

**THE POLITICAL PARADOX OF IO PERFORMANCE:
THE CURIOUS CASE OF THE INTERNATIONAL MONETARY FUND**

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ABSTRACT:

Demands for enhanced independent evaluation are at the forefront of heated discussions over the reform of international organizations, especially at the beleaguered International Monetary Fund (IMF). These measures are widely perceived as panaceas for these institutions' democratic deficits and dismal performance records. Yet conspicuously missing is an informed discussion of how effective evaluation practices are introduced into such complex and highly politicized multilateral organizations. By and large, the IO literature is silent on the sensitive issue of how to get past the rhetoric of "we need more evaluation to enhance organizational learning and performance" to actually acting upon such impulses and determining when, where and how evaluation measures actually impact the organizations' daily routines and outputs.

More critically, examinations of IOs' struggles to pursue meaningful independent evaluation reveals an apparent paradox of accountability: the manner in which the pursuit of such evaluation often entails tremendous tensions between IOs' objectives of effectiveness and external legitimacy. On the one hand, independent evaluation is to steepen the "organizational learning curve" through the provision of candid assessments on what has or has not worked in the past and by reducing information asymmetries to facilitate greater oversight and accountability by some principal body of the IOs (usually, the Board of Executive Directors). On the other hand, the role of evaluation measures to enhance external credibility or legitimacy at a time when, because of their track record of ineffectiveness, these IOs are under constant attack. This naturally raises the question of whether or not the ability of independent evaluation to directly inform policies and practices undergirding IO performance through greater accountability and blunt analysis is hindered by pressures to justify and defend IO performance in order to enable the IOs to survive in an increasingly hostile authorizing and task environment. This resonates even more strongly when we recognize that the audiences for such measures are as much external as internal. Whereas in the past, for example, the results of evaluations were largely confined to internal discussions by the IO's staff, management and Board of Directors, the current imperative of using evaluation to build external legitimacy means that results are widely distributed and eagerly digested by the IO's many critics (including not only NGOs, but also donor and borrower states upon whom these IOs rely extensively for resources).

Using extensive archival research and interviews, this paper examines the contentious creation of the IMF's Independent Evaluation Office to reveal the politics behind IO evaluation as well as the seeming paradox of accountability.

There is little doubt that the performance of the International Monetary Fund (hereafter Fund) has been the subject of intense scrutiny for many years. It has been widely accused of a plethora of performance problems, including unchecked mission creep, weaknesses in central surveillance activities and conditionality practices, ineffective or even damaging policy advice and technical assistance, and political weakness with respect to disciplining powerful member states (notably, the United States) and preventing financial crisis.¹ Simultaneously, it has been a favorite pastime of beltway bandits to prognosticate on the Fund's life expectancy, as many traditional borrowers have grown disenchanted with the IMF's advice and increasingly (until the global financial crisis hit) turned to private capital or sovereign wealth funds as alternatives to the Fund. Finally, the Fund's reputation never quite recovered from the debacle of its role in the Asian financial crisis ten years ago. Although the recent crisis renewed demand for Fund bailouts and thus resolved some debate surrounding its relevance, the institution continues to face considerable criticism regarding its legitimacy and efficacy. This existential crisis, despite the Fund's phoenix-like rise from the ashes in 2009, contextualizes growing expectations for performance evaluation, particularly conducted in manner that is fully transparent and accountable to the Fund's multiple constituencies.

This poses a dilemma central to this project's broader aim of understanding and explaining the complex aspects of IO performance. While organizational performance is a prominent field on business management studies and organizational sociology, the question of how to systematically and rigorously assess the performance of international governmental organizations like the Fund is neglected in this literature and largely absent from international relations scholarship, despite recent attention to related questions such as IO accountability, transparency, legitimacy, deviance, dysfunction, hypocrisy and pathology.² At the same time, how to evaluate the effectiveness of IOs is front and center in policy and activist literature. This is especially true with respect to the Fund. Contemporary critics lambaste the Fund for its secretive nature and draw unflattering comparison to other international organizations, which long ago developed ambitious and sophisticated evaluation units and other accountability functions.

In response to growing demands for accountability and a search for answers to its failures and a new *raison d'être*, the Fund created in 2001 an Independent Evaluation Office (IEO) to provide systematic and impartial assessment of its performance across a wide range of issues. Despite its relative infancy and small staff and budget, the IEO has tackled tough issues regarding the core missions and policies of the Fund and has not refrained from quite damning criticism. Yet despite the IEO's rather remarkable impact in its short life, there remains questions and concerns regarding how effective the office is in actually spurring the kind of learning we intuitively think is necessary for sustaining or improving the Fund's performance. Independent evaluation, perhaps not so surprisingly, is incredibly political in these organizations. The history of independent evaluation is riddled with provocative stories about resistance and debate over the

¹ For an excellent discussion of these issues, see Boorman 2008.

² See, e.g. Barnett and Finnemore 2004; Grant and Keohane 2005; Buchanan and Keohane 2006; Hawkins et al 2006; Hurd 2007; Grigorescu 2008; Hale 2008; Weaver 2008.

appropriate function, authority and scope of evaluation. At a minimum, examining the various opportunities and constraints over time on independent evaluation and its effect on organizational feedback and learning reveals much about the Fund's capacity and willingness to sincerely reflect on its performance.

What is more striking is the apparent paradox of evaluation in Fund (and, I would argue, in other IOs). This paradox stems from what I see as the dual purpose of current evaluation functions in IOs. First, the role of independent evaluation is to steepen the "organizational learning curve" through the provision of candid assessments on what has or has not worked in the past and by reducing information asymmetries to facilitate greater oversight and accountability by some principal body of the IOs (the Board of Executive Directors in the case of the Fund). The second role is to enhance external credibility or legitimacy at a time when, because of their track record of perceived ineffectiveness, these IOs are under constant attack. This naturally raises the question of whether or not the ability of independent evaluation to directly inform policies and practices undergirding IO performance (IOP) through blunt analysis is hindered by pressures to justify and defend IOP in order to enable the IOs to survive in an increasingly hostile authorizing and task environment. This resonates even more strongly when we recognize that the audience for independent evaluation is as much external as internal. Whereas in the past, the results of evaluations were largely confined to internal discussions by the IO's staff, management and Board of Directors, the current imperative of using evaluation to build external legitimacy means that results are widely distributed and eagerly digested by the IO's many critics (including not only NGOs, but also donor and borrower states upon whom the Fund relies extensively for resources). In fact, we are today witnessing enormous pressure for "results-based" management and acute attention to performance indicators (however ill-defined) in discussions of donor replenishments to the Fund.³ As a result, it seems pertinent to the research question here to investigate whether or not this paradox does in fact exist and how it is affecting the ability of independent evaluation groups to pursue their essential role in IOP.

Finally, this paper is driven by a puzzle: why did the IMF not have an independent evaluation function until 2001? How and why did the IMF evade pressures for independent evaluation for so long? What effect did the Fund's very late arrival to formal independent evaluation have on the structure, scope, authority and influence of the IEO? To this end, I attempt in this paper to unravel the curious case of independent evaluation in the Fund. I do so by first tracing the evolution of the debate over the creation of the Independent Evaluation Office, using primary interviews conducted at the Fund headquarters in June 2008, the materials of the IEO, and Fund archive documents (foremost the transcriptions of meetings of the Board of Executive Directors) dating back to the beginning of the debate over independent evaluation in 1992. The historical analysis also sets the stage for understanding the sources and nature of the evaluation paradox discussed above. Specifically, I discuss four issues currently facing the IEO that

³ Prior interviews in the World Bank Independent Evaluation Group lead me to believe that evaluation staff in these IOs are quite conscious of these conflicting pressures and see them as a constraint upon their ability to conduct and disseminate candid reviews. Recent interviews in the Fund indicate that evaluation staff are also aware of these potential conflicts, but mostly argue that access rules and strict confidentiality clauses in evaluation procedures have mitigated these problems. More on this below.

capture elements of this paradox: the need to establish both actual and perceived independence, the problems of ambiguous or non-existent metrics for assessing Fund performance, difficulties in balancing candor of evaluation reports with credibility in the eyes of multiple constituencies, and finally the distinct challenges of fostering a culture of learning in the Fund.

