 (R1)**); and Management should "...clearly signal to staff, in words and in actions, that the work of IEO is core to the learning and governance of the IMF" (**R7**). The IEO should undertake "...extensive consultation processes with management and staff at each stage of the evaluation process to avoid surprises" (**R12**).
5. **Summing Up (SU/18/105, July 10, 2018):** "[Directors] agreed that the Board and management should send a strong signal across the institution reaffirming the importance they attach to the IEO's work;" "Directors stressed that improving traction is a shared responsibility;" "Directors stressed that [...] increased interaction with management and staff would raise awareness of [the IEO's]

¹ The IEO's ToR can be found at: <http://www.imo-imf.org/imo/pages/TermsOfReference.aspx>.

² Kaberuka, Donald, C. Der Jiun and P. Meyerson, "Time for a Reboot at a Critical Time for Multilateralism—The Third External Evaluation of the IEO", July 2018. <http://www.imo-imf.org/imo/pages/ExternalEvaluation.aspx>.

³ Lissakers, Karin, Governor I. Husain, N. Woods, "Report of the External Evaluation of the Independent Evaluation Office," March 2006. <http://www.imo-imf.org/imo/pages/ExternalEvaluation.aspx>.

⁴ Ocampo, Jose Antonio, S. Pickford and C. Rustomjee, "External Evaluation of the Independent Evaluation Office – Report of the Panel Convened by the IMF Executive Board," January 2013. <http://www.imo-imf.org/imo/pages/ExternalEvaluation.aspx>.

work, enable it to sharpen its analysis and enhance ownership by management and staff to implement necessary actions. A few Directors, however cautioned against institutionalizing engagement and consultation with management and staff;” “Directors agreed that there remains scope for the IEO to focus more on fostering the learning culture within the Fund. Engagement through IEO-staff seminars and IEO in-reach at all stages of an evaluation could be helpful in that regard.”

6. Background. While recognizing the valuable role of the IEO in promoting accountability and learning, the Kaberuka Report observed a need to improve traction of the IEO, noting that “...*the Board [has missed] the opportunity to effectively use the IEO as an oversight and governance tool, and management [has missed the opportunity to use the IEO] as a learning channel.*” In particular, the Report noted that root causes include that: (i) the Board has not consistently demonstrated to Management and the IEO the importance it attaches to independent evaluation, including by not focusing sufficiently on progress in implementation; (ii) Management has not instilled the importance and value of the IEO’s work in IMF senior staff, nor given the incentives for staff to assign a high priority to learning from IEO reports.

7. Implementation. Management will continue to seek opportunities to highlight the importance of the IEO as a tool for learning, accountability and governance across the Fund. Close coordination will be facilitated through regular interaction with senior staff, now taking place on a monthly basis, as well as informal meetings between the IEO and Management to discuss the work program on a semi-annual basis. To broaden staff awareness of IEO proposals, consideration will be given to joint IEO-staff events after major evaluations. The event on the IEO evaluation of *The IMF and Social Protection*,⁵ which was chaired by Management and featured a discussion of IEO and IMF staff, provides a good example. Where appropriate, Management Implementation Plans (MIPs) will seek to establish deeper traction. For example, management has committed to provide semi-annual guidance to staff on how to improve engagement with fragile states, in line with the Board-endorsed recommendations stemming from the IEO evaluation on *The IMF and Fragile States*.⁶

IMPLEMENTATION AND FOLLOW-UP OF MANAGEMENT ACTIONS

8. Endorsed Recommendations: “*Hold management accountable for slow progress in implementation [of long-standing open management actions in MIPs resulting from Board-endorsed IEO recommendations]; the Periodic Monitoring Report [PMR] should be discussed in a formal Board meeting” (R2); the Board should “[through the Evaluation Committee (EVC),] enforce clear expectations for Management Implementation Plans [MIPs] to meet the ‘SMART test’ (Specific,*

⁵ Independent Evaluation Office (IEO), *The IMF and Social Protection*, 2017 Evaluation Report. International Monetary Fund, 2017. <http://www.ieo-imf.org/ieo/pages/CompletedEvaluation279.asp>.

