IEO

Independent Evaluation Office
of the International Monetary Fund

Annual Report 2009

Established in July 2001, the Independent Evaluation Office (IEO) provides objective and independent evaluation on issues related to the IMF. The IEO operates independently of IMF management and at arm's length from the IMF's Executive Board. Its goals are to enhance the learning culture within the IMF, strengthen the IMF's external credibility, promote greater understanding of the work of the IMF throughout the membership, and support the Executive Board's institutional governance and oversight responsibilities. For further information on the IEO and its work program, please see its website (www.ieo-imf.org) or contact the IEO at +1-202-623-7312 or at info@ieo-imf.org.

Top photo: Peter Gakunu and Yukio Yoshimura participate in a workshop to discuss the IEO review of *The IMF's Interactions with Its Member Countries,* April 2009.

Center left: IEO Deputy Director Ruben Lamdany answers questions about the IEO evaluation of IMF governance at a panel discussion organized by the World Bank's Independent Evaluation Group in January 2009.

Center right: Susan Schadler, project leader of the IEO evaluation of *IMF Involvement in International Trade Policy Issues,* speaks to workshop participants, April 2008.

Bottom left: Tom Bernes, Director of the IEO, who will depart from the IEO in July 2009 after leading the office for five years.

Bottom right: IEO Director Tom Bernes and IEO Deputy Director John Hicklin lead a workshop on the new evaluation of *The IMF's Interactions with Its Member Countries* in April 2009.

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Contents

The following conventions are used in this and other IEO reports:

- In tables, a blank cell indicates "not applicable," ellipsis points (. . .) indicate "not available," and 0 or 0.0 indicates "zero" or "negligible." Minor discrepancies between sums of constituent figures and totals are due to rounding.
- An en dash (–) between years or months (for example, 2005–06 or January–June) indicates the years or months covered, including the beginning and ending years or months; a slash or virgule (/) between years or months (for example, 2005/06) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2006).
- "Billion" means a thousand million; "trillion" means a thousand billion.
- "Basis points" refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to ¼ of 1 percentage point).

As used in these publications, the term "country" does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.

Some of the documents cited and referenced in IEO reports are not available to the public at the time of their publication. Under the current policy on public access to the IMF's archives, some of these documents will become available five years after their issuance. They may be referenced as EBS/YY/NN and SM/YY/NN, where EBS and SM indicate the series and YY indicates the year of issue. Certain other documents are to become available 10 to 20 years after their issuance, depending on the series.

Message from the Director

This sixth *Annual Report* describes the activities of the Independent Evaluation Office (IEO) during the year to April 30, 2009. It is my last as Director of the IEO. For over ten years, I have had the honor and the pleasure to be associated with the development of an independent evaluation function at the IMF. I served as Chairman of the Board's Evaluation Committee from November 1998 to 2000, which reached agreement on the establishment of the IEO, a concept that had been hotly debated during the previous ten years. The Office came into existence in 2001, and since June 2005 I have had the great opportunity to serve as its Director.

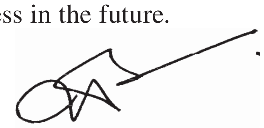
Over the past year, several IEO evaluations delivered in previous years continued to have an impact. The evaluation of *Structural Conditionality in IMF-Supported Programs* was acknowledged as having informed the recent overhaul of the Fund's lending facilities and conditionality. The evaluation on the *Governance of the IMF*, which was discussed by the Board in FY2009, is widely seen as having influenced the ongoing debate on IMF reform—contributing to the governance work of the Executive Directors, Management, and the Committee on IMF Governance Reform (also known as the Manuel Committee or Eminent Persons Group) appointed by Management. Governance reform also received attention in the communiqués and working papers of the Group of Twenty. Chapter 2 of this report discusses the impact of both these evaluations.