Part I: The Contentious Evolution of the IEO

Brief Overview of IEO Today

The history of independent evaluation in the Fund is dramatically different from that of comparable institutions.⁴ Prior to 2000, the Fund did not have a formal independent evaluation office.⁵ To the extent that it engaged in systemic reflection on its practices, it relied on ad hoc external evaluations or the occasional staff report. In 2000, the Fund Executive Board finally endorsed the creation of the IEO and endowed it with four mandates: (1) to serve as a means to enhance the learning culture within the IMF; (2) strengthen the IMF's external credibility; (3) promote greater understanding of the work of the IMF; and (4) support the Executive Board's institutional governance and oversight responsibilities.⁶ The IEO staff and budget are quite small in comparison to the independent evaluation offices of other IOs. In FY 2008, the IEO had the equivalent of around 13 full time employees (including the Director), five of which were seconded from IMF staff and the remainder hired from outside the Fund as consultants and short-term contractual staff.⁷ The FY2008 budget was \$4.6 million, which comes from outside the Fund's regular budget and has to be approved by the Board.⁸ Overall, the IEO's total budget of around \$4.75 million represented about 0.5% of the Fund's overall administrative budget in FY2009, which is very small in comparison to the resources devoted to independent evaluation in similar IOs.⁹ Due to increasing budget constraints at the Fund, the FY2009 budget is \$4.8 million (a cut in real terms of around 1.2%) and the IEO will lose one of its full-time regular staff economist positions.¹⁰

Since its inception, the IEO has produced 15 major reports (see Table 1). Because the size and budget of the IEO is limited and it is not intended to replicate the internal evaluation

⁴ See *Establishing an Evaluation Office in the Fund* (1992) and *Independent Evaluation in the Fund and in Other Institutions* (2000)

⁵ The closest existing function in the Fund is the Policy Development and Review (PDR) department, which conducts strategic reviews as a part of its overall mission. However, like the Quality Assurance Group in the World Bank, PDR is not independent. It reports directly to management and is thus "not in a position to criticize, or even disclose decisions made at the top. Nor could it comfortably criticize the Board and its shareholders, as the IEO has done, however carefully" (Lissakers et al 2006, 8).

⁶ See the IEO website at <http://www.ieo-imf.org>.

⁷ IEO Annual Report 2007, 9.

⁸ The 2008 budget was a 2% increase from FY2007 in absolute terms, but a cut in real terms of about 1.25%. Lissakers et al 2006, 7.

⁹ See IEO Annual Report 2008, 11. In 2006, the independent evaluation budget is between 1.5% and 3% for the World Bank, Asian Development Bank, African Development Bank and European Bank for Reconstruction and Development. Lissakers et al 2006, 7.

¹⁰ IEO Annual Report 2008, 2.

activities of Fund staff, they target some of the most controversial and broad-sweeping issues surrounding IMF's core activities. For example, the April 2007 report on *IMF Exchange Rate Policy Advice, 1999-2005*, concluded that there was a significant "effectiveness gap" in the IMF's main line of business.¹¹ Other recent reports on *The Prolonged Use of IMF Resources* (2002) and *IMF's Role in PRSP and PRGF* (2004) provide startling evidence on the contradictions between IMF espoused goals and policies versus actual practices. More recently, the IEO responded to increasing criticism of the Fund's democratic deficit and overall relevance by conducting an evaluation of IMF corporate governance (with special attention to the accountability and effectiveness of the Board of Executive Directors). All of this indicates that despite its newness and limited resources, the IEO is definitely making waves at the Fund even if it is a bit early to determine its overall long-term impact on the Fund's organizational learning and performance.

¹¹ IEO Annual Report 2007, 14.

Table 1: Reports of the Independent Evaluation Office of the International Monetary Fund

Project	Status
Prolonged Use of IMF Resources	Completed (August 2002)
The IMF and Recent Capital Account Crises (Indonesia, Korea, Brazil)	Completed (May 2003)
Fiscal Adjustment in IMF-Support Programs	Completed (July 2003)
The IMF and Argentina, 1991-2001	Completed (July 2004)
Poverty Reduction Strategy Papers/ Poverty Reduction Growth Facility	Completed (June 2004)
IMF Technical Assistance	Completed (January 2005)
The IMF's Approach to Capital Account Liberalization	Completed (April 2005)
IMF Assistance to Jordan	Completed (October 2005)
Financial Sector Assessment Program	Completed (November 2005)
Multilateral Surveillance	Completed (March 2006)
Structural Conditionality in IMF-Supported Programs	Completed (October 2007)
The IMF and Aid to Sub-Saharan Africa	Completed (January 2007)
IMF Exchange Rate Policy Advice	Completed (March 2007)
Governance of the IMF	Completed (April 2008)
The IMF's Involvement in International Trade Policy Issues	Completed May 2009
The IMF's Interactions with Its Member Countries	In progress
The IMF's Research Agenda	In progress

Source: IEO Annual Reports 2008 and 2009. All reports, background papers, and responses by staff, management and the Board are available at <http://www.iew-imf.org>.

The Contentious Evolution of the IEO

What makes this the “curious case of the IEO” is why it did not exist until 2001. Indeed, calls for establishment of an evaluation office in the Fund go back to the early 1970s, when such offices were envisaged or created in many other multilateral financial institutions.¹² However, Fund stuck with internal, self-evaluation long after it became blatantly apparent that Fund remained the only multilateral financial institution that did not have an independent evaluation unit.¹³ Instead, areas departments conducted ex-post reviews of country-specific programs, the Policy Development and Review Department (PDR) conducted periodic conditionality reviews and other systemic assessments, and other departments conduct ad hoc studies of specific aspects of Fund policies and practices.

There was very little serious discussion of independent evaluation at the level of the Board until the early 1990s. In 1991, the Fund’s Managing Director Michel Camdessus solicited a background paper on the idea of an independent evaluation office (referred to as EVO), prepared by a task force of senior staff members. On the basis of this report, Camdessus proposed that the Executive Board endorse the creation of an EVO.¹⁴ The Managing Director originally proposed that the EVO function like an internal unit to the Fund, reporting directly to Camdessus and run by an internally-chosen director appointed by the Managing Director (and approved by the Board) for a three year tenure.¹⁵

Concerns about the proposal were immediately raised by staff, management, and several members of the Executive Board. In comments on background paper, staff expressed reservations that the creation of an EVO would draw needed Fund staff away from operational work at a time that the Fund was stretched thin in its efforts to respond to the new issues raised by the collapse of the Soviet Union and the entry of former Soviet States (foremost Russia) into the Fund. More pointedly, management and staff voiced concerns that if EVO focused too much on accountability, it would create perverse incentives for the staff to become overcautious in program design. Moreover, they argued, independent evaluation would suffer from vague mandates, insofar as there was an intrinsic difficulty of evaluating Fund programs given the absence of clear and unambiguous metrics for evaluating the naturally wide scope and impact of the Fund’s macroeconomic activities (more on this below – these concerns have not gone away).¹⁶

In a long Board discussion of the Task Force Report in January 1993, members of the Board of Executive Directors voiced numerous other concerns with the proposal. The first objection was that the EVO as envisioned would not be perceived as independent if it reported to the Managing Director. For example, Godert Posthumus (the Executive

¹² *Establishing an Evaluation Office in the Fund* 1992, 1.