⁶ The MIP in response to the Board-endorsed recommendations on the *IMF and Fragile States* includes a proposal for semi-annual guidance from management, see <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/10/04/pp-mip-the-imf-and-fragile-states>. The IEO evaluation on *The IMF and Fragile States* (IEO, 2018) can be found at <http://www.ieo-imf.org/ieo/pages/CompletedEvaluation284.aspx>

Measurable, Attainable, Relevant, Timely)” (R4); “...discontinue the Implementation Status Reports prepared by staff one year after a MIP” (R5); and “...comprehensively address the backlog of open management actions on the basis of an enhanced [PMR] containing the recommendations to deal with each category of open action items” (R6); Management should “...hold staff accountable for timely and substantive implementation of management actions” (R11).

9. Summing Up (SU/18/105, July 10, 2018): “Directors broadly supported discussing the [PMR] in a formal Board Meeting;” “[Directors] appreciated the ongoing efforts to ensure that Management Implementation Plans are SMART;” “Directors broadly supported... discontinuing the Implementation Status Report;” “[Directors] appreciated the ongoing efforts [...] to address the backlog of open management actions, particularly the work done by the Office of Internal Audit;” “Directors concurred with the need to continue improving the follow-up process to Board-endorsed IEO recommendations, and welcomed the recommendation to reinforce the accountability of management and staff.”

10. Background. The Kaberuka Report found that IEO recommendations are generally relevant, well anchored, and actionable. It noted that the follow-up process of the IEO’s Board-endorsed recommendations had improved owing to the Second External Evaluation of the IEO (“*Ocampo Report*”), which recommended, for example, for the OIA to take over the preparation of the PMRs from SPR to avoid potential conflicts of interest. The Kaberuka Report regarded the PMRs as detailed, candid, and professionally prepared but suggested that SPR’s Implementation Status Reports duplicate OIA’s efforts. The Kaberuka Report also indicated that a fairly large number of actions from MIPs remain open for various reasons—including, among other, that a number of actions are either difficult to measure as specified, lack sufficient enforcement and accountability mechanisms, or have been overtaken by events and therefore not being relevant in their current form. Thus, it outlined principles for a framework that could help categorize and address the backlog of actions based on the root causes for their delay. Another issue was that, with the PMRs being discussed at the level of the EVC, only OIA and SPR have been present at the meeting to explain progress with the implementation of open actions included in the MIPs; hence, it recommended elevating the PMR discussion to the Board, with a view to engaging Management more directly. Finally, the report stressed that Management should hold staff responsible for following up on the actions included in the MIPs.

11. Implementation. Starting in 2019, PMRs will be discussed in formal Board meetings, and the Implementation Status Reports will be discontinued. In addition, OIA will present for consideration by the EVC in early 2019 a framework for categorizing long-standing open actions in MIPs, reflecting a set of root causes behind the delay in their implementation. If approved by the Board, the framework will help ensure the effective implementation of open MIP actions. As a follow up, OIA would prepare a categorization of all open actions in consultation with staff and present it to the Board along with the *Tenth PMR* (June 2019). The categorization would be followed by proposals from Management to help tackle relevant actions—including through reformulation to ensure their alignment with the SMART principles and to embed greater incentives for compliance as needed. Finally, forthcoming MIPs will be tightly guided by the SMART principles to boost

accountability—as was already the case in the MIP prepared in response to the IEO Report of *The IMF in Fragile States*.

EFFECTIVENESS OF IEO REPORTS

12. Endorsed Recommendations: The IEO should “*aim for shorter reports written in ‘plain English,’ with recommendations that are SMART*” (R14).

13. Summing Up (SU/18/105, July 10, 2018): “[M]ost Directors saw merit in applying the SMART... criteria to IEO recommendations, while recognizing the need to allow sufficient room for management to develop appropriate implementation plans;” “[M]ost Directors agree that shorter reports written in plain English could be more impactful, with a number of them stressing the importance of preserving in-depth analysis underpinning the evaluation.”