Chapter 2 also describes the evaluation on *IMF Involvement in International Trade Policy Issues*, which was completed in May 2009. This evaluation found that there was a radical swing in IMF involvement in trade policy. The interventionist approach of the late 1990s, when the IMF played an uneven and at times aggressive role in trade policies through conditionality gave way to substantial reluctance to state strong positions even on trade policies with macroeconomic import. The evaluation called for the Fund to play a strong advisory role on trade policy and to focus more attention on Preferential Trade Agreements and trade in financial services, including in the regional and global contexts.

At a time when the rapid unfolding of the global financial crisis has magnified the importance of the IMF carrying out its activities in a professional and fully accountable manner, the IEO's work is more vital than ever. As I look back on my time in the IEO, I draw a number of lessons for strengthening both the IEO's work and evaluation efforts more broadly. Chapter 3 discusses these issues and lessons.

The IEO continues to work on several reviews central to the mission of the IMF. Evaluations on *The IMF's Interactions with Its Member Countries* and on *The IMF's Research Agenda* are ongoing. The IEO is also launching an evaluation of how well the Fund performed in the run-up to the current crisis. Chapter 4 provides further details on these ongoing efforts. I have decided to leave the selection of the future work program to my successor, the next IEO Director.

The final impulse for the creation of the IEO was the need to have an independent and credible watchdog that would assist the membership to distill lessons and promote effective learning and change in the IMF in the aftermath of the 1997–98 crisis. The criticism that has been heard about the Fund not anticipating the current crisis underscores once again this need. I wish the Office, and the IMF, great success in the future.



Thomas A. Bernes
Director
Independent Evaluation Office

CHAPTER

I

Overview of Developments in FY2009

The financial year 2009 saw the production of an evaluation on *The IMF's Approach to International Trade Policy Issues*. The *Governance of the IMF* report was also discussed by the Board in FY2009, and there were discussions on follow-up to the IEO evaluation of *Structural Conditionality in IMF-Supported Programs*. This recently completed evaluation and follow-up to past evaluations will be discussed in Chapter 2.

Accountability: MIPs and PMR

IEO evaluations play a role in the overall accountability framework of the IMF. In response to a recommendation by the 2005 External Evaluation of the IEO, the IMF Executive Board established in January 2007 a system for tracking follow-up to and implementation of Board-endorsed IEO recommendations. (See *Annual Report 2008* for details.) This system relies on Management Implementation Plans (MIPs) and Periodic Monitoring Reports (PMRs) prepared by IMF Management and staff. Management presents to the Board a MIP for each IEO evaluation, proposing how to implement each recommendation endorsed by the Board. PMRs update the Board on the implementation status of each MIP and, during a transition period, of the recommendations in reports issued before the practice of MIPs was put in place. The Board discussed the first PMR in January 2008.

The second Periodic Monitoring Report (PMR) was discussed and approved by the Executive Board in October 2008. This PMR examined in particular the implementation status of the two Management Implementation Plans (MIPs) pertaining to Board-endorsed IEO recommendations on *The IMF and Aid to Sub-Saharan Africa* and *IMF Exchange Rate Policy Advice*. It also reported on progress in implementing the outstanding recommendations from the first PMR. The second PMR also included aspects of the IEO's evaluation of *Structural Conditionality in IMF-Supported Programs* that had been implemented. In fact, the discussion on structural conditionality in the PMR has been largely superseded by the changes in the Fund's lending framework adopted in March 2009, which was partly influenced by the IEO findings.

Budget and Staffing

In FY2009 the budget was spent nearly in full (Appendix 1), with the execution rate reaching 98.1 percent of the approved budget. On March 26, 2009, the IMF's Executive Board approved the IEO budget for FY2010 of $4.8 million, in line with the parameters agreed during the discussions on the downsizing of the IMF. This represents a 1.8 percent real decrease from the FY2009 budget. The IEO budget remains at about 0.5 percent of the total IMF budget. The Executive Board accepted the IEO's proposal to adopt a policy of allowing a carryover equivalent to a maximum of 5 percent of the IEO FY2009 budget into FY2010 and to adopt a similar carryover for subsequent years. It has been difficult to fine-tune expenditures to ensure full budget utilization without risking overspending, and the additional flexibility is welcome.