¹³ *Minutes of the Executive Board Meeting*, 22 January 1993, 19.

¹⁴ *Statement by the Managing Director on the Establishment of an Evaluation Office in the Fund*, 8 December 1992; and *Establishing an Evaluation Office in the Fund*, 17 December 1992.

¹⁵ Camdessus fully expected that the candidates for EVO director would come from present or recently retired member of the Fund staff or Board, given his presumption of the need for extensive expertise of the Fund’s organization in order to carry out effective evaluations.

¹⁶ *Independent Evaluation in the Fund and in Other Institutions* 2000.

Director from Netherlands) argued that “an evaluation office that gets its work program from management, reports to the Managing Director, and submits its reports to a special committee chaired by the Managing Director, which then makes recommendations to the Board – also chaired by the Managing Director -- is as independent as a cultivated plant placed under a glass flowerpot in a hothouse.”¹⁷ Likewise, despite arguments about recruiting high quality staff with extensive knowledge of the Fund, many directors believed that drawing staff directly from inside would undermine the EVO’s appearance of independence. There was also no consensus amongst the Executive Directors on whether or not the EVO should be able to determine its own work program or whether its annual reports should be published.

Although most of the Executive Directors supported the idea of independent evaluation, enough expressed opposition to, or serious doubts about the proposal to stymie a resolution. These reticent directors considered the Fund’s existing self-evaluation mechanisms to be sufficient, and feared that the proposed EVO would only add another bureaucratic layer. For example, Stefan Schoenberg (the Executive Director from Germany) argued that there was more than enough staff evaluation to enable exhaustive Board oversight, and said “I am not a believer in the effectiveness of more bureaucracy; rather, I see the risk of double work, and of an extra demand imposed on all the recipients of the work of the evaluation office, as they will be flooded with an additional series of documents to digest.”¹⁸ Many of the Directors saw the EVO as too redundant with PDR. Countered with claims that PDR was not independent and therefore would inherently suffer from conflicts of interest and a lack of candor, these directors dismissed the notion that Fund staff were not sufficiently self-critical in their internal evaluations. Many of the directors also predicted resistance from staff, and debated at length how the EVO might vet and publish its reports. David Peretz, the Executive Director from Britain, insisted that the proposed EVO report directly to the Board without any prior editing of reports by the Fund management, but also advocated allowing for the Managing Director and staff to comment on or register dissent on particular issues so as not to “alienate the rest of the institution.”¹⁹

The deeper context of Board dissent, however, appears to hinge upon two larger factors. One is the prevailing ideology amongst the Board members (and shared by the Managing Director) that the Fund was not like other IOs and thus need not emulate their models for accountability, transparency and evaluation. Instead, many of the directors believed, the Fund was much more like a Central Bank, and Central Banks do not by custom subject themselves to independent evaluation.²⁰ The second driving factor was the overall budget situation in the Fund. A majority of the Executive Directors and Camdessus expressed doubt that the EVO, despite intrinsic merit, would prove beneficial enough for organizational feedback and learning to justify its costs in light of a budget stretched tight by the recent expansion of the Fund’s membership and activities to the post-communist world and a large addition of staff to the European II department and

¹⁷ Minutes of the Executive Board of Director, 22 January 1993, 9-10.

¹⁸ Ibid, 11.

¹⁹ Ibid, 7.

²⁰ Interviews A, B, C, D, H, J.

elsewhere. Many thought the overall value-added was too small, particularly if the EVO were staffed by individuals drawn away from the Fund's operational units.²¹

As a result, no decisive action followed the January 1993 discussion. A later background report noted that this was also due to Board dissent, which was conveyed to Camdessus informally.²² A year later, in the context of another Board discussion, Camdessus offered his revised position on independent evaluation. He was apparently swayed by the Board's belief that most internal self-evaluations were very high quality and that the creation of a self-standing evaluation office could not be accommodated within the current budget. Camdessus also voiced concern about what an EVO would mean for the Fund's troubled external relations, stating that "an increasing amount of information on Fund activities was being made available to the outside world so that evaluation should be carefully tailored to contribute further to this initiative without hampering the quality of the Fund's relations with member countries."²³ In the end, the most important reason for Camdessus' softened support for the EVO seemed to stem from the Fund's recent experience with an ad hoc external evaluation on the Fund's surveillance as an early warning system during the Mexican financial crisis in 1993-1994.²⁴ The highly regarded, very critical report (never released to the public) convinced Camdessus and many of the Executive Directors who were on the fence that the use of outside experts in ad hoc external evaluations was less costly, less bureaucratic, and "more refreshing ... than one involving a separate EVO."²⁵

By 1995-1996, these considerations, on top of further budget problems tied to the expansion of the Fund's surveillance activities, led Camdessus to try to forge a new consensus around an alternative approach. For a trial period, the Fund would continue with existing practices of self-evaluation by the operational departments and the Office of Internal Audit and Inspection (OIA). In addition, Camdessus proposed that the Board solicit two to three independent evaluations per year by outside experts.²⁶ Even strong advocates of the proposed EVO were convinced by Camdessus' argument. Ian Clark, the Executive Director from Canada who had been a lead proponent for the EVO, concurred with the alternative proposal, arguing that "given the budget imperatives facing the institution in the near term, we need to 'walk before we can run'."²⁷ Subsequently, guidelines for ad hoc external evaluations were endorsed by the Board for a two-year trial period, after which the practice of external evaluations would be reviewed. There was some debate over who would determine work program for evaluations, with Camdessus supporting his agenda setting power and some directors pushing for more Board initiative and oversight. Overall, however, the Board strongly supported the delay of the EVO's creation.

²¹ Minutes of the Executive Board, 22 January 1993, 25.

²² *Independent Evaluation in the Fund and in Other Institutions* 2000, 4.

²³ *Ibid*, 5.

²⁴ *Mexico-Report on Fund Surveillance, 1993-94*, also known as the Whittome Report.

²⁵ *Independent Evaluation in the Fund and in Other Institutions*, 5; see also *The Chairman's Remarks at the Conclusion of the Discussion on the Work Program*, 7 November 1994 and *Evaluation Activities in the Fund* 1995.

²⁶ *Statement by the Managing Director to the Executive Board of Directors*, 10 January 1996; and *Executive Board report to the IMFC*, 12 September 2000.

²⁷ *Minutes of the Executive Board of Directors*, 26 February 1996, 28.

In the two years following this decision, the Fund sponsored a small number of external evaluations, including on the Enhanced Structural Adjustment Facility (ESAF), internal research, and surveillance activities. These evaluations were conducted alongside a number of big internal self-evaluations on issues such as Fund-Supported Programs in the Asian Crisis (conducted by PDR), the Enhanced Structural Adjustment Facility and surveillance. In 1996, Camdessus also expanded the activities of the Office of Internal Audit and Inspection (OIA) to conduct reviews of the Fund's organizational structures and work practices, and to assist the Executive Board and management in developing and facilitating the agreed evaluation projects.²⁸ The most important change, in terms of understanding the evolution of independent evaluation, was the creation of a small group of four (later six) Executive Directors to monitor the evaluation functions from 1996-1998. The Evaluation Group of the Board, as it became known, became actively involved in the selection of evaluation work program, external evaluators and terms of reference for each report, evaluation implementation and the budgets.²⁹

Overall, the attitude of the Board at the time was increasingly favorable towards external, independent evaluation. Minutes of the Executive Board meetings in 1996 indicate that the creation of an independent evaluation unit was, more or less, a foregone conclusion given the strengthening norm that such an evaluation function was "an important part of any well-managed institution," "a symbol of good standing," and widely expected "in the current era of openness and accountability."³⁰ Yet opposition to the idea was still quite visible. Some executive directors continued to believe that the Fund's internal evaluation activities were still sufficient, a sentiment embodied in the statement "if it's not broken, don't fix it."³¹ Likewise, Camdessus continued to assert that the EVO was impossible in the current budget of the IMF, and many directors continued to balk over the formal endorsement of an EVO until the Board could reach consensus on the exact terms of reference for selection and size of staff, determination of the work program, and lines of accountability, with respect to rules regarding to whom (the Board or the Managing Director) and in what sequence the EVO would report.

