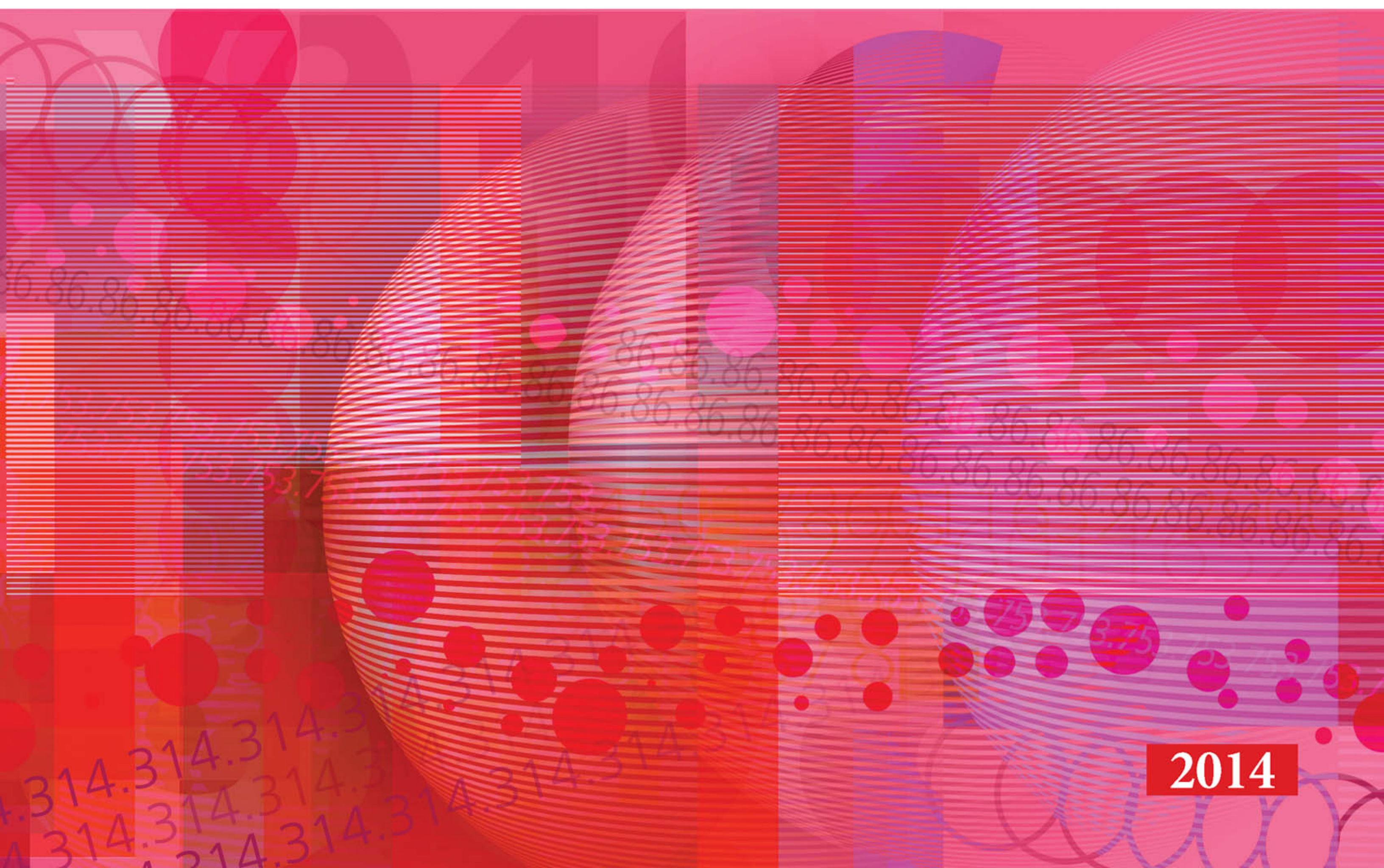
IEO

Independent Evaluation Office
of the International Monetary Fund

EVALUATION REPORT

Recurring Issues from a Decade of Evaluation

Lessons for the IMF



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Foreword

The Independent Evaluation Office (IEO) was established in 2001 to provide objective and independent evaluation on issues related to the IMF. During the first 12 years of its existence, it produced 20 evaluation reports on subjects covering various aspects of the IMF's core areas of responsibility: surveillance, lending, and capacity building. In 2013, an external committee headed by José Antonio Ocampo, noting that IEO recommendations "deemed by the Fund to have been met . . . tend to be raised again in subsequent IEO reports," proposed that the IEO prepare a review of "generic and substantive issues" that are not "encapsulated in specific recommendations" but deserve monitoring. This evaluation was prepared as a response to this proposal. It identifies major recurring issues from the IEO's first 20 evaluations and assesses where they stand.

The IEO found a number of issues that had recurred across a wide range of contexts. Of these, this evaluation has focused on those issues that have been identified most frequently in past IEO evaluations, namely:

- *Executive Board guidance and oversight*;
- *Organizational silos*;
- *Attention to risks and uncertainty*;
- *Country and institutional context*; *and*
- *Evenhandedness*.

The evaluation finds that though the IMF Board and Management have taken actions to address each of the five sets of issues, challenges remain in each. To varying degrees, these challenges all emanate from the IMF's character as a multilateral institution with multiple objectives and a complex governance structure. Despite the difficulty, efforts to address these issues are important for enhancing the IMF's effectiveness and credibility. The report thus concludes that more can and should be done, especially in terms of broad-based, strategic responses.

The IEO believes that a framework of reviewing and monitoring recurring issues would be useful in establishing incentives for improvement, strengthening the Board's oversight, and providing learning opportunities for the IMF. In this respect, I am encouraged by the broad agreement, expressed by the Managing Director and the Executive Board, with the findings of this report. It is hoped that this report, along with systematic efforts to address the issues identified therein, will contribute to enhancing the IMF's effectiveness in performing its important mission for the global economy.

Moises J. Schwartz
Director
Independent Evaluation Office

Recurring Issues from a Decade of Evaluation: Lessons for the IMF

This report was prepared by an IEO team led by Shinji Takagi. The IEO team included Roxana Pedraglio and Jérôme Prieur. The evaluation benefited from discussions with the authors of all past IEO evaluation reports and participants at internal workshops. It incorporates comments by IMF staff on an earlier version, though the final judgments are the responsibility of the IEO alone. Arun Bhatnagar and Annette Canizares provided administrative assistance. Rachel Weaving, Roxana Pedraglio, and Esha Ray provided editorial and production management assistance. The report was approved by Moises Schwartz.

Abbreviations

AFR	African Department (IMF)
APD	Asia and Pacific Department (IMF)
DSA	debt sustainability analysis (IMF)
EMDCs	emerging market and developing country economies
EPA	ex post assessment (IMF)
EPE	ex post evaluation (IMF)
ESF	Exogenous Shocks Facility (IMF)
EU	European Union
EWE	Early Warning Exercise (IMF/FSB)
FAD	Fiscal Affairs Department (IMF)
FDMD	First Deputy Managing Director (IMF)
FSAP	Financial Sector Assessment Program (IMF/World Bank)
FSB	Financial Stability Board
FSF	Financial Stability Forum
FSG	Financial Sector Surveillance Group (IMF)
FSI	Financial Soundness Indicator (IMF)
FSS	financial sector surveillance (IMF)
FSSA	Financial Sector Stability Assessment (IMF)
FY	Fiscal or financial year
G20	Group of Twenty
GFSR	*Global Financial Stability Report* (IMF)
G-RAM	Global Risk Assessment Matrix (IMF)
HRD	Human Resources Department (IMF)
ICD	Institute for Capacity Development (IMF)
ICM	International Capital Markets Department (IMF)
IEO	Independent Evaluation Office (IMF)
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee (IMF)
INS	IMF Institute (IMF)
JSA	Joint Staff Assessment (IMF/World Bank)
JSAN	Joint Staff Advisory Note (IMF/World Bank)
LIC	low-income country
LTPE	longer-term program engagement (IMF)
MAE	Monetary and Exchange Affairs Department (IMF)
MAP	Mutual Assessment Program (IMF/G20)
MCD	Middle East and Central Asia Department (IMF)
MCM	Monetary and Capital Markets Department (IMF)
MFD	Monetary and Financial Systems Department (IMF)
MIP	Management Implementation Plan (IMF, IEO-related)
OED	Offices of Executive Directors (IMF)
OTM	Office of Technical Assistance Management (IMF)

PMR	Periodic Monitoring Report (IMF, IEO-related)
PRGF	Poverty Reduction and Growth Facility (IMF)
PRGT	Poverty Reduction and Growth Trust (IMF)
PRS	Poverty Reduction Strategy (IMF/World Bank)
PRSP	Poverty Reduction Strategy Paper (IMF/World Bank)
PTA	preferential trade agreement
RAM	Risk Assessment Matrix (IMF)
RAP	Resource Allocation Plan (IMF)
RES	Research Department (IMF)
RSN	Regional Strategy Note (IMF)
SPR	Strategy, Policy, and Review Department (IMF)
SSP	Statement of Surveillance Priorities (IMF)
TA	technical assistance
TGS	Technology and General Services Department (IMF)
TOR	terms of reference
TSR	Triennial Surveillance Review (IMF)
UFR	use of Fund resources (IMF)
VE	Vulnerability Exercise (IMF)
WEO	*World Economic Outlook* (IMF)
WTO	World Trade Organization

The following conventions are used in this publication:

- An en dash (–) between years or months (for example, 2008–09 or January–June) indicates the years or months covered, including the beginning and ending years or months; a slash or virgule (/) between years or months (for example, 2008/09) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2009).
- "Billion" means a thousand million; "trillion" means a thousand billion.

As used in this publication, the term "country" does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.

Some of the documents cited and referenced in this report were not available to the public at the time of publication of this report. Under the current policy on public access to the IMF's archives, some of these documents will become available 3 or 5 years after their issuance. They may be referenced as EBS/YY/NN and SM/YY/NN, where EBS and SM indicate the series and YY indicates the year of issue. Certain other types of documents may become available 20 years after their issuance. For further information, see www.imf.org/external/np/arc/eng/archive.htm.

Executive Summary

This evaluation seeks to help the IMF enhance its effectiveness by identifying major recurring issues from the IEO's first 20 evaluations and assessing where they stand. These issues have affected the IMF's performance in all of its core areas of responsibility: surveillance, lending, and capacity development. Their recurrence in different contexts in multiple IEO evaluations suggests that they are intrinsic to the nature of the institution, with deep roots in its culture, policies, and governance arrangements.

The evaluation has been prepared in response to the 2013 *External Evaluation of the IEO*, which proposed that the IEO prepare a review of "generic and substantive issues" that are not "encapsulated in specific recommendations" but deserve monitoring. The *External Evaluation* made this proposal as a way to strengthen the follow-up process for Board-endorsed IEO recommendations, which in its authors' view had become a "box-ticking" exercise that tended to dilute their substance (Ocampo, Pickford, and Rustomjee, 2013, pp. 23–24, 26). This report aims to contribute to strengthening the follow-up process by focusing on key issues that have recurred in IEO evaluations, rather than on specific recommendations and their implementation.

The present evaluation focuses on recurring issues in the following five areas:

- *Executive Board guidance and oversight*;
- *Organizational silos*;
- *Attention to risks and uncertainty*;
- *Country and institutional context*; *and*
- *Evenhandedness*.

The evaluation finds that though the Board and Management have taken actions to address each of the five sets of issues, challenges remain in each, and are likely to persist. To varying degrees, these challenges all emanate from the IMF's character as a multilateral institution with multiple objectives and a complex governance structure. Despite their difficulty, efforts to address these issues are important for enhancing the IMF's effectiveness and credibility. More can and should be done, especially in terms of broad-based, strategic responses.

Issues for Board Consideration

The recurring issues identified by the evaluation in five areas—(i) Executive Board guidance and oversight, (ii) organizational silos, (iii) attention to risks and uncertainty, (iv) country and institutional context, and (v) evenhandedness—are to varying degrees inherent to the nature of the IMF and are thus likely to present ongoing challenges for the institution. This raises the question of how best to address them, going forward, in view of the IMF's overall institutional priorities and resource constraints. Despite their long-term nature, the IMF should try to mitigate their adverse impact while keeping these issues at the forefront of its agenda.

This evaluation, given its nature as a stock-taking exercise and in keeping with the suggestion of the 2013 *External Evaluation of the IEO*, does not propose specific recommendations on how to address the five sets of issues reviewed in the report. Nonetheless, after preparing this evaluation, the IEO believes that a framework of reviewing and monitoring recurring issues would be useful in establishing incentives for progress, strengthening the Board's oversight, and providing learning opportunities for the IMF.

In light of this conclusion, the IEO recommends that the following reports be prepared for the Board periodically:

- An IEO report, similar to this one, identifying and reviewing important issues that have recurred in its evaluations. This could be done every five years.
- A status report, prepared by staff, to monitor the progress the IMF has made in addressing recurring issues, focusing on the big picture rather than on the implementation of specific IEO recommendations that will continue to be monitored via the Periodic Monitoring Report (PMR). The first staff report could be prepared within two years, followed by similar reports every five years thereafter.

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CHAPTER

I Introduction

1. This evaluation aims to help the IMF enhance its effectiveness by identifying major recurring issues from the IEO's first 20 evaluations and assessing where they stand. These issues are tendencies that the IEO has found in specific instances and that have affected the IMF's performance in all of its core areas of responsibility: surveillance, lending, and capacity development. Almost all of them have been frequently discussed within the IMF as requiring institutional attention. While the Fund has addressed these issues in specific instances, their recurrence in different contexts in multiple IEO evaluations suggests that they are intrinsic to the nature of the IMF, with deep roots in its culture, policies, and governance arrangements.

2. The evaluation has been prepared in response to the 2013 *External Evaluation of the IEO*, which proposed that the IEO prepare a review of "generic and substantive issues" that are not "encapsulated in specific recommendations" but deserve monitoring. The *External Evaluation* further proposed that the review "should focus on major generic issues identified by the IEO rather than [being] an exhaustive review of specific actions" (Ocampo, Pickford, and Rustomjee, 2013, p. 28). This proposal received broad support from the Executive Board, Management, and staff when the report was discussed at the Board in March 2013.

3. The *External Evaluation* proposed such a review as a means to strengthen the follow-up process for Board-endorsed IEO recommendations.[1] At present, this process consists of (i) Management Implementation Plans (MIPs) for those IEO recommendations endorsed by the Board, and (ii) Periodic Monitoring Reports (PMRs) to track the implementation of those recommendations. The *External Evaluation* found that the follow-up process has several weaknesses. One is "conflicts of interest for Management, which has the triple responsibility of overseeing the summing up of the Board discussion, preparing the subsequent implementation plan, and monitoring its application" (Ocampo, Pickford, and Rustomjee, 2013, p. 24). The external evaluators recommended that the preparation of PMRs be moved to the Office of Internal Audit in order to separate Management's implementation and monitoring functions. This change has been approved by the Executive Board to take effect in 2014 (IMF, 2014).

4. Another weakness the external evaluators identified in the follow-up process is that it has become a "box-ticking" exercise, in which IEO recommendations are turned into "a series of specific actions" that tend to dilute their substance; there is no monitoring of broad policy conclusions and concerns raised in IEO reports. The implementation of an IEO recommendation is no longer tracked once the IMF staff judges, and the Board concurs, that the benchmarks for implementation noted in the MIP have been met or are progressing to timely completion.[2] This may in part explain why "recommendations deemed by the Fund to have been met or on track for completion tend to be raised again in subsequent IEO reports" (Ocampo, Pickford, and Rustomjee, 2013, pp. 23–24).

5. In line with the *External Evaluation*'s proposal, the present report focuses on key issues that have recurred in past IEO evaluations, rather than on specific

[1]From 2002 to 2013, the IEO's 20 evaluations made 129 high-level recommendations, of which 111 (or 86 percent) received support from the Executive Board, either fully, partially, or in a nuanced way (Stedman, 2012, updated to include two additional evaluations). In addition, many of these evaluations included subsidiary recommendations or suggestions on how the high-level recommendations might be implemented in practice. Stedman (2012, updated) counts about 160 subsidiary recommendations and about 80 suggestions or examples; the Board supported about 40 percent of the subsidiary recommendations.

[2]For example, the third through fifth PMRs, produced between 2009 and 2012, all concluded that agreed actions had been implemented or were in train (with no outstanding performance benchmarks to be reviewed in the next PMR), and the Board agreed, even while noting that more needed to be done in some cases to address broader policy issues raised in IEO recommendations. In assessing the fourth PMR, the Board noted that the issue of staff mobility was still outstanding.

IEO recommendations and their implementation. IEO recommendations, even when endorsed by the Board, do not preclude the IMF from addressing the identified issues in an alternative way. By highlighting the recurring issues, this report aims to advance the overall effort to enhance the follow-up process, the need for which has been recognized by the Board. This approach also accords with the suggestion made by the Managing Director, in her response to the *External Evaluation*, that it would be useful to "refocus the follow-up process … on the broader policy objectives."[3]

6. Though some of the issues highlighted in this report may not be fully solvable, recognizing them and understanding their root causes is a first step in moving to address them in a fundamental way. Without strategic efforts to get to the bottom of the problems, the IMF will keep attempting to address the same issues in different contexts without finding permanent solutions.

7. The rest of the report is organized as follows. Chapter 2 discusses the framework of evaluation, including the identification of recurring issues, the evaluation questions, and the sources of evidence. Chapter 3 applies the framework to issues identified by the evaluation team as most frequently recurring in five areas, namely: (i) Executive Board guidance and oversight; (ii) organizational silos; (iii) attention to risks and uncertainty; (iv) country and institutional context; and (v) evenhandedness. Chapter 4 presents conclusions and issues for Board consideration. Annexes 1 and 2, respectively, present a complete list of IEO findings related to the five groups of issues and a selective chronological summary of relevant IMF initiatives and decisions adopted during 2008–13.

[3]Statement by the Managing Director on the External Evaluation of the Independent Evaluation Office, Executive Board Meeting, March 21, 2013.

CHAPTER

2 The Evaluation Framework

A. Identifying Issues for the Evaluation

8. Previous authors have identified high-level, generic issues in the IMF's performance that have been repeatedly highlighted by IEO evaluations (Lamdany and Edison, 2012; Salop, 2012; Reichmann, 2013).[4] Instead of attempting to distill high-level findings from multiple evaluations, this evaluation takes a bottom-up approach, first identifying findings from past IEO evaluations and then grouping them according to common themes. Using this approach allows us to track how similar issues have recurred in different contexts and what the IMF may have done over time to address them.

9. The evaluation team concentrated on evaluation findings about aspects of the IMF that are not topic-specific. For example, a finding about the nature of inter-departmental collaboration in producing research is considered as non-topic-specific because it concerns a broader organizational issue; by contrast, a finding about the technical quality of IMF research is specific to the topic of one particular evaluation. The team identified more than 300 non-topic-specific findings in the IEO's first 20 evaluations.

10. The non-topic-specific findings pertain to common themes, which are for the purpose of this evaluation classified as recurring issues. Some of the recurring issues are closely related to each other, so that an evaluation finding may simultaneously pertain to two or more issues (e.g., organizational silos within the IMF and integration of different strands of work; candor and attention to risks and uncertainty). Themes on which the past evaluation findings are most numerous are considered to be the most recurrent.

