

IEO

Independent Evaluation Office
of the International Monetary Fund

Annual Report 2010





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 left: Moisés Schwartz, new IEO Director, leads a workshop in April 2010 on the ongoing evaluations of *IMF Performance in the Run-Up to the Current Financial and Economic Crisis* and *Research at the IMF: Relevance and Utilization*.

Top right: IEO Deputy Director Ruben Lamdany (left), Günther Taube, Head of Department, InWEnt (center), and Jürgen Zattler, Head of Directorate, Multilateral and European Development Policy, Federal Ministry for Economic Cooperation and Development, Germany, speak at a joint IEO/InWEnt workshop in Berlin in March 2010.

Center left: John Hicklin (left), IEO Deputy Director, and Dominique Desruelle (right), Assistant Director, Strategy, Policy, and Review Department at the IMF, answer questions about the IEO evaluation report on *IMF Interactions with Member Countries* at a joint IEO/InWEnt workshop in Berlin in March 2010.

Center right: Rachel Lomax (left), former Deputy Governor of the Bank of England and Nancy Wagner (right), IEO lead evaluator on the evaluation of *IMF Performance in the Run-Up to the Current Financial and Economic Crisis* participate in an IEO workshop in July 2009.

Bottom left: Hali Edison (left), IEO lead evaluator for *Research at the IMF: Relevance and Utilization*, and Joanne Salop (right), senior consultant, speak at an IEO workshop in April 2010.

Bottom right: Angana Banerji (left), IEO Senior Economist, and Jack Boorman (right), former Director of the IMF's Policy Development and Review Department, participate in an IEO workshop in April 2010.

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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 $\frac{1}{4}$ 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 seventh *Annual Report* describes the activities of the Independent Evaluation Office (IEO) during the year to April 30, 2010, and is the first during my term as Director.

I arrived at the IEO in February 2010, having served as an Executive Director of the IMF from 2004 to 2006 representing Mexico, my own country, and seven other economies facing different circumstances and stages of development. This allowed me to get involved in numerous aspects of the work of the Fund, and to understand the need of the IMF to adapt to a changing economic environment. I previously worked in Mexico's Central Bank, the Finance Ministry, and most recently as President of the National Commission for Retirement Savings. With this background, I come to the IEO with a clear vision of the IMF's critical role, the vital importance of continuing to strengthen and improve its functioning in a challenging time, and the essential part the IEO plays in promoting effective learning and in assisting the Executive Board in its oversight responsibilities.

The IEO has conducted 16 evaluations in its initial nine years, each contributing to a body of lessons and knowledge about the IMF and its operations. In FY2010, the IEO issued its most recent evaluation examining *IMF Interactions with Member Countries*. The evaluation detailed a number of recommendations to enhance the traction of Fund surveillance and policy advice, to improve the effectiveness of outreach, and to strengthen the management of interactions. Chapter 2 provides a summary of this evaluation and of the Executive Board discussion. It also discusses the Management Implementation Plan (MIP) for the IEO report on *IMF Involvement in International Trade Policy Issues* issued in FY2009.

Work continues on two new evaluations—*Research at the IMF: Relevance and Utilization* and *IMF Performance in the Run-Up to the Current Financial and Economic Crisis*. The scope and status of these evaluations are described in Chapter 3.

The future work program of the IEO will soon be laid out. Given the transition of Directors, charting a new agenda of evaluations for the IEO was one of the first tasks I faced on my arrival. I am currently engaged in consultations with government authorities, Executive Directors, IMF management, staff, and outside stakeholders about a medium-term agenda and expect to have this in place early in FY2011. The referred work program will focus on issues relevant for the work of the Fund and its membership. I expect that the IEO's evaluations will continue to promote learning and a more efficient and effective organization.

Even as the IEO takes up new issues, following up on past evaluations and the recommendations contained therein is imperative to the learning cycle and to effective oversight. The current approach begins with the summing up of the Board discussion for each evaluation, which identifies IEO recommendations that were endorsed by the Executive Board. On this basis, IMF staff prepares a MIP detailing key implementation steps and a corresponding timeline. Progress in executing these plans is summarized in an annual Periodic Monitoring Report. (A fuller description of this process is provided in Chapter 1.) While this approach has provided some accountability, it is not clear that it is working as effectively as it could be to ensure that the IEO's work has the impact intended by the Board. Executive Directors, management, and staff

have initiated a dialogue about enhancing follow-up, and I look forward to continuing this conversation.