The real turning point in this drawn-out debate over the creation of an independent evaluation unit came in 1997-1998. During this period, there were several sources of external pressure for independent evaluation that the Fund could no longer wave aside. First and foremost was the visible pressure from the United States Congress, which increasingly demanded more transparency and accountability, particularly in exchange for its increased contribution to the Fund's new credit lines called New Arrangements to Borrow.³² For example, in 1998 Jim Saxton, Chairman of the Joint

²⁸ *Independent Evaluation in the Fund and in Other Institution* 2000, 7.

²⁹ The first Evaluation Group was chaired by Ian Clark, Canadian Executive Director, included Dlamini, Mirakhor, and Wijnholds. [Note: I need to look up country affiliation of these directors].

³⁰ *Minutes of the Executive Board of Directors*, 26 February 1996. (these were statements by several of the EDs. I will go back and more carefully document names and page numbers)

³¹ Statement by ED Fernandez, *Minutes of the Executive Board of Directors*, 26 February 1996, 71.

³² In particular, several accounts note that the US Congress was especially angry with the Fund for withholding information about the Asian financial crisis until last minute. This led to strong demands for increased accountability and was largely responsible for new transparency policies adopted by the Fund in 1998. See Griesbacher 2008, 157, noting that the Fund's behavior during the Asian crisis created a "public political context that was impatient with secrecy."

Economic Committee Study, argued that the IMF was a closed and secretive organization that operated in manner incompatible with U.S. performance and accountability standards. In making his point, he quoted former World Bank Chief Economist for Latin America, Sebastian Edwards, who noted “for any outsider it is extremely difficult – utterly impossible some would even say – to fully evaluate the functioning of the IMF”, in most part because all aspects of the Fund’s activities were treated as confidential.³³ Other powerful member states started to weigh in as well. For instance, British Chancellor Gordon Brown in the April 1998 annual meetings told the Fund’s Interim Committee that it should more aggressively explore ways to improve the institution’s accountability, in part by making the practice of independent external evaluation more systematic via the creation of a full-time evaluation unit that would report directly to the Fund’s shareholders and to the public on its performance.³⁴

At this time there was also increasing pressure for reform of the Fund from NGOs, which had mobilized around the Fund’s 50th birthday in 1994. For the NGOs, genuine Fund reform required enhanced transparency and independent evaluation. In 1997, a Study Group on IMF reform was formed by the Center of Concern, which included Fund executives from developed and developing countries (including the US), prominent academic economists (like Peter Kenen from Princeton University), NGOs (Friends of the Earth and Center of Concern), and experts on evaluation from other institutions, including the World Bank, Inter-American Development Bank, and the Organization for Economic Cooperation and Development. The final report, put together over 18 months and released in mid 1998, was authored by Jacques Polak, the “consummate insider” who had worked at the Fund since its inception at Bretton Woods.³⁵ The report echoed previous calls for the creation of a formal independent evaluation office that would report directly to the Board, as well as more progressive policies in terms of release of archive and other internal documents. While some of the NGO actors express doubt as to the influence of the Study Report,³⁶ internal IMF documents from this time period indicate that this external pressure did have a distinct effect on pushing the Board towards consensus on the creation of the IEO.³⁷

Simultaneously, there was public pressure on the Fund to address the belief that its conditionality policies were causing immense harm to developing countries. This prompted the Board to solicit an external review on conditionality (a report that was an first internal, and then released to the public).³⁸ The resulting evaluation was very revealing, and the Board found the report more useful than prior internal evaluations of conditionality practices. But the Board also found that its own responsibilities in terms of setting up ad hoc external reviews were costly and time-consuming, thus pushing them back to a position in favor of the creation of a permanent internal evaluation office.³⁹ Around this time, in June 1998, the Board commissioned an external evaluation of Fund

³³ Saxton 1998, 2, quoting Edwards 1989, 9.

³⁴ Quoted in Bretton Woods Project 1998.

³⁵ Interview with Jacques Polak, April 2007. See Polak 1998 and Wood and Welch 1998.

³⁶ Griesbacher 2008, 157.

³⁷ *Executive Board Report to the IMFC*, 12 September 2000.

³⁸ Find cite!

³⁹ Griesbacher 2008, 157.

surveillance, chaired by John Crow.⁴⁰ The Crow Report, released in 1999, was received by the Board as an exemplar of what independent evaluation could provide in terms of hard-hitting analysis and recommendations for Fund policy. As a result, the Executive Directors as a whole finally reached a consensus on the merits of systematizing formal independent evaluation.

In April 2000, the Board finally approved the creation of an EVO (later to be renamed as the IEO). The final terms of reference reflected long-standing debates about the office's independence and lines of accountability, with the Board insisting that it have ultimate oversight of the evaluation office (as opposed to the Fund management) with respect to determination of the office's budget, selection of the Director, and submission of evaluation and annual reports. Concerns about the Fund's budget and potential redundancy with internal evaluation functions (which the Board still valued) resulted in a very small and streamlined office of 11 individuals and a modest budget of less than \$4 million. Nonetheless, at the 2000 spring annual meetings, the Fund's Board of Governors endorsed the Executive Board's decision to establish the EVO, with four ambitious objectives: (1) to enhance the learning culture within the Fund, (2) help build the Fund's external credibility, (3) promote a greater understanding of the work of the Fund; and (4) support the Executive Board's institutional governance and oversight responsibilities.⁴¹

The Politics and Paradox of Independent Evaluation

What does this history of the creation of independent evaluation in the Fund tell us about the overall opportunities and constraints upon its performance evaluation today? In particular, what are the ongoing issues facing the effective role of the IEO in evaluating and enhancing the performance of the Fund? Where, in particular, do we see evidence of the tensions within and outside the Fund that illustrate the paradox of evaluation? The first eight years of the IEO's existence are actually quite illuminating with respect to these questions. In particular, I have identified four issues that have arisen in the IEO's short lifetime that illustrate the lively debates and conundrums facing performance evaluation in the Fund (and presumably other IOs) today.

⁴⁰ See *External Evaluation of Fund Surveillance: Report by the Evaluation Group of Executive Directors*, 24 June 1998; and *External Evaluation of IMF Surveillance: Report by a Group of Independent Experts*, 1999 (also known as the Crow Report).

⁴¹ Executive Board report to the IMFC, 12 September 2000.

