

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

September 19, 2005

1. Mr. Thomas Bernes became the new Director of the Independent Evaluation Office (IEO) on June 6, 2005.
2. Since the last IMFC meetings the IEO completed two additional evaluations: The Evaluation of IMF Technical Assistance, presented to the Executive Board in February 2005, and the Evaluation of the IMF's Approach to Capital Account Liberalization, presented to the Executive Board in May 2005.
3. The basic recommendations of the Technical Assistance (TA) evaluation were (a) the need to enhance the process of setting TA priorities, by linking it better to the country policy directions (developed in Article IV and particularly the PRSP in the low-income countries) and to more systematic assessments of factors underlying past performance; (b) to better track different indicators of outcomes and impact to be agreed beforehand with the authorities. Special efforts should be made to differentiate between improvements in the technical capacity of agencies receiving significant IMF TA and these agencies' ability to make effective use of that increased capacity, and to identify the reasons for any shortcomings.
4. The recommendations of the capital account liberalization project were (a) for the Executive Board to clarify the IMF's approach to capital account issues; and (b) for IMF analysis and surveillance to give greater attention to supply-side factors of international capital flows and what can be done to reduce the volatility of those flows. Specifically, the report suggested, in the context of the first recommendation: (i) the place of capital account issues in IMF surveillance could be clarified; (ii) the IMF could sharpen its advice on capital account issues, based on solid analysis of the particular situation and risks facing specific countries; and (iii) the Executive Board could issue a statement clarifying the common elements of agreement on capital account liberalization.
5. Work is under way on the following evaluations:
 - An Evaluation of the Financial Sector Assessment Program (FSAP)
 - An Evaluation of IMF Support to Jordan, 1989-2004
 - An Evaluation of the IMF's Multilateral Surveillance

The issues papers for these evaluations can be found in the IEO website: www.imf.org/ieo. The first two evaluations will be sent to the Executive Board in the last quarter of this calendar year, and the third one in the first quarter of calendar 2006.

6. During the consultations between the new Director and interested stakeholders, questions have been raised on the overall volume of the work program, specifically the capacity of the IEO to produce four high quality evaluations a year and of the Executive Board, management, and staff to absorb them appropriately and identify the necessary follow up. Suggestions have been made for the IEO to aim at three evaluations per year combined with a greater emphasis on internal and external dissemination and follow up of Board-approved recommendations.

7. Based on these considerations it is proposed to proceed in FY 2006 with the evaluation of the role of structural conditionality in IMF-supported programs (ongoing) and two new projects: IMF advice on exchange rate policy and the IMF's role in selected African countries with respect to the external resource envelope, aid predictability, and debt sustainability. Following the conclusion of the current evaluation of multilateral surveillance, and in light of further reflections on the overall workload which may affect the timing, an evaluation of bilateral surveillance will be undertaken. This project will examine the overall process of bilateral surveillance, including issues related to surveillance of large industrial countries.