



Independent Evaluation Office
of the International Monetary Fund



**Progress Report to the
International Monetary and Financial Committee
on the Activities of the
Independent Evaluation Office of the IMF**

April 2, 2014

1. Since October 2013, the Independent Evaluation Office of the IMF (IEO) has completed an evaluation of IMF forecasts and an update of its 2005 evaluation of IMF technical assistance.
2. **IMF Forecasts.** The Executive Board discussed the IEO evaluation report *IMF Forecasts: Process, Quality, and Country Perspectives*, on February 27, 2014. This evaluation found that the processes and methods used to generate short-term forecasts for Article IV consultations and the *World Economic Outlook* are well structured and, in general, appropriately tailored to country-specific characteristics. By and large, country officials have confidence in the integrity of IMF forecasts. In terms of forecast quality, the evaluation concluded that the accuracy of IMF forecasts was comparable to that of private sector forecasts. There were no significant biases except during certain episodes. Specifically, the evaluation found a tendency for significant over-predictions of GDP growth in the *World Economic Outlook* during regional or global recessions as well as during crises in individual countries. It also found that short-term forecasts of GDP growth and inflation made in the context of IMF-supported programs tended to be optimistic in high-profile cases characterized by exceptional access to IMF resources, and that at the first program review forecast biases were typically reduced or reversed.
3. Based on these findings, the evaluation recommended that the IMF should: promote a culture of learning from past forecast performance; provide appropriate guidance to desk economists on best practices in forecasting for the short and medium term; and enhance transparency by describing its forecasting process to the public and by making historical forecasts more easily accessible. During their discussion of the evaluation, Executive Directors expressed broad support for all of these recommendations.
4. **IMF Technical Assistance.** The report on *IMF Technical Assistance: Revisiting the 2005 IEO Evaluation* was circulated to the Executive Board on February 12, 2014 and published on April 1, 2014. This report was the third in a series of IEO desk studies revisiting past IEO evaluations to assess the current status of key findings and recommendations. The report registered substantial progress in key areas including greater

emphasis on demand-driven technical assistance, which has improved country ownership and coordination with donors. Nonetheless, it concluded that continued attention should be given to allocating the IMF's limited technical assistance resources effectively; ensuring that quality assurance systems are able to cope with the rising technical assistance volumes; and improving the monitoring and evaluation of technical assistance.

5. The IEO is currently working on five projects—four evaluations and one update of two past evaluations.

- **Recurring Issues.** This evaluation identifies generic and substantive issues affecting IMF performance from the IEO's first twenty evaluations and assesses where they stand. The evaluation report will be circulated to the Executive Board in the coming weeks.
- **IMF Response to the Global Financial Crisis.** This evaluation will assess the IMF's actions in the wake of the collapse of Lehman Brothers in September 2008 to help contain the crisis and navigate a global recovery, cope with its impact on individual economies, and identify and warn about future risks.
- **Statistics.** This evaluation will examine whether the IMF's activities regarding data and statistics—including data collection, management, dissemination, and policies—are adequate for fulfilling the IMF's objectives amidst a rapidly evolving global economy.
- **IMF Self-Evaluation Systems.** This evaluation will examine the systems used by the Executive Board, IMF Management, and staff to learn from experience.
- **Revisiting Two IEO Evaluations on Low Income Countries.** This report will update the 2004 IEO *Evaluation of the IMF's Role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility* and the 2007 IEO evaluation of *The IMF and Aid to Sub-Saharan Africa*.

6. **Follow-Up on External Evaluation.** When the Executive Board discussed the second external evaluation of the IEO in March 2013, Directors endorsed many of the external panel's recommendations for further enhancing the effectiveness of the IEO. On February 10, 2014, the Executive Board approved actions to implement these recommendations including changes to strengthen the follow-up process on IEO recommendations endorsed by the Executive Board.