

IV. LOOKING AHEAD: THE IEO WORK PROGRAM AND FUTURE MENU OF TOPICS

Under the IEO terms of reference, the Director of the IEO makes a final decision on the work program following consultations with Executive Directors, management, and staff, as well as with informed and interested parties outside the IMF. In April 2006, the IEO circulated to the Board and published on its website a list of 23 possible topics for evaluation which had been elaborated in consultation with various stakeholders.²² Feedback was sought and received from many quarters on both the substance of the suggestions and on priorities of timing. Subsequently in July, the Director identified four additional projects to be added to the IEO work program. The selection reflected many factors, including judgment on overall importance, the balance of issues, and appropriate timing, as well as the degree of public criticism. In particular, IEO priorities, as well as timing, are significantly affected by the fact that several topics are now being reviewed in other contexts.

The following four projects were added to the IEO's work program (Table 1) in July 2006:

- Aspects of IMF Corporate Governance—including the Role of the Board
- The IMF's Interactions with its Member Countries
- The IMF's Research Agenda
- The IMF's Approach to International Trade Issues

The main issues to be covered in these four projects are described below. Following IEO practice, detailed issues papers will be prepared for each project and the IEO will seek comments from internal and external stakeholders before the scope of each evaluation is finalized. The final terms of reference will also be posted on the website and concerned stakeholders will be invited to submit substantive inputs on any aspect of the terms of reference.

Depending on their scope and complexity, the new projects would likely be completed in FY2008 or the first half of FY2009. The precise timing and ordering of the new projects will depend in part on the availability of appropriate staff resources as they are recruited or freed up from current projects. The remaining topics from the original list will be held over for consideration, together with other potential topics, to be included in a work program at a later stage.

²² Available at <http://www.imf.org/External/NP/ieo/2006/mt/eng/050806.pdf>.

A. Aspects of IMF Corporate Governance—Including the Role of the Board

Corporate governance is the way in which organizations are directed and controlled. It defines the distribution of rights and responsibilities among the different stakeholders and participants in the organization, determines the rules and procedures for making decisions on corporate affairs including the process through which the organization's objectives are set, and provides the means of attaining these objectives and monitoring performance. During the last 30 years, the world has witnessed dramatic changes both in the private sector—where many firms have significantly changed their lines of business, organizational structure, size and operating technologies—and in the public sector—where in many national governments, institutions have undergone significant adjustments in size, mandate, programs, organizational structures, and internal operations.

Some have argued that the IMF has not kept up with changes witnessed in other organizations. Most of the current arrangements defining the corporate governance of the IMF—including the relationships between the IMFC, the Board, and Management—have remained mostly unchanged for many years. At the same time, there has been significant evolution in communications between capitals, groupings of countries,²³ the Board, and the IMF in general. The IMF has also become a more transparent organization. Some critics have argued that the Board exercises relatively little influence over management and is unable to ensure accountability of staff and management. Others have argued that the Board exercises too much control and is itself unaccountable. The evaluation would assess how the current structure has worked in practice. It would look at mechanisms for consultation and allocation of decision-making responsibilities between the Board, management and staff as well as the relative roles of the IMFC, Deputies and groupings of countries. Underlying processes would be evaluated against the purposes of the institution, political accountability, and efficiency of decision-making.

While the concept of corporate governance can potentially cover a large area, the principles underpinning a strong corporate governance framework are often summarized in terms of four values—equitable treatment, responsibility, transparency and accountability. This evaluation would focus in particular on the relationships and interactions among staff, management and the Executive Board. It would not address the ownership structure of the IMF itself.

The evaluation would draw upon the expertise of a multidisciplinary team. While keeping in mind the sui generis nature of the IMF, an important element would be a benchmarking of the IMF corporate governance structure with that of other international organizations as well as relevant government and private sector organizations.

²³ See Leo Van Houtven (2002) available at <http://www.imf.org/external/pubs/ft/pam/pam53/contents.htm> for an introduction to the “Governance of the IMF”.

B. The IMF's Interactions with its Member Countries

The effectiveness of the IMF depends in large part on a successful relationship between the IMF and its member countries. The IMF comprises the Executive Board, management, and staff, and while most of the interaction with member countries takes place between the staff and the country authorities, messages delivered by the Executive Board and other channels of interaction have become increasingly important in recent years. In particular, greater efforts have been made to establish contacts between staff (either headquarters-based or resident representatives) and non-government institutions (parliamentarians, civil society, market participants, the press, etc.) in member countries. The evaluation would focus on how the relationship between staff and country authorities is working, but would also investigate how other channels of contact have affected that key relationship.

A starting point would be to establish how well the nature of the relationship is understood by various parties, including an understanding of the appropriate interactions given the unique set of rights and obligations inherent in IMF membership. Thereafter the study would examine the nature of the interactions. In some cases the relationship is perceived to be working very well and the study would attempt to identify underlying best practices, including why some regions have been more receptive to the IMF's efforts. In other cases there is frequent criticism that the IMF too often conveys advice and views to country authorities without adequately taking account of country circumstances, or without listening carefully enough to the views of the authorities. As a result, critics contend, the IMF does not form an accurate assessment of the true needs and priorities of the membership, or, even when broadly correct, is insufficiently specific to be helpful. It thereby misses opportunities to be effective, or, even worse, misdiagnoses problems or recommends inappropriate policy advice.²⁴

A second type of criticism is that even when the IMF's views are carefully considered and well worth listening to, they are conveyed in a way that is unlikely to be effective. Either the written documents are too long and inaccessible to be widely used, or contacts are not made with sufficiently senior officials, who, in some instances, are simply unaware or misinformed about the IMF's purpose and the nature of its activities. Relatedly, it is sometimes claimed, the IMF, while being much more transparent in recent years, has not proactively used the opportunities to shape opinion in member countries that could facilitate debate and reform of economic policies.