We are all aware that the IMF and its members face a particularly critical time. Looking ahead, there will be much to learn from the testing experiences of the current crisis, and continued adaptation will be necessary to position the IMF to serve its membership well in a new era. The IEO will work hard to fulfill its role in reflecting on experience, identifying how things might have been done better, and helping position the Fund to be yet more effective in the future.

Moisés J. Schwartz
Director
Independent Evaluation Office

Overview of Developments in FY2010

During the financial year 2010, the Executive Board discussed two IEO evaluations: *IMF Interactions with Member Countries* and *IMF Involvement in International Trade Policy Issues*. The Board also approved a Management Implementation Plan (MIP) on the trade evaluation. In March 2010, the IEO also posted on its website final issues papers for two ongoing evaluations: *Research at the IMF: Relevance and Utilization* and *IMF Performance in the Run-Up to the Current Financial and Economic Crisis*. Recently completed evaluations will be discussed in Chapter 2, and the ongoing evaluations will be summarized in Chapter 3.

Monitoring of Implementation of IEO Recommendations

Follow-up on IEO recommendations endorsed by the Executive Board is vital to establishing accountability and completing the cycle of learning to which independent evaluation contributes. As outlined in previous *Annual Reports*, in 2007 the Board established a system for tracking follow-up on and implementation of Board-endorsed IEO recommendations. In sum, a MIP is presented to the Board for each IEO evaluation, proposing how to implement each recommendation endorsed by the Board. A Periodic Monitoring Report (PMR) is prepared by IMF management and staff and presented to the Board each year to update the implementation status of MIPs issued, as well as to report on the status of the implementation of recommendations from evaluation reports issued before MIPs were introduced.

IMF management produced the most recent PMR in October 2009. This PMR reviewed the status of actions identified in the MIP for the IEO evaluation of *Structural Conditionality in IMF-Supported Programs*, as well as outstanding items from the previous PMR relating to evaluations of *IMF Exchange Rate Policy Advice* and *The IMF and Aid to Sub-Saharan Africa*. The PMR concluded that all key performance benchmarks had been met or were on track for timely completion and proposed no new remedial

actions; the Evaluation Committee broadly endorsed this assessment.

In reviewing the PMR, however, the Evaluation Committee noted that more needs to be done in some cases to achieve the broader policy objectives 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 *IMF 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. The Committee further emphasized the need to improve implementation of Board-endorsed IEO recommendations, possibly including revisions to the PMR process.

Budget and Staffing

In FY2010, the IEO expended approximately 95 percent of its budgetary resources (see Appendix 1). The corresponding underspending (about 5 percent of the budget) resulted from several vacancies for significant periods throughout the year. Thomas Bernes, the IEO's previous Director, retired in July 2009, and Moisés Schwartz joined only in February 2010; two out of the three other B-level positions were also vacant for several months. In addition, the IEO had to refill all of its six economist positions during the year due to staff departures. The savings from these vacancies were offset in part by higher spending on senior consultants (as contractual employees) to assist in the preparation of IEO evaluations.

Staffing developments over the course of FY2010 again highlighted the costs of high staff turnover for the IEO's work. In July 2009, the IEO undertook an assessment of recent staffing experience, the main challenges encountered in recruiting and retaining employees, and the aspects of the IEO's employment policies that contribute to these difficulties. In April 2010, the IEO presented to the Executive Board a list of mitigating measures, which were developed

after discussing practical, legal, and budgetary implications with the Human Resources Department, the Legal Department, and the Office of Budget and Planning. Among the changes approved by the Board are the possibility, in limited circumstances, to extend the term limit of employment for IEO senior employees and economists from a maximum of 6 years to a maximum of 12 years and the possibility of hiring Research Assistants as noncontractual employees for up to 6 years. The Board also approved a series of changes aimed at strengthening the IEO's actual and perceived independence, including the adoption of a policy wherein IEO employees hired directly from the Fund would lose the guaranteed right of re-entry to the Fund staff if their IEO employment extends beyond 6 years, as well as expansion of the categories of IEO's employees subject to a 12-month "cooling off" period before they can join the Fund staff. The changes approved by the Executive Board are cost neutral, and they will enhance IEO's technical excellence and its institutional knowledge of the Fund while maintaining IEO's diversity and freshness of experience and perspectives.

