

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

October 10, 2017

1. Since the April 2017 report to the IMFC, the IEO has completed its evaluation on social protection, continued work on evaluations on fragile states and financial surveillance, initiated a new evaluation on advice on unconventional monetary policy, and advanced two updates.
2. **Social Protection.** The IEO evaluation of *The IMF and Social Protection* examined the IMF's involvement in social protection across the membership over the past decade. During this period, the IMF stepped up its attention to social protection as it dealt with the aftermath of the global financial crisis and addressed concerns from the impact of food and fuel price shocks and broader stresses on low-income groups and the most vulnerable.
3. The evaluation found widespread IMF involvement in social protection across countries, although the extent of engagement varied. The variation sometimes responded appropriately to differences in country circumstances and the availability of external expertise but sometimes reflected more idiosyncratic factors, especially in surveillance. In the program context, the IMF invariably emphasized the need to mitigate potential adverse effects of program measures on the most vulnerable, albeit with mixed success. Authorities sometimes found the IMF to be insufficiently attuned to local conditions, and the IMF's efforts to incorporate social protection concerns in program design and conditionality in some cases met with implementation challenges.
4. IMF-World Bank cooperation on social protection generally worked well, allowing the Fund to draw effectively on Bank expertise in this area, but the Fund's approach of targeting social protection to the poor and vulnerable meshed less well with the rights-based approach espoused by some other UN agencies. Efforts by the IMF's external communications to emphasize the Fund's "human face" did not always convince stakeholders, especially civil society, in part because of heightened expectations.
5. The evaluation recommended that the IMF establish a clear strategic framework to guide its involvement in social protection among multiple competing priorities at a time when budgetary resources are tight. It called for clarity on the scope, objectives, and boundaries of Fund involvement in social protection to set appropriate expectations—internally and externally—of the IMF's role and responsibilities. Given limits on the Fund's capacity and expertise, the report emphasized the importance of ensuring productive relations with development partners, including institutions with different mandates and policy priorities.

6. In their discussion of the report on July 19, 2017, Executive Directors welcomed that the Fund has built up its attention to social protection in response to the needs of the membership. Directors recognized scope for further progress and joined the Managing Director in supporting all the evaluation's recommendations. At the same time, Directors underscored the need to be mindful of the Fund's mandate to engage only in macro-critical areas while bearing in mind its resource constraints and comparative expertise. A Management Implementation Plan will be presented to the Board within six months of the Executive Board discussion.

7. **IEO work program.** The IEO continues work on two evaluations and two updates of past evaluations. The evaluation of IMF engagement in fragile states, assessing the IMF's engagement in a diverse group of countries with unstable political and security environments and weak institutions, is expected to be completed by Spring 2018. The evaluation assessing the IMF's continuing efforts to strengthen financial surveillance is targeted for completion by Fall 2018. The IEO is also completing an update of the 2007 evaluation of *IMF Exchange Rate Policy Advice* and preparing an update of the 2007 evaluation of *Structural Conditionality in IMF Programs*.

8. The IEO discussed potential future evaluation topics with Executive Directors on June 22, 2017, and consulted with various stakeholders. Following these discussions, the IEO has initiated work on an evaluation of the IMF's advice on unconventional monetary policy and it circulated a draft issues paper to the Executive Directors on September 27, 2017. This evaluation will assess IMF advice to advanced economies implementing unconventional monetary policies in recent years and to a selection of advanced and emerging market economies heavily impacted by such policies, as well as advice on dealing with potential problems from exiting. The evaluation will assess IMF advice on the range of instruments available to central banks, the likely efficacy of monetary policy relative to other policy options, and broader repercussions associated with these choices.

9. **Follow up on past evaluations.** The IMF has taken action to address a number of issues raised in the evaluation of *The IMF and the Crises in Greece, Ireland, and Portugal*. The Executive Board discussed a staff paper on cooperation with regional financing arrangements in July, and a staff paper on program design in currency union members was circulated to the Board in August. IMF management and the IEO have also agreed on a protocol for information, clarifying the importance of staff's cooperation and the principle of open communication.

10. **External evaluation.** We are pleased that the Executive Board has launched the third external evaluation of the IEO, to be conducted by a panel composed of Donald Kaberuka (chair), Pernilla Meyersson, and Der Jiun Chia. In the five years since the last external evaluation, much has been done aimed at improving the follow-up process to IEO evaluations, but there remains room to further strengthen the IEO's contributions to IMF learning culture, transparency, and operational effectiveness, and we look forward to the panel's findings.