The cumulative reduction in the IEO budget in recent years has led to a squeeze in discretionary expenditures and a reduction of one position, to only six economists. This will have implications for the work program, with some slowing in the production of evaluations. The documentation prepared for last year's budget discussions at the Executive Board explained that this level of resources is consistent with "struggling to produce two evaluations a year." This is what in fact we have found over the past year.

The FY2008 *Annual Report* highlighted changes to IEO's human resources policies, which followed up on recommendations made by the 2005 External Evaluation of the IEO. However, high staff turnover remains a key issue. There were eleven departures over the last two years from the original seven (and more recently six) economist positions. This rapid turnover of staff complicates personnel management and imposes significant costs on the office. The IEO will be suggesting to the Executive Board proposals for changes in the terms of employment and in the incentive structures to address these challenges. This requires careful attention to the trade-offs among ensuring independence (and the perceptions of independence) of the IEO, acquiring the right mix of staff, and maximizing efficiency.

Outreach and Communication Activities

The IEO engages in external outreach activities to disseminate its evaluation findings to a wide audience. The 2005 External Evaluation of the IEO noted that "outreach is critically important not only because it is part of the IEO remit to enhance broader understanding and inform people about their analyses and findings. It is equally a necessary tool for IEO to have any impact."[1] The IEO has continued to build on the revamped outreach and communications activities detailed in the 2008 *Annual Report*, including continued publication of the biannual newsletter. Appendix 2 lists events during which the work of the IEO was discussed.

[1] http://www.imf.org/external/np/pp/eng/2006/032906.pdf.

CHAPTER 2

Recently Completed Evaluations and Follow-Up on Past Evaluations

The report for the evaluation of *IMF Involvement in International Trade Policy Issues* was sent to the Executive Board for discussion in May 2009. The Executive Board discussed in FY2009 the report *Governance of the IMF* and the Management Implementation Plan for the evaluation of *Structural Conditionality in IMF-Supported Programs.* Both of these discussions were detailed in the FY2008 IEO *Annual Report*. This report outlines some of the Board's subsequent discussions on the topic of IMF governance.

IMF Involvement in International Trade Policy Issues

The evaluation covered 1996–2007, the years since the establishment of the World Trade Organization (WTO) and during which IMF involvement in trade policy has continued to evolve, and asked what the role of the IMF in trade policy has been and how well it has been carried out. It examined these questions in the context of surveillance and conditionality on use of Fund resources (UFR).

The evaluation found that there was a substantial swing in IMF involvement in trade policy during the evaluation period, which went too far on each side. The interventionist approach of the late 1990s, when the IMF played an uneven but at times aggressive role in trade policies through conditionality, gave way to substantial reluctance to state strong positions even on trade policies with macroeconomic import. Several factors undoubtedly affected this swing: the establishment of the WTO, the general retreat from structural issues, the prioritization of financial issues, and, possibly, complacency stemming from a long period of high world trade growth.

Regarding mandate, the evaluation found that the IMF, with near-global membership, well-entrenched procedures for frequent surveillance, and a mandate to promote macroeconomic growth and stability in a globalized economy, has a key role to play in calling attention to and rallying support for ways to address systemic and macroeconomic implications of trade policy developments. But the evaluation also found that this is not the role the IMF has played of late. Rather, country authorities see the IMF as increasingly sidelined on trade policy issues, and staff has pared back on expressing views beyond general endorsements of liberalism and multilateralism. This has left a worrisome gap. The WTO is first and foremost a negotiating forum, with no mandate and limited capability for taking views on how trade policy developments affect global, regional, or national macroeconomic vulnerabilities. Without a strong IMF presence on these issues, the global debate misses a critical player.

