

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

October 2, 2009

1. Since its last report to the IMFC in April 2009, the IEO has completed its evaluation report on *IMF Involvement in International Trade Policy Issues*; released the issues papers for the evaluations on the IMF's role in the run-up to the present crisis and on IMF research; and also issued the 2009 Annual Report.
2. The evaluation of *IMF Involvement in International Trade Policy Issues* covered 1996–2007, the years since the establishment of the World Trade Organization. It found that after its streamlining initiative in 2000, the IMF scaled back its involvement in traditional trade policy issues (tariff and nontariff barriers to merchandise trade). This scaling back was welcome, especially in the context of conditionality which had often not achieved lasting policy changes and created tensions with WTO negotiations. On the other hand, the evaluation pointed to three main areas where the IMF needs to play a larger and more considered role, in close cooperation with other multilateral organizations: (i) whether and how countries should liberalize trade in financial services (an issue underscored by the global financial crisis); (ii) the systemic implications of the proliferation of preferential trade agreements; and (iii) the global effects of trade policies (such as high agricultural tariffs and subsidies) in systemically important countries. The evaluation also recommended creating a small repository of in-house trade expertise and periodically exploring regional and global implications of trade developments in the World and Regional Economic Outlook.
3. The IMF Executive Board discussed the trade policy evaluation report on June 8, 2009. 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. Directors agreed that the evaluation gives useful impetus to discussions on what should be the priorities for trade work and looked forward to consideration of IMF management's implementation plan for the Board-endorsed recommendations.
4. The IEO evaluation of the *IMF's Interactions with Its Member Countries* will be completed and sent to the Executive Board shortly. The evaluation, the parameters for which were set out in the final issues paper published in December 2008, examines whether the interactions between the IMF and its member countries during the period 2001–08 have been effective and well-managed. The evaluation focuses on the interaction of IMF staff with country authorities, though it also considers other channels, including interactions with civil society.

5. A draft issues paper was issued in July on the evaluation of *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 emerging markets and other countries that utilized IMF-supported programs in managing the 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 evaluation's aim is to increase understanding of how the IMF could become more effective in preventing systemic crises, or at least in providing timely warnings to the membership on impending crises.

6. A draft issues paper for the evaluation of *Research at the IMF* was also issued in July. The evaluation will adopt a broad definition of research that covers a variety of outputs generated across the organization, covering the decade since 1999. It will focus on two issues: the relevance and utilization of the IMF's research. The evaluation will 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.

7. The IEO's 2009 Annual Report, released in July, 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; to clarify the goals of various Fund initiatives and properly align external communication policy; to strengthen partnerships with other international financial institutions and donors; to develop clearer metrics for the assessment of the impact of IMF policy advice; and to 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 highlighting management and staff failures to follow up on evaluation recommendations.

8. The Executive Board is conducting a search for a new IEO Director to succeed Thomas Bernes, who retired at the end of July 2009. Decisions on the multi-year IEO work program have been postponed until a successor is appointed.

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