The Independence of Evaluation – Actual and Perceived

The debate over the creation of the IEO clearly reveals the tension between the need to install the appearance of independence but also meet practical (and political) needs of attaining access to confidential information needed to produce effective evaluation reports. The series of Board discussions since 1992 indicate that nearly all Executive Directors thought that an independent evaluation office in the Fund would not enjoy internal or external credibility without the most rigorous assurance of independence. More critically, it was the *perception* of independence that was absolutely essential to maintain, as it would grant the Fund an “important public relations advantage” at a time when its legitimacy and relevance was under wide attack.⁴²

One perceived impediment to the effectiveness of the IEO is the actual degree of their *de facto* (as opposed to *de jure*) independence. On paper, the IEO enjoys a great deal of independence, in terms of the budget, staffing, and reporting structures (arguably much more than comparable offices in multilateral development banks). According to Tom Bernes, the current Director of the IEO, this independence is absolutely essential to the ability of the IEO to fulfill its role as “ruthless truth-teller.”⁴³ Yet some recent studies, most prominently the 2006 external evaluation of the IEO (chaired by Karin Lissakers, former United States Executive Director to the Fund) express reservations about the IEO’s independence due to two issues: the nature of staff selection and perceived interference from the Executive Board and the nature of staff selection.

The first concern with independence, appearing throughout discussions since the early 1990s, centers on the staffing of the IEO. The key dilemma here is the need to balance perceptions of independence against the need to employ Fund “insiders” who have the expertise and institutional knowledge necessary to carry out quality evaluations. Earlier discussions about staffing rules leaned towards strict rules prohibiting IEO staff from returning to the Fund regular staff. This was out of concern that this would create the appearance of a conflict of interest and suspicion that IEO staff would water down reports in order to ease their re-entry into the Fund’s regular staff after their time at the IEO.⁴⁴ The 2000 paper by the Evaluation Group of the Executive Board predicted this problem, arguing that if the IEO hired insiders, then “management will need to commit to ensuring that EVO staff are offered desirable assignments upon their return to the regular staff, and are in no way discriminated against because of the authorship of reports that are critical of potential receiving departments. At a minimum, an assurance of re-integration back into the home department may be necessary for an effective rotation system.”⁴⁵ The main lesson here seems to be taken from the World Bank. Very early on, the Fund acknowledged that “the experience of other institutions suggests that if mobility is not encouraged and actively promoted, the Evaluation Office could run the risk of becoming a preserve – if not a pre-retirement pasture – for staff members who (for whatever reason)

⁴² See statements by Executive Director Ian Clark (Canada), Board Minutes from 26 February 1996, p.57.

⁴³ Bernes 2006.

⁴⁴ Specifically, officials were concerned that evaluation staff wishing to return to the Fund might rationally be deterred from pushing reticent managers for sensitive information or reporting critical findings that may embarrass future bosses or client governments. See Lissakers 2006, 13 and Easterly 2006.

⁴⁵ *Making the Fund’s Independent Evaluation Office Operational* 2000, 8.

have run into career obstacles in other departments.”⁴⁶ Likewise, there remains concerns that the advantages of insider knowledge may be outweighed by “importing too much of the ‘mindset’ and ‘culture’ of the IMF, rendering evaluators less able to ask questions ‘outside the box’ and to use methods of investigation in which Fund macro-economists are typically not trained.”⁴⁷ The need for internal expertise ultimately won out against concerns over impartiality. Soon after the IEO was established, the original rules restricting the hiring and re-entry of Fund insiders were relaxed as a result of immediate difficulties encountered by the IEO Director in finding high quality staff who would be willing to serve in the IEO without the “right of return”.⁴⁸ At the same time, in order to maintain the appearance of independence, there was a great deal of emphasis on maintaining a significant number of external consultants on each report.

The one exception was the selection and terms of employment for the Director of the IO. The Fund Board and Management strongly agreed that the IEO Director would not be eligible to join or rejoin the regular staff of the Fund at any point after his or her stint in the IEO. More importantly, discussion regarding the Director’s selection repeatedly voiced the concern that the Director be widely respect inside and outside the institution for the sake of building the authority and credibility of the office among the multiple constituencies of the IEO’s reports. Many staff that I interviewed in June 2008 argued that the selection of Montek Ahluwalia, the highly regarded economist from India, as the first Director of the IEO in July 2001 was important element of the IEO’s early success in gaining the trust of the Fund’s staff, management and Board. Likewise, the current director, Tom Bernes, is the former Canadian Executive Director, Executive Secretary of the joint IMF-World Bank Development Committee, and Deputy Corporate Secretary of the World Bank, who also chaired the Evaluation Group of the Board when Ahluwalia was selected.⁴⁹

The second tension between actual versus perceived independence is in regards to the determination of the IEO’s work program and the production and dissemination of its reports. In the case of the selection of evaluation topics, the IEO enjoys a considerable amount of *de jure* independence from the Management and Board (which can weigh in, but not veto, the selection of topics), although its mandates do prohibit evaluation of on-going programs or engaging in evaluation that threatens client confidentiality.⁵⁰ Likewise,

⁴⁶ *Establishing an Evaluation Office in the Fund* 1992, 29. In the Minutes of the Executive Board from 22 January 1993 (p.26), Executive Director Prader stated that any rules assigned to staff selection in an EVO avoid “drawback of creating the some kind of dual staff structure in the Fund, in which all the ambitious economists would try to avoid secondment to the evaluation office.”

⁴⁷ Lissakers et al 2006, 11.

⁴⁸ This strongly reflected the experience of the World Bank. The World Bank created its Operational Evaluation Department (now called the Independent Evaluation Group) in 1973 – one of the first to be established in a large intergovernmental organization. The OED’s history reveals a long struggle with the recruitment of staff in light of the widely held perception within the Bank that a move to the OED was “career-ending”. The World Bank ultimately abandoned its “one-way rule”. See Picciotto 2003.

⁴⁹ Interviews A, B, C, E, H. Ahluwalia stepped down as IEO Director in 2004 to return to India as Deputy Chairman of the Planning Commission. He was succeeded David Goldsbrough as Acting Director, and then by Tom Bernes in April 2005.

⁵⁰ The actual process of work program determination is open to wide consultation with Fund staff, management, the Board, and the broader public. The IEO accepts suggestions for IEO reports, and there is

the Board and Management can offer comments on IEO reports, which are published, but they cannot edit or censure IEO reports prior to publication. The Lissakers Report (2006) nonetheless points to small loopholes in these rules that may (in theory) allow for the Board to find ways to interfere (with some evidence drawn from the experience with the IEO's report on Argentina). For example, the Board does approve the IEO budget (which can be an indirect means of vetoing planned evaluations) and can dismiss the IEO Director at will.⁵¹ A staff survey conducted in conjunction with the external review of the IEO in 2006 revealed that 75% of the Fund's regular staff find the IEO's work "very independent or independent." At the same time, these staff indicate that they see the Executive Board as playing a very strong role in directing the work of the office, particularly in the choice of topics for evaluation.⁵² Interviews with IEO staff, on the other hand, consistently and persuasively rebuke this notion.⁵³

Perhaps the most interesting observation regarding the relationship between independence and work program determination concerns the small budget of the IEO. Contrary to what we may intuit, the minimal resources and narrow mandates which appear to limit the IEO's independence may actually increase the de facto *influence* of the IEO. This is insofar as scarce resources have prompted the IEO to limit itself to cross-cutting themes deemed the highest priority to the overall missions of the Fund. In practice, this has meant that the Fund Board has supported IEO work programs that have evaluated issues seen to be at the heart of the Fund's perceived ineffectiveness and external legitimacy crisis. Such reports are more likely to gain external attention (fostered by the IEO's proactive outreach programs). The resulting visibility may in turn facilitate mobilization of external pressures for changes in Fund policies and practices.

Ambiguity in IOP Measurement and Goals

As Gutner and Thompson mention in their framework essay, one central problem in assessing the performance of international organization is the dilemma of unclear benchmarks or performance targets with which to evaluate the success or failure of various programs (something we may conceptualize as an incoherent or ambiguous mandate). Recent literature on IO evaluation suggests that there is a significant problem with pursuing a "results-based management" approach with neither a clear understanding of what constitutes "successful results" within a given time period nor a clear means by which to isolate and determine the effects of organizational programs separate from the

considerable evidence that indicates that its selection of evaluation topics is influenced by this transparent and inclusive process.