The evaluation found that cooperation with other organizations on trade policy issues worked, though some potential synergies were or could be lost. The IMF-WTO Cooperation Agreement covers the basics for good interactions. The basis for coherence between the actions of the two organizations with fundamentally different institutional roles in trade policy issues is less complete, and the scope for tensions (for example, between multilateral and unilateral approaches to liberalization and between market-based and trade policy responses to balance of payments pressures) was evident during the evaluation period. But the evaluation found that informal contacts between the two institutions and the IMF's diminishing role in trade conditionality kept flare-ups at bay. Still, other potential tensions, especially with respect to possible charges of exchange rate manipulation for trade purposes, lie below the surface. As for other institutions pursuing approaches to trade policy more similar to the IMF's, work with the World Bank was on occasion strong, but that with the Organization for Economic Cooperation and Development (OECD) and regional development banks not frequent.

In charting a course for the IMF on trade policy issues, the evaluation concluded that the Executive Board's guidance to staff was appropriately general but too vague. As trade policy encompasses a wide range of issues, not all of which are relevant from a macroeconomic perspective in every country or region, the Board appropriately broadened the range of issues staff might address and asked for selectivity. But on some issues—preferential trade agreements (PTAs) and trade in services stood out—the objectives and approach for IMF involvement were not made clear, nor were the criteria for macro-criticality that were to guide staff decisions on when to become involved in trade policy issues. Without clarity on these considerations, staff are unlikely to be effective in looking out for trade-policy-related threats to growth and stability in the global economy.

The evaluation also found that nowhere was the overshoot in IMF involvement in trade policy issues clearer than in the area of conditionality. While conditions on trade policy in IMF lending arrangements since the early 1980s probably contributed to a beneficial reduction in very high and distorting trade barriers, at times in the evaluation period trade conditionality exceeded a reasonable definition of macro-critical, went beyond staff's technical competence, and fell prey to political interference from large shareholders of the IMF. The subsequent virtual cessation of conditionality on trade policy was appropriate.

The evaluation found that surveillance of trade policies had a mixed record. On some important trade issues, bilateral surveillance provided excellent analysis and a strong voice for changing policies that harmed global welfare. Messages from Article IV reports were at times tough on both advanced countries (particularly on agricultural subsidies and contingent protection) and developing countries (where high tariff and nontariff barriers were part of a complex web of features that raised business costs, fiscal revenue reforms needed to accompany trade liberalization, and preference erosion created uncertainties). Still, the record of IMF involvement was uneven, and in recent years some important trade policy issues—from the perspective of spillovers and macroeconomic stability—were not addressed forcefully.

Two such issues stood out for not receiving the attention their macroeconomic and systemic importance merited. Much of the global action on trade policy in recent years has occurred through PTAs, an area in which IMF surveillance—bilateral, regional, and multilateral—did not fully engage. When views were expressed on PTAs in staff reports they differed considerably across countries (some favorable, some cautionary, and some quite bland) with no apparent reason for the differences. And a fair amount of analytical and empirical work on PTAs undertaken by IMF staff frequently did not find voice in the IMF's advice. In many countries, missions' reluctance to engage on PTA issues meant that trade policy was effectively taken off the table of IMF surveillance discussions.

Even more serious from the perspective of the IMF's core mandate is the meager attention given to trade in financial services. Although the *Global Financial Stability Report* and its predecessor, the *International Capital Markets Report*, on occasion addressed the risks and benefits of liberalizing trade in financial services, bilateral surveillance was not as thorough, tending indiscriminately to urge greater openness to foreign financial service providers with little or no direct assessment of risks. More explicit guidance on objectives of and approaches to surveillance of trade in financial services, as well as better tools for tracking openness to or restrictions on trade in financial services, would have promoted more thorough work in this area.