On March 12, 2010, the IMF's Executive Board approved the IEO budget for FY2011 of \$5.4 million, consistent with zero real growth over FY2010 and in line with the parameters expected for the Fund as a whole.¹ This follows reductions in real terms of 4

¹The FY2011 budget reflects the Fund-wide change in the methodology for budgeting for regular staff positions and a 2 percent projected increase in nonstaff expenditures. The Executive Board also approved a carrying forward of unspent funds from the FY2010 budget for spending in FY2011 up to a limit of 5 percent

percent and 0.2 percent in FY2010 and FY2009, respectively. These reductions, which took place in the context of the Fund-wide downsizing, required the IEO to reduce by one the number of economist positions, while holding nonstaff budgets constant. The IEO also presented indicative budgets for FY2012 and FY2013. These indicative budgets are consistent with zero real growth, but the IEO expects to revisit these budgets after the new Director has had the opportunity to establish a medium-term work program and to review the IEO's staffing and human resource policies.

Outreach and Communication Activities

The 2005 External Evaluation of the IEO noted that outreach is a "necessary tool" to inform stakeholders about IEO analyses and findings for these findings to have an impact. The IEO maintains a website with easy access to completed evaluations, issues papers for ongoing evaluations, the IEO work program, and other publications. The IEO also publishes a semiannual newsletter, available in English, French, Portuguese, Russian, and Spanish. To publicize and encourage discussion of its work, the IEO organized or participated in a number of public events in FY2010. These are listed in Appendix 2.

of the FY2010 budget, consistent with the policy on the carry forward of funds adopted by the Board in the past.

Recently Completed Evaluations and Follow-Up on Past Evaluations

During FY2010, the IEO issued the report on its evaluation of *IMF Interactions with Member Countries*, which was discussed by the Executive Board on December 14, 2009. A Management Implementation Plan (MIP) for the Board-endorsed recommendations of this evaluation is scheduled for Board discussion during the first quarter of FY2011. On June 8, 2009, the Board discussed the IEO evaluation of *IMF Involvement in International Trade Policy Issues* and on December 17, 2009, it approved a MIP for this evaluation.

IMF Interactions with Member Countries

This evaluation assessed the degree to which IMF interactions with member countries were effective and well managed in 2001–08, with particular attention paid to 2007–08. It contained a number of findings that are relevant to the tasks that lie ahead for the Fund in implementing the new responsibilities it has recently been given to help members deal with the global financial crisis.

Overall, the evidence was mixed. Survey results indicated relatively high perceptions of overall effectiveness in some country groupings, lack of agreement between the authorities and staff on the scope of interactions in some cases, and widely varying views of effectiveness in particular roles. Interactions were effective in a program and technical assistance context, and, in general, in contributing to a good exchange of views and in providing objective assessments. However, in other areas, including in the international dimensions of its surveillance and other work, effectiveness and quality were not rated highly.

The evaluation evidence showed that IMF interactions were least effective with advanced and large emerging economies. They were most effective with PRGF-eligible countries, and, to a lesser extent, with other emerging economies. Particularly troubling was the continuing strategic dissonance with large advanced economies, especially about the Fund's

role in international policy coordination, policy development, and outreach. The authorities did not give the Fund high marks for its effectiveness in these areas. Neither did staff, who nevertheless aimed to do more. The evidence also points to limited effectiveness with large emerging economies, many of whom saw the surveillance process as lacking value and/or evenhandedness.

The evaluation found that outreach with stakeholders beyond government contributed little to the effectiveness of IMF interactions. The Fund's transparency policy did less than staff had hoped to increase the Fund's traction, as some authorities blocked timely dissemination of mission findings. Dissemination initiatives designed to gain influence in domestic policy debates by repositioning the Fund as an informed analyst remained works in progress.