²⁴ Under this type of criticism falls charges that the IMF is arrogant in its views; adopts a "one-size fits all" approach to problems that are diagnosed in Washington; adopts the latest policy priorities of key members or donors, rather than those of the country it should be advising; or is oblivious to the political and technical constraints that are critical in designing and implementing policies.

The study would rely on various sources, including (i) a perception survey of senior officials in member countries; (ii) in a sample of countries, structured interviews with officials as well as parliamentarians, representatives of the private sector and nongovernmental organizations; and (iii) a survey of relevant staff, management, and Executive Directors. Based on the views of country authorities and others, the project could evaluate whether the IMF's engagement with member countries could be more effective. It would examine aspects of IMF country operations across a wide array of instruments, including program relationships, Article IV consultations, and technical assistance and training, and the modalities of interaction, including through missions, resident representatives, and communication with headquarters. The evaluation would attempt to assess how well the IMF's instruments and modalities of operation are aligned with the needs of policymakers, and how well the relationship with member countries is managed.

C. The IMF's Research Agenda

Six years ago, a group of independent experts evaluated the IMF's economic research activities.²⁵ At that time, the Executive Board agreed with the group's finding that there was "substantial room for improvement in the overall quality of the IMF's research." Among other conclusions, Directors endorsed the recommendation that the mix of research conducted at the IMF would need to be directed more to areas where it could add the most value and agreed that it could be integrated to a greater extent into policy work—an assessment that has also been shared by external critics of the IMF. The evaluation would be a follow up exercise and look at two areas.

- First, the evaluation would examine the way in which research topics are selected and priorities imposed across the IMF, and the extent to which the recommendation has been carried out to direct research more to areas where it could add the most value and be better integrated into policy work. In order to do this, an analysis of the research conducted by all departments in the IMF would be undertaken, using as a starting point the work performed by the existing interdepartmental Research Committee. The evaluation would attempt to identify which pieces of research had been particularly relevant and influential for the country and policy work of the IMF. In addition a survey of staff and country officials would try to elicit whether some topics could have received greater priority. Given the attempt to streamline and focus IMF activities in recent years, and to seek ways to save costs—issues that will be of even greater importance in the years to come—the evaluation would explore the extent to which decisions on research topics are guided by the opportunities to rely on research conducted outside the IMF, either at other institutions such as the World Bank and the OECD, or in academia.

²⁵ See <http://www.imf.org/external/pubs/ft/extev/res/index.HTM>.

- Second, the evaluation will investigate aspects of the quality (as opposed to the scope and relevance) of IMF research. The process by which IMF research is supervised and vetted would be examined. The views on a sample of research would be sought from a panel of external experts. Issues such as the degree of innovation, and the consistency with first best methodology would be studied.

D. The IMF's Approach to International Trade Issues

A stated purpose of the IMF is to facilitate the expansion and balanced growth of international trade.²⁶ Last year's internal staff review of the "IMF Work on Trade"²⁷ concludes that the IMF has consistently advocated open trade regimes as a means to improve economic efficiency, combat rent-seeking and corruption, and promote income growth. While providing a broad overview of the IMF's work on trade policy, including conditionality, the internal review has not sought to address far reaching questions relating to the appropriateness and effectiveness of the IMF's advice on trade reforms. During the review's discussion at the Board, directors generally agreed that it would be desirable to conduct case studies on the impact and design of trade policy reforms recommended by the IMF. They considered such studies helpful for drawing lessons for future country-specific policy advice and program design.

The IMF's approach to trade has always drawn substantial criticism. According to critics, (i) IMF-supported trade liberalization has been too fast, (ii) programs have not included appropriate social safety nets for affected vulnerable parts of the population, (iii) IMF advice on trade liberalization has ignored market imperfections in domestic and world markets, (iv) the IMF has failed to take into account the impact of tariff reductions on the revenue base and fiscal sustainability, (v) trade conditionality has been driven by the agenda of developed country shareholders in the IMF, (vi) IMF requirements to liberalize unilaterally has decreased program countries' bargaining power in the multilateral negotiations, and/or (vii) the IMF has been too soft on tariffs and non-tariff barriers in industrial countries as well as on other policies of industrial countries that amplified global trade imbalances.

The evaluation would entail in-depth case studies of program, surveillance, and technical assistance activities focusing on IMF involvement in trade reforms and their impacts. It would assess the quality and effectiveness of the IMF's advice at country, regional, and multilateral levels, as well as on global trade imbalances. It would also look at the IMF's coordination with other organizations like UNCTAD, UNDP, World Bank, and the WTO (all of which have their own respective mandates in the area of trade). In the light of the recent decisions—at the last Annual Meetings of the IMF and the World Bank as well as the

²⁶ See Articles of Agreement of the IMF available at <http://www.imf.org/external/pubs/ft/aa/aa.pdf>.

²⁷ See <http://www.imf.org/external/np/pp/eng/2005/020705.htm>.

last WTO Ministerial Meeting—to enhance the *Integrated Framework for Trade-Related Technical Assistance to least developed countries* (IF),²⁸ this evaluation would include the IMF's contribution to the work of the IF since its inauguration in October 1997. The Evaluation would complement the evaluation of the World Bank's trade policy advice recently carried out by the Bank's Independent Evaluation Group.²⁹

²⁸ See <http://www.integratedframework.org/>.

²⁹ See <http://www.worldbank.org/ieg/trade/report.html>.