



LEMBAGA ILMU PENGETAHUAN INDONESIA
(*INDONESIAN INSTITUTE OF SCIENCES*)

What Indonesia Can Learn from 27 Complete Reports of IEO's Evaluation

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MIXED FEELING ABOUT THE IMF



Indonesia and IMF

- Assistance of IMF and WB in early 1966: stabilization policies and the return to growth (1966-73)
- ‘The stabilisation package drawn up in August and September 1966 in conjunction with a team importance of balancing the budget as a means of reducing inflation’. (Booth, 1998: p.178)
- ‘Although most of the donor countries has strong preference for project aid, the Indonesian government and the IMF managed to persuade them that such aid was not feasible given the state of the Indonesian economy’. (Booth, 1998: p. 179)

Indonesia and IMF

- In 13 October 1997, Indonesia asked for the IMF for financial assistance
- In the 1966, the IMF assistance was primary to lower inflation, in 1997 it was sought to stem the erosion of market confidence in the Rupiah (Thee Kian Wie, 2002: p.233).
- ‘The IMF package was to be implemented over a three year period and to be tightly monitored by the Indonesian government, assisted by experts from the IMF, the World Bank and the ADB’ (Soesastro & Basri 1998: 18).

Indonesia and IMF

- 'Every month there is to be scrutiny, and disbursement will only follow new letter of intent. So short is the leash that national sovereignty can be said to be impaired. For nationalist sentiment this is humbling, but from an economic and technocratic standpoint it is a blessing in disguise' (Sadli, 1999 p.21)
- 'Domestic policy and structural reforms are often very difficult because resistance of vested interest, who are well entrenched in the government...' (Sadli, 1999 p.21)
- 'The IMF prescriptions, however, may contain a hidden agenda which reflects the values or interest of its major shareholders' (Sadli, 1999 p.21).
- 'Critics now argue that these orthodox IMF recipes have unduly worsened the situation' (Sadli, 1999 p.22)



IMF and IEO

- IEO was established in 2001 (15 years ago) in wake of Asia crisis—which also became a crisis for IMF credibility and legitimacy.
- A need for a permanent team capable of professional, independent, arms length evaluations of Fund policies, activities and products.
- IEO Governance – “Independence is Crucial”
- Evaluating the Evaluators

Evaluation on Crisis 1997/98

- ‘In designing its crisis management strategy during October 1997, the IMF misjudged the extent of ownership at the highest political level and underestimated the resistance to reform likely to be posed by vested interests. This underestimation of political constraints was perhaps a reflection of the earlier failure of surveillance in recognizing the changing nature of corruption and cronyism. (IEO, 2003 p.1)

IEO Report

- ‘An important challenge is to reduce the perceived tension between the Fund’s dual roles of **trusted advisor and watchdog**. Another challenge facing the Fund is improving the value-added and relevance of Fund advice, including through enhancing country-specific knowledge, avoiding overly generic advice, and bringing to the table policy lessons from other countries’ experiences. An additional critical issue for the Fund is overcoming a perception of lack of evenhandedness, which is still prevalent among the membership, particularly for large emerging markets’. (IEO, 2013 p.v).

IEO Report

- These issues have affected the IMF's performance in all of its core areas of responsibility: surveillance, lending, and capacity development. Their recurrence in different contexts in multiple IEO evaluations suggests that they are intrinsic to the nature of the institution, with deep roots in its culture, policies, and governance arrangements. (IEO, 2014, p.1)

IEO Report

- ‘The roots of data problems are diverse, ranging from problems due to member countries’ capacity constraints or reluctance to share sensitive data to internal issues such as lack of appropriate staff incentives, institutional rigidities, and long-standing work practices.’ (IEO, 2016, p.1)



O REPORT



Key Issues from IEO

- Country specific factors
- Advice was generic
- Lack appreciation of country circumstances
- Insufficiently attuned to local condition
- Local capacity constraints
- Differences in country commitment

Key Issues from IEO

- Insufficient emphasis on domestic ownership and capacity,
- Poorly focused conditionality,
- Political considerations that might in some cases have blurred technical judgments, and
- Insufficient opportunities to step back and consider the longer-term strategy for IMF involvement
- “lack of early consultation with country authorities on research themes and by lack of sufficient country and institutional context” (IEO, 2011, p.1).



IMF AND GOVERNANCE



Good Governance?