11. The present evaluation identified recurring issues in 14 areas, each containing a dozen or more related findings from multiple evaluations. These in turn can be grouped under the following categories:

Institutional, organizational, and governance concerns

- Accountability and monitoring frameworks
- Corporate governance
- Executive Board guidance and oversight
- Organizational silos

Analytical shortcomings

- Attention to risks and uncertainty
- Content and value-added
- Country and institutional context
- Integration (e.g., macro-financial, multilateral/bilateral)

Cognitive and cultural traits

- Candor
- Mindset (e.g., group-think, intellectual capture)
- Operational practices (e.g., staff turnover)

[4] For example, Lamdany and Edison (2012) identify: (i) in order to strengthen its governance, the IMF needs to clarify the respective roles and responsibilities of the Board, Management, and senior staff; (ii) many IMF policies lack sufficient clarity to allow staff to implement them in an effective and consistent manner; (iii) greater evenhandedness is needed in the IMF's application of policies and framing of advice across the membership; (iv) IMF staff has been reluctant to raise difficult issues with country authorities, particularly those of large advanced economies; (v) there is a significant degree of "group-think" and insularity among IMF staff, Management, and, to a lesser extent, even at the Board; (vi) the IMF needs to develop a monitoring and evaluation framework that links goals to policies and instruments, and specifies benchmarks that would allow it to measure outcomes and impacts and take corrective actions; (vii) in many instances, the IMF missed important developments because it did not adequately "connect the dots" from analysis that was done in different parts of the institution; and (viii) there is a large amount of "blueprinting" and one-size-fits-all approaches.

Relationship with member countries

- Engagement with authorities
- Evenhandedness
- Outreach

12. As recommended by the *External Evaluation*, the present report concentrates selectively on those issues that have been identified most frequently in past IEO evaluations:[5]

- *Executive Board guidance and oversight*. The Executive Board has in some instances fallen short of providing clear guidance and effective oversight of the institution;
- *Organizational silos*. The IMF has in some instances found it difficult to integrate work across different parts of the institution;
- *Attention to risks and uncertainty*. The IMF has in some instances paid insufficient attention to risks and uncertainty in surveillance and program design;
- *Country and institutional context*. The IMF has in some instances provided insufficient country specificity and institutional context in its analytical work and policy advice; and
- *Evenhandedness*. The IMF has in some instances been seen as lacking evenhandedness in its analysis or treatment of member countries.

13. The selection of these issues does not mean there are no others of valid concern to the IMF; it only means that these issues were the ones most frequently found in the context of the topics the IEO selected for its evaluations. Had the IEO selected alternative topics, other issues might have been identified or found to be just as recurrent. By using recurrence as the selection criterion, moreover, the present review may be excluding some important issues from consideration.

14. Even so, the topics selected by past IEO evaluations cover much ground, ranging from surveillance to crisis management, from research to governance, and from advanced to low-income countries. The fact that the issues identified by the evaluations have recurred across a wide range of contexts must indicate their importance and relevance. Almost all of them have been frequently discussed within the IMF as requiring institutional attention by the Executive Board, Management, and staff. Though the identified issues have not been found in all IEO evaluations, they have recurred often enough to be of concern, especially from the point of view of individual countries for which the incidence of one such weakness could have major consequences.

[5]The five groups are expanded to include closely related findings from the other groups. For instance, "Executive Board guidance and oversight" and "attention to risks and uncertainty" contain subsets of the findings related to "candor." Likewise, "organizational silos" includes part of the findings related to "integration." See Annex 1 for details.

B. Evaluation Questions

15. For each of the five groups of issues, this evaluation addresses the following sets of questions:

- In what manner and in what context has the issue surfaced in the IMF's work, as identified by successive IEO evaluations?
- What has the IMF done to address the issue, irrespective of whether there was a specific IEO recommendation?
- If action has been taken, has the situation improved? In what, if any, areas of the IMF's work does the issue remain outstanding? To what extent is the issue so inherent to the nature of the IMF, or to what the IMF does, that it will likely remain a challenge and require continued attention?

C. Sources of Evidence

16. Building on the findings obtained from IEO evaluation reports, the evaluation team gathered evidence on the current status of the identified issues from sources including MIPs and PMRs; the latest periodic staff reviews of surveillance, conditionality, and technical assistance; other relevant staff policy papers submitted to the Executive Board; summings up of Executive Board meetings; and recent statements by International Monetary and Financial Committee (IMFC) members. To obtain additional perspectives, the evaluation team interviewed members of the Board and senior staff. The complete list of documents consulted for the evaluation is provided at the end of the report.

CHAPTER

3 Recurring Issues from IEO Evaluations

A. Executive Board Guidance and Oversight

17. The Executive Board is "responsible for conducting the business of the Fund" (Article XII, Section 3 of the IMF's Articles of Agreement), and it is under the Board's direction that the Managing Director conducts "the ordinary business of the Fund" (Section 4). As such, the Board plays the critical role in setting strategic policies for the institution and overseeing their implementation. Not surprisingly, then, as many as 36 findings across 14 evaluations relate in one way or another to the Executive Board (see Annex 1 for the complete list of findings).

18. Of the 36 findings, 16 identify a lack of clear guidance by the Board as a recurring weakness. For example, clear Board guidance has been found to be lacking with respect to: (i) an operational definition of the prolonged use of Fund resources (i.e., incidence of a country engaging in successive IMF arrangements over a sustained period) (IEO, 2002); (ii) the IMF's longer-term role in low-income countries (IEO, 2002 and 2004a); (iii) how to apply existing guidelines on the handling of social expenditure in the light of a new initiative (IEO, 2003b); (iv) the role of the IMF relative to other providers of technical assistance (IEO, 2005a); (v) the place of capital account and trade policy issues in the IMF's country or analytical work (IEO, 2005b and 2009a); (vi) what constitutes a systemically important country from the standpoint of global financial stability (IEO, 2006a); (vii) the design of structural conditionality, in the light of the Fund's initiatives to streamline conditionality (IEO, 2007c); and (viii) the meaning of criticality in the information disclosure principle (IEO, 2013).

19. IEO evaluations have pointed to a number of factors contributing to the lack of clear guidance by the Board. First, especially in areas outside the IMF's core mandate, the Board is sometimes wary of being prescriptive, considering that the staff's use of good judgment would suffice (IEO, 2002 and 2004a). Second, on issues where professional consensus is lacking or multiple trade-offs are involved, it is difficult for Board members to come to a unified institutional position (IEO, 2005b and 2007b). Moreover, as some people interviewed for this evaluation noted, philosophical differences or divergent national interests across the membership can also make it difficult for the Board to agree on a single institutional position. Third, the summing-up process for Board discussions, which tends to express Board decisions in nuanced language, can contribute to a lack of clarity in the Board's guidance (IEO, 2008).

20. IEO evaluations have noted that lack of clear guidance from the Board has had some undesirable or unintended consequences, such as: (i) failure to consistently apply due-diligence procedures (IEO, 2002); (ii) providing IMF financing when there was no need, in order to perform a task expected by the international community (e.g., giving the IMF's seal of approval for a member's policies) (IEO, 2002); (iii) inconsistency in the IMF's policy advice across the membership (IEO, 2005b); (iv) blurred emphasis on maximizing the contribution of the Financial Sector Assessment Program (FSAP) to strengthening global financial stability (IEO, 2006a); (v) pervasive structural conditionality despite the Fund's streamlining initiatives, which sought to reduce this (IEO, 2007c); and (vi) diminution of the IMF's ability to engage in discussions with authorities at an early stage of the policy formulation process (IEO, 2013).

21. The remaining 20 of the 36 Board-related findings concern the role of the Executive Board in its oversight function and more broadly within the IMF's overall governance structure. For example, the Board was found to be less than fully effective in: (i) considering alternative strategies during crisis management, given Management's understandable reluctance to share highly market-sensitive information (IEO, 2004b); (ii) providing an effective peer review of financial sector assessments or in multilateral surveillance, given the Board's lack of necessary information or direct access

to senior policymakers (IEO, 2006a, 2006b, and 2007b); and (iii) proactively providing strategic direction or exercising oversight of policy implementation (IEO, 2008).

Actions taken to resolve problems

22. Some of the specific Board-related problems identified by IEO evaluations have been fully resolved (see Annexes 1 and 2 for details). A formal definition of the prolonged use of Fund resources—known as longer-term program engagement (LTPE)—was adopted in 2003 (IMF, 2003a). In 2005, the Policy Support Instrument was introduced as an alternative IMF "seal of approval" for members' policies, thus eliminating the need to use an IMF lending arrangement for that purpose (IMF, 2005e). In 2007, the Board concluded that the primary focus of the IMF's work in low-income countries was to provide policy advice and technical support on the design of appropriate macroeconomic policies, and not to actively mobilize aid (IMF, 2007f and 2007l). In 2009, structural performance criteria were altogether abolished in all IMF-supported programs (IMF, 2009g). The Board also agreed to periodic reviews of IMF work on trade policy every five years, with the first review planned for 2014 (IMF, 2009l). In 2010, the Board agreed on a list of 25 jurisdictions whose financial sectors were the most significant for the global financial system and made them subject to mandatory financial stability assessments every five years (IMF, 2010g); the list was recently reviewed and augmented (IMF, 2013u). In 2012, the Board discussed an institutional view on member countries' use of capital controls (called capital flow management measures) (IMF, 2012l).

23. Recent actions to help improve the Board's effectiveness include raising the number of Alternate Executive Directors for multi-country constituencies (Box 1); undertaking ex post assessments of some programs, to allow the Board to reflect upon past activities of the IMF and to apply any lessons; and—in accordance with an agreement reached in November 2010 on Board practices (IMF, 2010l)—increasing the focus on strategic country and policy issues through the use of lapse-of-time procedures and better prioritization and timing of policy items. Staff-chaired sessions, for which the attendance of the staff of Offices of Executive Directors (OED) is understood to be optional, have been used to limit the number of Board meetings. Board members who were interviewed for this evaluation stated that Executive Directors are now much more proactive than previously in seeking information from Management and staff, thanks in part to recent innovations designed to enhance the Board's involvement in strategic decisions.

Outstanding issues

24. As important as these improvements are, a number of issues remain outstanding (see Box 2 on selected views of Executive Board members). Executive Directors representing various national interests are bound to disagree on some important issues. Because many of the issues are ultimately related to the governance of the IMF, quick fixes cannot be expected. In discussing the IEO evaluation of the *Governance of the IMF* (IEO, 2008), the Executive Board and the Managing Director issued a joint statement, noting that the IEO report was "part of an ongoing process to strengthen the IMF's governance framework" and that many of the issues were "complex, interrelated, and [needed] to be discussed holistically" (IMF, 2008e).

25. The Executive Board Working Group on IMF Corporate Governance in 2008 (IMF, 2008j), and the Management-appointed external panel chaired by Trevor Manuel in 2009 (Manuel and others, 2009), issued recommendations to address some of the issues raised by the IEO. The Board endorsed the Managing Director's proposal to reconvene a Joint Steering Committee one year following the discussion of the IEO evaluation in order to consider all of the recommendations issued. But Executive Directors' expectations notwithstanding, this has never occurred.

26. Achieving greater candor in the documents prepared for the Board could go some way towards strengthening the Board's oversight function. A number of IEO evaluations have observed that candor was often either lacking or watered down in staff reports, providing the Board less than a firm basis for asking hard questions about risk assessments (IEO, 2004b and 2006a). The IMF has addressed the need to increase candor as part of its ongoing review process. The 2011 Triennial Surveillance Review (TSR) reiterated the importance of creating incentives for candor among IMF staff (IMF, 2011w; see also IMF, 2011i). The large number of deletions from staff reports before the reports are released to the public may be an indication of increased candor in the original versions submitted to the Board (IMF, 2013i). Nonetheless, transparency is a double-edged sword. The IEO evaluation of *The Role of the IMF as Trusted Advisor* noted that authorities at

Box 1. Selected Recent Innovations in Executive Board Procedures and Practices

Innovations have been introduced in Board procedures and practices in recent years to increase effectiveness. Some of these are highlighted below:

Reform of Quota and Voice in the International Monetary Fund (IMF, 2008a)

- Constituencies representing seven or more member countries are now allowed to appoint an additional Alternate Executive Director. The general rule entered into force in March 2011 (IMF, 2011d).

Modification of Access Policies for the Poverty Reduction and Growth Facility and the Exogenous Shocks Facility (IMF, 2009h)

- Procedural safeguards were introduced in the form of a required informal Board meeting when a financial request (either for a new arrangement or for augmentation of an existing arrangement) would lead to a country's exceptional access. A similar requirement had already been in place since 2003 for stand-by arrangements and the use of the Extended Fund Facility (see IMF, 2003b).

Omnibus Paper on Easing Work Pressures (IMF, 2009p)

- Multi-country ex post assessments (EPAs) and ex post evaluations (EPEs) are now allowed in order to prevent a bunching of the EPA- and EPE-related workloads.

Executive Board Working Group on Committees (IMF, 2010l and 2012d)

- Better scheduling of meetings and streamlining types of meetings were seen to have improved prioritization and work program planning.
- Increased use of lapse-of-time procedures and of "green" statements (allowing Directors to express views without calling for a Board discussion) was seen to have reduced workload and achieved better focus on strategic issues.
- Issuance of joint "grays" (preliminary statements) and implementation of an earlier deadline were seen to have eased preparation for Board meetings.
- Stricter observance of time limits on interventions and more active Management chairing were seen to have improved the focus of Board discussions.

Executive Directors' Working Group on Summings Up (IMF, 2013b)

- Stakeholders' familiarity with the "rule of silence" and the way post-Board meeting comments are reflected in the summings up were clarified.
- A periodic stock-taking exercise on the effective preparation of summings up was introduced.
- The role of the Chair in ensuring that summings up adequately capture the views expressed by Executive Directors was reaffirmed.
- Qualifiers used in summings up (last updated in 2010) were deemed appropriate.

times refrained from raising an issue on which they might want the IMF's views, for fear that their concern might be aired in the staff report (IEO, 2013). How to involve the Board to increase its effectiveness remains a challenge.

B. Organizational Silos

27. Evidence of organizational silos, and inadequate integration of work done by different parts of the IMF, has been identified by 39 findings across 12 evaluations (see Annex 1 for the complete list of findings). Silos are a feature of any complex organization and are not a bad thing in themselves. But silo behavior, marked by poor coordination among different parts of the organization, is of concern. Silo behavior can result in weak analysis if it causes insufficient integration of work across IMF departments, especially between bilateral and multilateral surveillance or between financial sector and macroeconomic analysis. Silo behavior could also affect the IMF's internal review process.

28. IEO evaluations have identified silo behavior in, for example, insufficient incorporation by area departments of constructive comments received from review departments on surveillance and program design (IEO, 2003b and 2011a); insufficient integration of global perspectives into bilateral surveillance (IEO, 2006b and 2007b); turf battles between departments (IEO, 2011a); and discrepancies in the advice provided in different products produced by different departments (IEO, 2013).

Box 2. Selected Views of Executive Board Members on Executive Board Oversight

- The Executive Board has become more effective in its oversight role, with Board members proactively requesting information from Management and staff on critical issues. The Board is no longer the "rubber stamp" that it used to be.
- Until there is an effective mechanism to restructure sovereign debt, Executive Directors have little choice but to support a program even when they have debt sustainability concerns.
- Early consultation in exceptional-access cases is an improvement, but confidentiality concerns ultimately limit the willingness of Management to involve the Board in critical decisions.
- Informal Board meetings allow honest and candid discussion; they give Executive Directors greater independence from their authorities as well as an opportunity to influence decisions at an early stage.
- Frequent use of informal Board meetings has drawbacks. Because there are no written records or summings up, and Executive Directors act less in their official capacity, accountability is lacking.
- Lapse-of-time procedures have sometimes compromised the quality of bilateral surveillance in smaller countries.
- At the heart of limited Board effectiveness is the dual role of Executive Directors. They have tended to act more as representatives of their governments than as IMF officials. This has made the Board less independent of member governments and hence less effective in protecting the technical independence of staff. The typical term of an Executive Director is too short for acquiring the IMF-specific knowledge needed to assume the role of an IMF official effectively.
- Summings up, still opaque and unreadable to the public, do not fully capture the rich discussions that take place at the Board.

Source: IEO interviews.

Actions taken to resolve problems

29. In addressing these concerns, the IMF has for the most part preferred to strengthen existing mechanisms of interdepartmental coordination rather than make radical organizational changes. Considerable efforts have been made to promote interdepartmental cooperation in recent years. For example:

- At present, weekly Surveillance Committee meetings are led by Management. According to the 2011 TSR, these have improved cross-departmental information sharing and consultation, as have a number of interdepartmental groups, such as the Low-Income Country Consultative Group and the Financial Sector Surveillance Group (IMF, 2011w).[6] Senior staff members who were interviewed for this evaluation confirmed these observations to the IEO.
- The IMF has revamped the interdepartmental review process to facilitate the incorporation of views from across the institution. In 2004, Management introduced several changes designed to make the internal review process more effective, including early consultations between originating and reviewing departments. For Article IV consultations and new program briefs, pre-brief meetings are now mandatory, bringing together the originating and review departments for a discussion of the main policy issues (IMF, 2004e). Additional improvements were introduced in 2009 to make the process more strategic and effective, including the establishment of interdepartmental policy consultation meetings for Article IV and use of Fund resources (UFR) missions (IMF, 2009b).
- Efforts to integrate bilateral and multilateral surveillance are evolving, especially for systemically important countries. The Managing Director's Medium-Term Strategy called for greater use of cross-country analysis and discussion of regional or global spillover effects (IMF, 2005g). In 2006, the International Capital Markets and Monetary and Financial Systems Departments were merged, with a view to integrating multilateral and bilateral surveillance in financial areas. The Statement of Surveillance Priorities (SSP) for 2008–11 called for identifying key multilateral surveillance issues that should provide context for bilateral surveillance (IMF, 2008k; also IMF, 2007i). Most significantly, in 2012, the Integrated Surveillance

[6] In addition, the Risk Working Group manages the Global Risk Assessment Matrix (G-RAM), Early Warning, and Vulnerability Exercises (see Section C for details).

Decision, highlighting the need to embed bilateral surveillance in a multilateral perspective, institutionalized the integration of the two strands of surveillance (IMF, 2012f).

- The IMF has introduced new surveillance products that integrate bilateral and multilateral perspectives. In 2009, the first issue of what would become the Fiscal Monitor was prepared as a staff position note to identify emerging fiscal risks (Horton, Kumar, and Mauro, 2009; see also IMF, 2009k). In 2011, the Spillover Report was launched to focus on the external effects of domestic policies in five systemically important economies (IMF, 2011m); this was followed by the introduction of the Consolidated Multilateral Surveillance Report drawing on the IMF's established multilateral surveillance products (IMF, 2011v and 2012c). In 2012, the IMF began to prepare the pilot External Sector Report, which combines multilateral and bilateral perspectives in a single report (initially covering 28 large economies and the euro area) and is produced by a group representing 11 departments (IMF, 2012g). Another recent innovation has been to cluster the Article IV consultations of highly interconnected economies, as a way to focus on the regional spillovers of policies pursued by individual countries (IMF, 2013m and 2013o).
- In 2006, area departments began to prepare technical assistance (TA) country strategy notes on a pilot basis. In 2008, these were replaced by Regional Strategy Notes (RSNs), which provide a basis for annual discussions between area and functional departments on the allocation of TA resources (IMF, 2007n; see also IEO, 2014).