14. Background. The Kaberuka Report noted that while several IEO recommendations have been impactful, the overall record is mixed, as some of them have been “*too general and hard to implement*.” Many IEO reports focus on documenting current work and practices, and pointing at gaps and shortcomings, rather than on explaining why recommendations are useful and the impact they may have. In this connection, the Kaberuka Report recommended that the IEO put greater effort into designing impactful recommendations guided by the SMART principles, thus providing improved guidance for the preparation of MIPs. In addition, the Report noted that the IEO reports would gain traction by becoming shorter and more concise to enhance readability and ensure that the messages are clearly conveyed.

15. Implementation. The IEO will present a parallel paper to the EVC on December 18, 2018 with specific proposals to address these Board-endorsed recommendations to write shorter reports in “plain English” founded by SMART recommendations. At the same time, the IEO will strive at preserving in-depth analysis underpinning the evaluations.

TOPIC SELECTION

16. Recommendations: The IEO should “*...in consultation with the EVC, establish transparent criteria for the selection of evaluation topics and clearly explain to the Board the reasons for the selection*” (R13).

17. Summing Up (SU/18/105, July 10, 2018): “[M]ost Directors supported the recommendation that the IEO, in consultation with the EVC, should formalize transparent criteria for the selection of evaluation topics and clearly explain to the Board the reasons for the selection. A few other Directors noted that the current process has worked well, striking the right balance between transparency and independence.”

18. Background. The Kaberuka Report observed that the IEO already follows an inclusive process where it seeks inputs from various stakeholders when formulating its work program. It endorsed this process, noting however that increasing the transparency of the process and its

inclusiveness would boost traction. In this context, it recommended that the IEO further explain why a topic is chosen vis-à-vis alternatives. Thus, in consultation with the EVC, the IEO should formalize the criteria and metrics used for topic selection.

19. Implementation. The IEO will present its framework to the EVC through a parallel paper on December 18, 2018 to clarify the process followed for topic selection, including specific selection criteria. While the IEO Director retains ultimate responsibility on topic selection—subject to the requirement to avoid interfering with operational activities—the new framework would rely on a list of non-exhaustive criteria building from past practice, and on a four-stage process aiming at enhancing transparency and inclusiveness without undermining the IEO’s independence.

PREPARATION OF SUMMING-UPS FOR BOARD MEETINGS ON IEO EVALUATIONS

20. Recommendations. Management should “...task the Secretary’s Department to prepare the draft *Summing Ups (SUs)* for IEO reports and allow the IEO to provide its comments on the draft to Board members before it is finalized” (R8).

21. Summing Up (SU/18/105, July 10, 2018): “Most Directors concurred that the Secretary’s Department should be tasked with preparing draft SUs... with inputs from the IEO as an authoring department prior to Board Discussions, and following the standard summing up process.”

22. Background. The Kaberuka Report considered that the SUs should remain the responsibility of the Chair of the Board (who should ensure that they reflect the Board discussion with accuracy and balance), in a manner consistent with all other issues and papers formally discussed by the Board. The Report saw, however, room for improvement from the current practice, where SPR typically prepares the SU in consultation with relevant departments for each specific evaluation. Thus, it recommended that as the IEO best understands the nuance and intent of its own recommendations, it should be allowed to provide comments on the draft SU before it is finalized.

23. Implementation. The Secretary’s Department (SEC) will be tasked with preparing the draft SU for IEO reports. In preparing and revising the SU, SEC will consult the IEO for factual check and comments, and as with other policy SUs, will also consult relevant Fund departments, including SPR and LEG, to ensure consistency with Fund policies and legal frameworks. The final responsibility for the text of the SU, including interpretation of Directors’ views and positions, rests with the Chair, on the advice of SEC. As with other authoring departments, the IEO would not share its comments with the Board or negotiate language bilaterally with Directors. SEC will initiate drafting SUs for IEO reports as soon as this paper is approved by the Board.