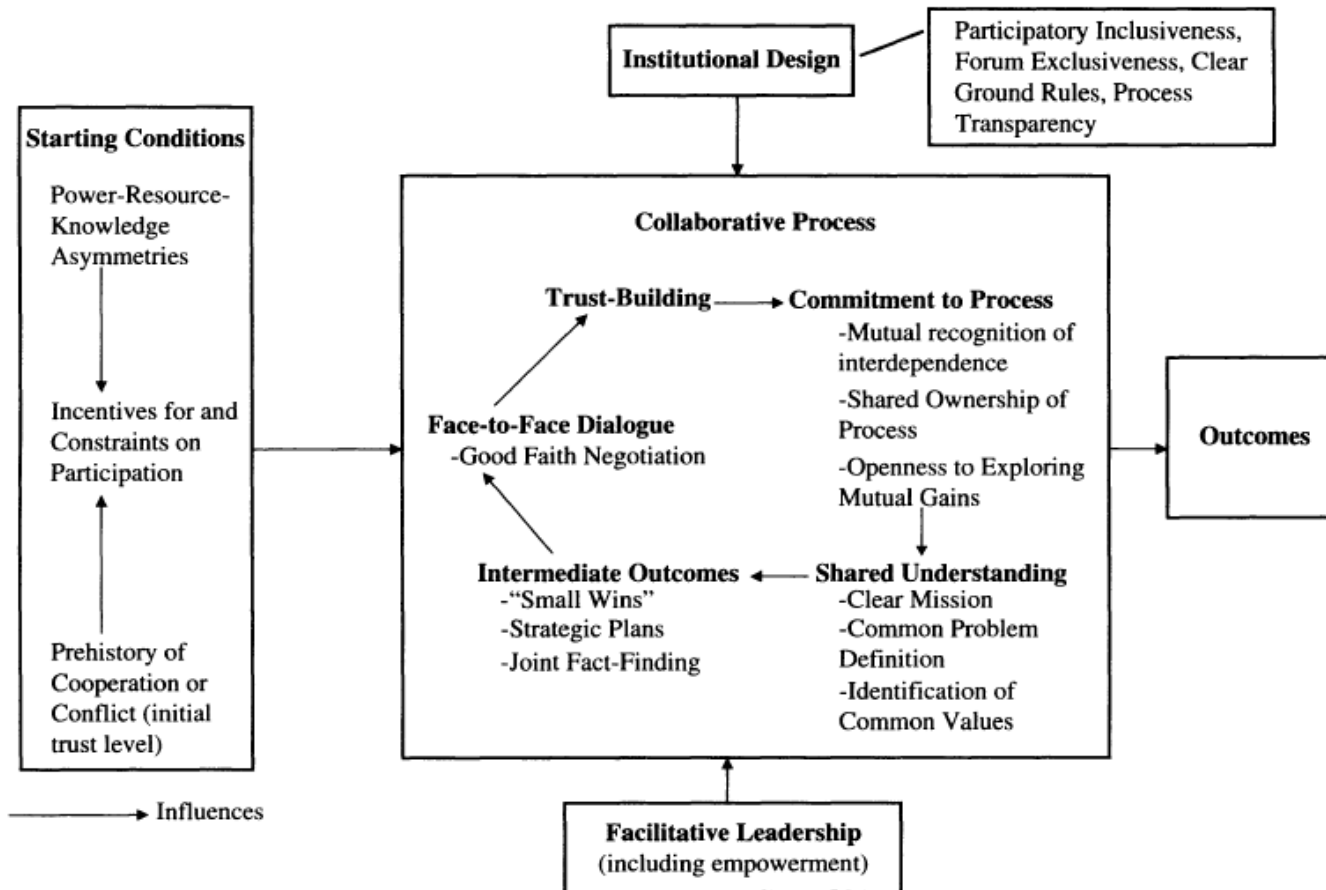
- Nanda (2006) argued that good governance become less effective because:
 1. It is followed by 'conditionality' that imply to 'transfer sovereignty'. This can weakness the domestic political process
 2. *Good governance* is a process, otoritarian regime needs time to change
 3. It has not been explained the standard concept of *good governance*. *The current concept tend to aviod local context and history*

Good Governance?

- Grindle (2007):
 1. What's essential and what's not?,
 2. What should come first and what should follow?,
 3. What can be achieved in the short term and what can only be achieved over the longer term?,
 4. What is feasible and what is not?"