Outstanding issues

30. The various initiatives noted above may have facilitated the integration of different strands of work done in different parts of the institution. No definitive assessment of their outcome is possible yet. But a number of recent staff reviews suggest that given the institutional inertia the integration of different strands of activity is still a work in progress. For example, in the area of technical assistance, the 2011 Conditionality Review highlighted the need to better integrate TA delivery with surveillance and program work (IMF, 2012e; see also IMF, 2011a).

31. In the task of integrating macroeconomic with financial work, part of the difficulty comes from the inherent analytical challenge, as acknowledged in the concept note for the ongoing 2014 TSR (IMF, 2013p) as well as by IMFC members during the 2013 Annual Meetings (IMF, 2013q). There are also binding resource constraints. Some people interviewed for this evaluation noted that the attempts to integrate multilateral and bilateral surveillance within the IMF's existing resource envelope have strengthened multilateral surveillance at the expense of bilateral surveillance, especially in less systemically important countries.

C. Attention to Risks and Uncertainty

32. Insufficient consideration or acknowledgement of risks and uncertainty has been identified as an issue by 11 findings across seven evaluations (see Annex 1 for the complete list of findings). All but one of these findings come from earlier IEO evaluations (the latest is from 2006), however, suggesting that the IMF's ongoing efforts to strengthen risk assessment in program and other documents have borne fruit.

33. The past IEO evaluations observed: (i) insufficient discussion of major risks and of the link between assumptions and targets in program design (IEO, 2002, 2003b, and 2004b); and (ii) reluctance to analyze the financial-stability consequences of politically sensitive shocks such as public debt defaults (IEO, 2006a). These weaknesses, the IEO observed, led to: (i) difficulty of making timely mid-course corrections of the logic or design of programs when assumptions turned out not to hold; and (ii) lack of a fallback strategy—which made it difficult to withdraw support when sustainability was called into question.

34. Risks and uncertainty were better recognized in internal reviews, but in staff reports they were often either not acknowledged or were toned down. The IEO *Prolonged Use* evaluation (IEO, 2002) explained the characteristic lack of candor in staff reports as reflecting the belief that the primary purpose of IMF-supported programs was to give confidence to members. In the conduct of surveillance the IMF has a legitimate desire not to alarm markets unnecessarily.

Actions taken to resolve problems

35. In the context of program design, the IMF strengthened its balance sheet and debt sustainability analyses considerably following the 2004 Review of the Design of Fund-Supported Programs (IMF, 2004f) and the 2005 Review of the Conditionality Guidelines (IMF, 2005b). Moreover, the 2011 Conditionality Review

(concluded in 2012) called for the development of a framework for tailored tests of robustness, based on better risk diagnostics and stronger assessments of debt sustainability, stating that risks to program success, financial risks to the IMF, and systemic risks should be considered in program design (IMF, 2012e).

36. Risk assessment in the course of IMF surveillance has been a priority area for strengthening since the 2008 TSR (IMF, 2008i). In 2009, the IMF launched the semiannual Early Warning Exercise (EWE), designed to identify tail risks (low-probability events with high impact) (IMF, 2009d and 2009q). In 2009 and 2011, the Vulnerability Exercise (VE), which initially had been carried out only for emerging-market countries, was extended to cover advanced economies and low-income countries, respectively (IMF, 2011w and 2011e). In 2009 and 2013, the Risk Assessment Matrix (RAM) and Global Risk Assessment Matrix (G-RAM) were introduced, to assess key country-specific and global risks, respectively (IMF, 2009s and 2012m).[7] The *Global Financial Stability Report (GFSR)* has enhanced its focus on risks to financial stability, just as the *World Economic Outlook (WEO)* has increased its attention to risks and alternative scenarios. Debt sustainability analysis (DSA) is now a standard element in Board documents for Article IV consultations. FSAP procedures have been revised to require missions to cover all major risks, including those that may be politically sensitive (IMF, 2009s), while the Surveillance Guidance Note states that staff reports should be candid about risks (IMF, 2012m).

37. While a definitive assessment of the impact of these recent initiatives must wait for a full evaluation, a review of recent staff documents reveals that assessments of risks and uncertainty in program design and surveillance are now routine. With respect to surveillance, IMF staff stated in the concept note for the ongoing 2014 TSR that "there is a sharper focus on risks" (IMF, 2013p). The concept note, however, hastens to add a more cautionary remark: "the depth of analysis varies and discussion of the transmission channels and policy responses could be strengthened." At the 2013 Annual Meetings, similar assessments were provided by IMFC members, who encouraged the IMF to continue to strengthen the analysis of risks and spillovers (IMF, 2013q).[8] As noted by interviewees for this evaluation, the IMF's ability to analyze risks openly is ultimately limited by the willingness of authorities to disclose data and to engage in frank and open discussion with staff.

D. Country and Institutional Context

38. Insufficient attention to country specificity and institutional context has been identified by 26 findings across 13 IEO evaluations as a weakness in the IMF's analytical work and policy advice (see Annex 1 for the complete list of findings). In the context of IMF program design, country specificity and institutional context often refers to the political economy issues of ownership and implementation capacity. In other areas of the IMF's operational work, such as technical assistance, surveillance, and research, a lack of adequate country and institutional context diminishes the effectiveness, value-added, and traction of what the IMF offers.

39. For example, past IEO evaluations have found that: (i) structural conditionality was subject to unrealistic deadlines because of insufficient consideration of country-specific implementation capacity, feasibility, or political constraints (IEO, 2004a and 2009b); (ii) authorities across country groups complained that the analytical framework used in IMF research was not suited to the realities of their countries (IEO, 2011b); and (iii) a number of country authorities complained that IMF staff lacked adequate knowledge of country-specific background and operational details, so that their advice was overly generic and "one-size-fits-all" (IEO, 2007b and 2013).

40. Aspects of the IMF's staffing policies have made it more difficult for the institution to develop and maintain deep country knowledge. The downsizing of IMF staff and the shorter durations of country missions in recent years have not helped strengthen country-specific knowledge and expertise (IEO, 2013). Related to this finding is the high turnover of staff on country assignments, as noted by 11 findings across 10 evaluations. Interviews with Executive Board members and senior staff suggest that concerns about lack of country familiarity and about high staff turnover are much more pronounced with respect to smaller or fragile (and often low-income) countries; the IMF's more experienced staff members tend to be assigned to larger economies and have institutional incentives to remain engaged there.

41. Some of the staff members interviewed indicated that, in some cases, authorities complain about the lack of country and institutional context in IMF advice either when they disagree with the advice or when they know that it is sound but not feasible. The interviewees

[7]The G-RAM exercise is managed by the interdepartmental Risk Working Group, in which both area and functional departments participate.

[8]See, for example, the statement by Rimantas Sadzius, Chairman of the EU Council of Economic and Finance Ministers.

stressed the need to provide "first-best" advice to authorities based on objective analysis even when the advice is known not to be feasible. But while these considerations caution against accepting all criticisms at face value, the staff's commentary must also be put in perspective. The survey of mission chiefs and resident representatives done for IEO (2013) noted the importance of offering the "feasible-best" advice in order to gain traction with authorities as a trusted advisor.

Actions taken to resolve problems

42. The IMF has addressed the issue of inadequate country and institutional context through periodic internal reviews. The 2005 Review of the Conditionality Guidelines found that substantial changes had been made to strengthen national ownership (IMF, 2005b); the 2008 Revision of the Operational Guidance Note on Conditionality made substantial enhancements to guidance on the IMF's engagement in promoting ownership (IMF, 2008g). The 2011 TSR reiterated that prior to Article IV missions the mission team should exchange views with authorities on key issues (IMF, 2011w).

43. The IMF has made several attempts, starting in 2004, to achieve greater staff continuity in surveillance work and to build up country-specific knowledge. New measures were introduced in 2011 to balance the demand for cross-country experience among staff, on the one hand, with mission team continuity (targeted to last three years, on average), on the other (IMF, 2012a). In 2013, Management reaffirmed the target of three years on average for country assignments, as well as the need for a systematic procedure to hand over knowledge from outgoing to incoming mission members (IMF, 2013l). Such a system is now in place in all departments (e.g., IMF, 2013w).

Outstanding issues

44. More progress on country and institutional specificity may have been achieved in program design than in surveillance. The 2011 Conditionality Review concluded that "programs were generally well-tailored to country needs and characteristics" and that the design of conditionality tended to match country capacity (IMF, 2012e). In the area of surveillance, the 2011 TSR did not offer a self-assessment of the country-specificity of IMF advice but it mentioned that in a survey of authorities a majority of them had emphasized the need for more tailored policy advice. Especially the authorities from emerging and low-income countries had expressed a desire to see IMF staff become more aware of, and sensitive to, their circumstances (IMF, 2011w). Tailoring policy advice to country circumstances remains a priority theme for the ongoing 2014 TSR (IMF, 2013p), as was reinforced recently by IMFC members during the 2013 Annual Meetings (IMF, 2013q).[9]

45. The IMF's work must be responsive to country and institutional context if it is to achieve relevance and traction. Yet, as expressed by staff members interviewed for this evaluation, the IMF should not shy away from providing the authorities with the "first-best" advice. The staff's country and institutional knowledge can never be expected to match that of the authorities, who may therefore never be satisfied with the country-specificity of IMF advice. And especially given the Fund's increasingly tight budget constraints, trade-offs need to be managed between the need for cross-country experience and the need for country-specific knowledge. The fundamental problem is that there are no objective criteria to assess how well the IMF is performing in this area. Without such a metric, efforts to make the IMF's analytical work and policy advice more responsive to country and institutional context may always be a work in progress.

E. Evenhandedness

46. Evenhandedness is another difficult concept to define and measure. It denotes similar treatment of members with similar circumstances, but the meaning of the word "similar" is subject to interpretation. Lack of evenhandedness, whether real or perceived, has been flagged by 18 findings across 10 evaluations, from one of the earliest to the latest (see Annex 1 for the complete list of IEO findings). In a statement to the October 2013 IMFC meeting, Obaid Humaid Al-Tayer, Minister of State for Financial Affairs of the United Arab Emirates, observed that "persistent concerns about evenhandedness" were "recurring themes in reports of the Independent Evaluation Office" (IMF, 2013q). Members of the Executive Board have expressed a range of views to the IEO on the question of evenhandedness (Box 3).

[9]For example, Oh-Seok Hyun, Deputy Prime Minister and Minister of Strategy and Finance for the Republic of Korea, stressed the importance of becoming "more attentive to various country-specific circumstances when framing policy advice, including with respect to the institutional arrangements for macro-prudential policy." Likewise, Jim Flaherty, Minister of Finance for Canada, stated that traction with members required "better tailoring surveillance and advice to the needs of members through more country-level specificity."

Box 3. Selected Views of Executive Board Members on Evenhandedness

- Perception that the IMF is an instrument of its main shareholders to achieve their own policy objectives is deep-rooted. Several recent cases were mentioned.
- Evenhandedness is a real issue, not just an issue of perception. Just recently, an Article IV staff report was seen to be insufficiently critical of the policies of a large industrial country even though the spillover of these policies to the rest of the world was significant.
- Treatment of members with similar circumstances should be uniform in analysis and policy advice, even though IMF voting power is unevenly distributed.
- The fact that large emerging market economies are most vocal about lack of evenhandedness does not mean that the concern is limited to these countries. Smaller developing countries feel the same way but they do not raise the issue in order not to jeopardize their relationship with the IMF.
- Staff exercise self-censorship to moderate their statements on larger countries, but not on small low-income countries (LICs). Likewise, authorities see staff as more lenient in program reviews with euro area countries than with small LICs.
- More resources are devoted to research and selected issues papers on advanced countries than on LICs, even though LICs would benefit more from IMF research on their economies.

Source: IEO interviews.

47. Few IEO findings have identified outright cases of asymmetric treatment. Much of the evidence on lack of evenhandedness comes from surveys and interviews. Because a perception is typically held by different subsets of countries on different issues, weighing the balance of evidence requires judgment. Ultimately, the perception of lack of evenhandedness is rooted in the uneven distribution of decision-making power within the IMF.

48. Past IEO evaluations have found asymmetry of treatment in three areas (see Box 4):

- *Analysis*. The evaluations identified differences in the IMF's analysis between advanced and emerging market countries and between high-income and low-income countries, for example with respect to the focus of policy advice on managing capital flows (IEO, 2005b and 2012) or the allocation of resources devoted to research (IEO, 2011b).
- *Influence*. Here the concern has not been about larger shareholders yielding greater influence in the IMF's decision making—because the IMF is a quota-based institution, some countries legitimately enjoy greater voice than others. Perceptions of a lack of evenhandedness have arisen when political influence was seen to be exercised in a nontransparent way. Asymmetry in influence was noted with respect to the content of conditionality (IEO, 2009a) or the focus of surveillance—for example on exchange rates (IEO, 2009b) or international reserves (IEO, 2012)—which were perceived to be dictated by the interests of major shareholders.
- *Candor*. Evidence gathered by the IEO pointed to differences in the IMF's candor between large and small countries and between advanced and nonadvanced countries. Staff were found not to deliver (IEO, 2011a), or to feel strong pressure not to deliver (IEO, 2013), candid messages about risks and vulnerabilities to the larger or more advanced economies.

These examples are interrelated. For instance, the finding that information was more frequently deleted from staff reports for advanced countries than for others (IEO, 2013) pertains not only to asymmetries in the IMF's candor but also potentially to influence exercised by major shareholders.

49. Some of the perceived asymmetric treatment may reflect fundamental differences between larger and smaller countries. Larger countries are more systemically important and thus deserve more of the IMF's analytical resources. Research on low-income countries may face greater constraints on data availability. The IMF's 2013 Review of Transparency Policy (IMF, 2013i) noted that the greater incidence of deletions from staff reports for advanced countries might reflect the greater amount of market-sensitive information in these countries or their greater capacity to scrutinize the Board documents before publication. With respect to asymmetry in influence, IEO (2002) attributed the

Box 4. Typology of IEO Findings on Evenhandedness

Past IEO findings relate to three broad types of asymmetric treatment of members by the IMF:

Asymmetry in analysis

- IMF advice on managing capital flows focused almost exclusively on the policies to be adopted by emerging market recipients and not sufficiently on the supply-side policies in advanced countries (IEO, 2005b and 2012).
- Far more resources were dedicated to research on advanced countries, at the expense of low-income countries where the impact of IMF research would be greater: about 40 percent of country authorities and 60 percent of staff subscribed to this view (IEO, 2011b).

Asymmetry in influence

- Among countries with similarly restrictive trade policies, IMF conditionality on trade policy was extensive in some but absent in others, reflecting the interference of large shareholders (IEO, 2009a).
- The views of influential shareholders were seen by some countries to underlie the IMF's focus on excessive reserve accumulation as a threat to international monetary stability (IEO, 2012).
- The 2007 Surveillance Decision and the recent euro area programs were cited by some authorities as cases of lack of evenhandedness (IEO, 2013).

Asymmetry in candor

- A higher proportion of staff working on advanced countries than on other countries felt pressure to dilute coverage in staff reports in order to preserve smooth relationships with authorities (IEO, 2007b).
- While staff had repeatedly warned smaller advanced and emerging-market countries about the buildup of risks in their economies, they had delivered upbeat messages to the largest systemic financial centers even though those were similarly vulnerable. Staff felt less comfortable presenting difficult messages to large advanced economies (IEO, 2011a).
- Nearly 50 percent of mission chiefs for advanced countries admitted having felt political pressure to dilute candor (IEO, 2013).
- The number of deletions and corrections in staff reports was larger for advanced and emerging-market economies than for low-income countries; 93 percent of the staff reports for advanced countries had been subjected to deletions or corrections (IEO, 2013).

The adverse consequence of perceptions

- Almost half of mission chiefs considered that perceptions of lack of evenhandedness had adversely affected their work with emerging-market economies (IEO, 2013).

perception of political interference in program design to the lack of a formal, transparent channel to feed political judgment into the IMF's decision-making process prior to formal Board decisions.

50. The 2011 TSR observed that evenhandedness was a continuing source of concern (IMF, 2011w). Nearly a quarter of the officials surveyed for the TSR, including a majority of the G20 respondents, thought that the IMF was not evenhanded in its policy advice. Some interviewees for the TSR linked the willingness to accept candid advice with greater evenhandedness on the part of the IMF, perceiving the IMF as insufficiently critical of the policies of its major shareholders. The TSR concluded that transparency and consistency in the use of methods were important to dispel such concerns. Likewise, the 2013 Review of Transparency Policy concluded that about half the Executive Directors who were surveyed viewed the application of policy as not evenhanded, though there was no objective evidence of systematic bias in favor of larger, more advanced countries (IMF, 2013i).[10]

51. The concept note for the ongoing 2014 TSR observed that concerns about the evenhandedness of IMF surveillance "[seemed] to have become more acute in the past few years" (IMF, 2013p). While the survey conducted for the 2011 Review of Conditionality states that stakeholders perceived program conditionality and design to be evenhanded, the review also noted the extraordinarily large access to Fund resources in the recent euro area programs as a potential exception (IMF, 2012e). The 2013 Report on Risk Management informed the Executive Board that the euro area

[10] The comparable figures for mission chiefs and authorities were some 30 percent and 16 percent, respectively. While the modification rate was higher for advanced countries, this may have reflected a higher rate of complaint by these countries, given that they had more resources at their disposal to scrutinize IMF documents before publication.

programs had created the perception that European member countries had excessive weight in the IMF's decisions relative to their economic power and that the IMF's programs in the European Union had more lenient conditions than those in Asia (IMF, 2013n).

Outstanding issues

52. Evenhandedness is still an issue, as evidenced by the October 2013 statements of some IMFC members (IMF, 2013q). South African Finance Minister Pravin Gordhan, for example, observed that, in the perception of many African countries, the policy on deletions and corrections for Article IV staff reports was not consistently applied across the membership despite recent efforts.[11] Likewise, Governor Zeti Akhtar Aziz of the Bank Negara Malaysia stated: "The efforts to effect more evenhanded, comprehensive, and effective surveillance practices are welcomed. In this respect, more balanced views and recommendations from the IMF to address the various global issues should be applied to both advanced economies and EMDCs." A continued need to enhance evenhandedness was mentioned by several other Governors and Alternate Governors of the IMF on this occasion.[12]

[11] To allay concerns about lack of evenhandedness in the application of transparency policy, the IMF has prepared an annual table on all modification requests, allowing Executive Directors to assess whether countries are being treated evenhandedly.

[12] See, for example, statements by Oh-Seok Hyun, Jim Flaherty, and Eveline Widmer-Schlumpf.

53. Perceptions of a lack of evenhandedness are difficult to deal with, but IEO evaluations suggest that greater transparency in the Fund's work may be part of the solution. IEO (2005b), while noting that the IMF had not been applying a one-size-fits-all approach, concluded that failure to provide a clear rationale for a particular piece of advice had created the perception of a lack of evenhandedness. Likewise, IEO (2007b), after finding no clear-cut cases of uneven treatment of countries in a sample of 30 countries, concluded that the IMF could help mitigate such perception by providing a better explanation for policy advice with a similar level of analytical detail. IEO (2013) concluded that legacy and "stigma" issues could only be addressed over time—a task that may ultimately need to involve rectifying the IMF's governance deficiencies.