The evaluation attempted to assess the effectiveness of IMF advice on trade policies but did not obtain strong conclusions. Trade policy conditionality was typically implemented (frequently with delays) but was also often partially reversed later. Because trade policy advice in surveillance tended to be less precisely specified than conditionality and to have a medium-term focus, assessing its effectiveness would have required a counterfactual. Results from interviews and surveys present a mixed bag but broadly did not refute the notion that IMF advice is effective at least at the level of keeping trade policy issues on the table.

The evaluation made six main recommendations:

(1) Board guidance: The Board should commit to periodic reevaluation of guidance on objectives of, approaches to, and modalities of staff work on trade policies.

(2) Trade policy in UFR: Having scaled back conditionality on trade policy, the IMF must engage on issues with borrowing countries through a strong advisory role.

(3) Surveillance over trade policies: The main role of the IMF in trade policy issues in the future will likely be through surveillance. Four immediate initiatives are needed.

- (i) The Board should establish guidance on the role and approach of the IMF in PTAs.
- (ii) The Board should establish guidance on the role and approach of the IMF in trade in financial services.
- (iii) Trade policy—particularly involving PTAs—should be addressed periodically in multilateral and regional surveillance. Much of the value added that the IMF can bring to assessing trade policy developments comes from its ability to place them in a global context—an approach well-suited to the *World Economic Outlook* format.
- (iv) The IMF should recommit to evenhandedness in its trade policy advice.

(4) Outreach: To be effective, IMF staff in conjunction with the Board must consider ways to: (i) improve outreach to officials inside and outside

the ministries that are the IMF's traditional interlocutors and (ii) present trade policy issues in a persuasive, rigorous, and appealing manner.

(5) Data, expertise, and organization: Three orders of business are crucial for effective engagement in trade policy issues with the IMF's limited resources. (i) A minimum level of trade policy expertise is needed to give the work on trade policies sufficient momentum. (ii) A division needs to be established as the locus of inter-institutional cooperation on trade policy issues and a repository of trade expertise on which other staff can draw. (iii) Fund staff need data on and measures of trade protection. The abandonment of the old Trade Restrictiveness Index was reasonable, but a replacement should be considered.

(6) Inter-institutional cooperation: Management and a small number of senior staff need to commit to regular and formal meetings—say once a year—with counterparts in the OECD, WTO, and World Bank.

Governance of the IMF

Since the IEO released its evaluation on *Governance of the IMF* in May 2008, the Fund's Executive Directors and Management, the Committee on IMF Governance Reform (also known as the Eminent Persons Group) appointed by Management, and a working group of the Group of Twenty (G-20) have issued proposals for IMF reform that cover its governance. The IEO evaluation has made an important contribution to this rapidly developing debate.

On May 27, 2008, after Executive Board discussions, the Board and the Managing Director issued a joint statement that referred to the evaluation as "a very useful contribution to their efforts to help strengthen the Fund's governance." On September 14, 2008, the Managing Director announced the establishment of a Committee on IMF Governance Reform chaired by Trevor Manuel, Minister of Finance of South Africa, charged with proposing reforms and advising the IMF on how to fulfill its global mandate more effectively. Other members of the Committee were Michel Camdessus, former Managing Director of the IMF and Honorary Governor, Banque de France; Kenneth Dam, Professor of Law, the University of Chicago; Mohamed El-Erian, Chief Executive Officer, Pacific Investment Management Company; Sri Mulyani Indrawati, Minister of Finance and Coordinating Minister of the Economy, Republic of Indonesia; Guillermo Ortíz, Governor, Bank of Mexico; Robert Rubin, Council on Foreign Relations; Amartya Sen, Lamont University Professor, Harvard University; and Zhou Xiaochuan, Governor, People's Bank of China. On March 26, 2009, the Group issued its report with proposals for governance reform, which endorsed many of the IEO's recommendations.

Meanwhile, IMF Executive Directors have been debating the best means to follow up on the IEO evaluation. A Working Group of Executive Directors prepared a work plan for following up on the IEO recommendations. Responding to this plan, the Executive Board 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 the work on governance being undertaken in the Committee on IMF Governance Reform and the views of civil society and external audiences. Directors and Management established a Joint Steering Committee to facilitate and monitor cooperation among these groups. A number of Directors reiterated that further work on quota and voice reform should be an integral part of the Fund's overall governance reform.