⁵¹ Lissakers et al 2006, 10. I noted, however, that this dismissal of the IEO director requires a 70% majority vote on the Board.

⁵² Ibid.

⁵³ The more interesting question surrounding the internal politics of the IEO reports concerns the interference by Fund staff. According to some interviewees, one strategy adopted by Fund staff (mainly in PDR) is to preempt IEO reports by producing their own internal reports on the same topic and beating the IEO to the Board with their findings. I'm still trying to unravel this part of the story, but I my efforts to interview PDR staff and get their perspective on this have not been successful.

plethora of other domestic or international variables that could affect development or financial outcomes. For example, former World Bank Managing Director Shengman Zhang argues that the central challenge in moving towards results-based management is reaching a clear consensus on how to measure results in the Bank's work.⁵⁴ IEO Director Thomas Bernes likewise argues that there is a pervasive lack of clarity in program design or "deficiencies in program evaluability" that hamper the IEO's work. Bernes in turn attributes part of this problem to a strong division between member states on the Fund's executive board, arguing that the setting of measurable performance benchmarks is hindered by the lack of clear policy intent and coherent guidelines for Fund staff.⁵⁵

In fact, an examination of Board minutes from the early 1990s reveals that the lack of clarity in how to appropriately assess the Fund's effectiveness in its various activities was actually an argument used in opposition to the creation of an independent evaluation unit similar to those found in other IOs. In the 1992 Task Force Report, the authors note (and Board discussions iterate at several points) that the Fund's activities are inherently different from those of multilateral development banks, who have concrete projects or programs which lend themselves to more distinct metrics for evaluation, such as "economic rates of return." Fund programs, on the other hand, tend to tackle the whole economy of member states. Attempting to disentangle the effects of Fund policies and advice from the complex set of political and economic factors driving outcomes is an extremely difficult process usually involving a precarious counterfactual effort to determine whether the outcome would have been better or worse absent Fund involvement. "Where economic relationships are imperfectly understood and changeable; where feasible economic policies must pass the test of political acceptability; where experience is diverse; where the Fund, like any other creditor, is inevitably taking some risk in making its resources available, the drawing of clear and practically applicable lessons will not be easy for anybody."⁵⁶

Ultimately, the danger here is that the problem with establishing clear metrics for assessing Fund performance may undermine continued support for independent evaluation. The 1992 Task Force report pointed out that no single methodology could be recommended, and evaluation would thus be quite subjective. As such, it would be seen (both internally and externally) as more open to manipulation and bias. If evaluations were received in this way, it would undermine their credibility and effectiveness in spurring organizational learning, as the "lessons" and "recommendations" of the evaluation reports would be dismissed as simply the weakly substantiated opinions of evaluation staff. In this way, the ambiguity of IOP measures reinforced concerns about the independence of the IEO and the rigorous selection of staff. It was widely perceived that, given the inherent subjectivity of evaluating Fund work, the leadership of the IEO would have to carefully protect the office's reputation and maintain the highest level of transparency and integrity. If not, its reports would be ignored, would engender distrust and resentment of staff and management, and potentially serve as arsenal for outside

⁵⁴ World Bank OED 2003, 92.

⁵⁵ Bernes 2006, 8.

⁵⁶ *Establishing an Evaluation Office in the Fund*, 5.

critics. To date, the exact specification of metrics by which to measure Fund performance remains an open issue.

The Problem of Candor and Constituents

A third critical issue facing independent evaluation in the Fund is the enduring problem of multiple constituencies or audiences for the IEO's work. Anne Krueger, First Deputy Managing Director of the Fund, summed this up well in 2004. She noted first that the Fund (meaning management and staff) had long resisted the idea of a separate evaluation office and independent scrutiny of their work, putting the onus on the IEO to "convince staff that this was a worthwhile exercise and that they could expect fair, if not always uncritical, analysis of their decision." Likewise, the IEO had to convince a skeptical Board that it was able to provide "useful assessments of the Fund's work in a way that drew lessons for the future direction of policy." Finally, Krueger argued, the IEO had to navigate a skeptical external audience and "earn the respect of those who are, by nature, cynical about such evaluation exercises."⁵⁷

The relationship between the Fund and its principal member states factors prominently in discussions of the effectiveness of independent evaluation. Here is where independent evaluation reaches the level of high politics. On the one hand, donor countries are pushing hard for increased resources and attention to independent evaluation to help achieve "results-based management" and to reduce information asymmetries in IOP to enable donors to better hold the Bank and Fund staff and management to account for results. They are also undoubtedly contributing to the paradox of evaluation described at the beginning of the paper. Pressures from borrower countries, on the other hand, may be having the effect of dampening the potential impact of independent evaluation. This is visible in the case of the IEO, where many borrower states (and sympathetic donor states) have successfully delimited the IEO's scope and authority by prohibiting country-specific evaluations.⁵⁸ The countries here simply wish to avoid "embarrassing information" from getting out and inadvertently hurting their credibility in international creditor markets. As a result, the IEO has focused thus far on the broader strategies of the Fund and avoided loan-specific investigations.

The key take-away here is that such pressures from borrower countries (to whom the Fund is increasingly subservient in the face of declining loans) affect the way staff and management approach evaluation. One "upstream" constraint mentioned frequently in reports on the IEO is the reluctance of organizational staff and management to provide

⁵⁷ First Deputy Managing Director Anne Krueger's Statement to the IMF Executive Board on Montek Ahluwalia. 2004.

⁵⁸ Lissakers et al 2006, 4; 15. There have been only two country-specific reports to date from the IEO. The first was on Jordan, which had ended its relationship with the Fund prior to the evaluation and was thus considered a "safe" topic. The other was Argentina. This report was fiercely debated when it was presented to the Board. In the case of the IEO's report on capital account crises, the discussion and publication of the report was delayed at the request of the Indonesian government and opposed by Fund management due to fears that the release of the report would adversely affect the Fund's credibility in the East Asian countries (Lissakers et al 2006, 16).

or reveal sensitive information about programs that would negatively affect their interactions with borrower governments. In the IEO reports, this is articulated as an “impediment to candor” with the result of “water-downed” or “softened” input that accomplish little in terms of generating useful lessons for future operations. Likewise, one “downstream” constraint is the pressure from staff, management, and Executive Directors to resist the public release and dissemination of particularly negative reports of the IEO.⁵⁹ Tom Bernes articulates this dilemma well: “tough messages are hard to give. Of course, they are even harder to receive. Because of that, staff too often perceive pressures to mute their public criticisms of countries’ policies and actions in their documents unless their evidence is absolutely watertight.”⁶⁰

It is also evidence from interviews and various official reports that one pervasive concern with candid and blunt independent evaluation is that it provides ammunition to the Fund’s many critics, and even may assist those advocating the demolition of the Fund. In 1993, Executive Director Ismael argued that “I have to caution that the establishment of an evaluation office will offer a convenient conduit for undue outside influence on the work of the Fund.”⁶¹ This creates a challenge akin to the problem of performance metrics discussed above. According to my interviews, staff are keenly aware that standards of successful performance are highly subjective. For example, in the IEO’s report on the Fund’s exchange rate policy advice, the evaluators found that borrowers are generally quite satisfied with the Fund’s exchange rate policies and advice, but there was no clear benchmark for determining what percentage of respondents needed to report satisfaction for the Fund’s overall performance to be deemed a success or failure. Success inevitably is in the eye of the beholder. As one of the authors of the report told me, “if you report 95% success, critics will grab onto the 5% failure. So how do you report in a balanced way?”⁶²

Furthermore, for staff of IEO, a compounding problem is the need to balance the need for blunt evaluation with the need to maintain trust and access to Fund staff. IEO evaluation are very dependent upon the candor of staff and their willingness to be forthcoming with information. Yet, as discussed earlier, staff are naturally inclined to avoid taking personal responsibility for performance shortfalls that might hurt their career prospects as well as concerned that the disclosure of sensitive information might endanger their ongoing relations with member states. There is thus good reason to predict a lack of candor, although many of the IEO reports and interviews suggest that thus far the IEO has been able to build the kind of trust with staff necessary to solicit honest and blunt information. Nonetheless, the management and Board were keenly aware of this

⁵⁹ Lissakers et al 2006, 5.

