

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

April 18, 2006

1. Since its September 2005 Status Report, the IEO has completed three additional evaluations. During the same time, the office itself has undergone an independent external evaluation.
2. As foreseen in the original terms of reference for the office, the IEO itself was evaluated towards the end of 2005/early 2006 by an independent panel ( Karin Lissakers, Ishrat Husain, and Ngaire Woods). The IEO welcomes this report, which confirms that the IEO is an important part of good governance at the IMF, and has met most of the expectations raised at the time of its creation in 2001. At the same time, the report identifies a number of steps to strengthen IEO's performance. We intend to act upon these suggestions.
3. The IEO has recently completed two important evaluations pertaining to surveillance—a central activity of the IMF. The particular aspects covered in these evaluations were the Financial Sector Assessment Program (FSAP) and Multilateral Surveillance. The reports found a number of positive elements, including the high quality of analysis contained in multilateral surveillance outputs, and the distinct improvement in the Fund's ability to conduct financial sector surveillance resulting from the FSAP. At the same time, the IEO identified several important areas for improvement in surveillance as a whole.
4. For FSAPs, the main challenges involve:
  - ensuring future coverage of all systemically important countries;
  - addressing cross-border issues (which have mostly been neglected until now); and
  - taking steps to improve integration with overall bilateral surveillance which has been problematic.
5. On multilateral surveillance, the evaluation concludes that the IMF's work is falling short of its full potential. It recommends changes:
  - to achieve a better integration of both financial and macroeconomic dimensions as well as bilateral and multilateral analysis and policy prescriptions;
  - to achieve a better “customer focus” in the IMF's outputs through streamlined and better focussed products, shorter and clearer messages and a strengthened communications strategy; and
  - to enhance the impact of the Executive Board and the IMFC in multilateral surveillance, together with a more proactive use of smaller country groupings in which the IMF participates.

6 In addition, the IEO completed an Evaluation of IMF Support to Jordan, 1989-2004. The report's overall assessment was that Jordan's long engagement in Fund-supported programs had helped the authorities address macroeconomic stabilization challenges successfully. However, some of the main structural rigidities that underlay the financial crisis that led Jordan to its first IMF-supported program still remain, together with the challenge of adjusting successfully to volatile aid flows.

7 Work is currently underway on the following three evaluations:

- Structural Conditionality in IMF-Supported Programs, expected to be completed in mid-2006;
- The IMF's Role in the Determination of the External Resource Envelope in Sub-Saharan African Countries, expected to be completed by end-2006;
- The IMF's Advice on Exchange Rate Policy, expected to be completed in early 2007.

8 For the future work program, final decisions on new projects will be made after the Board discussion of the External Evaluation of IEO, and after further consultation on a menu which has been prepared in light of discussions with a wide range of inside and outside stakeholders.

9 Completed evaluations, issues papers for ongoing evaluations, past IEO Annual Reports and other documentation on the IEO work program are all available on the IEO website at ([www.imf.org/ieo](http://www.imf.org/ieo)).