PROGRESS REPORT ON THE ACTIVITIES OF THE INDEPENDENT EVALUATION OFFICE (IEO)

April 22, 2009

- 1. The recent developments in the world economy pose many questions regarding the role of the Fund in surveillance and crisis prevention. In view of this, the IEO will be launching an evaluation of how well the Fund performed in the run-up to this crisis. Launching of this study was discussed at a recent meeting of the Evaluation Committee of the Executive Board. Work on this study will start in the coming weeks, and a draft Issues Paper will be issued before the next IMFC meeting.
- 2. The IEO evaluation of the IMF's approach to international trade policy issues will be completed and sent to the Executive Board shortly. The report will be published following its discussion by the Executive Board. The evaluation, the parameters of which are described in an Issues Paper posted on the IEO's website, focuses on the clarity and conduct of the IMF's role in trade policy advice and advocacy. It addresses questions of whether interpretation of the mandate for IMF involvement in trade policy is well based and clear; whether critiques of IMF positions on trade policy issues have a solid basis; how well the IMF has adapted to the establishment of the World Trade Organization (WTO); and whether the IMF's trade policy advice has been effective. In its conclusions, the evaluation considers possible improvements in how the IMF defines and executes its role in trade policy issues.
- 3. Since its September 2008 report to the IMFC, a final issues paper for the evaluation of the IMF's interactions with Member Countries has been released, and it is expected that this evaluation will be completed and issued to the Executive Board this summer. The evaluation examines whether the interactions between the IMF and its member countries have been effective and well managed. It assesses the IMF's management of interactions that were carried out in different circumstances and for various objectives between 2001 and early 2008. It uses two metrics: (1) the Fund's own policies for managing interactions; and (2) the policies and practices of other institutions.
- 4. The IEO will release shortly a draft Issues Paper for the evaluation of research conducted at the IMF. This evaluation will be a follow up to the study conducted in 1999, before the creation of the IEO, by a group of independent experts. 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" and with the recommendation that the mix of research conducted at the IMF should be directed more to areas where it could add the most value, namely research on developing and transition economies and on the financial sector, and in particular cross-country work. The planned evaluation will focus on the scope and relevance of the research program, and its utilization and impact. It will assess the extent to which a greater share of the resources are now directed to areas where research could add the most value. It will examine whether research has become better integrated into operational

work (i.e., in technical assistance, in internal documents and review, in policy dialogue, and in recommendations made to member countries) and whether it influences decision-making by authorities in member countries.

- 5. Over the past year, the IEO pursued its outreach activities among authorities and civil society in member countries, with the aim of contributing to an informed discussion of policies and institutional reforms. Following the release of the IEO evaluation of IMF Governance in May 2008, the Executive Board and management set up a working group and an external committee, respectively, to help carry forward this work. The Working Group of Executive Directors prepared a work plan that outlines processes for following up on the IEO's recommendations. The work plan was discussed by the Executive Board on September 29, 2008, when Directors emphasized the need for "adequate flexibility with respect to the timing of its implementation, to take into account the Fund's overall work priorities" as well as work on governance being undertaken elsewhere; but they shared management's hope that concrete governance reform proposals can be distilled by the 2009 Annual Meetings. The Eminent Persons Group established by the Managing Director was asked to assess the adequacy of the Fund's current governance framework for decision making and to advise on any modifications that might enable the institution to fulfill its global mandate more effectively. The Committee's report, which was submitted to the Managing Director, was circulated to the Executive Board and published on the Fund's external website. A joint Board-Management steering committee has been established to monitor and coordinate the collaborative processes underway to reform the Fund's governance. As follow up to the November 2008 Action Plan of the Group of Twenty (G-20) in the area of reforming the IMF, a G-20 working group has prepared a set of conclusions and recommendations on IMF reforms. The IEO evaluation "Structural Conditionality in IMF-Supported Programs" has provided input for the recent reforms of the Fund's lending toolkit, including its conditionality framework for IMF arrangements.
- 6. On March 11, 2009, Thomas Bernes, the Director of the IEO, notified the IMF's Executive Board of his intention to retire at the end of July 2009. A search for Mr. Bernes' successor will be conducted by the Executive Board. In light of the departure of the Director, the decision on the multi-year IEO work program has been postponed until a successor is appointed by the Executive Board.