

Trade Policy: IEO Calls for Rebalancing of IMF Approach

At a time when the global community has once again been reminded of the risks to economic growth and stability arising from potential protectionist responses, the IEO has released an evaluation of *IMF Involvement in International Trade Policy Issues*. The report covers the period since the establishment of the World Trade Organization (1996 to 2007).

In its general streamlining after 2000, the IMF scaled back its involvement in traditional trade policy issues such as tariff and nontariff barriers to merchandise trade, especially in the context of conditionality. This is welcome, as average tariffs in most countries had fallen to relatively low levels; conditionality often did not achieve lasting changes in trade policy; and the pressure for unilateral liberalization, especially through conditionality, created tensions with multilateral negotiations in the WTO.

In other respects the IMF's scaling back on trade policy advice has come at the cost of constructive roles in trade issues central to financial and systemic stability. Overall, the

evaluation points to several areas in which the Fund needs to play a larger and more considered role in close cooperation with other multilateral organizations: whether and how countries should liberalize trade in financial services (an issue underscored by the global financial crisis); the systemic implications of the proliferation of preferential trade agreements; and the global effects of trade policies (especially high agricultural tariffs and subsidies) of systemically important countries.

The overarching message of the report is that the IMF should recommit itself to trade policy issues that have potentially significant implications for macroeconomic and systemic stability. The evaluation recognizes that the resources the IMF can devote to trade policy are limited and recommends several steps to help rebalance its role in the key areas identified: more active interinstitutional cooperation; creation of a small repository for in-house trade expertise; and periodic in-depth exploration of regional and global implications of trade



policy developments in the World Economic and Regional Economic Outlooks.

The IEO Evaluation of *IMF Involvement in International Trade Policy Issues*, including IMF management and staff responses and the summing up of the Executive Board meeting, is available at http://www.ieo-imf.org/eval/complete/eval_06162009.html.

IEO Begins Evaluating IMF Performance in the Run Up to Financial Crisis

A draft issues paper was released in July on *The IMF's Role in the Run-Up to the Current Financial and Economic Crisis*. The evaluation will be centered around three pillars: bilateral surveillance in advanced economies, with a focus on financial sector issues; bilateral surveillance in countries that utilized IMF-supported programs in managing crises; and multilateral surveillance. It will assess the IMF's technical work, such as its diagnosis of emerging risks in the financial sector and their links to macroeconomic policy, and the advice provided to avoid or mitigate such risks. It will also assess governance issues, such as evenhandedness

and the institution's ability to convey difficult messages to large countries. The ultimate objective of this evaluation is to identify how the IMF could become more effective in preventing systemic crises, or at least in providing timely warnings to the membership on impending crises.

The draft issues paper, which defines the scope and the main questions to be addressed and proposes the material and methods that will be used in conducting the evaluation, is available at http://www.ieo-imf.org/eval/ongoing/economic_crisis.pdf.



(From right to left) Ruben Lamdany, Deputy Director, Tom Bernes, Director, and Paulo Vieira da Cunha participate in a workshop organized by the IEO in June in preparation for the new evaluation of the IMF's performance in the run up to the current financial crisis.

Research at IMF under evaluation

A draft issues paper for the evaluation of research at the IMF was also released in July. The evaluation will adopt a broad definition of research that covers a variety of outputs generated across the organization, covering the last decade. It will focus on two issues: the relevance and utilization of the IMF's research. The evaluation will also assess the technical quality of the research and examine the management of research activities. It will also describe the implementation of recommendations from the Mishkin report, an assessment of IMF research conducted in 1999 by a group of external experts. The preliminary issues paper laying out the main directions, areas of focus and methodology for the evaluation is available at <http://www.ieso-imf.org/eval/ongoing/Research_Relevance_and_Utilization_Draft.pdf>.

2009 Annual Report now available

In July, the IEO published its sixth Annual Report describing the activities of the office in the last fiscal year. The report presents a number of messages that have emerged from previous IEO evaluations and underlines their importance in the context of the rapid unfolding of the global financial crisis. Key among these messages are the need to: better manage institutional change; clarify the goals of various Fund initiatives and properly align external communication policy; strengthen partnerships with other international financial institutions and donors; develop clearer metrics for assessing the impact of IMF policy advice; and be more explicit about accountability within the Fund. This year's report argues that the current crisis has highlighted the need for the IEO to be even more pointed in challenging the evenhandedness of management and staff in dealing with members, and to be bolder in identifying and highlighting management and staff failures to follow up on evaluation recommendations. The report is available at <<http://www.ieso-imf.org/pub/ar/pdf/2009Report.pdf>>.

IMF Interactions with Its Member Countries

The IEO's evaluation of *The IMF's Interactions with Its Member Countries* is in the concluding stages. The evaluation, the parameters for which were set out in the final issues paper posted on the IEO's website in December 2008 (<http://www.ieso-imf.org/eval/ongoing/051508.pdf>), examines whether the interactions between the IMF and its member countries during the period 2001-08 were effective and well

managed. The evidence of effectiveness is being examined across country groups, including advanced, emerging and PRGF-eligible countries. The evaluation focuses on the interaction of IMF staff with country authorities and also considers other channels, including interactions with civil society. It also looks at the Fund's policies for managing interactions and examines evidence of practices in other institutions.

Periscope

As previously announced, Tom Bernes, Director of the IEO since 2005, left IEO on July 31, 2009. The IMF's Executive Board is in the process of selecting a new Director.

Following great interest in the published vacancies for evaluators/economists and an intensive selection process, we are welcoming several new colleagues to IEO this summer.

In June: Tom Bernes attended the ninth meeting of the Development Assistance Committee's Network of Development Evaluation in Paris. Tom Bernes, Susan Schadler (evaluation team leader), and Ling Hui Tan (coauthor) presented the findings and recommendations from the evaluation of *IMF Involvement in International Trade Policy Issues* at the WTO in Geneva; Richard Eglin, Director of the Trade Policies Review Division at the WTO, moderated the panel. Tom Bernes also took part in a workshop on Canadian Perspectives on the Role of the IMF organized by the Centre for International Governance Innovation in Canada.

In July: Ruben Lamdany, IEO Deputy Director, attended the Mid-Summer Classic workshop on IMF issues organized by the Bank of Canada. Susan Schadler presented the findings and recommendations from the evaluation to civil society organizations and IMF and World Bank staff at the IMF headquarters in Washington, DC.



Aldo Caliarì (right), Director of the Rethinking Bretton Woods Project at the Center of Concern, moderates a panel discussion on the newly-released IEO evaluation of "IMF Involvement in International Trade Policy Issues" in Washington, D.C. Susan Schadler (center), and Ling Hui Tan (left), participate in the panel.

The IEO has released a compendium entitled "Studies of IMF Governance" drawing on background work done in preparation for the IEO evaluation of IMF governance, completed in 2008. The publication is available at http://www.ieso-imf.org/books/complete/book_08282009.html.