54. Clear signals by Management of the need to engage in candid dialogue with all countries appear essential. Yet with some countries, achieving a candid dialogue is not easy. In discussing the IEO evaluation of *IMF Performance in the Run-Up to the Financial and Economic Crisis* (IEO, 2011a), Executive Directors agreed that incentives needed to be strengthened to ensure that the IMF speaks truth to power, while noting that doing so was exceedingly difficult for any cooperative institution. In discussing the MIP for the IEO evaluation of *The Role of the IMF as Trusted Advisor,* a number of Executive Directors suggested that addressing IMF governance deficiencies would help mitigate the perception of the lack of evenhandedness (IMF, 2013k).

CHAPTER 4

Conclusions and Issues for Board Consideration

A. Conclusions

55. This evaluation can be said to have confirmed the usefulness of an occasional exercise to take a strategic view of IEO findings, as the 2013 *External Evaluation of the IEO* proposed. It has identified the following issues as most frequently recurring in the IEO's first 20 evaluations:

- *Executive Board guidance and oversight.* The Executive Board has in some instances fallen short of providing clear guidance and effective oversight of the institution;
- *Organizational silos*. The IMF has in some instances found it difficult to integrate work across different parts of the institution;
- *Attention to risks and uncertainty.* The IMF has in some instances paid insufficient attention to risks and uncertainty in surveillance and program design;
- *Country and institutional context*. The IMF has in some instances provided insufficient country specificity and institutional context in its analytical work and policy advice; and
- *Evenhandedness*. The IMF has in some instances been seen as lacking evenhandedness in its analysis or treatment of member countries.

56. In all of these areas the IMF has made considerable efforts to improve its effectiveness. Though insufficient time has elapsed to allow a definitive assessment of the outcome of these efforts, challenges clearly remain in all of the areas. Similar issues have recurred in different contexts precisely because they are rooted in the IMF's culture, policies, and governance arrangements. To varying degrees, they emanate from the IMF's character as a multilateral institution with multiple objectives and a complex governance structure. This suggests that efforts to address these issues, and to implement Board-endorsed IEO recommendations that pertain to them, must go beyond the specific contexts in which they have been raised.

57. At the risk of oversimplification, the issues identified in this report might be grouped into the following three categories:

- *Areas where significant efforts have been made and for which some progress is visible:*

  —*Organizational silos.* IMF Management has taken steps to address the adverse consequences of organizational silos by strengthening the mechanisms of coordination to integrate work across departments.

  —*Attention to risks and uncertainty.* A number of procedures have been put in place to spell out risks and uncertainties in the IMF's analytical work.

- *Areas where action has been taken but for which selecting objective criteria to measure progress is particularly difficult:*

  —*Country and institutional context.*

  —*Evenhandedness.*

- *An area where difficulty ultimately relates to the governance of the institution:*

  —*Executive Board guidance and oversight*.

58. Each of the issues identified here will likely pose persistent challenges for the institution. First, silos are features of any complex organization, and integration of work done in different parts of the institution may not be always feasible or desirable. Second, as regards the IMF's treatment of risks and uncertainty, the world economy is becoming increasingly complex while economics remains imperfect, and there is a natural limit to the willingness of authorities to discuss or acknowledge risks openly. Third, the IMF faces conflicting institutional requirements for broad multi-country expertise

and for country-specific knowledge. Fourth, judgments on evenhandedness will remain a matter of perception, though clearer documentation of the reasons for Fund advice and actions is likely to help reduce charges that it is not evenhanded. Fifth, greater candor in Board documents would help the Board to strengthen its oversight function, yet confidentiality is often seen to be of the essence in a member country's dealings with the IMF. More broadly, many of the difficulties in the Board's conduct of its role stem from ambiguities in that role arising from the Fund's overall governance structure.

59. Even though some of the issues may appear intractable, continuing the efforts to address them is important for enhancing the IMF's effectiveness and credibility. Though the Executive Board and Management have taken a number of successful steps to do so, more can and should be done, especially in terms of broad-based, strategic responses. Given the IMF's increasingly tight resource constraints, trade-offs will need to be managed between making these efforts and achieving the institution's other worthwhile objectives.

B. Issues for Board Consideration

60. The recurring issues identified by the evaluation in five areas—(i) Executive Board guidance and oversight, (ii) organizational silos, (iii) attention to risks and uncertainty, (iv) country and institutional context, and (v) evenhandedness—are to varying degrees inherent to the nature of the IMF and are thus likely to present ongoing challenges for the institution. This raises the question of how best to address them, going forward, in view of the IMF's overall institutional priorities and resource constraints. Despite their long-term nature, the IMF should try to mitigate their adverse impact while keeping these issues at the forefront of its agenda.

61. This evaluation, given its nature as a stocktaking exercise and in keeping with the suggestion of the 2013 *External Evaluation of the IEO*, does not propose specific recommendations on how to address the five sets of issues reviewed in the report. Nonetheless, after preparing this evaluation, the IEO believes that a framework of reviewing and monitoring recurring issues would be useful in establishing incentives for progress, strengthening the Board's oversight, and providing learning opportunities for the IMF.

62. In light of this conclusion, the IEO recommends that the following reports be prepared for the Board periodically:

- An IEO report, similar to this one, identifying and reviewing important issues that have recurred in its evaluations. This could be done every five years.
- A status report, prepared by staff, to monitor the progress the IMF has made in addressing recurring issues, focusing on the big picture rather than on the implementation of specific IEO recommendations that will continue to be monitored via the PMR. The first staff report could be prepared within two years, followed by similar reports every five years thereafter.

Annex 1. IEO Findings Related to Recurring Issues

Annex 1 lists all IEO findings related to the five sets of recurring issues, any associated IEO recommendations/remarks, and any Board responses where applicable, along with the IEO's judgment on the current status; the selected actions when noted do not necessarily correspond to the IEO recommendations or any Board response. Expressions are paraphrased for brevity and may not fully reflect the nuances and subtleties of the original language. For complete statements, the original documents should be consulted.

The page numbers in the first three columns refer to the relevant IEO evaluation reports.

* indicates that the item has appeared previously and may be abbreviated.

N.A. denotes "not available" or "not applicable."

A. Executive Board Guidance and Oversight

A1. Guidance

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Lack of definition of prolonged use had contributed to failure to apply existing due diligence procedures (IEO, 2002, pp. 24, 34).	The Executive Board should adopt an operational definition of prolonged use (p. 81).	Directors saw merit in developing a definition to pursue greater due diligence (p. 220).	Based on the staff task force report (SM/03/46), in 2003, a definition of longer-term program engagements (LTPE) was adopted (BUFF/03/51), with an update in 2006 (BUFF/06/95).
There was a mismatch between the IMF's core mandate and the tasks it was being asked to perform (e.g., seal of approval), with the Board unable to resolve the differences of view regarding the IMF's longer-term role in low-income countries (IEO, 2002, pp. 36–37).	The IMF should aim to provide the international community with credible alternatives to the current situation where IMF lending arrangements have become a precondition for other bilateral and multilateral flows (p. 82).	Directors noted that it would be desirable to develop credible alternative ways of indicating to the outside world the IMF's approval of a member's policies (p. 211).	In 2005, the IMF established the Policy Support Instrument to provide policy support and endorsement to low-income countries that do not need financing but meet the standards of upper credit tranche conditionality (EBS/05/87; BUFF/05/131).
Lack of clarity on the handling of social policies in light of the streamlining initiative created uncertainty regarding how to interpret the 1997 Guidelines on Social Expenditure (IEO, 2003b, p. 55).	The IMF should clearly delineate the operational framework in which social issues will be addressed within program design in non-PRGF countries (p. 13).	Directors stressed that the IMF should not become involved in the detailed design of social policy as this was outside the IMF's mandate and expertise (p. 116).	The 2012 Guidance Note for Article IV Consultations (SM/12/246, Rev. 1) stresses the need to pay attention to macro-critical social issues, including social safety nets.
Reluctance to be over-prescriptive translated into lack of concrete indicators on what the IMF should be delivering in the PRS process (IEO, 2004a, p. 64).	The IMF should clarify what the PRS approach implies for the IMF's own operations; strengthen prioritization and accountability on what the IMF is supposed to deliver (pp. 9–10).	Directors agreed that the IMF needs to set out more clearly its role in the PRS approach, based on its core mandate (p. 129).	In 2007, the Board concluded that the primary focus of the IMF's work in low-income countries should be to provide policy advice and technical support on the design of appropriate macroeconomic policies (BUFF/07/139).
The PRSP/PRGF initiative was overpromising on what could be delivered, given the moderate reallocation of resources, and the lack of clarity/guidance on how to make the new approach operational (IEO, 2004a, pp. 72–73).		Directors welcomed the emphasis on better defining priorities for the IMF's work in low-income countries, and called for a careful assessment of the resource implications of adapting its role according to the report's recommendations (p. 129).	

(*Continued*)

A1. Guidance *(continued)*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
There was no clear guidance from the Board or Management on the IMF's role relative to other TA providers or on what the PRS process implied for the IMF to better align its TA to country needs, given the lack of specificity on capacity-building priorities (IEO, 2005a, pp. 48–49).	In low-income countries, PRSP should form the basis for dialogue between the IMF and authorities on medium-term TA priorities; it should provide the vehicle for collaboration and division of labor with other donors (p. 5).	Most Directors agreed that in low-income countries PRSP should increasingly serve as a vehicle for identifying medium-term TA needs and improving coordination among agencies (p. 84).	Regional Strategy Notes (RSNs) have provided area departments with strategic perspectives for their countries and priorities for intensive TA recipients (SM/07/383).
The Board had not made a decision on the 2001 paper on sequencing of capital account liberalization, leaving ambiguity on formal policy advice unresolved (IEO, 2005b, pp. 22–23, 55).	The place of capital account issues in IMF surveillance should be clarified (p. 60).	Directors expressed a variety of views on the merits of a Board statement clarifying the elements of agreement on capital account issues, with many underlining the inherent difficulty in developing common guidelines that adequately take into account country-specific circumstances, especially given the lack of firm theoretical and empirical conclusions (p. 101).	Staff has produced multiple papers on capital flow management issues for Board review; the 2012 Integrated Surveillance Decision provided clarity on the place of such issues in surveillance (SM/12/156).
Lack of official policy on capital account liberalization led to inconsistency in policy advice across countries (IEO, 2005b, p. 47).			In November 2012, the Board discussed an institutional view on use of capital controls—called capital flow management measures—by member countries (BUFF/12/125).
Lack of a specific list of systemic countries blurred the emphasis on maximizing FSAP's contribution to national and international financial stability (IEO, 2006a, p. 10).	Management should clearly signal to the Board those countries that it sees as the highest priorities for FSAP assessments and updates, irrespective of whether they had volunteered (p. 40).	Most Directors agreed that, to align FSAP coverage with the needs of surveillance, Management should indicate to the Board which countries it considers the highest priorities for FSAP assessments and updates (p. 97).	In 2010, the Board made financial stability assessments mandatory every five years for jurisdictions with most systemically important financial sectors based on objective criteria (DEC/14736); in 2013, the number, initially 25, was raised to 29 (SM/13/304; BUFF/13/115).
IMF policy on mobilization of aid in the context of PRGF was unclear (IEO, 2007a, p. 26).	Clarify IMF policies on mobilization of aid and provide clear guidance to staff on what is required, encouraged, or permitted (p. 33).	Directors supported the recommendation on the need for further clarification of IMF policy on several aid-related issues, including mobilization of aid (p. 89).	In 2007, the Board clarified the role of the IMF in mobilization of aid (BUFF/07/102).
The Board had not formally assessed whether the stability of the international monetary system was best preserved by the choices of exchange regimes and levels now made by the membership, with no updated framework to guide policy advice in individual county contexts (IEO, 2007b, p. 35).	Practical policy guidance should be developed on key analytical issues, including stability of the system and use of intervention (p. 36).	While concurring that lack of clarity on rules of the game could impair the effectiveness of exchange rate surveillance, Directors expressed diverse views regarding the need for such guidance and on feasibility (pp. 131–32).	In 2009, a review of the stability of the system of exchange rates took place as an informal Board seminar, with no summing up (FO/DIS/09/112).
Policy calling for parsimony and criticality in structural conditionality left ambiguity about sectoral composition and conditions to be established outside the IMF's core areas of responsibility (IEO, 2007c, p. 15).	Conditionality should pertain to the core areas of IMF responsibility, with the IMF playing a subsidiary role to the World Bank in other areas (p. 20).	Most Directors reiterated that IMF conditionality needed to cover all measures critical for program success, regardless of whether they were in core or noncore areas (p. 37).	In 2009, structural performance criteria were altogether abolished in all IMF-supported programs (SM/09/69).
Lack of clarity from the Board on what was expected in terms of the design of structural conditionality led to pervasive conditionality despite 2000 streamlining initiatives (IEO, 2007c, pp. 16–17).	The Board should clarify what it expects in terms of number and focus of structural conditions (p. 20).	While Directors supported strengthened efforts to streamline conditionality, a majority saw a cap on number of conditions as overly rigid and mechanistic, preferring focus on criticality and rigorous justification for conditions (p. 36).	

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Vague Board guidance made staff wary in addressing trade policy issues (IEO, 2009a, p. 7).	The Board should commit to periodic re-evaluation of its guidance on objectives of, approaches to, and modalities of staff work on trade policies (p. 20).	Most Directors supported periodic Board review of guidance on trade policies, which would help define parameters of trade work in ways that best support the IMF's broader mission (p. 212).	In 2009, it was decided to conduct a review of IMF work on trade policy every five years; taking the IEO evaluation as the starting point, the first review is expected in 2014 (SM/09/275).
Gaps in Board guidance on the IMF's approach to preferential trade agreements (PTAs) had discouraged staff interest (IEO, 2009a, p. 14).	The Board should establish guidance on the role and approach of the IMF in PTAs and trade in financial services (p. 20).	Most Directors considered it advisable to establish guidance on approach to PTAs where there were spillovers or significant macroeconomic effects (p. 212).	In 2010, reference notes on financial services and PTAs were issued; these will be reviewed as part of the 2014 Board review of trade policy (SM/10/239; SM/10/260).
Lack of clarity regarding the meaning of criticality in the disclosure principle limited the IMF's engaging in discussions with authorities at an early stage of policy formulation (IEO, 2013, p. 17).	Reduce unnecessary disclosure concerns by clarifying the intent of the Critical Disclosure Principle (p. 29).	Directors broadly endorsed the recommendation aimed at reducing unnecessary disclosure concerns (p. 50).	A guidance note was issued in 2013, requiring staff to inform authorities of the IMF's policy on treatment of confidential information (SM/13/322).

A2. Oversight

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Strategies and guidelines on prolonged use adopted by the Board were not fully implemented (IEO, 2002, pp. 33, 44).	Adopt an operational definition of prolonged use (p. 81);* undertake systematic ex post assessments of programs (p. 86).	Directors saw merit in developing a definition (p. 220);* Directors stressed the desirability of more systematic ex post assessment of cases where prolonged use occurred (p. 221).	In 2003, a definition of longer-term program engagements (LTPE) was adopted, with an update in 2006;* in the same decision, it was agreed to make ex post assessments of programs systematic.
There was no formal and transparent channel through which political judgments on technical assessments of risks could be fed into decision making before the final stage of Board approval (IEO, 2002, p. 64).	Develop a procedure to avoid the appearance of political intervention in the IMF's determination of whether programs are deserving of support, with accountability for political considerations at the level of the Board (p. 89).	N.A.	N.A.
Management and staff did not discuss exchange rate policy options at the Board, though the issue was raised by Executive Directors (IEO, 2004b, p. 22).	Work out a procedure to reconcile the need for confidentiality with the need for Board decisions to be based on full and candid information (p. 75).	A number of Directors saw a need for further discussion of approaches to strengthen the role of the Board, including further efforts to improve the provision of full information on all relevant issues (p. 122).	The 2012 Guidance Note for Article IV Consultations (SM/12/246, Rev. 1) requires candor both in discussions with authorities and in staff reports, including about risks; the IMF's deletion policy (SM/13/115) is designed to encourage candor in Board documents without creating public disclosure concerns.
Because staff reports were less than fully candid about prospects and risks, Executive Directors had less than firm basis for demanding answers to critical questions (IEO, 2004b, p. 62).			
Management and staff had often bypassed the Board, given the understandable reluctance to discuss highly sensitive issues where there was a risk of leaks, thereby undermining the Board's governance function and weakening the transparency and accountability of decision making (IEO, 2004b, p. 62).			

(*Continued*)

A2. Oversight *(continued)*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
The Board had not been proactive in performing oversight responsibility to safeguard resources, with few Directors voicing concerns about exposure to Argentina (IEO, 2004b, pp. 55–56). The Board had played a limited role in considering alternative strategies, given limited lead time and information, with decisions forced upon them at a late stage of the process (IEO, 2004b, pp. 61–62).	Executive Directors should be more active in their oversight function, including by exercising their right to call a Board meeting or to request the addition of any topic of concern to the Board agenda; formalize the right of Directors to request from Management ahead of Board discussion additional staff analysis on issues they consider critical (p. 75).		
Lacking needed information, the Board was not in a position to make judgment on standards (IEO, 2006a, p. 19); peer review of financial sector issues was weak, with Board discussion perfunctory and in a few cases unable to pick up on key messages in financial sector assessments (p. 27).	N.A.	N.A.	N.A.
As a forum for peer pressure, the Executive Board's contribution to multilateral surveillance was limited by the current setup for its involvement, with little active, free exchange of views on the substance of policy issues taking place (IEO, 2006b, p. 33).	Focus surveillance discussions on a few issues of critical importance to promote free and open discussion, with any conclusions submitted to the IMFC; endorse, every six months, a short statement on the state of the world economy; set up a committee to monitor progress on strengthening the IMF's and the Board's surveillance activities (p. 4).	Many Directors saw merit in the Board identifying and agreeing on key issues for ministers to discuss during IMFC meetings, but most did not support setting up a Board committee, as it should be the full Board that should retain ownership and oversight of surveillance (p. 47).	In 2007, the Board agreed on the adoption of a Statement of Surveillance Priorities (SSP)—a new instrument periodically setting out key surveillance priorities relevant to bilateral and multilateral surveillance (SM/07/277); the statement for 2008–11 was approved in 2008 (SM/08/316; DEC/14182), with a revision in 2009 (SM/09/235).
Despite the Board's support for a wider dialogue, the IMF's engagement with civil society was limited and ineffective (IEO, 2007a, p. 25).	Clarify expectations and resource availabilities for staff interactions with local donor groups and civil society (p. 33).	Directors welcomed the recommendation to clarify expectations under IMF policies and resource availabilities for staff interactions with local donors and civil society groups (p. 89).	The issue was addressed in 2007 by Board discussions on the IMF's communication strategy and its role in the PRS process and collaboration with donors (BUFF/07/92; BUFF/07/139); the 2003 Guide for Staff Relations with Civil Society Organizations is being revised.
When substantive discussions took place on regime choice, they were not reported to the Board, raising issues of accountability and the appropriate bounds of confidentiality; important information was not conveyed to the Board—or to the staff lest it be conveyed to the Board (IEO, 2007b, pp.15, 34).	Clarify what is expected to be included in staff reports; what may be mentioned orally at Board meetings; and what may be understood to have been discussed with authorities on the clear understanding that it would not be revealed to the Board (pp. 38–39).	Most Directors emphasized that Management was responsible for providing the Board with full information and was accountable for balancing this duty with the IMF's confidential advisor role (p. 133).	The 2012 Article IV guidance note requires candor with authorities and in staff reports;* deletion policy is designed to encourage candor without disclosure concerns.*
The involvement of the Board came too late to have impact on dialogue with authorities (IEO, 2007b, p. 29).	N.A.	N.A.	N.A.
Except in small emerging and developing countries, the Board provided little peer pressure on policymakers (IEO, 2007b, p. 32).	N.A.	N.A.	N.A.