⁶⁰ Bernes 2006, 6. Easterly (2006) makes a similar remark about the censoring of OED reports in the Bank.

⁶¹ *Minutes of the Executive Board of Directors*, 22 January 1993.

⁶² Interview John Hicklin, Deputy Director of the IEO. Another example concerns the IEO’s report on Fiscal Adjustment in IMF-Support Programs (2004). The IEO found little evidence to support the commonly held notion among Fund critics that Fund-supported programs adopt a “one-size-fits-all” approach, are inflexible, cause a decline in social spending, and are associated with lower growth. Staff expressed concern that such “positive findings” were being seen by NGOs as evidence of bias on part of the IEO, thus making its conclusions and recommendations suspect. See IEO Report on Fiscal Adjustment in IMF-Supported Programs, 2003 and also *Follow Up on the Recommendations of the Independent Evaluation Office Report on Fiscal Adjustment in IMF-Supported Programs*.

potential problem when deciding who would work in the IEO as well as writing the terms of reference for the IEO's access and use of confidential and strictly confidential information throughout the Fund. The Board feared that if reports from an independent evaluation office were seen as too critical and intending to place blame, staff would not cooperate fully with ongoing evaluations or take the evaluations' conclusions seriously. The 1992 Task Force report noted in particular that staff resistance to the idea of an independent evaluation office was based upon skepticism that ex post assessments, "conducted in hindsight and without full appreciation of the imperfect knowledge, uncertainties, and difficult choices that had to be faced in negotiating programs or formulating policy advice, could arouse concern among the regular staff. Unless these concerns were allayed, there would be a risk that the needed cooperation, and receptiveness to recommendations of the evaluation office, could be jeopardized." The report went on to note a second danger that that staff members could become overly cautious in their work so as not to appear in a negative light at a later date, even though, as it must be emphasized, the purpose of evaluation is to learn from the past and not to assign blame."⁶³

Independent Evaluation and the Culture of Learning

Perhaps the biggest challenge for independent evaluation (or any performance evaluation, for that matter) is to ensure that the evaluation's lessons and recommendations have an actual influence upon organizational behavior and change, or what is more commonly referred to as organizational feedback and learning. In the case of the IEO, there is encouraging evidence that its reports are having such an effect upon Fund policies. For example, interviews with Fund staff members as well as the annual reports of the IEO and periodic monitoring reports of the Fund staff (see below) argue that the IEO's evaluation of the Fund's Technical Assistance had a major effect on the way the Fund now conducts TA work, including greatly enhanced coordination between area departments who previously worked in a "silo" model. Moreover, the Board instituted an institution-wide strategy for TA where there had been none before, and instituted the IEO's recommendation for country departments to become coordinators for the TA work.⁶⁴ Likewise, subsequent reports indicate some success with respect to implementing the IEO's recommendations on exchange rate analysis in Fund surveillance, a new 2007 Bilateral Surveillance Decision (replacing a 30-year old decision, clarification of Fund policies on aid inflows, and revision to the Operational Guidance Note on Conditionality (although the Board rejected the IEO's recommendation to set a ceiling on the number of conditions attached to Fund loans).⁶⁵

Moreover, interviews with staff and a thorough reading of internal materials suggests that organizational learning and change as a result of independent evaluation may be more possible in Fund than in comparable institutions. One remarkable (and

⁶³ *Establishing an Evaluation Office in the Fund* 1992, 5.

⁶⁴ Interview A, B, C, and H; see also the IEO's *Report on IMF Technical Assistance* (2004) and *IEO Annual Report 2007*, pp.42-44.

⁶⁵ Periodic Monitoring Report 2008.

funny) observation made by multiple staff within the Fund and the IEO was the bureaucratic cultural difference between the Fund and the World Bank. Many believe that independent evaluation will have more impact within the Fund's "Red Army" or "Marine Corps" hierarchical culture, as opposed to the World Bank's "university" or "boy scout" culture. In other words, if independent evaluation can change the minds on the Fund's Executive Board and the Board is willing to issue directives to the Fund management, change will trickle down in a fast and efficient manner (irrespective of whether or not the Fund's staff agree with such changes). Such an impact by World Bank evaluation would be far harder to achieve, given that its decentralized and exceedingly more complex bureaucratic structures make top-down directives akin to "herding the cats."⁶⁶

At the same time, the culture of the Fund presents a challenge to independent evaluation. The IEO must work within a hierarchical, conformist and technocratic bureaucratic culture in which core ideas are rarely challenged.⁶⁷ While there is preliminary evidence from interviews and official materials that the IEO reports are being taken seriously and are actually read by a bare majority of Fund staff, there is still pervasive skepticism regarding the extent to which independent evaluation is fostering greater tolerance for reflection and dissent. One of major conclusions from 2006 external evaluation of IEO is the fear that, like the OED in its early years in the World Bank, the IEO in the Fund could become "bureaucratized, routinized, and marginalized" because of weak support on the part of IMF management and department heads.⁶⁸ Current incentive structures concerning hiring and promotional standards, organizational norms regarding staff and management interaction, and a strong professional socialization around a distinct economic ideology appear to encourage "myopic" learning at best.

Nonetheless, recent IEO annual reports indicate that each IEO evaluation gets substantial discussion by the Board. More significantly, in reaction to the Lissakers Report's concerns about the absence of feedback and learning, the Board adopted two new accountability mechanisms to ensure follow-up to the IEO's recommendations. In January 2007, the Board started requiring the Fund management and staff to formerly respond to the IEO's report by drafting both Management Implementation Plans (MIPs) and staff-written Periodic Monitoring Reports (PMRs) on the Fund's implementation of Board-endorsed recommendations arising from IEO reports.⁶⁹ The first MIP was produced and discussed by the Board in FY2008 and the first two PMRs were discussed

⁶⁶ Interviews A, B, D, and F. On inciting change in the World Bank, see Weaver 2008.

⁶⁷ Lissakers et al 2006, 23.

⁶⁸ Lissakers 2006, 3.

