

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

April 21, 2010

1. Since its last report to the IMFC in October 2009, the IEO has completed its evaluation report on *IMF Interactions with Member Countries* and finalized issues papers for evaluations on the *IMF Performance in the Run-up to the Current Financial and Economic Crisis* and *Research at the IMF: Relevance and Utilization*. On February 1, Moisés Schwartz assumed his duties as the third Director of the IEO.

2. The evaluation of *IMF Interactions with Member Countries* covered the period 2001–08. The evaluation found that IMF interactions were more effective with low-income countries and with other emerging economies than they were with advanced and large emerging economies. The difference reflects the greater relevance of IMF interactions, as perceived by country authorities and staff, in program and technical assistance contexts than in the surveillance-only context. Of particular note was continuing strategic dissonance with large advanced economies about the Fund’s role and limited effectiveness with large emerging economies, many of whom saw the surveillance process as lacking value and/or evenhandedness. At the same time, more than two-thirds of responding authorities from advanced economies, other emerging economies, and PRGF-eligible countries, and 55 percent of large emerging economies, rated the overall effectiveness of interactions between the IMF and their countries in 2007–08 as effective or very effective. Overall, the evaluation found that interactions were undermanaged, although some individuals managed particular interactions very well.

3. The report recommends a number of actions to improve the effectiveness of core IMF activities, including:

- improve the quality and relevance of the international dimensions of the Fund’s work, among other steps, to make the Fund more attractive to country authorities and promote traction;
- develop knowledge-based products to enhance the Fund’s ability to engage government authorities in its surveillance activities;
- adopt a more strategic approach to interactions, both for groups of countries and at the individual country level;
- develop professional standards for staff interactions with authorities on country assessments;
- clarify the modes of and approaches to outreach; and

- undertake a number of steps to better manage interactions, including longer tenures for mission chiefs, and clarified responsibilities and accountabilities for relationship management.
4. The Executive Board discussed the IEO report on December 14, 2009. Directors broadly supported the thrust of key IEO recommendations on enhancing traction, improving outreach effectiveness and strengthening interactions management. On specific proposals, for instance, Directors: stressed the importance of further enhancing the international dimensions of the Fund's surveillance and policy work with greater attention to cross-country analysis and spillovers; generally supported the proposal to increase mission chief and staff tenure on country assignments; strongly supported efforts to enhance the candor and effectiveness of Fund engagement with country authorities; and generally considered it useful to provide greater guidance for staff on outreach while ensuring sufficient flexibility. Management and staff are preparing an implementation plan for consideration by the Board.
 5. Work continues on two ongoing evaluations, *IMF Performance in the Run-Up to the Current Financial and Economic Crisis* and *Research at the IMF: Relevance and Utilization*. Final issues papers for these two evaluations were posted on the IEO's website in March 2010.
 6. Following the discussion of the IEO evaluation of *IMF Involvement in International Trade Policy Issues*, IMF management prepared a plan for implementing those recommendations that were endorsed by the Executive Board. The Management Implementation Plan (MIP) noted Directors' desire for recommendations to be implemented within the existing resource envelope. Among the follow-up actions to be taken are: reviews of Fund work on trade every five years, beginning in 2014; guidance to staff on trade in financial services and preferential trade agreements, to be developed by July 2010; and revised guidance on trade policy advice/conditionality in the context of Fund-supported programs. The Board approved this MIP on December 17, 2009.
 7. As emphasized in prior reports, follow-up on IEO recommendations endorsed by the Board is vital to establishing accountability and completing the cycle of learning to which independent evaluation contributes. A two-step process developed after the external evaluation of the IEO is now in place: preparation of a MIP for each evaluation after the Board discussion, and reviews of progress in undertaking identified action items through Periodic Monitoring Reports (PMR). The latest PMR (October 2009) reviewed the status of the actions identified in the MIP for the IEO evaluation on *Structural Conditionality in IMF-Supported Programs*, as well as outstanding items from the previous PMR relating to evaluations of *Exchange Rate Policy Advice* and *Sub-Saharan Africa*. The Board broadly endorsed Management's assessment in the PMR that all key performance benchmarks had been met or were on track for timely completion and proposed no new remedial actions.
 8. In commenting on the PMR, the Evaluation Committee of the Board also noted that more needs to be done in some cases to achieve the broader policy objective underlying

specific IEO recommendations, despite the fact that specific actions previously proposed may have been completed. The Committee drew attention in particular to Board-endorsed recommendations from the *Exchange Rate Policy Advice* evaluation, including the integration of macro and financial surveillance and the review of the stability of the system of exchange rates. In addition, the Evaluation Committee recommended consideration of improvements in the PMR process and suggested that the Evaluation Committee and Executive Board reflect further on how best to ensure implementation of the broader policy objectives that go beyond specific Board-endorsed IEO recommendations.

9. With a new Director on board, the IEO is now in the process of developing a medium-term work program for the IEO. Mr. Schwartz has begun consultations with Executive Directors, management, staff, and outside stakeholders to develop proposals for the IEO's work. IEO will prepare a consultation document to elicit further comments before setting forth a tentative work program for the next three years.

10. Completed evaluations, issues papers for ongoing evaluations, IEO Annual Reports, and other documentation, are available on the IEO website at www.ieu-imf.org.