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
The Board was being largely reactive in the provision of strategic guidance (IEO, 2008, p. 7).	The Board should reorient its work practices towards a supervisory role, playing a more active part in formulating strategy, monitoring policy implementation to ensure timely corrective action, and exercising effective oversight over Management (p. 19).	[Joint statement of the Board and the Managing Director] The IEO report is part of an ongoing process to strengthen the IMF's governance framework. Many of the issues raised by the report are complex, interrelated, and need to be discussed holistically. They will take time to address. The report's findings should thus be seen as the beginning of a broader discussion. This discussion will require the engagement of all parties at many different levels (p. 40).	In 2008, Executive Directors and Alternate Executive Directors held a retreat to discuss issues related to strengthening the role of the Board; in 2010, the Executive Board Working Group on Committees proposed changes in Board practices designed to strengthen the Board's effectiveness and efficiency (FO/DIS/10/223, Rev. 1).
Overlaps between Management, the Board, and the IMFC in some areas, and gaps in others, detracted from effectiveness and efficiency and undermined accountability (IEO, 2008, p. 7).	To strengthen effectiveness and accountability, clarify roles and responsibilities of each governance body with a view to minimizing overlaps and addressing possible gaps (p. 19).		
Although the Board reviewed each lending and surveillance report, there was a gap with oversight of policy implementation (IEO, 2008, p. 8).	The Board should develop more effective processes to provide oversight over implementation of agreed policies and strategies, with particular focus on ensuring that corrective action is taken whenever needed. The results should be part of the feedback given to Management as part of its performance review (p. 20).		
A number of Executive Directors expressed concern that the Secretary, like the Legal Counsel, who was appointed by the Managing Director and acts as department director, was not sufficiently independent in providing advice to the Board (IEO, 2008, p. 13).	The Board should play a formal role in the selection, performance assessments, and dismissal of the Legal Counsel and the Secretary (p. 21).		
Partly because of insufficient financial sector expertise, the Board found it difficult to integrate financial sector issues into discussion of macroeconomic conditions (IEO, 2008, p. 14).	N.A.		
The Board provided limited oversight over Management; there was no mechanism to assess its own performance or receive feedback from the Board of Governors on its performance (IEO, 2008, p. 11).	The Board should adopt an accountability framework for Management and a regular process of self-evaluation (pp. 20–21).		The current contract for the Managing Director provides for an annual, confidential, and informal performance feedback from the Board (Press Release No. 11/270).
A large share of Board members and senior staff considered summings up to be sometimes or often vague or contradictory, with no clear distinction between decisions and consensus views (IEO, 2008, p. 14).	Summings up should state clearly what constitutes a formal decision or views of the Board, as opposed to views of groups of Directors while consistently reflecting minority viewpoints (p. 22).		In 2013, the Executive Directors' Working Group on Summings Up (established in 2012) issued recommendations to strengthen the process (IMF, 2013b).

A2.1. Candor—Board Documents

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Risks to programs of weak political commitments were often understated in Board documents, most of which contained no significant assessment of ownership; the view that the primary purpose of programs was to give confidence to members contributed to tendency to underemphasize downside risks (IEO, 2002, pp. 58, 65–66).	UFR proposals to the Board should contain a frank assessment of the readiness of potential borrowers to implement programs and a candid assessment of risks (p. 82); a review of internal incentives facing staff should be undertaken with a view to fostering increased candor (p. 88).	Directors supported the recommendation that staff papers be more transparent and candid in assessing institutional capacity and ownership (p. 221).	The review of the 2002 conditionality guidelines concluded in 2005 found substantial progress in increasing national ownership (SM/05/81; BUFF/05/59), a finding confirmed by the 2011 Review of Conditionality (SM/12/148).
Staff reports were often insufficiently candid about potential vulnerabilities and political factors that might influence the ability to implement agreed policy measures (IEO, 2003a, p. 26).	Management and the Executive Board should agree on a systematic plan of action to provide staff with appropriate institutional incentives for candor, possibly including measures to give greater independence to teams conducting surveillance (p. 52).	Directors strongly supported greater candor in assessment of risks and vulnerabilities in staff reports, including by providing institutional incentives to staff, while expressing a range of views regarding the potential conflict between candor and transparency (p. 161).	The latest Operational Guidance on Conditionality (SM/10/22, Rev. 1) calls for candid discussion of potential implementation and ownership concerns; the 2011 Review of Conditionality noted actions to enhance risk diagnostics underlying program design (SM/12/148).
Joint staff assessments (JSA) of PRSPs were sometimes insufficiently candid in their assessment of risks to implementation, especially with respect to weak administrative capacity and inadequate links between PRS and normal government processes (IEO, 2004a, p. 39).	Make explicit the criteria and benchmarks used to form judgments; report the views of third parties (especially local stakeholders and donors); and eliminate binary (yes or no) assessments of PRS as a basis for concessional lending (pp. 8–9).	Directors called for a reformulation of JSA with emphasis on graduated rather than binary assessments, with many noting that the purpose of staff assessments should be to provide candid feedback to countries (pp. 128–29).	In 2004, the Board accepted the staff proposal to replace JSA with joint staff advisory notes (JSAN) that focus on providing feedback to authorities on the PRS process and that do away with the binary assessment of PRSP (BUFF/04/175), with simplifications introduced in 2009 (DEC/14253).
Lack of candor in Board documents about political commitments may have created near universal confidence in authorities' ability and willingness to carry out reforms (IEO, 2004b, p. 37).	Work out a procedure to reconcile the need for confidentiality with the need to provide full information to the Board (p. 75).*	A number of Directors saw a need for further efforts to improve the provision of full information (p. 122).*	The 2012 Article IV guidance note requires candor with authorities and in staff reports;* deletion policy is designed to encourage candor without disclosure concerns.*
Board papers paid insufficient attention to potential challenges for fiscal adjustment posed by volatility of foreign grants (IEO, 2005c, pp. 12, 17).	There is a need for greater candor in staff report assessments of risks to programs, ensuring accountability by staff and Management and allowing the Board to exercise oversight responsibilities effectively (p. 3).	Many Directors supported the call for greater candor in staff report assessments, especially of risks to the program (p. 88).	Staff assessed in 2006 that the staff reports under post-program monitoring for Jordan had become more candid, with the macroeconomic framework and adjustment profile informed by more rigorous fiscal and external debt sustainability analysis (e.g., EBS/05/154) (IEO *Annual Report, 2005–06*, p. 55).
Board papers generally did not elaborate on the consequences of significant policy slippages or alternative scenarios; they did not allow full understanding of the rationale underlying a particular program design (IEO, 2005c, p. 39).	The underlying rationale for key program design elements should be explained clearly in Board papers, especially about the magnitude and composition of targeted adjustment and external and public debt sustainability (p. 3).	Many Directors agreed that the Jordanian experience reinforces the need for Board papers to provide clearly the underlying rationale for key elements of program design (p. 88).	

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Candor in financial sector assessment was sometimes lost at the critically important stage of integration with Article IV surveillance reports (IEO, 2006a, pp. 22–23).	Strengthen the links between FSAP and surveillance by mainstreaming FSAP and follow-up work into regular surveillance activities (p. 41).	Directors concurred with the recommendation to strengthen links between FSAP and surveillance (p. 98).	Each area department has senior staff responsible for financial sector surveillance (FSS) and coordination with MCM; the interdepartmental Financial Sector Surveillance Group (FSG) has since 2009 ensured coordination across departments; a 2010 staff paper proposed modalities for integrating financial stability assessments into Article IV consultations for jurisdictions with systemic financial sectors (SM/10/235; DEC/14736).
When authorities were unwilling to share critical information, staff too readily certified that data were adequate for effective surveillance, given their perception that taking a stronger position would not be supported by Management and the Board (IEO, 2007b, p. 20).	Management and the Executive Board should send staff a clear signal that they will be supported when they take time to understand authorities' views, when they have difficult messages to deliver, both to authorities and back to the Board, and when there are difficulties with provision of information by authorities (pp. 36–37).	Directors agreed that staff should be encouraged to raise controversial issues with authorities, to better understand the viewpoint of authorities, and to ensure evenhandedness (p. 132).	The Managing Director's paper on Strategic Directions noted the vision of a more assertive IMF communicating its concerns (BUFF/08/27).
The issue of authorities withholding relevant information was rarely flagged in staff reports, or taken up with Management (IEO, 2007b, p. 31).			
Authorities at times refrained from raising an issue on which they might want the IMF's views in fear that it might end up in staff reports (IEO, 2013, pp. 16–17).	Reduce disclosure concerns by clarifying the Critical Disclosure Principle (p. 29).*	Directors broadly endorsed the recommendation (p. 50).*	A 2013 guidance note requires staff to inform authorities of the IMF's policy on treatment of confidential information.*
Almost 60 percent of mission chiefs for advanced countries felt pressure to dilute the candor of staff reports in order to avoid upsetting authorities (IEO, 2013, p. 26).	N.A.	N.A.	N.A.

B. Organizational Silos

B1. Interdepartmental Cooperation and Internal Review

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
There was a tendency to split responsibilities without clear lines of command, e.g., insufficient integration of crisis management work by APD and MAE (IEO, 2003a, p. 45).	Centers of expertise should be developed to allow rapid application of IMF-wide expertise to emerging crises (p. 54).	Some Directors supported the creation of centers of expertise, whereas others put greater emphasis on mechanisms for drawing upon available expertise in the event of a crisis (p. 163).	In 2006, ICM and MFD were merged to enhance financial sector surveillance and to provide a center of expertise on banking crisis resolution; each area department has a senior staff member responsible for financial sector surveillance;* the interdepartmental FSG has since 2009 ensured high-level coordination.*

(Continued)

B1. Interdepartmental Cooperation and Internal Review *(continued)*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
A larger concentration of comments came too late in the review process to affect initial program design (IEO, 2003b, p. 26).	The internal review mechanism should place relatively more emphasis on early stages (p. 11).	Directors supported this recommendation while welcoming Management's initiative to enhance the effectiveness of the review process (p. 115).	In 2009, the internal review process was revised to make it more strategic and effective, including the establishment of interdepartmental policy consultation meetings for Article IV and UFR missions (IMF, 2009b).
Many specific comments about political commitment were raised at the review stage, with limited impact on program design (IEO, 2003b, p. 28).			
There was only modest progress in strengthening the link between surveillance and TA following the 1999 review (IEO, 2005a, p. 25).	Develop a medium-term country policy framework for setting TA priorities (p. 5).	Most Directors agreed that in low-income countries the PRSP should serve as a vehicle for identifying TA needs and improving coordination among agencies (p. 84);* in other countries, Directors stressed the importance of developing country-centered frameworks for identifying TA needs (pp. 84–85).	Regional strategy notes have served as input into departments' business plans and the formulation of the resource allocation plan (RAP); monitoring of TA is included in the TOR for resident representatives (SM/07/383; IEO, 2014).
Only in AFR was PRSP used as a significant driver of decisions on the allocation of TA resources (IEO, 2005a, pp. 27–28).	In low-income countries, PRSP should form the basis for dialogue on setting TA priorities and collaboration with other donors (p. 5).*		
Strategic allocation of TA under the resource allocation plan (RAP) was hampered by the unwillingness of area departments to provide guidance on priorities across countries (IEO, 2005a, p. 35).	Explicitly acknowledge in the TOR for resident representatives that their role was to help develop a framework for strategic TA allocation (p. 6).		
There was no clear institutional framework for linking FSAP recommendations to plans of action for TA delivery (IEO, 2006a, p. 31).	The IMF, in conjunction with other TA providers, should establish a framework for coordinating follow-up capacity-building TA, based on the country's own action plans (pp. 43–44).	N.A.	The 2013 staff paper noted successful cases where TA provision followed FSAP recommendations (SM/13/128).
Integration between *WEO* and *GFSR* did not take place on a number of issues even when it was feasible (IEO, 2006b, pp. 25–26).	Establish a Surveillance Department; give sign-off authority to RES on briefing papers and Article IV staff reports for systemic countries; make greater use of the Surveillance Committee; promote RES participation in country work; establish benchmarks for measuring progress on integration (pp. 5–6).	Directors were not persuaded about the need for broad organizational changes, noting that priority should be given to strengthening the integration between multilateral and bilateral surveillance especially for systemic countries (p. 47).	New products were launched to integrate work across departments and to strengthen the multilateral aspect of surveillance, including spillover, pilot external sector, and consolidated multilateral surveillance reports; the Management-chaired Surveillance Committee was strengthened and meets weekly, among others, to oversee efforts to integrate global perspectives into Article IV consultations.
Global banking sector risks were covered in MFD's Financial Systems Trends, but not in *GFSR* (IEO, 2006b, p. 20).	N.A.	N.A.	In 2006, ICM and MFD were merged.*
Insufficient reward was given to integrating best elements of analysis and expertise from inside and outside the IMF (IEO, 2007b, p. 28).	Make limited use of outside experts for Article IV missions (p. 38).	Many Directors saw need for further efforts in ensuring that missions had the right mix of skills and expertise (p. 132).	The Surveillance Committee meets weekly.*
Responsibility for exchange rate issues was scattered, diffusing responsibility and accountability for prioritizing and making integration difficult (IEO, 2007b, p. 38).	Management should clarify responsibility and accountability for exchange rate policy issues and actively use the Surveillance Committee (p. 38).	Directors encouraged further strengthening of existing coordinating mechanisms, including the Surveillance Committee (p. 133).	

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
The internal review process, calling for greater clarity of program objectives and of strategies to achieve them, had little impact on the quality of program documentation (IEO, 2007c, p. 18).	Program documentation should be explicit about objectives supported by the IMF and how proposed measures help achieve them (p. 20).	Directors agreed that the link between program goals, strategies, and conditions should be better explained in Board papers (p. 37).	In 2009, the internal review process was revised;* the Operational Guidance Note on Conditionality, revised in 2008 and 2009, calls specifically for program documentation to present the links between program goals, reform strategies, and underlying structural conditionality (SM/08/245, SM/10/22, Rev. 1).
Silo behavior made it difficult to integrate macroeconomic with financial sector analysis, and multilateral with bilateral surveillance, and to work across departments (IEO, 2011a, p. 18).	Clarify rules and responsibilities for the internal review process and establish interdepartmental collaboration at an earlier stage of the Article IV process and of the development of themes and ideas for multilateral surveillance (p. 23).	Directors stressed that, while more could be done to foster cross-departmental collaboration, recent initiatives, such as the new internal review process, should be given time before changes were considered (p. 46).	New products were launched to integrate work across departments;* *WEO* and *GFSR* are presented to area department staff before publication; the Surveillance Committee meets weekly.*
Internal reviews failed to connect the dots and to ensure follow-up of concerns raised by the Board, Management, and reviewers, which typically took place too late to have impact (IEO, 2011a, p. 18).			In 2009, the internal review process was revised.*
Lacking sufficient oversight by senior staff and Management, turf battles were a major impediment to cooperation and collaboration (IEO, 2011a, p. 19).			N.A.
Bilateral surveillance missions to systemic financial centers were not always staffed with most experienced financial sector specialists (IEO, 2011a, p. 19).	Include experienced financial experts when staffing missions to G20 economies and other financial centers; give MCM a more prominent role in the surveillance of these economies, for example, by giving sign-off responsibility (pp. 22–23).	Directors welcomed ongoing efforts to hire financial sector experts, with some emphasizing the need to support more active MCM involvement in surveillance for systemic cases (pp. 45–46).	A financial expert has been assigned to each Article IV team involving systemically important financial sectors (SM/12/231).
Most staff were not aware of research that had been produced on macro-financial linkages, pointing to a need for better internal dissemination (IEO, 2011b, p. 10).	N.A.	N.A.	N.A.
Collaboration on research across units within the IMF was infrequent and resulted mostly from informal personal contacts (IEO, 2011b, p. 21).	Designate a research coordinator responsible for coordinating research across the IMF, including by setting standards and publication policies (p. 26).	Directors were open to various proposals, including designating a research coordinator, while a few cautioned that a centralized approach could undermine innovative thinking (p. 45).	Coordination of research was stepped up in 2011, with the inauguration of semiannual interdepartmental meetings (SM/12/277).
Silo behavior was cited by authorities as a factor undermining the value-added of IMF advice, with occasional discrepancies across different products (IEO, 2013, p. 21).	N.A	N.A.	New products were launched;* *WEO* and *GFSR* are presented to area department staff before publication;* the Surveillance Committee meets weekly.*

B2. Integration

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Financial sector concerns expressed in internal reviews and multilateral surveillance exercises were not fully incorporated into Article IV reports (IEO, 2003a, p. 26).	N.A.	N.A.	New products were launched;* *WEO* and *GFSR* are presented to area department staff before publication;* the Surveillance Committee meets weekly;* in 2009, the internal review process was revised.*
IMF multilateral surveillance did not devote much attention to analyzing risks to emerging market economies of policy developments in advanced countries affecting capital flows (IEO, 2005b, p. 24).	The IMF's analysis and surveillance should give greater attention to the supply-side factors of international capital flows and what can be done to minimize the volatility of capital movements (p. 61).	Directors welcomed ongoing initiatives to strengthen research, analysis, and surveillance of the supply side of capital flows, and encouraged staff to continue to build on these efforts (p. 101).	Staff has prepared multiple studies on the supply side of capital flows, some of which have appeared in issues of *GFSR* (see SM/11/30, Supplement 1).
There were shortcomings in integrating FSAP technical expertise with area departments' country-specific knowledge (IEO, 2006a, p. 14).	Introduce changes in the organization of IMF mission activities to utilize scarce financial sector technical expertise more effectively in surveillance work (p. 42).	While welcoming the recommendation, many Directors noted that this would be considered in the broader context of improving financial sector surveillance as part of medium-term strategic review (p. 98).	Major initiatives were launched in connection with the 2007 Financial Sector Task Force Report (SM/07/57) and the Statement of Surveillance Priorities; each area department has a senior staff member responsible for FSS and coordination with MCM;* FSG has since 2009 ensured coordination;* the 2010 staff paper proposed modalities for better integration for jurisdictions with systemic financial sectors.*
Many in area departments felt that they lacked necessary training and experience to interpret financial soundness indicators (FSIs) and integrate analysis into ongoing surveillance work (IEO, 2006a, p. 18).			
Financial stability issues were not fully mainstreamed into Article IV assessments (IEO, 2006a, p. 27).	Strengthen the links between FSAP and surveillance by mainstreaming FSAP and follow-up work into regular surveillance (p. 41);* internal reviews should ensure that key messages on macro-financial stability are fully reflected in Article IV reports; prepare a short section in each FSSA to summarize in candid language the main macro-relevant findings (p. 41).	Directors concurred with the recommendation to strengthen links between FSAP and surveillance (p. 98);* they underscored the need to follow up on key vulnerabilities and gaps and integrate such issues into Article IV surveillance (p. 98).	
Potential macroeconomic significance of institutional weaknesses was often not emphasized sufficiently (IEO, 2006a, p. 18).	N.A.	N.A.	In 2009, the Risk Assessment Matrix (RAM) was introduced to make risk analysis more candid (SM/09/231).
IMF surveillance had a strong bilateral orientation, with the substance of policy advice virtually identical between *WEO* and staff reports on major countries (IEO, 2006b, p. 20).	Establish a Surveillance Department; give sign-off authority to RES;* utilize the Surveillance Committee;* promote RES participation;* establish benchmarks for progress on integration (pp. 5–6).*	Directors noted that priority should be given to strengthening integration for systemic countries, not to organizational changes (p. 47).*	New products were launched;* *WEO* and *GFSR* are presented to area department staff before publication;* the Surveillance Committee meets weekly.*
There was scope for bringing global perspectives further into bilateral surveillance (IEO, 2006b, pp. 27–28).			