The evaluation found that interactions were undermanaged, although some individuals managed particular interactions very well. The Fund paid too little attention to the technical expertise and other skills that might have added value and neglected to manage pressures that staff felt to provide overly cautious country assessments—a finding of major concern, especially in respect to staff work on systematically important countries. In PRGF-eligible countries, an institutional strategy replete with attractive financing, debt relief, and strong links to donor funding made for an abundance of traction. But in some cases it also led to what authorities perceived to be arrogant and dictatorial staff behavior—though they saw evidence of progress in recent years. Staff incentives and training largely ignored interactions, and responsibilities and accountabilities for relationship management were not clear.

The report made a number of recommendations aimed at enhancing the effectiveness of IMF interactions with members.

- *To make the Fund more attractive to country authorities and promote traction:* (i) improve the quality of the international dimensions of the Fund's work; (ii) recruit specialist skills and bring more experts on country visits, especially where traction is waning; (iii) articulate menus

of products and services for emerging market and advanced economies; and (iv) replace the now defunct country surveillance agendas with strategic agendas to enhance country focus and accountability.

- *To improve the effectiveness of outreach:* (v) clarify the rules of the game on outreach; and (vi) decide how to handle the Fund's negative reputational legacy in countries where it is a factor undermining interactions, and equip staff with the skills and resources to follow through.
- *To improve the management of interactions:* (vii) develop professional standards for staff interactions with the authorities on country assessments; (viii) increase mission chief and staff tenure and training, and improve incentives for interactions; and (ix) clarify relationship management responsibilities and accountabilities.

Executive Board Discussion

The Executive Board discussed the IEO evaluation report on December 14, 2009. Executive Directors welcomed the evaluation and the important insights it offers into the effectiveness of interactions with member countries, which they saw as key to the Fund's ability to achieve its goals. Directors took note of the finding that the majority of authorities in all country groupings had rated the Fund's overall effectiveness positively. However, they expressed concerns about the indications of a lack of agreement between the Fund and the large advanced and large emerging countries respectively on the scope of interactions, and of widely varying effectiveness in areas where the Fund was supposed to excel. Directors observed that the report covered principally the pre-crisis period, and significant progress had been made on several fronts since then. Nevertheless, several of the report's key findings remained a source of concern. Directors believed that if the Fund were to effectively respond to the new opportunities and challenges confronting it, careful consideration needed to be given to the IEO's findings and recommendations, together with other possible areas for enhancement, acknowledging the complexity of interactions with Fund members.

Directors noted that the Fund's effectiveness was perceived to have improved since the onset of the crisis, reflecting important reforms and the central role which the Fund had been asked to play in the international community's response to the crisis. A number of Directors observed that the new responsibilities entrusted to the Fund were consistent with the recommendations for a greater role by the Fund in international policy coordination and analysis of spillovers.

Directors stressed that issues regarding the effectiveness and independence of Fund surveillance in large advanced and large emerging market economies merited serious consideration. They acknowledged that interactions with large countries involved special factors, including the extensive analyses of these countries undertaken outside the Fund. Nevertheless, the perceived lack of candor and value by these countries as well as concerns about evenhandedness in the case of emerging economies pointed to challenges requiring close follow up. Concerns were also expressed about the survey findings that staff working on all country groupings toned down their assessments to preserve the relationship with the authorities, and that many staff stated that there was a lack of support from management and senior staff when tensions arose between staff and country authorities. Directors stressed that the need for the Fund to provide candid messages was highlighted by the crisis, and that candor will remain essential in the period beyond the crisis. Some Directors highlighted the survey finding that increased outreach appeared to have done little to improve traction. Some Directors also highlighted the evaluation finding that the transparency policy had done less well in increasing traction than staff had hoped, given evidence that some authorities had resisted timely dissemination of mission findings. Many Directors underscored the importance of governance reforms to address the perceived problems with evenhandedness and to underpin effective interactions with members, based on mutual understanding and trust. A few Directors cautioned against the illusion that changes in the governance of the Fund would do much to improve member countries' willingness to listen to the Fund's advice.