STAFF MOBILITY

24. Recommendations. Management should “...review HR practices that disincentivize staff from working at IEO” (R9).

25. Summing Up (SU/18/105, July 10, 2018). *“Directors noted that this issue could be assessed in the broader context of the ongoing comprehensive HR strategy work.”*

26. Background. Earlier External Evaluations of the IEO (the *Lissakers* and *Ocampo Reports*) highlighted the need for the IEO to have an adequate workforce, balancing between Fund insiders and external experience. In practice, the IEO has had difficulties attracting Fund staff, as it is not generally considered that a rotation into the IEO would enhance staff career prospects. HRD has been supportive of the IEO, taking steps to make the rotation more attractive—for instance, promotions from A14 to A15 or within the B-grade awarded by the IEO are maintained for a year once staff return to the Fund and have an opportunity to “prove” themselves; it is also considered as credit for external work experience. Nonetheless, the Kaberuka Report felt that a greater effort is needed, particularly to reduce disincentives to staff (such as the persistent uncertainty over promotions).

27. Implementation. The forthcoming *HR Strategy* (May 2019) will make concrete proposals to address this issue, taking into consideration the broader HR strategic objectives, needs, and constraints of the overall Fund workforce. The theme will be considered under the *Career Playbook* and the *Managed Mobility Framework for the Fungible Economist*.

COSTING AND RESPONSIBILITIES

28. Proposals to help tackle long-standing open actions in MIPs will entail resource costs, which will be considered when categorizing them in the *Tenth PMR*. Departmental responsibilities for those Board-endorsed recommendations of the Kaberuka Report which seek action by Management are reflected in Table 1.

| Table 1. Recommendations—2018 External Evaluation of the IEO | | | |
|---|---|--|-------------|
| Recommendation | Board Endorsement | Category | Responsible |
| The Board should... | | | |
| 1. Send a strong signal across the institution that it will reinforce the ownership of the IEO as tool for learning, accountability, and governance. | Endorsed – “Directors agreed that the Board and management should send a strong signal across the institution reaffirming the importance they attach to the IEO’s work;” “Director stressed that improving traction is a shared responsibility.” | IEO’s Traction inside the Fund | |
| 2. Hold management accountable for slow progress in implementation. The Periodic Monitoring Report should be discussed in a formal Board meeting. | Endorsed – “Directors concurred with the need to continue improving the follow-up process to Board-endorsed recommendations and welcome the recommendation to reinforce the accountability of management and staff;” “Directors broadly supported discussing the PMR in a formal Board Meeting.” | Implementation and Follow Up of Management Actions | |
| 3. Review the IEO’s Terms of Reference to a) set out expectations for the IEO to engage and consult regularly with management and staff in the course of its work, and b) ensure that the scope of “operational activities, including current programs” does not restrict the IEO from conducting useful evaluations of ongoing activities of the Fund. | Not endorsed – “A number of Directors considered the TORs remain appropriate. A few others saw merit in the Panel’s suggestion.” | | |
| 4. The EVC should enforce clear expectations for Management Implementation Plans to meet the “SMART test” (Specific, Measurable, Attainable, Relevant, Timely). | Endorsed – “Most Directors saw merit in applying the SMART criteria to IEO recommendations, while recognizing the need to allow sufficient room for management to develop appropriate implementation plans.” | Implementation and Follow Up of Management Actions | |
| 5. Discontinue the Implementation Status Report prepared by staff one year after a MIP. | Endorsed – “Directors supported discontinuing the Implementation Status Report.” | Implementation and Follow Up of Management Actions | |

Table 1. Recommendations—2018 External Evaluation of the IEO (Continued)