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Global and regional spillovers were infrequently covered (IEO, 2007b, p. 15). Bilateral surveillance failed to pick up financial market issues that might have affected several countries at once (IEO, 2007b, p. 24). Multilateral considerations did not feature prominently in most bilateral discussions, with staff rarely identifying or sufficiently integrating spillovers into analysis (IEO, 2007b, pp. 24–25).	Management should clarify responsibility and actively use the Surveillance Committee (p. 38);* incentives should be given to develop and implement guidance for integration of spillovers into bilateral and regional surveillance (pp. 37–38).	Directors encouraged further strengthening of existing coordinating mechanisms (p. 133);* Directors underscored the importance of better incorporating analysis of policy spillovers into regional and bilateral surveillance and welcomed ongoing initiatives under the Medium-Term Strategy (p. 133).	Staff produced a paper on interconnected economies in 2012 (FO/DIS/12/37), leading to "cluster consultations" with Nordic countries (SM/13/230) as well as on the German and Central European supply chain (FO/DIS/13/100) in 2013 on a pilot basis; production of Spillover Reports began in 2012 (SM/12/181); the 2012 Integrated Surveillance Decision (DEC/15203) institutionalized the integration of bilateral and multilateral surveillance.
Surveillance work on trade policy in area departments and FAD did not find an outlet in multilateral surveillance (IEO, 2009a, p. 11).	Trade policy—particularly involving PTAs—should be addressed periodically in multilateral and regional surveillance (p. 20); a small but critical mass of trade policy expertise must be built, with a division dedicated to trade issues (p. 21).	Most Directors agreed that attention should be given to regional and global effects of trade policies and that trade policy should be addressed periodically in multilateral and regional surveillance (p. 212); Directors also agreed with the need for a critical mass of trade policy expertise within the IMF but most did not support the creation of a separate trade policy division (p. 213).	Coverage of trade policy issues has increased in surveillance vehicles (SM/11/52, p. 8); in 2010, reference notes on financial services and PTAs were issued, highlighting the need for greater emphasis in multilateral surveillance on the global effects of trade policies and to tackle macro-critical trade policy issues (SM/10/239; SM/10/260).
Risks flagged in *GFSR* did not feature prominently in the IMF's banner messages (IEO, 2011a, p. 8). Multilateral surveillance did not connect global imbalances with financial and housing market risks pointed out by *GFSR* and *WEO* (IEO, 2011a, p. 10). In bilateral surveillance of countries with advanced markets, many risks and vulnerabilities identified by multilateral surveillance or independent analysts found little voice (IEO, 2011a, pp. 10–11).	Deliver a clear, consistent message on the global outlook and risks, with clear specification of risks and vulnerabilities around the central scenario, including through better integrating analysis and assessments of *WEO* and *GFSR* or a self-standing global surveillance report (p. 23).	Directors considered it crucial that the analyses of *WEO*, *GFSR*, and *Fiscal Monitor* deliver a consistent message (p. 46).	Consolidated multilateral surveillance reports were issued in 2011 (SM/11/256, Rev. 1) and 2012 (SM/12/80, Rev. 1) to distill key messages from *WEO*, *GFSR*, *Fiscal Monitor*, and others; the Surveillance Committee meets weekly.*
Analysis of macro-financial linkages was typically better in emerging markets than in advanced economies (IEO, 2011a, p. 13). Staff tended to hold in highest regard macro models that proved inadequate for analyzing macro-financial linkages (IEO, 2011a, p. 18).	Continue to strengthen FSAP and the ability to monitor global and systemic financial markets and institutions, including through collaboration with the Financial Stability Board; report to the Board regularly on progress in macro-financial integration in bilateral and multilateral surveillance (p. 22).	Directors welcomed the IEO's positive appraisal of recent changes to FSAP, and felt it would be useful to have further discussion of possible enhancements (p. 46).	N.A.

(*Continued*)

B2. Integration *(continued)*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Staff attributed failure to integrate bilateral and multilateral surveillance and macro-financial issues in part to turf battles among departments (IEO, 2011a, p. 19).	Management should hold corresponding units and senior staff responsible for integrating multilateral and bilateral surveillance, taking account of alternative views, and bringing cross-country experience to bear (p. 23).	Directors stressed that, while more could be done, recent initiatives should be given time before changes are considered (p. 46).*	The Surveillance Committee meets weekly.*
There was little collaboration between RES and MCM, which may explain why macro-financial linkages did not receive more attention (IEO, 2011b, p. 21).	Designate a research coordinator (p. 26)*	Directors were open to various proposals, including designating a research coordinator (p. 45).*	Semiannual interdepartmental meetings were inaugurated in 2011.*
The majority of authorities saw improvement in the quality of IMF advice on macro-financial linkages and international spillovers since the crisis, but many believed that weaknesses remained (IEO, 2013, pp. 11, 20–21).	N.A.	N.A.	N.A.

C. Risks and Uncertainty

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Many programs had difficulty in dealing with uncertainty; many documents did not spell out key program risks, nor did they conduct suitable stress testing exercises (IEO, 2002, p. 58).	Programs should include more explicit discussion of the major uncertainties they face and of how policies would be adapted if underlying assumptions turned out differently (p. 86).	Directors underscored the importance of explaining clearly downside risks and of avoiding any bias toward over-optimism (p. 221).	The latest conditionality guidance calls for candid discussion of implementation and ownership concerns;* the 2011 Conditionality Review noted actions to enhance risk diagnostics.*
Surveillance had focused more on estimating the likelihood of shocks occurring than exploring the consequences if a shock were to occur (IEO, 2003a, p. 26).	Article IV consultations should take a "stress-testing" approach to analysis of a country's exposure to a potential capital account crisis, including by itemizing risks (p. 51).	Directors agreed with the need to strengthen IMF surveillance by extending and systematizing assessment of crisis vulnerabilities (pp. 160–61).	In 2009, the IMF/FSB conducted the first early warning exercise (EWE) (SM/09/17); the semiannual vulnerability exercise, initially limited to emerging market economies, was extended to advanced economies in 2009 (SM/11/233) and to low-income countries in 2011 (FO/DIS/11/44); the latest Guidance Note for Article IV Consultations (SM/12/246, Rev. 1) calls for discussion of baseline and tail risks.
Programs failed to incorporate uncertainty about key macroeconomic variables during crisis, for example by explicitly discussing major risks to the macroeconomic framework and indicating how policies would respond if risks materialized (IEO, 2003a, pp. 31–32).	Major risks to the program should be identified explicitly, along with a broad indication of how policies will respond in the event of sharper-than-programmed economic downturns (p. 53).	Directors agreed that program documents should set out assumptions, explain program risks, discuss alternative scenarios, and spell out how policies will respond in the event that risks materialize, with a few cautioning against excessive emphasis on risks as undermining confidence (p. 162).	The latest Operational Guidance on Conditionality calls for candid discussion of implementation and ownership concerns;* the 2011 Conditionality Review noted actions to enhance risk diagnostics.*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Failure to explain the link between assumptions and targets made it difficult to revise programs when the assumptions turned out not to hold (IEO, 2003b, pp. 48–49).	Program documentation should provide an in-depth justification for the magnitude and pace of fiscal adjustment and how it is linked with assumptions about the recovery of private sector activity and growth (p. 11).	Directors supported the recommendation as instilling discipline in program design, enhancing transparency, and providing the public with a convincing rationale, while a few cautioned against spurious precision and others noted political constraints on the magnitude and pace of fiscal adjustment (p. 115).	A staff paper issued in 2011 (SM/11/211) provides a strengthened framework for analyzing fiscal risks.
Sensitivity analysis failed to explore the impact of significantly less favorable external conditions and policy slippages on debt sustainability; there was no serious analysis of exchange rate sustainability (IEO, 2004b, p. 44).	Medium-term exchange rate and debt sustainability analyses should form the core focus of IMF surveillance; the IMF should refine tools for assessing the equilibrium real exchange rate that are more forward-looking; surveillance should examine debt profiles from the perspective of "debt intolerance" (p. 74).	Directors concurred with the IEO's recommendation but cautioned that finding an appropriate measure of exchange rate sustainability would be difficult. Directors asked staff to sharpen tools for debt sustainability analysis further, with a few calling for strengthening the organization and independence of such work (p. 121).	In 2009, the first EWE was conducted;* the vulnerability exercise was extended to advanced economies in 2009 and to low-income countries in 2011;* the latest Guidance Note for Article IV Consultations (SM/12/246, Rev. 1) highlights the need for contingency planning when there are sustainability concerns.
There was no clear understanding of exit strategy because conditions for judging success or failure were not made explicit, and there was no discussion of what the next steps would be if the chosen strategy failed (IEO, 2004b, p. 46).	The IMF should have a contingency strategy from the outset of a crisis, including a set of criteria to determine if the initial strategy is working and to signal whether a change in approach is needed (p.73).	While most viewed contingency planning as useful, many Directors noted that in a crisis or pre-crisis setting, it was not always possible to assess contingencies and expressed concern that any indication of the IMF developing contingent strategies could undermine confidence (p. 120).	N.A.
Lack of viable alternative plan became reason for continuing to support a strategy with a low probability of success (IEO, 2004b, p. 50).			
Program documents did not spell out the assumptions underlying key elements of program design, which limited the ability to modify programs when they proved incorrect (IEO, 2005c, p. 11).	The underlying rationale for key program design elements should be explained clearly in Executive Board papers (p. 3).*	Many Directors agreed with the need to provide the rationale for key program design elements (p. 88).*	A 2011 staff paper provides a strengthened framework for analyzing fiscal risks (SM/11/211).
Excessive focus on the number of principles for which a country was fully or largely compliant could give a misleading signal on the downside consequences of remaining gaps (IEO, 2006a, p. 19).	Steps to improve the quality of stress-testing analysis should include more candid judgments on the quality of available data and the limitations of any results (p. 42).	Directors encouraged staff to improve further the quality of FSAP and strengthen its impact, noting that recommendations should be prioritized and potential consequences discussed candidly (p. 98).	In 2009, the Risk Assessment Matrix was introduced;* the revised FSAP Procedures Manual, issued in 2010, stresses that recommendations should be candidly discussed and clearly prioritized by macro-relevance, and missions should cover all major risks, including politically sensitive ones; data inadequacies and analytical limitations should be discussed transparently (IMF, 2010k).
Some assessments had failed to analyze the consequences of politically sensitive shocks (e.g., public debt defaults) and emphasize the potential macroeconomic significance of institutional weaknesses (IEO, 2006a, pp. 17–18).			
Reliance on stress testing in FSAP, which does not capture second-round shocks, led to complacency because limitations were not explicitly discussed (IEO, 2011a, p. 18).	Consider more severe shocks in FSAP stress testing, taking into account domestic, global, and regional developments and risks; enhance candor and clarity in financial sector surveillance, including an explicit discussion of data and methodological qualifications (p. 22).	Directors welcomed the IEO's positive appraisal of recent changes to FSAP, and felt discussion of possible enhancements would be useful (p. 46).*	

(*Continued*)

D. Country and Institutional Context

D1. Analytical Work and Policy Advice

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Insufficient attention to program ownership and implementation capacity, and the design of conditionality related to core institutional changes, limited the effectiveness of IMF-supported programs in some prolonged-use countries (IEO, 2002, p. 49).	Specific operational procedures should be developed to ensure that program design places greater emphasis on the nature of the domestic policy formulation process, in order to maximize ownership (p. 83); tailor the effective time frame to the foreseeable length of the reform and adjustment process (p. 85); strengthen the ability of IMF staff to analyze political economy issues (p. 88).	Suggested changes should be seen as part of a broader effort to ensure greater effectiveness of IMF-supported programs. Some were being internalized as elements of the review of conditionality, with implementation involving sometimes difficult judgment (p. 221).	The latest Operational Guidance on Conditionality calls for candid discussion of implementation and ownership concerns;* the 2011 Conditionality Review noted actions to enhance risks diagnostics.*
The IMF repeatedly underestimated obstacles to policy implementation, including weak political commitment (IEO, 2002, pp. 53, 58).		Directors expressed a wide array of views on whether and how staff should take account of political economy issues while recognizing the need for caution given the sensitivities (p. 222).	
There was not enough engagement with the private sector, regarding country conditions or factors influencing global portfolio allocations (IEO, 2003a, p. 26).	Article IV consultation missions should seek a wider dialogue with individuals beyond senior economic officials, including especially those in the domestic and international financial communities (p. 51).	Most Directors agreed that the IMF should develop greater understanding of political constraints on program implementation, with a number cautioning against accepting private sector views uncritically (p. 161).	The Guidance Note for Article IV Consultations (SM/12/246, Rev. 1) calls for policy dialogue with a broad range of economic stakeholders and, if necessary, tailoring consultation cycles to the timetables of the countries in order to achieve this objective.
Country-specific analysis of how quickly the real economy responds to macroeconomic policy was limited in program design (IEO, 2004a, pp. 43, 60–61).	There should be more systematic explorations of country-specific macro-micro linkages (p. 10).	N.A.	A staff working group on jobs and growth is examining how to integrate macro-social aspects in program design and developing a number of tools (see SM/12/148).
Lack of French-speaking experts undermined the ability to align surveillance with, and respond to, TA needs in West Africa (IEO, 2005a, p. 26).	N.A.	N.A.	N.A.
Nine "filters" endorsed by the Board to guide priorities for TA allocation lacked flexibility to respond to country-specific needs and circumstances (IEO, 2005a, pp. 32–33).	The prioritization filters should be discontinued (p. 7).	Directors concurred that the case for discontinuing current filters was strong, with several supporting preserving some elements (p. 86).	In 2005, prioritization filters were discontinued, in line with the Task Force Report recommendations (BUFF/05/130).
Effectiveness of TA delivery was undermined by lack of awareness of institutional, organizational, and managerial particularities in recipient countries (IEO, 2005a, p. 43).	Engage counterparts early on in the design of activity, explain its motivation, and try to assess institutional subtleties (p. 7).	Directors welcomed the proposals for more participation by authorities in drawing up terms of reference (p. 85).	In 2008, staff issued a paper on TA (SM/08/97) calling for coordination with authorities in identifying TA priorities; current guidelines emphasize the need for dialogue with authorities in developing reforms and identifying emerging TA needs; the 2013 review of capacity development strategy (SM/13/128) noted that decentralization of TA delivery through regional training centers had increased ownership and improved understanding of local circumstances and absorptive capacity.
Authorities often complained that recommendations were not taking sufficient account of local conditions and political constraints (IEO, 2005a, p. 65).			
Staff was giving greater attention than previously to the overall environment and institutional constraints in advice on capital account issues (IEO, 2005b, p. 56).	N.A.	N.A.	N.A.

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Program documents did not focus enough on fiscal structural reforms needed to sustain adjustment over the medium term (IEO, 2005c, p. 12).	Short-term quantitative targets without analyzing in greater depth the underlying strategies to achieve these targets are unlikely to be successful (p. 4).	N.A.	The 2011 Review of Conditionality (SM/12/148) called for paying attention to the contributions to fiscal sustainability of fiscal reforms.
Advice for greater exchange rate flexibility was based not on country-specific conditions but on the evolving institutional view (IEO, 2005c, p. 35).	N.A.		The Interim Guidance Note (SM/07/228, revised in 2009, SM/09/123) stated the need to pay due regard to country circumstances; and the need for analysis of regime choice to be candid, balanced, and comprehensive, taking into account country circumstances and implementation issues; the 2012 Article IV Guidance Note (SM/12/246, Rev. 1) states that improving exchange rate analysis is an operational priority for 2011–14.
FSAP missions were typically given insufficient time to prepare and familiarize themselves with country-specific circumstances (IEO, 2006a, p. 14).	The Financial Sector Liaison Committee should ensure that FSAP team and deputy team leaders have adequate experience (p. 42).	N.A.	The 2009 FSAP Review (SM/09/231) and the 2012 Financial Surveillance Strategy paper (SM/12/231) highlight the need to tailor analysis to country-specific circumstances.
There was a tendency to follow a template approach without deep understanding of the situation in each country (IEO, 2006a, p. 15).	Engage authorities at an early stage on the objectives and scope of FSAP, including specific terms of reference (p. 42).	N.A.	
Authorities in many PRGF countries saw structural conditions as not adapted to the country's implementation capacity or political constraints and thus subject to unrealistic deadlines (IEO, 2007c, p. 12).	Staff should work with authorities to identify goals clearly and to set structural conditions that contribute to them (p. 20).	Directors called for greater reliance on authorities' views in setting conditions (p. 36).	The 2011 Review of Conditionality (SM/12/148) concluded that program design had been tailored to country circumstances, especially in higher and more frontloaded access in capital account crisis cases.
Advice in favor of exchange rate flexibility was not always backed up by formal analysis, including of country-specific obstacles to implementation (IEO, 2007b, pp. 22–23).	Advice on exchange rate regimes should be backed up more explicitly by analytical work (p. 37).	Directors agreed that staff's assessment of regime choice should be underpinned by comprehensive analytical discussion of pros and cons, taking into account country circumstances, authorities' views, and implementation issues (p. 132).	The Interim Guidance Note (revised in 2009) stated the need for analysis of regime choice to take into account country circumstances and implementation issues; the 2012 Article IV Guidance Note states that improving exchange rate analysis is an operational priority for 2011–14.*
Authorities found that the more country-specific the issue, the less useful the IMF's advice, perceiving IMF staff as having insufficient technical expertise or practical experience (IEO, 2007b, p. 23).	Make limited use of outside experts (p. 38).*	Many Directors saw need to ensure that missions had the right skills mix (p. 132).*	In 2007, a need to bring in more specialists, especially with financial sector experience, was acknowledged by an interdepartmental working group, which recommended strategic workforce planning to improve the mid-career recruitment process and the skills mix (IMF, 2007m); in 2013, the First Deputy Managing Director (FDMD) instructed heads of departments to aim to achieve three years on average for country assignments (IMF 2013l); the 2013 Review of the Accountability Framework reaffirmed the target of three years (IMF, 2013r).
Authorities mentioned inadequate knowledge of country-specific background, and less technical knowledge of the operational aspects of foreign exchange markets than enjoyed by them, as limiting the value added of IMF advice (IEO, 2007b, p. 31).			