Collaborative Governance

Ansell dan Gash (2008)



Proper Governance (Hidayat, 2017)





SUGGESTED TOPIC

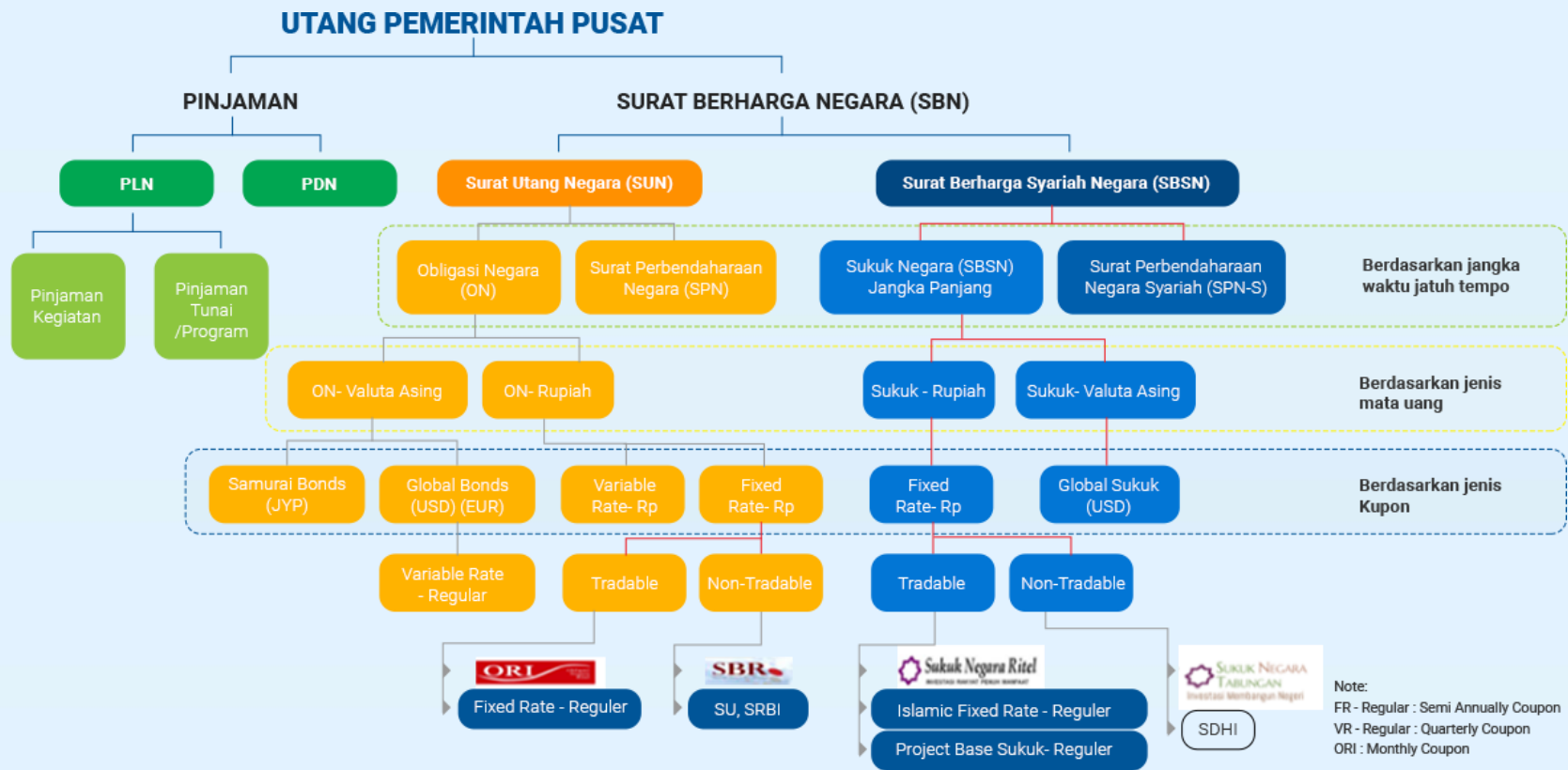




What topics should the IEO consider for future evaluations?

1. Disruptive technology and job creation
2. Macroeconomic stability with equity (extreme poor, poor moderate, and vulnerable)
3. *Sovereign bond markets, debt management policy, fiscal policy, state of banking system, and monetary policy*
4. *Price stability and subsidy policy*
5. *Sustainability of Social protection*
6. Complexity of government debt instrument
7. Infrastructure financing
8. Financial inclusion and financial technology (E-commerce)
9. Early warning crisis
10. Informal economy
11. Crypto currency

Complexity of Debt Instruments



TERIMA KASIH