

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

October 7, 2022

Overview. Since the 2022 Spring Meetings, the IEO has completed two evaluations—on IMF engagement with small developing states and capacity development. We have also made significant progress on a third evaluation on the IMF’s emergency response to the Covid pandemic. In addition, a list of new evaluation topics has been drawn up for discussion with the Executive Board later this year.

Small Developing States—Key Findings. The evaluation of *IMF Engagement with Small Developing States* (SDS) was discussed by the Executive Board in May. The report assesses how effectively the IMF has supported its SDS members and taken account of these countries’ distinctive vulnerabilities and needs during 2010–2020. It concludes that the IMF deserves considerable credit for stepping up its engagement with SDS over this time frame, reflecting efforts to provide specific guidance for work on SDS, increased attention to climate change, and rising resources for CD and particularly regional CD centers. Nevertheless, the evaluation finds that Fund work on SDS faces serious challenges that affect overall value added and traction. Key concerns include difficulties in staffing SDS assignments that have contributed to high turnover, questions about whether the lending architecture is well suited for SDS needs and capabilities, and issues about limited institutional capacity in SDS to implement Fund advice.

Small Developing States—Recommendations and Follow Up. In discussing the report, Executive Directors broadly agreed that based on the evaluation’s findings, additional actions should be considered to strengthen the value added and impact of IMF engagement with SDS, although a major overhaul was not needed. Directors broadly supported the IEO recommendations that the IMF pursue a targeted recalibration of the Fund’s overall approach for engagement with SDS; take operational steps to enhance the focus and traction in the areas of surveillance and CD; and adopt further HR and budgetary commitments to increase continuity and impact of staff’s engagement with SDS. Many Directors also broadly supported the IEO recommendation to consider how to use its lending framework in ways that better address the needs and vulnerabilities of SDS, while many others agreed with the Managing Director’s partial and qualified support. IMF management will work with staff to propose a follow-up implementation plan in coming months.

Capacity Development—Key Findings. In September, the Executive Board discussed the IEO evaluation *The IMF and Capacity Development*, which assesses how effective the IMF has been in meeting the CD needs and expectations of recipient countries and the Fund’s institutional

objectives for CD, over the period 2012–2020. The evaluation finds that overall IMF CD was relevant, valued, and broadly effective. Recipients and donors alike saw IMF CD as being of the highest technical quality in the areas of the IMF’s core expertise and perceived that it had become better tailored to recipient needs and circumstances over the evaluation period. While recognizing these achievements, the evaluation also identifies several challenges in IMF CD work, including in addressing some of the priorities set by the Board as part of the staff’s 2018 CD strategy review. In particular, prioritization and the strategic framework for CD could be enhanced further; the Board could be provided more opportunities and information to exercise its strategic oversight; the integration of CD with surveillance and programs needed additional attention; country ownership and delivery could be enhanced further including by building the role of regional CD centers; application of the CD monitoring system and evaluation framework needed additional work to make them more useful; the CD funding model should be reviewed to ensure that CD funding is sustainable and flexible; and HR policies and incentives could be better calibrated to sustain high-level expertise in the Fund’s core areas and nurture the Fund’s capacity to provide CD in emerging areas.

Capacity Development—Recommendations and Follow Up. The Executive Board broadly supported the evaluation’s findings, welcoming the overall achievements that it identified but also generally supporting the evaluation’s recommendations which addressed the challenges identified in the evaluation. There was agreement that the new CD strategy review that is about to be launched provided an excellent opportunity to consider the way forward for many of these issues. An implementation plan will be prepared by early 2023.

IEO work program. The IEO has continued working on an evaluation of the *IMF’s Emergency Response to the COVID-19 Pandemic*, which looks at the IMF’s response during the first year of the pandemic and is to be completed in early 2023. Given the strong interest, the team provided the Executive Board with a mid-point update on initial findings and tentative lessons from the emergency response evaluation in March. The IEO is also finalizing for publication before end-2022 a book presenting material from the IEO’s 20th Anniversary Conference in November 2021, which will consider lessons learned from the IEO’s past decade and consider challenges for independent evaluation at the Fund going forward.

New evaluation topics. Additional evaluations will be launched as the evaluations currently in train are completed. Following wide consultations with stakeholders, the IEO has drawn up a list of new topics for evaluation. These include: (i) the Fund’s experience with Exceptional Access Policy; (ii) the IMF’s approach to managing credit risk; (iii) IMF engagement on debt issues in low-income countries; (iv) how the Fund’s mandate is applied; (v) the Fund’s fiscal policy advice for macroeconomic management; (vi) the Fund’s strategy for dealing with climate change; (vii) diversity and inclusion at the IMF; and (viii) research and forecasting at the Fund.