At their meeting in London in April, G-20 leaders committed to reform the mandates, scope, and governance of the international financial institutions "to reflect changes in the world economy and the new challenges of globalization, and that emerging and developing economies, including the poorest, must have greater voice and representation. This must be accompanied by action to increase the credibility and accountability of the institutions through better strategic oversight and decision making."

CHAPTER 3

Cross-Cutting Issues and Lessons from the Crisis

Previous IEO *Annual Reports* identified common themes emerging from earlier evaluations. The FY2007 *Annual Report* emphasized the need for:

(1) better management of institutional change at the IMF;

(2) greater clarity about the goals of various IMF initiatives and a properly aligned external communications policy;

(3) strengthened partnerships between the IMF and other international financial institutions (IFIs) and donors; and

(4) clearer metrics for the assessment of the impact of IMF's policy advice and whether the IMF is meeting its commitments to countries.

The FY2008 *Annual Report* added a new theme, based largely on the findings of the evaluation on the *Governance of the IMF*, namely:

(5) the need for the IMF to be more explicit about who is accountable for what, and to whom.

The rapid unfolding of the global financial crisis has dramatically increased the importance of this theme and of the IMF carrying out its activities in a professional and fully accountable manner.

The IMF is charged with helping prevent and responding to systemic crises as a central part of its mandate. When economies are growing and the financial system seems strong, the demand for accountability is weak. But today the world can no longer afford a lack of accountability at the Fund. Crisis prevention requires continued vigilance by all, including by the IEO. Evaluation clearly has an important role in identifying opportunities and threats to the IMF's ability to carry out its mission—helping to prevent catastrophic crises and to manage them when prevention fails.

It is worth considering what the IEO has already learned from the crisis:

(1) There is a need to be even more pointed in challenging the evenhandedness of Management and staff in dealing with members. Lack of evenhandedness may have turned out to be the Fund's Achilles' heel in pursuing its mission of global stability. In 2005, the IEO recommended that the IMF make it more difficult for large countries to opt out of the Financial Sector Assessment Program (FSAP).

(2) On governance, perhaps IEO should examine more critically the Fund's ability to "speak truth to power," and highlight the risks of not doing so when the members that pose the greatest systemic risk are also the largest shareholders.

(3) Both the IMF and the IEO must be bolder in identifying and highlighting downside risks—the Fund in the context of surveillance-related assessments such as the FSAP, and the IEO in highlighting Management and staff failures to follow up on evaluation recommendations.

(4) There is a need to follow up on evaluation findings. In the example of the financial crisis, evaluations had clearly identified the need to enhance the Fund's macro-financial sector links; had clearly identified the FSAP loophole as a major issue; and had clearly identified the need for much greater connectivity between bilateral and multilateral surveillance. But little happened after these problems were identified.

The IEO's evaluations have increasingly sought to identify the real drivers of decision making within the Fund—that is, the Executive Board, Management, and staff—and to spell out the incentives and other factors that are creating the identified problems. However, effective evaluation needs to go even further: it must develop a constituency for change that can use evaluation findings for advocacy. This is why transparency and outreach are so important for IEO. To be effective, this constituency also needs to know the roles and responsibilities within the institution, and it needs clear metrics for tracking whether the undertakings and goals are being met and to what effect. Evaluation needs to provide these metrics as well.

Once all of these ingredients are lined up—evaluation evidence about a problem, an understanding of why it is the way it is, a constituency for change, an understanding of who's in charge of what, and clear indicators for monitoring progress—evaluators have a good chance of being effective. But if we merely develop the evaluation evidence, our efforts will be measured only in reports and not in effective learning or change.