⁶⁹ Noticeably, the requirement is for the management and staff to report on the implementation of the *Board-endorsed* recommendations of the IEO. The Board has not always agreed with the IEO's recommendations for policy change in the Fund. For example, the Board disagreed with the IEO's recommendation to place a cap on conditions (to four or five per year, which is half of the current average for performance criteria and prior actions in Fund loans). On the other hand, the IEO's report on the Fund's exchange rate policy advice was widely supported by the Board despite a very critical reaction by the management and staff, which may promise more results in terms of change in organizational policy and practice. See *IEO Annual Report 2008*, 3 and 5.

by the Board in January and December 2008.⁷⁰ The January 2008 Board discussion of the first PMR introduced even stronger accountability measures by calling on IMF staff to produce well-defined and measurable criteria to better assess their progress in implementing IEO recommendations.⁷¹

These formal changes signal very positive progress towards more accountability that may produce significant learning. Nonetheless, any observer of IOs will tell you that formal policy change rarely incites spontaneous transformation in organizational practice. In late 2008, Tom Bernes commented on shortfalls of evaluation's impact on organizational learning, which he attributed in part to continued weaknesses in accountability. The empirical context of his remarks were, unsurprisingly, the Fund's failure to preempt or effectively manage the financial crisis that hit in September 2008. Bernes' frustration stems from the Fund's absence of learning regarding its "risk-based surveillance function" (or, in other words, the Fund's effectiveness in monitoring member country economies and providing advice that mitigates the causes of financial crises).⁷² In 1999, the Fund solicited a high profile external evaluation of its surveillance, entitled External Evaluation of IMF Surveillance. Better known as the Crow Report, after its lead author John Crow, the evaluation provided a comprehensive list of the Fund's surveillance problems and a series of prescriptions to fix the Fund's direction of efforts and resources to better identify risks of crises, in "systematically important countries" (e.g. the United States), the international aspects of these countries' policies, and their financial sector/macroeconomic policy interface.⁷³ As aforementioned, that report was influential in shifting the Executive Directors' consensus in favor of the creation of the Independent Evaluation Office, whose own subsequent reports specifically targeted the Fund's ability, within its various activities, to address systemic risks caused by spillover effects from one economy and financial sector to another.⁷⁴ In these reports, the IEO revealed resistance on the part of staff to depart from their conventional macro-economic analyses, to integrating FSAP (financial sector assessment paper) findings into surveillance activities, and a neglect of multilateral and spillover issues with a continued bias towards bilateral and country-related issues.

In short, the Fund staff and management had not followed up on the key recommendations of the Crow Report. In mid-2008, with the US financial crisis looming, Bernes further noted that the IMF work program presented by the current Managing Director Dominique Strauss-Kahn to the Executive Board presented the problems with the Fund's surveillance performance "as though they were coming up for the first time,

⁷⁰ The first PMR, published in December 2007, was a very substantial document which attempted to respond to all of the recommendations stemming from the first ten IEO reports. Interviews with IEO and PDR staff indicate that there was some resistance to this exercise.

⁷¹ *IEO Annual Report 2008*, 1.

⁷² The Fund's surveillance activities generally fall into three categories: bilateral surveillance of individual countries through Article IV consultations, multilateral surveillance through the World Economic Outlook Reports and Global Financial Stability Reports, and the financial sector assessment papers (FSAP). (Bernes 2008, 7).

⁷³ Bernes 2008, 3.

⁷⁴ Bernes 2008, 4. Bernes specifically notes three IEO evaluations that followed up on the Crow Report: the 2003 evaluation of the Fund's response to capital account crisis, the 2006 report on the Financial Sector Assessment Program (FSAP), and the 2006 report on multilateral surveillance.

raising questions as to whether there had been adequate learning from the institution's early stumbles and subsequent evaluation work."⁷⁵ Bernes goes on to agree with the gist of the work program outlined by Managing Director, which emphasized the need to use Article IV consultation to identify global spillover risks and increase attention to country-focused financial sector work. However, the point of frustration for Bernes was the Managing Director's "tone of discovery – as though the challenges are new."⁷⁶

Perhaps the biggest dilemma for independent evaluation to achieve its goal of engendering an institutional learning culture is simply the politics inherent to such a large intergovernmental organization. Consider again the above example of the Fund's poor performance with surveillance. The irony is quite striking. Pressure from the United States is a large part of the reason the Fund adopted new transparency policies and created the Independent Evaluation Office to improve the institution's accountability. Yet the US stymies the Fund's performance through its own actions (or lack thereof). The US demands, for example, that the Fund prove its effectiveness in identifying and preempting financial crisis risks, but conveniently ignores the fact that its own unwillingness to subject itself to surveillance prevents the Fund from doing this job.

I do not wish to argue that the institution is wholly hamstrung by power politics, but the above analysis does reinforce the point that politics can easily pervert evaluation and its ultimate influence on organizational policies and practices. Michael Barnett and Martha Finnemore's (2004) observation that IO dysfunction is always "for someone or something" rings true here in terms of the gap between evaluation recommendations and actual change at the Fund.⁷⁷ As Tom Bernes argues, "lack of knowledge is seldom *the* impediment to change.... More often, things are the way they are *not* out of ignorance, but because someone *wants* them that way or simply doesn't have the energy to change."⁷⁸

⁷⁵ Bernes 2008, 5.

⁷⁶ Ibid. One of the bigger points of frustration, of course, was the failure of the Fund to conduct a Financial Sector Assessment for the United States, which evaded the process because of a loophole in IMF policies which require states to "volunteer" for FSAPs. Bernes' main point of contention here is that the Fund's staff, management and Board had not responded to the IEO's recommendation in its evaluation of the FSAP to use "naming and shaming" as a way to get "systemically important countries" (read: the political and economic powerhouses, such as the US) to be part of the FSAP process, thereby undermining the very purpose of FSAP (Bernes 2008, 8). He goes on to say that a key focus on future IEO reports should be to "examine the institution's ability to 'speak to power', and highlight the risks of not doing so, when the members that pose the greatest systemic risk are also the largest shareholders" (Bernes 2008, 9).

⁷⁷ Or any other international organizations. For a long explanation of why organizational change is so difficult in the case of the World Bank, see Weaver 2008.

⁷⁸ Bernes 2008, 10 (italics in original).

Conclusion

If this paper has demonstrated anything, it is that performance evaluation is an inherently political exercise in international organizations. As such, there is likely to be a wide variance in the means, forms, scope and impact of evaluation across institutions. More pointedly, evaluation will face different uphill battles in terms of enhancing transparency, learning, accountability and effectiveness given their own institutional histories, political relations with member states, and organizational cultures.

The surprising finding from this study of the “curious case of independent evaluation in the IMF” is the strength and influence of its relatively new and under-resourced IEO. In many ways, the resource constraints and somewhat weak internal support for the IEO contributed to its influence, insofar as it forced the IEO to concentrate its annual work program on a handful of hard-hitting evaluations that spoke to the core of the Fund’s activities and the institution’s role in the world. This is most noticeable in the IEO’s recent (and very controversial) report on the Fund’s Governance, which intentionally directed its attention to questions of legitimacy, accountability, transparency and effectiveness of the Fund’s management and Executive Board and made striking proposals for Fund reform beyond the usual set of prescriptions for quota subscription and voting changes. This focus on the institution itself, as opposed to the effects of its programs on the ground, leaves little room for externalizing the blame for poor Fund performance. Such a reflective exercise was bound to be painful and laden with political sandtraps. The diplomatically worded response of the Fund management and Board to the report reveals very little, and so the full fallout of the report is yet to be seen.

In fact, contrary to what Fund critics may assume, the IEO is not steering away from politically contentious themes. In progress now is an evaluation of the Fund’s relationship with borrowers, which promises to test the extent to which the IEO can get staff, management and the client states themselves to talk candidly on the record about the sensitive and other highly secretive manner in which Fund programs are negotiated and implemented. Such activities, on the one hand, indicate that the IEO is strong and influential – promising at least some return in the form of organizational learning and change that will presumably keep the Fund accountable and improve its effectiveness. On the other hand, the IEO may be at the tipping point of the evaluation paradox: critically questioning the legitimacy and effectiveness of the Fund in such sensitive areas may produce a backlash against independent evaluation if its findings are deemed to undermine the credibility and authority of the Fund at its moment of existential crisis. Much will depend on the support the IEO enjoys from the staff, senior management and Board, who in turn may be responding to the discontent of member states. What is not clear is the extent to which shifting international norms that expect and even demand independent evaluation as an essential aspect of IO accountability are enough to mitigate this potential opposition.

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