Directors welcomed the positive assessment of relations with PRGF-eligible countries, although some cautioned that these members' relatively weak capacity and reliance on external official funding could mask underlying challenges in the effectiveness of the Fund's interactions. Directors agreed that a proactive outreach strategy, within overall resource constraints, could help further address some misperceptions about the Fund's engagement with PRGF-eligible countries. Some Directors observed that a key measure of effectiveness would be a continued strong relationship beyond the PRGF. Directors also welcomed the positive assessment of the role of resident representatives and technical assistance provided by the Fund.

A number of Directors highlighted the importance of addressing internal issues related to institutional culture that undermine the Fund's ability to establish itself as a trusted policy adviser to members, and noted that the recommendations could have gone further in considering how the institutional culture of the Fund could be made more responsive to the needs of its members. These Directors questioned whether,

in part, the issues raised by the IEO evaluation report reflected a lack of clarity as to who “the client” in the Fund’s engagement with members was. At the same time, it was emphasized that membership in the IMF entailed obligations for countries.

Recommendations Endorsed by the Board

Directors broadly supported the thrust of the key IEO recommendations to enhance the traction of Fund surveillance and policy advice, improve the effectiveness of outreach, and strengthen the management of interactions. At the same time, they expressed a range of views on several specific proposals, and underlined that the complexity of the issues warranted further analysis and discussion. The point was made that effective interaction also called for efforts on the part of national authorities and Executive Directors.

Directors stressed the importance of further enhancing the international dimension of the Fund’s surveillance and policy work with greater attention to cross-country analysis and spillovers. They emphasized that, building on the flagship products of the *World Economic Outlook*, the *Global Financial Stability Report*, and the *Regional Economic Outlooks*, there was scope for improvements and better integration of multilateral surveillance products into bilateral surveillance. While efforts to improve traction should aim to strengthen existing instruments in the first instance, Directors remained open to exploring other products that could enhance the Fund’s cross-country analysis. Directors strongly supported efforts to enhance the candor and effectiveness of Fund engagement with country authorities. They acknowledged the critical role of management and the Executive Board in supporting staff analysis involving politically difficult messages. Directors supported continued deepening of guidance and training for staff in conducting country relations.

Directors generally supported the proposal to increase mission chief and staff tenure on country assignments. They welcomed the steps being taken in this regard and noted that this objective should be balanced against the desire for fresh and cross-country perspectives. Directors supported the expanded recruitment of experienced, mid-career professionals to ensure the right skills mix and expertise. Some Directors saw merit in the proposal to bring more experts on country visits, especially when they offer significant value added, but others were concerned that a greater role of experts could run counter to team continuity.

Directors generally considered that it would be useful to provide greater guidance on outreach efforts, while ensuring sufficient flexibility. They agreed that it was important for the Fund to deal forthrightly with

current and past controversies, and that outreach efforts should be regularly updated to reflect ongoing reforms in Fund policies. While outreach efforts were seen to have a critical role in overcoming a negative reputational legacy in many countries, Directors generally did not support the proposal to develop specific guidance in this particular area. Several Directors stressed the need for care in engaging in policy debates outside the official dialogue, and a few asked for further discussion on this issue.

The discussion highlighted that efforts to strengthen the role and relevance of surveillance and policy advice across the entire membership needed to be sustained and further enhanced. As the Fund pressed ahead with efforts to assist members in securing a durable recovery from the crisis, promoting candor in staff’s assessments would remain critical. Further reflection was needed on internal cultural changes to enhance the Fund’s engagement with its members.

IMF Involvement in International Trade Policy Issues

On June 8, 2009, the IMF Executive Board discussed the IEO evaluation of *IMF Involvement in International Trade Policy Issues*. This evaluation came at a time when the global community was once again reminded of the risks to economic growth and stability arising from potential protectionist responses.

The evaluation covered the period since the establishment of the World Trade Organization (WTO)—1996 to 2007. It found that after 2000, as part of its streamlining efforts, the IMF had 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 was 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. At the same time, the evaluation pointed to several areas in which the Fund needed 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 was that the IMF should recommit itself to trade policy issues that have potentially significant implications for

macroeconomic and systemic stability. The evaluation recognized that the resources the IMF could devote to trade policy were limited and recommended several steps to help rebalance its role in the key areas identified: more active inter-institutional 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*.