CHAPTER 4

Ongoing Topics and Future Menu of Evaluation Topics

The IEO is currently completing the evaluation on *The IMF's Interactions with Its Member Countries*. Work is starting on two evaluation projects, one looking at the IMF's research and one assessing the Fund's performance in the run-up to the current financial and economic crisis. Beyond these two projects, the selection of future topics will await the arrival of the next Director of the IEO. Table 1 shows the status of IEO evaluations completed or in progress.

The IMF's Interactions with Its Member Countries

To achieve its objectives, the IMF depends in large part on having effective interactions with member countries. Interactions take place in the context of relationships established between the IMF and its 185 member countries. The nature and objectives of these relationships vary widely across the membership. Feedback from a variety of sources—including country authorities, civil society, and academics—suggests that these interactions could be improved. Both the importance of the interactions and their shortcomings have been recurrent themes in previous IEO evaluations.

This IEO 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 2008. It also looks at the Fund's own policies for managing interactions and the policies and practices of other institutions such as the World Bank, OECD, Bank for International Settlements, and some central banks, together with private sector entities—and considers some models of what best practice might be in this area. An Issues Paper laying out the proposed main direction, areas of focus, and methodology is available on the IEO website. It is expected that the report will be sent to the Executive Board in the summer of 2009.

The IMF's Research Agenda

The IEO evaluation of IMF research will be a follow-up to the 1999 study conducted by a group of independent external experts that evaluated the IMF's economic research activities. 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 should be directed more to areas in which research could add the most value, namely research on developing and transition economies and on the financial sector, and in particular cross-country work.

The IEO evaluation will cover research conducted by all departments in the IMF and will focus on two issues: the relevance and utilization of the IMF research program. It will examine how priorities are set, how research topics are selected, and how research is supervised and vetted across the IMF. The study will assess the extent to which a greater share of resources have been directed to areas where research could add the most value. It will examine whether research has become better integrated into operational work, that is, in technical assistance, in internal documents and review, in policy dialogue, and in recommendations made to member countries.

To characterize good practice, the evaluation will attempt to identify pieces of research that have been particularly relevant and influential for the country and policy work of the IMF. Interviews and surveys of staff, country officials and academics will be used to identify topics that could receive greater attention.

The IMF's Role in the Run-Up to the Current Financial and Economic Crisis

This evaluation will address the effectiveness of the IMF in preventing crises, or at least in providing an early warning to the membership. It will look at the Fund's bilateral surveillance in advanced economies,

Table 1. Completed and Ongoing IEO Work Program

Project	Status[1]
Initial Round of Evaluation Projects	
Prolonged Use of IMF Resources	Completed (August 2002)
The IMF and Recent Capital Account Crises	Completed (May 2003)
Fiscal Adjustment in IMF-Supported Programs	Completed (July 2003)
Additions to Work Program[2]	
FY2004	
The IMF and Argentina	Completed (July 2004)
PRSPs/PRGF	Completed (June 2004)
IMF Technical Assistance	Completed (January 2005)
FY2005	
The IMF's Approach to Capital Account Liberalization	Completed (April 2005)
IMF Assistance to Jordan	Completed (October 2005)
Financial Sector Assessment Program	Completed (November 2005)
Multilateral Surveillance	Completed (March 2006)
FY2006	
Structural Conditionality in IMF-Supported Programs	Completed (October 2007)
The IMF and Aid to Sub-Saharan Africa	Completed (January 2007)
IMF Exchange Rate Policy Advice	Completed (March 2007)
FY2007	
Governance of the IMF	Completed (April 2008)
IMF Involvement in International Trade Policy Issues	Completed (May 2009)
The IMF's Interactions with Its Member Countries	In progress
The IMF's Research Agenda	In progress
FY2009	
The IMF's Role in the Run-Up to the Current Financial and Economic Crisis	In progress

[1] The date refers to the time the completed report was, or is expected to be, circulated to the Evaluation Committee of the Executive Board.

