



Independent Evaluation Office  
of the International Monetary Fund



## PROGRESS REPORT TO THE IMFC ON THE ACTIVITIES OF THE INDEPENDENT EVALUATION OFFICE OF THE IMF

October 7, 2021

**Overview.** Since the 2021 Spring Meetings, the IEO has concluded its evaluation on *Growth and Adjustment in IMF-Supported Programs* and has made significant headway in three other evaluations. Good progress has also been made in following up on past IEO evaluations. However, it was disappointing that the recent implementation plan aimed at strengthening IMF collaboration with the World Bank on climate and other macro-structural issues did not include a commitment to one key Board-endorsed recommendation, specifically to develop a concrete framework for Bank-Fund collaboration on climate issues.

**Growth and Adjustment Evaluation—Key Findings.** The IEO's evaluation of *Growth and Adjustment in IMF-Supported Programs*, discussed by the Executive Board in August, assessed how well IMF-supported programs have helped to sustain economic growth while delivering adjustment needed for external viability, focusing on programs in the period 2008–19. The evaluation found that, overall, programs have yielded growth benefits relative to a counterfactual of no Fund engagement and boosted growth post-program; it did not find evidence of a consistent Fund bias towards excessive austerity. However, at the same time, program growth outcomes consistently fell short of program projections. To shed light on how to meet the challenge of achieving growth outcomes more in line with program goals, the evaluation assessed the role of different policy instruments in the program context. It found that pro-growth fiscal policies had only mixed success and structural reforms were too shallow and not sufficiently growth oriented. Use of the exchange rate as a policy tool to support growth and external adjustment during programs was quite limited, while use of market debt operations to restore public debt sustainability was sometimes too little, too late.

**Growth and Adjustment Evaluation—Recommendations and Follow-up.** The evaluation concluded that the IMF should consider a number of actions to further enhance programs' capacity to support activity during and beyond programs, while achieving needed adjustment. To this end, the report set out three recommendations. First, attention to growth implications of IMF-supported programs should become more thorough, systematic, realistic, and sensitive to social and distributional consequences. Second, greater attention should be paid to supporting deep, more growth-oriented structural reforms with more effective capacity development support and collaboration with the World Bank and other relevant partners. Third, there should be continued investment in building a toolkit of models and monitors that can be applied in the program context to assess growth-related developments, including social and distributional implications. In discussing the evaluation, Executive Directors noted that it came at an opportune

time as many members are seeking IMF support to close external gaps exacerbated by the pandemic while building sustainable growth. They welcomed the Managing Director's supportive statement and broadly supported all the recommendations. IMF management will work with staff to propose a follow-up implementation plan in coming months.

**Follow-up to Previous IEO Evaluations.** In September, the Executive Board discussed the Eleventh Periodic Monitoring Report (PMR) on the status of Management Implementation Plans (MIPs) in response to Board-Endorsed IEO recommendations. Overall, the report (prepared by the Office of Internal Audit) provided a positive picture of recent progress in implementing action items contained in MIPs approved over 2012–2020, notwithstanding the urgent needs of responding to the pandemic, although some items from earlier MIPs have continued to lag. It will be important to complete the planned reformulation of eight long-standing off-track action items identified in the 2019 report on Categorization of Open Actions as now scheduled by the end of the year (a deadline already delayed from 2020).

**Recent Management Implementation Plans.** The MIP on the IEO's evaluation of *IMF Advice on Capital Flows*, approved by the Board in May, was both comprehensive and largely in line with IEO suggestions. The plan for the IEO's evaluation of *IMF Collaboration with the World Bank on Macro-Structural Issues*, approved in September, included a number of actions aimed at building strategic coordination between the IMF and World Bank climate teams, enhancing incentives for collaboration, and improving channels for exchange of information and knowledge between the two institutions. In addition to the MIP actions, the Executive Board's Liaison Committee is exploring with World Bank counterparts (COGAM) creation of a joint committee to support collaboration across the Boards of the IMF and World Bank, including on macro-structural issues. However, it was disappointing that the MIP does not include a commitment to develop a concrete over-arching framework for effective collaboration with the Bank on climate, a key recommendation of the evaluation that was strongly supported by the Board. Instead, it provides for a Board paper to review the effectiveness of Bank-Fund collaboration to be completed by FY 2025, with a view to identifying areas in which more structured approaches might make sense in the future.

**IEO Work Program.** The IEO is now at work on three evaluations. It expects to complete an evaluation of the Fund's engagement with small developing states in the spring of 2022, an evaluation of IMF capacity development work by summer 2022, and an evaluation of the Fund's emergency response to the COVID-19 pandemic late in the year (with a mid-point update for the Executive Board on early lessons from the evaluation planned for early 2022). A subsequent evaluation will provide a more comprehensive assessment of the Fund's response to the pandemic, including during the stabilization and recovery phases.

**IEO@20 Conference.** The IEO has scheduled a virtual conference for November 16–17, 2021 to mark the 20<sup>th</sup> anniversary of the opening of the IEO in 2001. The conference will provide an occasion to discuss lessons from the experience with IEO evaluation over the past ten years and consider the challenges to independent evaluation at the IMF going forward.