In concluding the Board discussion, Executive Directors broadly agreed that the Fund has an important role to play on broad trade policy issues and their implications for external stability but highlighted the Fund's resource constraints. Many Directors viewed engagement as being best served through cooperation with the WTO and the World Bank. Directors agreed that the evaluation provided useful impetus to discussions on what should be the priorities for trade work in the Fund going forward. Most Directors supported the IEO's recommendations on the need for: (i) periodic Board review of guidance on trade policies;

and (ii) guidance on the approach to trade in financial services and the approach to preferential trade agreements where there are issues of spillovers or significant macroeconomic effects. Directors agreed that trade-related conditionality should continue to be macro-critical and take into account country-specific circumstances, as in other policy areas. Most Directors also saw scope for multilateral surveillance to pay greater attention to the global effects of trade policies in systemically important countries.

Following this discussion, a Management Implementation Plan was prepared to follow up on Board-endorsed recommendations on trade policy. The Board agreed to this plan in December 2009. Among the follow-up steps 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.

Ongoing Topics and Future Menu of Evaluation Topics

The IEO is currently working on two evaluations: *Research at the IMF: Relevance and Utilization* and *IMF Performance in the Run-Up to the Current Financial and Economic Crisis*. Final issues papers, describing the scope and main questions to be addressed and outlining the methods to be used to conduct the evaluations, were issued on March 18, 2010. In addition, the new IEO Director has begun consultations on topics for future evaluations and expects to propose a medium-term work program in the first quarter of FY2011. Table 1 shows the status of IEO evaluations completed or in progress.

Research at the IMF: Relevance and Utilization

This evaluation will focus on the relevance and utilization of the IMF's research program, especially by member countries, in the period 1999–2008. The evaluation will also assess the technical quality of IMF research and examine the management of IMF research activities. For the purposes of the evaluation, research is defined as outputs produced by economists across the IMF, focusing on policy analysis or on basic analytical tools and covering a wide spectrum of topics from more theoretical to more applied.

In carrying out the evaluation, the IEO is compiling an inventory of the vast quantity of research produced in this ten-year period (about 6,500 pieces); conducting surveys of all IMF country authorities and of IMF staff economists; reviewing internal documents; and interviewing staff, country authorities, and representatives of academia and think tanks. A number of background papers are also under preparation, including on regional views, the utilization of research in operational work, the technical quality of IMF research, the management of research, and the follow-up on the recommendations of the 1999 Mishkin report on IMF research.

IMF Performance in the Run-Up to the Current Financial and Economic Crisis

Identifying potential risks and vulnerabilities to international monetary and financial stability, together with alerting the membership and advising them of needed policy adjustments to avoid or mitigate the impact of a potential crisis, are among the key objectives of IMF surveillance. This evaluation will assess IMF performance in identifying the factors that brought about the crisis, examine the policy advice that the IMF provided to the membership on how to avoid or mitigate its consequences, and draw lessons for the future.

The evaluation will seek to answer a number of specific questions, including:

- whether and how far the IMF probed regarding emerging risks and vulnerabilities during the period prior to the crisis, especially in systemically important countries;
- to what degree the IMF examined the potential interactions between the real economy and the financial sector (i.e., macro-financial linkages);
- what type of analyses and warnings were given by the IMF to countries facing crisis as well as to the broader membership;
- how these messages compared with those conveyed by other multilateral institutions; and
- how quickly the IMF recognized risks and gave policy recommendations as the crisis began to unfold in mid-2007.

To answer these questions, the evaluation will examine the Fund's performance in both multilateral surveillance and bilateral surveillance, focusing on systemically important advanced economies, as well as emerging market economies and other advanced member economies most affected by the crisis. The

evaluation will draw on the review of internal and external documents, interviews with country authorities and staff, workshops on emerging findings, findings from past IEO evaluations, and background studies prepared by IEO staff and external consultants.

Director has begun consultations with country authorities, Executive Directors, IMF management, staff, and outside stakeholders to identify a medium-term work program that would best contribute to learning and accountability at the IMF. It is expected that this work program will be issued early in FY2011.