| Recommendation | Board Endorsement | Category | Responsible |
|--|---|--|----------------|
| 6. Comprehensively address the backlog of open management actions on the basis of an enhanced Periodic Monitoring Report containing recommendations to deal with each category of open action items. | Endorsed – “Directors appreciated the ongoing efforts [...] to address the backlog of open management actions, particularly the work done by the Office of Internal Audit.” | Implementation and Follow Up of Management Actions | |
| Management should... | | | |
| 7. Clearly signal to staff, in words and in actions, that the work of IEO is core to the learning and governance of the IMF. | Endorsed – “Directors agreed that the Board and management should send a strong signal across the institution reaffirming the importance they attach to the IEO’s work;” “Director stressed that improving traction is a shared responsibility.” | IEO’s Traction inside the Fund | Management/SPR |
| 8. Task the Secretary’s department to prepare the draft Summings Up for IEO reports and allow the IEO to provide its comments on the draft to Board members before it is finalized. | Endorsed – “Most Director concurred that the Secretary’s Department should be tasked with preparing draft Summing Up with inputs from the IEO as an authoring department prior to Board Discussions and following the standard Summing Up process.” | Preparation of Summing Ups for Board Meetings on IEO Evaluations | SEC |
| 9. Review HR practices that disincentivize staff from working at IEO. | Endorsed – “Directors noted that this issue could be assessed in the broader context of the ongoing comprehensive HR strategy work.” | Staff Mobility | HRD |
| 10. Take on a more active role in suggesting evaluation topics where the IEO can bring value to and be directly relevant to current management concerns. | Not Endorsed – The Board was silent on this specific recommendation. | | |
| 11. Hold staff accountable for timely and substantive implementation of management actions. | Endorsed – “Directors concurred with the need to continue improving the follow-up process to Board-endorsed IEO recommendations, and welcomed the recommendation to reinforce the accountability of management and staff;” “Directors appreciate the | Implementation and Follow Up of Management Actions | Management/SPR |

Table 1. Recommendations—2018 External Evaluation of the IEO (Continued)

| Recommendation | Board Endorsement | Category | Responsible |
|---|--|------------------------------|-------------|
| | <i>ongoing efforts to ensure that Management Implementation Plans are SMART."</i> | | |
| The IEO should... | | | |
| 12. Institutionalize regular engagement with management as well as extensive consultation processes with management and staff at each stage of the evaluation process to avoid surprises. | Endorsed – <i>"Directors stressed that [...] increased interaction with management and staff would raise awareness of its work, enable it to sharpen its analysis and enhance ownership by management and staff to implement necessary actions. A few Directors, however cautioned against institutionalizing engagement and consultation with management and staff."</i> <i>"Directors agreed that there remains scope for the IEO to focus more on fostering the learning culture within the Fund. Engagement through IEO-staff seminars and IEO in-reach at all stages of an evaluation could be helpful in that regard."</i> | Effectiveness of IEO Reports | |
| 13. In consultation with the EVC, establish transparent criteria for the selection of evaluation topics and clearly explain to the Board the reasons for the selection. | Endorsed – <i>"Most Directors supported the recommendation that the IEO, in consultation with the EVC, should formalize transparent criteria for the selection of evaluation topics and clearly explain to the Board the reasons for the selection. A few other Directors noted that the current process has worked well, striking the right balance between transparency and independence."</i> | Topic Selection | |

Table 1. Recommendations—2018 External Evaluation of the IEO (Concluded)

| Recommendation | Board Endorsement | Category | Responsible |
|---|---|------------------------------|-------------|
| 14. Aim for shorter reports written in "plain English", with recommendations that are SMART. | Endorsed – "Most Directors agree that shorter reports written in plain English could be more impactful, with a number of them stressing the importance of preserving in-depth analysis underpinning the evaluation;" "Most Directors saw merit in applying the SMART criteria to IEO recommendations, while recognizing the need to allow sufficient room for management to develop appropriate implementation plans." | Effectiveness of IEO Reports | |
| 15. In consultation with the Board or the EVC, consider shorter evaluation products that can be done more quickly as an input into current topics being discussed by the Board. | Not endorsed – "A number of Directors felt that short reports prepared quickly by the IEO could provide useful inputs into current topics under Board discussion, although a few others pointed to their limited value added and potential interference with current operations." | | |
| 16. Seek to meet with the IMFC Chair regularly and brief the IMFC Deputies on evaluation work with policy implications. | Not endorsed – "Directors recognized that it is at the discretion of the IMFC Chair or his Deputy, in consultation with the IMFC membership;" "A number of Directors saw the benefits of such approaches in raising the visibility and awareness of the IEO's work among the IMFC membership, while a few doubted their usefulness." | | |