[2] Refers to the fiscal year in which the projects were first added to the work program.

in particular on financial sector issues and vulnerability exercises. It will examine the extent to which systemic risks were identified and their potential spillover effects were brought up as part of the multilateral surveillance. The evaluation will explore the effectiveness of multilateral consultations and the utility of the process as an early warning mechanism. It will also discuss the analysis and advice provided in bilateral surveillance to emerging markets and developing countries now facing crises that are due, at least in part, to the spillover of the global crisis. This evaluation will look at the Fund's technical work, as well as governance issues such as evenhandedness and the institution's willingness and ability to convey difficult messages to large countries.

Appendix 1

Administrative Budget: Independent Evaluation Office

(In current U.S. dollars)

	FY2008		FY2009		FY2010
	Budget	Outturn[1]	Budget	Outturn[1]	Approved Budget
Total	**4,621,402**	**4,355,848**	**4,800,000**[2]	**4,710,335**[3]	**4,800,000**[2]
Regular staff allocation	3,182,800	2,773,017	3,243,450	2,700,531	3,211,400
Discretionary budget	1,438,602	1,582,831	1,556,550	2,009,804	1,588,600
Of which:					
Contractual services (including overtime)	815,104	1,128,936	791,359	1,520,096	857,382
Business travel and seminar program	477,463	361,385	557,543	437,176	509,236
Publications	134,180	61,730	140,565	31,413	144,485
Other fungible budgets	11,855	30,780	67,083	21,119	77,497

[1]IEO estimates.

[2]The final authorized budget included a 1 percent contingency and was rounded up to the nearest $100,000.

[3]Unspent $83,665 carried over to FY2010.

Appendix 2 Outreach Activities

June 2008, Washington, D.C., USA
IEO Director's presentation of the *IMF Governance* report at the Center for Global Development

July 2008, London, U.K.
IEO Director's meetings with U.K. authorities and civil society organizations

July 2008, London, U.K.
Presentation of the *Structural Conditionality* report at the U.K. House of Commons

July 2008, Frankfurt, Germany
Presentation of the *IMF Governance* report at the European Central Bank

July 2008, Brussels, Belgium
Presentation of the *IMF Governance* report at the EU expert group on international financial institutions

July 2008, Jerusalem, Israel
Presentation of the *Structural Conditionality* report

July 2008, Waterloo, Canada
IEO Director's participation in a conference on IMF reform

July 2008, Washington, D.C., USA
IEO Director's presentation on *IMF Governance* at the Brookings Institution

August 2008, Santiago, Chile
To meet with authorities from Brazil, Argentina, and Chile on various IEO issues

August 2008, Santiago, Chile
IEO Director's presentation on *IMF Governance* to the Board of the Central Bank of Chile

September 2008, London, U.K.
IEO Director's participation in a seminar on *IMF Governance* report

September 2008, Mumbai and New Delhi, India
IEO Director's meetings with authorities

October 2008, Warsaw, Poland
IEO Director's presentation at an evaluation conference

November 2008, Brasilia, Brazil
Presentation of *Structural Conditionality* report at the annual meetings of the Latin American and Caribbean Economic Association

December 2008, Tokyo and Osaka, Japan
IEO Director's presentation of the *IMF Governance* report

January 2009, Santiago, Chile
Presentation of the *IMF Governance* report at the 21st Regional Seminar of the UN Economic Commission for Latin America and the Caribbean

February 2009, Berlin, Germany
IEO/InWent Seminar

February 2009, Tokyo and Osaka, Japan
Presentations of the *Structural Conditionality* and *IMF Governance* reports to the Japan Bank for International Cooperation, the Japan International Cooperation Agency, the Ministry of Finance, and the Kansai Institute

February 2009, Manila, Philippines
IEO Director's presentation of the *IMF Governance* report

February 2009, Bangkok, Thailand
IEO Director's presentation of the *IMF Governance* report

March 2009, Beijing, China
IEO Director's meetings with authorities

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