Future Work Program

Expectations are for the two evaluations currently underway to be completed during FY2011. The new

Table I. Completed and Ongoing IEO Work Program

| Evaluation | Status |
|--|---------------------------------|
| 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) |
| The IMF and Argentina, 1999–2001 | Completed (July 2004) |
| The IMF's Role in PRSPs and the PRGF | Completed (June 2004) |
| IMF Technical Assistance | Completed (January 2005) |
| The IMF's Approach to Capital Account Liberalization | Completed (April 2005) |
| IMF Support to Jordan, 1989–2004 | Completed (October 2005) |
| Financial Sector Assessment Program | Completed (November 2005) |
| Multilateral Surveillance | Completed (March 2006) |
| 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) |
| Governance of the IMF | Completed (April 2008) |
| IMF Involvement in International Trade Policy Issues | Completed (May 2009) |
| IMF Interactions with Member Countries | Completed (November 2009) |
| Research at the IMF: Relevance and Utilization | Final Issues Paper (March 2010) |
| IMF Performance in the Run-Up to the Current Financial and Economic Crisis | Final Issues Paper (March 2010) |

Appendix I

Administrative Budget: Independent Evaluation Office

(In current U.S. dollars)

| | FY2009 | | FY2010 | | FY2011 |
|--|------------------|----------------------|------------------------------|----------------------|------------------------------|
| | Approved Budget | Outturn ¹ | Approved Budget ² | Outturn ¹ | Approved Budget ² |
| Total | 4,798,146 | 4,713,871 | 4,787,946 | 4,634,052 | 5,432,785 |
| Regular staff allocation | 3,243,450 | 2,682,943 | 3,211,400 | 2,276,003 | 3,795,730 |
| Discretionary budget | 1,554,696 | 2,030,928 | 1,576,546 | 2,358,049 | 1,637,055 |
| <i>Of which:</i> | | | | | |
| <i>Contractual services (including overtime)</i> | <i>791,359</i> | <i>1,538,777</i> | <i>857,382</i> | <i>1,824,517</i> | <i>883,104</i> |
| <i>Business travel and seminar program</i> | <i>557,543</i> | <i>435,015</i> | <i>509,236</i> | <i>437,608</i> | <i>537,011</i> |
| <i>Publications</i> | <i>140,565</i> | <i>32,438</i> | <i>144,485</i> | <i>71,615</i> | <i>148,820</i> |
| <i>Other fungible budgets</i> | <i>65,229</i> | <i>24,698</i> | <i>65,443</i> | <i>24,309</i> | <i>68,120</i> |

¹IEO estimates.

²In addition, starting in FY2010 IEO is authorized to carry forward unspent funds up to a limit of 5 percent of the previous year's budget.

Appendix 2 Outreach Activities

June 2009, Paris, France

IEO Director's meetings at the Development Assistance Committee's Network of Development Evaluation.

June 2009, Geneva, Switzerland

Presentation of the *IMF Involvement in International Trade Policy Issues* report at the WTO.

July 2009, Ottawa, ON, Canada

Attendance at the Mid-Summer Classic workshop on IMF issues at the Bank of Canada.

July 2009, Washington, DC, USA

Presentation of the *IMF Involvement in International Trade Policy Issues* report to civil society organizations and IMF and World Bank staff.

October 2009, Istanbul, Turkey

Presentation of the *IMF Involvement in International Trade Policy Issues* report at Annual Meetings.

November 2009–April 2010

Consultations with authorities, other international organizations, and civil society in Africa, Asia, Europe, and Latin America as part of the ongoing evaluations

of *Research at the IMF: Relevance and Utilization and IMF Performance in the Run-Up to the Current Financial and Economic Crisis*, including a seminar in Berlin jointly hosted with InWEnt.

December 2009, Paris, France

Attendance at the Evaluation Cooperation Group.

January 2010, Santiago, Chile

Attendance at the 22nd Regional Seminar on Fiscal Policy at the Economic Commission for Latin America and the Caribbean (CEPAL).

March 2010, Tunis, Tunisia

Presentation of the *Governance of the IMF* evaluation report to the Development Effectiveness Committee of the Board of Directors of the African Development Bank.

March 2010, Berlin, Germany

IEO/InWEnt Seminar presenting the evaluation report on *IMF Interactions with Member Countries*.

April 2010, Washington, DC, USA

IEO Director's meetings with member country authorities during the 2010 Spring Meetings.