(*Continued*)

D1. Analytical Work and Policy Advice *(continued)*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
The work depended on who happened to be on the mission and what that person happened to know, with little systematic effort to draw on the knowledge and experience available throughout the institution (IEO, 2009b, p. 9).	Replace defunct country surveillance agendas with strategic agendas; increase mission chief and staff tenure on country assignments as well as training and incentives for interactions (pp. 31–32).	A number of Directors supported further consideration of the proposal to replace surveillance agendas with strategic agendas, with others concerned that it could create an additional burden with little effect; Directors generally supported increasing mission chief and staff tenure while welcoming steps being taken (p. 172).	
The IMF was less systematic in customizing its approach to individual country conditions, especially in taking account of country-specific political economy dimensions in designing reforms in PRGF-eligible countries (IEO, 2009b, p. 24).	N.A.	N.A.	The 2011 Conditionality Review concluded that program design had been tailored to country circumstances;* the 2012 review of LIC facilities (SM/12/203) noted that the IMF had made debt limits policy and structural conditionality tailored to country circumstances.
Lack of understanding of country context and institutions undermined the relevance and utilization of IMF research (IEO, 2011b, p. 12). Authorities across country groups noted that the analytical framework used in IMF research was not suited to the realities of their countries (IEO, 2011b, p. 12).	Consult country authorities on selection of topics; discuss with them and other local experts preliminary results; give researchers freedom to explore issues without preconceived conclusions or messages, including by establishing incentives for innovative research (p. 25).	Directors broadly supported the IEO recommendation to consult more with authorities on research topics and agreed that staff should remain free to explore issues that they feel are most important; longer country assignments could facilitate collaboration with authorities and enhance familiarity with country-specific conditions (p. 45).	Reforms have been introduced to ensure appropriate balance between the need for cross-country perspectives and mission team continuity (SM/12/277); in 2013 FDMD instructed departments to achieve three years on average for country assignments, which was affirmed by the 2013 accounting framework review.*
Some authorities found many working papers too theoretical and that the frequent use of cross-country panel data undermining the relevance especially of the IMF's regional economic outlooks (IEO, 2011b, p. 13).	Conduct a periodic strategic review of research product lines in consultation with authorities; strengthen quality assurance and review processes (p. 25).	Directors generally saw merit in conducting a periodic strategic review of research products, and encouraged Management and staff to strengthen quality controls, the internal review process, and incentives to enhance the technical content of research subject to budget constraints (pp. 44–45).	New procedures have been adopted to ensure the quality of working papers and that a strategic review of IMF research was forthcoming (SM/12/277).
Authorities felt uneasy about the potentially prescriptive assessments based on the reserve adequacy metric, as it could become a one-size-fits-all measure applied in a pro forma manner without capturing country-specific context and the complexities of the costs and benefits of reserve accumulation (IEO, 2012, pp. 10–11). Authorities thought cross-country comparisons of reserves by IMF staff did not pay sufficient attention to country characteristics (IEO, 2012, p. 16).	Policy initiatives designed to deal with systemic externalities must take into account the relative size of countries; reserve adequacy indicators should be applied flexibly and reflect country-specific circumstances, including various potential sources of foreign exchange drain, relevant financial sector exposures, and other sources of liquidity (p. 18).	A number of Directors agreed that the relative contribution of a country to externality should be taken into account; Directors agreed on the desirability of a comprehensive assessment of reserve adequacy, with most seeing room for making guidance on reserve adequacy more alert to country-specific conditions, but consistently across countries with similar features (p. 34).	The revised paper on assessing reserve adequacy (SM/13/301) underscores the importance of country-specific factors.

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
A significant number of officials saw the IMF as lacking sufficient knowledge of country-specifics for advice to be useful; it was seen overly generic and one-size-fits-all (IEO, 2013, p. 20). A significant number of officials from emerging market and low-income countries considered the advice of Article IV and UFR missions as not contributing anything new (IEO, 2013, p. 20).	Consult at an early stage with authorities on their key areas of interest; draw on relevant cross-country experiences to provide examples of best practices; engage with local analysts and researchers (p. 28).	Directors supported early informal consultations with authorities on key areas of interest, though they had different views on the merits of sharing the macroeconomic framework and key policy recommendations ahead of missions (p. 50).	In 2013 FDMD instructed departments to achieve three years on average for country assignments, which was affirmed by the 2013 accounting framework review;* an overarching objective of the 2014 TSR is to strengthen the traction of IMF surveillance (FO/DIS/13/137).

D2. Staff Turnover

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Staff turnover was high for both prolonged and temporary users, as identified by authorities and staff (IEO, 2002, p. 49). High staff mobility limited the accountability of mission chiefs, with most feeling that career progression did not depend significantly on whether programs achieved objectives (IEO, 2002, p. 68).	Review internal incentives facing staff to promote continuity on country assignments and to foster accountability (pp. 88–89).	The Board noted that such issues as career incentives for staff and continuity of staff missions, while under Management purview, deserved careful consideration (pp. 221–22).	In 2013 FDMD instructed departments to achieve three years on average for country assignments, which was affirmed by the 2013 accounting framework review.*
Available internal knowledge was not fully exploited in formulating programs, with a relatively small number of participants having previous experience with the countries (IEO, 2003a, p. 45).	Monitor the length of staff assignments to country desks; establish a medium-term IMF-wide program to develop a critical mass of staff members with significant country expertise in each systemic country (p. 54).	A number of Directors favored longer country desk assignments, while others noted the importance of staff mobility in broadening experience and perspectives and maintaining impartiality (p. 163).	
The rotation of staff among tasks and assignments could undermine the oversight of TA experts in the field (IEO, 2005a, pp. 45–46).	N.A.	N.A.	The IMF-wide online Expert Evaluation System was introduced in 2010 to assess and document the performance of field-based TA experts (IEO, 2014).
Insufficient personnel continuity from previous financial sector work increased the burden of FSAP on authorities (IEO, 2006a, pp. 14–15).	Need for greater staff continuity in follow-up on financial sector issues (both in surveillance and technical assistance) was a refrain heard frequently (p. 42).	N.A.	In 2013 FDMD instructed departments to achieve three years on average for country assignments, which was affirmed by the 2013 accounting framework review.*
There was lack of continuity in institutional representation and infrastructure to support the IMF's inputs into intergovernmental groups (IEO, 2006b, pp. 33–34).	Establish a unit dedicated to maintaining constant contact with relevant officials of systemically important countries; give more attention to continuity of representations at these meetings (p. 3).	N.A.	The Multilateral Surveillance Division was created in RES in 2006 to strengthen the IMF's work on intergovernmental groups.

(*Continued*)

D2. Staff Turnover *(continued)*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Authorities complained about staff turnover as requiring scarce official time to retrain new IMF staff (IEO, 2007a, p. 20).	N.A.	N.A.	In 2013 FDMD instructed departments to achieve three years on average for country assignments, which was affirmed by the 2013 accounting framework review.*
Authorities mentioned frequent changes in mission chiefs as limiting the contributions of IMF advice to ongoing discussions (IEO, 2007b, p. 31).	N.A.	N.A.	
Insufficient staff continuity was a serious concern, particularly for small states, with officials indicating that the IMF's approach to staff turnover undermined capacity building (IEO, 2009b, p. 25).	Increase mission chief and staff tenure on country assignments (p. 32).*	Directors generally supported increasing mission chief and staff tenure (p. 172).*	
High staff turnover left mission teams in constant need of getting up to speed on country-specific issues, which made it difficult to come up with alternative views and policy options (IEO, 2011a, p. 19).	N.A.	N.A.	
Authorities viewed high turnover as diminishing value-added in IMF advice, especially in small countries; staff saw assignments on systemic countries as more career-enhancing; there are few incentives to ensure a smooth transfer of information from incumbent to new mission teams (IEO, 2013, p. 21).	Strengthen the continuity of the relationship between the IMF and member countries, including by developing a medium-term strategic plan in consultation with authorities; increase rewards for team work to ensure a smooth transfer of knowledge when members change (p. 28).	Many Directors did not support the development of medium-term strategic plans as introducing more bureaucratic processes; a number of them emphasized lengthening staff country assignments (p. 50).	The fifth PMR states that HRD, with the support of TGS, has instituted a system to monitor mission chief and team tenure, the results of which will be shared with the Board (SM/12/248, p. 5); in 2013 FDMD recommended that clear expectations and procedures for handovers, including on such issues as data management, should be set up by September 1, 2013, with assessments to be included in staff annual performance reviews (IMF, 2013l).

E. Evenhandedness

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
About half of mission chiefs reported that they had experienced strong political pressure from influential shareholders (IEO, 2002, p. 64).	Develop a procedure to avoid the appearance of political intervention in the IMF's program decision (p. 89).*	N.A.	N.A.
Lack of transparency in how program decisions incorporate political judgments could lead to exaggerated perception of political pressure (IEO, 2002, p. 64).			
Policy prescriptions emphasized, not actions to be taken by creditor countries, but those to be taken by emerging market economies (IEO, 2005b, p. 25).	Give greater attention to the supply-side factors of international capital flows and measures to minimize capital flow volatility (p. 61).*	Directors welcomed ongoing efforts and encouraged staff to build on them (p. 101).*	Staff has prepared multiple studies on the supply side of capital flows, some of which have appeared in *GFSR*.*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Evidence does not support the criticism of a "one-size-fits-all" approach to the IMF's policy advice (IEO, 2005b, p. 40).	Sharpen advice on capital account issues, based on solid analysis of country-specific conditions (pp. 60–61).	Directors urged staff to base policy advice on solid analysis of individual country situations, with a number recommending that staff reports should include a clearer, more systematic, and analytical rationale for advice (p. 101).	N.A.
There was no evidence that the threshold of acceptable program content was significantly different because of geopolitical considerations (IEO, 2005c, p. 42).	N.A.	N.A.	N.A.
Authorities from large emerging market economies were most critical of the quality of the IMF's advice and its performance as broker for international policy coordination (IEO, 2007b, pp. 9–11, 13).	Make opportunities for multilateral concerted action a key strategic management focus (p. 39).	Most Directors considered multilateral consultations to be a useful addition to the surveillance toolkit (p. 133).	In 2006, the IMF introduced multilateral consultations as a vehicle of facilitating multilateral concerted action (institutionalized in the 2012 Integrated Surveillance Decision); in 2009, the IMF began to participate in the G20 Mutual Assessment Program (MAP).
There were no clear-cut cases of uneven treatment of members in the sample of thirty countries, but the perceptions of inconsistency remained strong (IEO, 2007b, p. 25).	Provide better explanations for particular policy advice in order to reduce the risk of inconsistency and the risk of being accused of lacking evenhandedness (p. 26).	Directors agreed that staff should raise controversial issues with authorities and ensure evenhandedness (p. 132);* Directors agreed that there remained scope to explore further ways to address any perception of lack of evenhandedness (p. 132).	The 2011 TSR noted that perception of lack of evenhandedness remained strong among a segment of the membership (SM/11/233, p. 21); the concept note for the 2014 TSR noted that evenhandedness concerns had become more acute recently;* one of Management's Key Goals for FY14 is to "secure evenhandedness and the IMF's reputation of independence." *
Trade policy conditionality was extensive in Korea and Indonesia, absent in Brazil and Turkey, and episodic in Ukraine though all had moderately restrictive trade regimes (IEO, 2009a, p. 11).	The IMF should recommit to evenhandedness in trade policy advice, by giving more prominence to trade policy issues in large economies; and by re-engaging more broadly in developing countries whose world trade shares have risen rapidly in recent years (p. 21).	The Board noted that surveillance should discuss macro-critical trade policy issues, for all countries, while ensuring evenhandedness in trade policy advice (p. 212).	The 2011 Review of Conditionality (SM/12/148), noting the need to balance country circumstances and evenhandedness in tailoring conditionality, concluded that the balance was appropriate.
The IMF enjoyed little traction with large emerging economies, especially in surveillance. The situation was aggravated by their perception that surveillance was conducted in the interest of major shareholders (IEO, 2009b, p. 15).	Handle the IMF's negative reputational legacy; establish clearly responsibilities and accountabilities for country relationship management (pp. 31–32)	Directors agreed with the importance of dealing forthrightly with current and past controversies, and that outreach efforts should be regularly updated to reflect ongoing reforms in IMF policies (p. 172).	A working group report in 2011 recommended measures to increase the effectiveness of resident representatives; in 2013 FDMD recommended that mission chiefs discuss outreach plans/strategy with authorities and that the TOR for resident representatives be clarified to underscore the importance of formulating outreach strategy (IMF, 2013l).
In contrast to upbeat messages to the largest systemic financial centers, some smaller advanced and emerging market countries with similar vulnerabilities received repeated warnings about the buildup of risks in their domestic economies (IEO, 2011a, p. 13).	N.A.	N.A.	The 2011 TSR discussed a number of measures to increase the candor of surveillance (SM/11/233); Management's Key Goals for the FY2014 Planning Cycle include the goal to "insist on candor."

(*Continued*)

E. Evenhandedness *(concluded)*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Many staff members felt there was a limit to how critical they could be regarding the policies of large shareholders, with concluding meetings becoming negotiation sessions on language (IEO, 2011a, p. 20).	Encourage staff to ask probing questions and challenge the views of Management and authorities; support well-founded analysis even when authorities do not support the diagnosis; clarify roles and responsibilities of the Board and Management in ensuring that staff is free from political considerations (p. 22).	Directors agreed with the need to strengthen incentives to ensure that the IMF "speaks truth to power," while noting that this was a difficult issue for any international agency (p. 46).	
A good portion of authorities and staff indicated that too little research focused on low-income countries and too much on advanced economies (IEO, 2011b, pp. 9–10).	Prepare a medium-term research agenda in consultation with member countries and the Board; the research coordinator should be made responsible for coordinating research activities across the IMF (pp. 25–26).	Most Directors supported the preparation of a medium-term agenda (p. 45); Directors were open to various proposals (p. 45).*	In 2011, semiannual interdepartmental meetings on research priorities were inaugurated.
The share of authorities who believed that the IMF did not allow alternative perspectives was higher in large emerging market economies than in other country groups (IEO, 2011b, p. 14).	Allow researchers to explore issues without preconceived conclusions or messages; foster an environment and establish incentives to encourage innovative research (p. 25).	Directors considered worrisome the finding that there was a widely held perception that IMF research was message-driven; many Directors underscored the importance of addressing concerns about internal culture and institutional values (p. 44).	The 2011 TSR noted calls to broaden the surveillance paradigm beyond the Anglo-Saxon model as important for the credibility of IMF advice (SM/11/233); the statement of workplace values, announced by the Managing Director in 2012, calls for "an intellectually open atmosphere that seeks diverse views to develop the best solutions"; Management's Key Goals for FY2014 include the goal to "seek contrarian views."
Analysis of reserve accumulation, while focused on emerging markets, did not address sufficiently the factors driving capital flows in advanced countries (IEO, 2012, p. 9).	Advice should not be directed only to emerging markets but should also take into account concerns in advanced economies (p. 18).	Most Directors saw room for making guidance more alert to country-specific conditions and consistent across countries (p. 34).*	Further work on advanced economies was done in the revised paper on assessing reserve adequacy (SM/13/301); staff has prepared multiple studies on the supply side of capital flows.*
The IMF's focus on reserves was perceived by some authorities and IMF senior staff as reflecting the interests of influential shareholders (IEO, 2012, p.7).	Target perceived policy distortions directly, with focus on underlying causes of instability, and not on symptoms (p. 17).	Many Directors shared the view that excessive reserve accumulation was only a symptom of underlying distortions while a number of other Directors noted that it could become a cause of instability (p. 34).	The 2011 TSR noted that perception of lack of evenhandedness remained strong;* the 2014 TSR concept note stated that evenhandedness concerns had become more acute;* one of Management's FY2014 Key Goals is to "secure evenhandedness." *
Perception of lack of evenhandedness persists, especially among large emerging markets, with legacy and stigma displaying a strong regional dimension (IEO, 2013, pp. 26–27).	The effects of legacy can only be reversed through addressing governance deficiencies and consistent, rigorous efforts to be evenhanded (p. 29).*	Many Directors supported addressing the perception of lack of evenhandedness, including by addressing governance deficiencies (p. 50).*	
Authorities mentioned as examples of IMF lack of evenhandedness: recent euro area programs; recent policy papers on capital flow management and international reserves; IMF involvement in G20 MAP; and the 2007 Bilateral Surveillance Decision (IEO, 2013, p. 25).	The adverse effects of legacy and stigma in an important share of member countries can only be reversed over time through addressing governance deficiencies and consistent, rigorous efforts to be evenhanded and open-minded (p. 29).	Many Directors supported the need to address the perception of lack of evenhandedness in the treatment of member countries, with a number suggesting that addressing governance deficiencies would be helpful (p. 50).	The concept note for the 2014 TSR (FO/DIS/13/137) noted that evenhandedness concerns had become more acute recently;* one of Management's Key Goals for FY2014 is to "secure evenhandedness and the IMF's reputation of independence."
Deletions were more frequent in staff reports for advanced countries than in those for other country groups (IEO, 2013, p. 26).	Implement transparency policy in a uniform and fair manner; strictly adhere to the guidelines on transparency for all countries, with a clear line of accountability for deletions and corrections (p. 29).	Directors broadly endorsed the recommendation aimed at implementing transparency policy in a uniform and fair manner (p. 50).	A review of transparency was issued to the Board in 2013 (SM/13/115), concluding that reforms introduced in 2009 had not completely dispelled residual concerns about evenhandedness.

Annex 2. Selected IMF Decisions and Initiatives Related to Recurring Issues, 2008–13

Date of Action	Decision/Initiative	Notes
March 2008	The IMF initiates downsizing exercise (BUFF/08/27).	
May 2008	The Executive Board discusses reforms to enhance impact of IMF technical assistance (SM/08/97; BUFF/08/64).	Reforms designed to achieve, among other things: (i) better integration of TA with surveillance; (ii) better alignment of TA with recipient country objectives in a medium-term framework; and (iii) greater accountability through systematic evaluation based on performance indicators.
June 2008	"The Role of the IMF in Low-Income Countries" (SM/08/170; BUFF/08/127) issued for Board discussion in July.	
July 2008	Operational Guidance Note on Conditionality revised (SM/08/245).	Stresses the principles of parsimony and criticality in the application of conditionality and calls for clearly establishing links between program goals, strategies, and conditionality.
	The first annual report on structural conditionality issued (SM/08/246).	
September 2008	The Board discusses the 2008 Triennial Surveillance Review (SM/08/287; SUR/08/104).	Identifies four highest priority areas: (i) risk assessment; (ii) integration of macroeconomic and financial sector surveillance; (iii) multilateral perspectives; and (iv) exchange rate assessments.
	The Board discusses the Report of the Executive Board Working Group on IMF Governance (FO/DIS/08/84; BUFF/08/147).	Agrees to establish a joint Steering Committee, with Management, to monitor and coordinate various initiatives.
October 2008	The Board adopts the Statement of Surveillance Priorities (SM/08/316; DEC/14182).	Lays out surveillance priorities for next three years, including, among other things: (i) improving analysis of financial stability and (ii) deepening understanding of linkages.
November 2008	The IMF and FSF enhance collaboration following Washington G20 Summit (see SM/09/17; BUFF/09/26).	Agree to cooperate in conducting early warning exercises, with the IMF taking the lead in assessing macro-financial risks and systemic vulnerabilities.
	Low-Income Countries Strategy Unit created in SPR.	
December 2008	A retreat of Executive Directors and Alternate Directors held to discuss Board effectiveness.	
January 2009	"Integrating Financial Sector Issues and FSAP Assessments into Surveillance— Progress Report" issued (SM/09/15).	
March 2009	New review process for country papers takes effect for missions leaving after March 1, 2009.	Among other changes, surveillance agendas are discontinued.
	The Board approves major overhaul of nonconcessional facilities and conditionality (SM/09/69; BUFF/09/50).	Major changes include, among others, greater reliance on pre-set qualifications (ex ante conditionality) and discontinuation of structural performance criteria in all IMF arrangements.
	First semiannual Vulnerability Exercise prepared for advanced economies (SM/11/233).	
April 2009	The IMF and FSB conduct first Early Warning Exercise (EWE) as a dry run for 2009 Spring Meetings (methodology formalized in the fall of 2009) (see SM/09/214; BUFF/09/149).	A semiannual exercise focused on systemic risks and vulnerabilities across financial institutions, markets, and countries, with particular emphasis on tail risks—low probability but high impact events—and cross-border spillovers.
	Financial Sector Guidance Note issued (SM/09/114).	Highlights key building blocks for identifying macro-financial risks and vulnerabilities as well as main diagnostic tools.
July 2009	The Board approves reform of concessional facilities for low-income countries, with PRGT replacing PRGF-ESF Trust (SM/09/189; BUFF/09/131).	
	"Toward a Stable System of Exchange Rates" discussed in an informal Board seminar (FO/DIS/09/112).	The first review of the stability of the international monetary system since 1999.
	Fiscal Monitor launched as a staff position note "The State of Public Finances: A Cross-Country Fiscal Monitor" (SPN/09/21).	

(*Continued*)

Annex 2. Selected IMF Decisions and Initiatives Related to Recurring Issues, 2008–13 *(continued)*

Date of Action	Decision/Initiative	Notes
August 2009	"Financial Sector and Bilateral Surveillance—Toward Further Integration" issued (SM/09/230; BUFF/09/159).	Revamped FSAP features: (i) more systematic, candid, and transparent assessments based on Risk Assessment Matrix; (ii) new methodologies to identify real-financial linkages and cross-country links; and (iii) flexible modular assessments tailored to country needs.
	"Financial Sector Assessment Program After Ten Years: Experience and Reforms for the Next Decade" proposes changes for FSAP (SM/09/231; BUFF/09/159).	
September 2009	G20 Mutual Assessment Program (MAP) launched at Pittsburgh Summit.	The IMF to analyze whether policies pursued by individual G20 countries are collectively consistent with growth objectives.
	The Board approves revised Statement of Surveillance Priorities (SM/09/235; DEC/14436).	Economic priorities to focus on (i) orderly unwinding of crisis-related policy interventions while safeguarding future policy space; (ii) strengthening global financial system; and (iii) promoting global demand rebalancing.
	"Creating Policy Space—Responsive Design and Streamlined Conditionality in Recent Low-Income Country Programs" issued (SM/09/244; BUFF/09/163).	
October 2009	Bilateral Surveillance Guidance Note issued (SM/09/265).	Enumerates, among other elements, (i) candor; (ii) evenhandedness; (iii) consideration of country circumstances; and (iv) multilateral perspectives, as requirements for effective surveillance.
November 2009	Decision made to review IMF work on trade policy every five years (SM/09/275).	
January 2010	Operational Guidance Note on Conditionality revised (SM/10/22, Rev. 1; DEC/14280).	Made to reflect March 2009 reform of conditionality framework.
March 2010	Revised Guidance Note for Ex-Post Assessments of Members with LTPE issued (SM/10/45).	
	2009 annual report on structural conditionality issued (SM/10/57).	
	"Financial Sector Surveillance and the Mandate of the IMF" issued (SM/10/75; BUFF/10/51).	Lays out options for strengthening financial sector surveillance.
May 2010	Qualifiers in summings up updated in the Compendium of Executive Board Work Procedures and posted on the IMF's external website (EBD/10/33).	
June 2010	First G20 MAP presented at Toronto Summit.	
September 2010	Reference Note on Trade Financial Services issued (SM/10/239).	
	The IMF makes it mandatory for jurisdictions with systemic financial sectors (initially 25), as determined by objective criteria, to undergo financial stability assessments under FSAP every five years (SM/10/235; DEC/14736).	
October 2010	Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency issued (SM/10/260).	
	MCM's Financial Sector Policy Division becomes Financial Surveillance Policy Division.	Division to ensure effective integration of MCM work with bilateral surveillance and to support IMF work with FSB.
November 2010	Changes in Board practices recommended by the Executive Board Working Group on Committees take effect (FO/DIS/10/223, Rev. 1).	Reforms include: (i) managing the pace of Board work through better planning; and (ii) reducing the number of noncritical items brought to Board discussion.

Date of Action	Decision/Initiative	Notes
December 2010	Surveillance Guidance Note updated (SM/10/324).	Made to reflect technical updates on such issues as: Article IV cycles, lapse-of-time rules, mandatory financial stability assessments for jurisdictions with systemic financial sectors, and transparency rules.
July 2011	Pilot Spillover Report prepared (FO/DIS/11/140).	Designed to assess the external effects of domestic policies in five systemic economies: China, the euro area, Japan, the United Kingdom, and the United States.
August 2011	Framework for fiscal policy and public debt sustainability analysis (DSA) in market-access countries updated (SM/11/211; BUFF/11/121).	Proposes risk-based approach to DSAs for all market-access countries.
September 2011	The IMF conducts first vulnerability exercise for LICs (VE-LIC) based on framework introduced in March (FO/DIS/11/44).	VE-LIC to be conducted annually.
	First *Consolidated Multilateral Surveillance Report* presented to IMFC (SM/11/256, Rev. 1).	Draws on established multilateral surveillance products, such as *WEO* and *GFSR*, to ensure the IMF's overall assessment is consistent.
October 2011	The Board discusses 2011 Triennial Surveillance Review (SM/11/233; BUFF/11/139).	Sets out five operational priorities for surveillance: (i) interconnectedness; (ii) risk assessment; (iii) financial stability; (iv) external stability; and (v) increasing traction.
	Economic Counsellor convenes an interdepartmental meeting aimed to better coordinate research across departments (SM/12/277).	To be conducted twice a year, replacing the Committee on Research Priorities.
November 2011	The Board discusses 2011 TA review (SM/11/282; BUFF/11/144).	Calls for (i) focus on the IMF's core mandate; (ii) integration with other core responsibilities; (iii) responsiveness to country needs; and (iv) effectiveness in strengthening institutional capacity.
February 2012	Decision made to assign a financial expert to all Article IV missions to systemic economies (SM/12/31).	
March 2012	"Enhancing Surveillance—Interconnectedness and Clusters" issued (FO/DIS/12/37).	
April 2012	Second *Consolidated Multilateral Surveillance Report* presented to IMFC (SM/12/80, Rev. 1).	
May 2012	Institute for Capacity Development (ICD) created by merging the IMF Institute (INS) and the Office of Technical Assistance Management (OTM).	Designed to integrate technical assistance and training.
June 2012	Global Risk Assessment Matrix (G-RAM) introduced (SM/12/246, Rev. 1).	Provides a summary of key global risks and assessment of their likelihood.
July 2012	The Board adopts the Integrated Surveillance Decision, which would take effect January 2013 (SM/12/156; DEC/15203).	Provides a framework of surveillance for a highly integrated world, by better integrating bilateral and multilateral surveillance.
	Pilot External Sector Report launched (SM/12/166).	Provides a snapshot of multilaterally consistent analysis for external positions of largest economies (28 countries plus the euro area).
	Second Spillover Report issued (SM/12/181).	
August 2012	Statement of Workplace Values issued by the Managing Director.	Summarizes values that should guide the IMF's work, including: (i) "an intellectually open atmosphere that seeks diverse views to develop the best solutions;" (ii) "the highest quality policy advice, tailored to national circumstances and to global needs, delivered in an evenhanded manner;" and (iii) "a committed, responsive, and candid partner in making and implementing economic policy."
September 2012	The Board endorses new Financial Surveillance Strategy (SM/12/231; BUFF/12/106).	Proposes (i) strengthening analytical underpinnings of macro-financial risk assessments and policy advice; (ii) upgrading instruments and products to foster integrated policy response to risks, and (iii) engaging actively with stakeholders to improve traction and impact of financial surveillance.
	The Board discusses the 2011 Review of Conditionality (SM/12/148; PIN/12/109).	

(*Continued*)

Annex 2. Selected IMF Decisions and Initiatives Related to Recurring Issues, 2008–13 *(concluded)*

Date of Action	Decision/Initiative	Notes
October 2012	Guidance Note for Surveillance under Article IV Consultations released (SM/12/246, Rev. 1).	Highlights five operational priorities: (i) interconnections; (ii) risk assessment; (iii) financial stability; (iv) balance of payments stability; and (v) traction, while enumerating, among other things, (i) candor; (ii) evenhandedness; (iii) practicality; and (iv) multilateral perspectives, as elements of effectiveness.
November 2012	The Board discusses an institutional view on capital flow management (SM/12/250; BUFF/12/125).	Use of capital controls endorsed under certain conditions.
February 2013	The Executive Directors' Working Group on Summings Up, established in March 2012 (FO/DIS/12/43), issues recommendations to foster stronger understanding of existing practices and procedures.	Calls for, among other things, clarification of the application of the rule of silence (i.e., how an Executive Director's silence on a proposed decision is understood) and more expeditious disclosure of Executive Board meeting minutes.
May 2013	Staff guidance note introduced for public debt sustainability analysis in market-access countries (SM/13/86, Rev. 1).	
	FSAP procedures revised.	
	2013 Review of Transparency Policy issued (SM/13/115; DEC/15420).	Introduces new policy to ensure candid multilateral surveillance products, reviews evidence on evenhandedness in application of transparency policy, and proposes that staff explain disclosure policy to country authorities.
June 2013	The Board discusses "The IMF's Capacity Development Strategy—Better Policies through Stronger Institutions" (SM/13/128; BUFF/13/57).	Support given to results-based management, with emphasis on outcomes and clear objectives.
	First Deputy Managing Director issues a memo directing departments to make procedural changes in response to the IEO evaluation of *The Role of the IMF as Trusted Advisor* (IMF, 2013l).	Departments required to set out clear expectations and procedures for handovers, including on such issues as data management, by September 1, 2013.
July 2013	"German–Central European Supply Chain" issued as the first Cluster Report (FO/DIS/13/100).	
August 2013	"The Nordic Regional Report—Staff Report for the 2013 Cluster Consultation" issued as part of pilot project to cluster Article IV consultations (SM/13/230, Sup. 1; SUR/13/84).	Complements national Article IV consultations with Denmark, Finland, Norway, and Sweden.
September 2013	Concept Note for 2014 Triennial Surveillance Review issued (FO/DIS/13/137).	
October 2013	Executive Board Work Procedures revised (EBD/13/66).	
November 2013	Guidance Note on Transparency Policy issued (SM/13/322).	Among many changes, defined "prompt publication" as no later than 14 days, created a new category of multi-country documents, and provided further assurance regarding treatment of confidential information.
December 2013	The Board endorses proposal to increase the number of jurisdictions subject to mandatory financial stability assessments under FSAP from 25 to 29 (SM/13/304; BUFF/13/115).	

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Statement by the Managing Director

The Chairman's Summing Up

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Statement by the Managing Director on the Independent Evaluation Office Report on Recurring Issues from a Decade of Evaluation: Lessons for the IMF

Executive Board Meeting
June 11, 2014

I would like to thank the Independent Evaluation Office (IEO) for preparing this helpful report, which provides an update of the progress made in addressing major recurring issues from past evaluations. I broadly agree with the findings of the report, including that the identified recurrent issues are to varying degrees inherent to the nature of the IMF and represent ongoing challenges. Addressing these issues is a continuing task to which management and staff remain fully committed.

I welcome the IEO's novel report, which identifies recurring issues from past evaluations and assesses progress in addressing them. The report's focus on organizational silos, attention to risks and uncertainty, country and institutional context, evenhandedness, and Executive Board guidance and oversight is appropriate given their relevance and importance for the effectiveness and credibility of IMF operations.

As the IEO rightly points out, some of the recurrent issues identified in the report are perennial, difficult to fully resolve, and intrinsically hard to measure. Notwithstanding these challenges, I am pleased that the evaluation found that considerable efforts have been made in addressing these issues and that progress is visible in several areas.

Breaking down *organizational silos* and promoting interdepartmental coordination has been a major focus of IMF management. In addition to the initiatives listed in the report, I would like to point out the increased use of interdepartmental task forces, including for the production of spillover and pilot external sector reports, and the introduction of a structured review process for all policy papers that involves interdepartmental discussions at the concept note and (in many cases) the midpoint stage, in addition to the customary interdepartmental review of the final paper. These steps are promoting greater collaboration and cross-fertilization within the institution. The introduction of the accountability framework for department heads has afforded management another tool to foster greater collaboration across the IMF. Indeed, nearly half of all policy items in the work program of the Executive Board are now being authored jointly by two or more departments. The forthcoming *Triennial Surveillance Review* (TSR) will explore ways to further strengthen inderdepartmental coordination to support integrated surveillance.

Efforts to ensure that IMF operations pay due attention to *risks and uncertainty* are continuing. As the report notes, assessments of risks and uncertainty in program design and surveillance are now routine and we are currently focused on ensuring the consistent application by staff of the tools that have been developed for this purpose. We have also strengthened operational support to member countries that are identified as high risk/priority countries in our periodic vulnerability exercises. As part of our ongoing efforts to enhance the risk culture within the institution, we recently established a dedicated risk management unit. Directors will soon have the opportunity to discuss management's broader approach for the Fund's overall risk management architecture, which will be elaborated upon in the context of the forthcoming Board discussion of the *2014 Risk Report* of the Advisory Committee on Risk Management.

Measuring progress in providing greater *country and institutional context* is a difficult task as the report acknowledges. Steps have been taken to ensure greater staff continuity, including by moving toward a three-year tenure for country assignments. This should facilitate the acquisition of more country-specific knowledge by economists and mission chiefs. Ongoing efforts to enhance diversity in the IMF, which are described in my last *Global Policy Agenda*, should also help broaden the perspectives of staff teams dealing with our member countries. More generally, tailoring policy advice to the specific circumstances of our member countries remains a key objective for the institution and will be a main theme in the forthcoming *TSR*.

As the IEO notes, *evenhandedness* is a concept that is not easy to define and measure. Despite these practical challenges, the Fund takes concerns about lack of evenhandedness (real or perceived) very seriously. Ensuring evenhandedness is a continuous task that requires attention by management and staff. The forthcoming *TSR* will again analyze the nature and extent of any lack of evenhandedness in Fund surveillance, and we are committed to continue undertaking periodic reviews of this issue in program design. The Fund will also continue to strengthen its communication and outreach to the public to preempt misperceptions, especially in the context of Fund programs.

Transparency and governance reforms can also help address perceptions about evenhandedness and the lack thereof. The most recent *Review of the IMF's Transparency Policy* in 2013 further strengthened accountability by extending a stronger publication regime to all staff reports on the use of Fund resources and by setting incentives for faster publication. In addition, the monitoring of staff report modifications was enhanced to provide added comfort that the related policy is applied in an evenhanded manner. With regard to governance reforms, the IMF remains fully committed to support the completion of the 2010 governance reform agenda. These reforms should also help strengthen the *guidance and oversight role of the Executive Board*, which—as the IEO report notes—is ultimately linked to the governance of the institution.

While the findings of the report are in many ways comforting, management and staff are committed to continue monitoring and addressing the recurring issues identified by the evaluation, taking into account tradeoffs that may arise from competing institutional mandates and resource constraints.

On the specific issues raised by the IEO for Board consideration, I very much support repeating every five years a similar report identifying major recurrent issues from past evaluations and assessing progress in resolving them. Such a periodic stock-taking exercise will help orient management's and staff's efforts to address recurrent issues that have arisen from IEO evaluations.

At the same time, I do not support the preparation of a separate status report by staff. Establishing progress toward addressing these complex, longstanding issues is best done through an evaluation of results, which the proposed five-yearly evaluation by the IEO is well placed to deliver. A status report only two years after the IEO evaluation would yield few new insights and would thus not justify the relatively high associated resource cost, particularly in the tight current budget environment. That said, the Board will continue to be informed through policy reviews and administrative papers about specific actions that are being taken to address the recurrent issues that have been identified in the IEO report.

The Chairman's Summing Up
Independent Evaluation Office Report on Recurring Issues from a Decade of Evaluation—Lessons for the IMF

Executive Board Meeting 14/53
June 11, 2014

Executive Directors welcomed the report by the Independent Evaluation Office (IEO) on "Recurring Issues from a Decade of Evaluation—Lessons for the IMF" and the Managing Director's statement on the report. Directors were encouraged by the finding that actions have been taken to address major recurring issues from past IEO evaluations. They agreed that the issues identified in the report are likely to pose ongoing challenges as they are to varying degrees intrinsic to the culture, policies, and governance arrangements of the IMF. Directors emphasized, however, that to enhance the Fund's effectiveness and credibility, efforts to address these issues should continue and looked forward to the 2014 Triennial Surveillance Review as an opportunity for further progress on this front.

Directors acknowledged that in some instances the Board has fallen short of providing clear guidance and robust oversight. In this regard, they saw merit in increasing the Board's involvement in laying out strategic priorities and monitoring their implementation. Directors recognized recent actions taken to improve the Board's effectiveness, but saw room for further improving Board practices to sharpen the focus of the discussion. Greater candor in staff reports would also strengthen the ability of the Board to set strategic directions. The forthcoming Board retreat could be an appropriate setting to further reflect on these issues.

Directors welcomed the significant steps taken by management to break down organizational silos and agreed that these have strengthened coordination across departments and synergies across work streams. They noted, however, that further efforts are needed to promote interdepartmental cooperation in support of integrated surveillance. In particular, they saw room for further improving the coherence of different multilateral surveillance products and the complementarities between multilateral and bilateral surveillance, enhancing the consistency of country reports.

Directors welcomed the increased focus on risks and uncertainty in surveillance and program design. They called for further improvements in the analysis of risks, transmission channels, and policy responses, particularly in risk assessment matrices. Effective engagement with country authorities would be important in this regard.

Directors agreed that staff could pay closer attention in its operations to country-specificity and institutional context, building on progress made in recent years. They underscored the benefits of enriching policy advice by considering alternative options and assessing their feasibility. Directors called for continued efforts to ensure continuity in country teams, particularly for small and fragile states, and greater staff diversity.

Directors noted that the perception of a lack of evenhandedness remains a concern across the membership, especially in emerging and smaller countries. They considered that this concern could be addressed through greater transparency and inclusiveness as well as progress on governance reform.

On the specific issues raised by the IEO for Board consideration, Directors supported the recommendation to prepare a similar report on recurrent issues from IEO evaluations every five years. Most Directors also supported the recommendation that staff prepare a separate high-level report on the status of initiatives that address the recurring issues identified by the IEO. The first staff report could be prepared within two years, followed by similar reports every five years thereafter. A number of Directors saw limited merit in this proposal in view of its resource implications and the mechanisms already in place to keep the Board informed on progress.

In line with established practices, management and staff will give careful consideration to the Board discussion in formulating the implementation plan, including approaches to monitor progress.

Established in July 2001, the Independent Evaluation Office (IEO) provides objective and independent evaluation on issues related to the IMF. The IEO operates independently of IMF management and at arm's length from the IMF's Executive Board. Its goals are to enhance the learning culture within the IMF, strengthen the IMF's external credibility, promote greater understanding of the work of the IMF throughout the membership, and support the Executive Board's institutional governance and oversight responsibilities. For further information on the IEO and its work program, please see its website (www.ieo-imf.org) or contact the IEO at +1-202 623-7312 or at ieo@imf.org.