



Independent Evaluation Office
of the International Monetary Fund

Annual Report 2011

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Message from the Director



I am pleased to present the eighth *Annual Report* of the Independent Evaluation Office (IEO), describing activities during the year from May 1, 2010 to April 30, 2011.

This year, the IEO issued an evaluation of *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07*. The IEO has also completed an evaluation of *IMF Research: Relevance and Utilization*, which was discussed by the Executive Board in early FY2012.

The *Crisis* evaluation found that the IMF fell short in warning member countries about risks to the global economy and the buildup of vulnerabilities in their own economies in the run-up to the crisis that began to manifest in mid-2007. The evaluation called on the IMF to recalibrate its analysis in surveillance to emphasize risks and vulnerabilities and to cultivate a culture that is proactive in crisis prevention. The nature of the crisis meant that the report focused on financial sector issues, yet most of its recommendations dealt with institutional changes that would improve the IMF's capacity to scan for risks and vulnerabilities across the board. These recommendations included changes to institutional structures and incentives to strengthen accountability, foster better assessment of risks, promote candor and clarity in messages, and enhance the ability to "speak truth to power."

I am encouraged by the broad agreement expressed by the Managing Director and Executive Board with the conclusions and recommendations of this report. The report has also led to a vigorous debate among IMF staff. This introspection is an important catalyst for change. Indeed, the IMF has already undertaken a number of initiatives to address the weaknesses revealed by the crisis. However, the IEO believes that additional changes are needed to reform the IMF's culture, governance, and practices so that the IMF is better prepared to confront future challenges.

The problems uncovered by this evaluation are long-standing, and many of them had been identified in the past. Thus, it is critical to establish a process of monitoring reforms and evaluating their impact, as the basis for designing new and corrective initiatives. The implementation of these initiatives will need close attention by Management and oversight by the Executive Board, as well as the support of authorities in member countries.

A full summary of the evaluation report and the Executive Board discussion is provided in Chapter 2 of this report. Chapter 2 also reports on the Management Implementation Plan for the 2009 IEO report on *IMF Interactions with Member Countries*.

In my message last year, I touched briefly on the issue of follow-up on IEO evaluations. Concerns have been expressed about weaknesses in the process established for this purpose. As the IEO approaches its tenth anniversary, I believe that it will be important to address this issue, to ensure that the IEO continues to contribute to a process of learning that strengthens the institution. The issue is discussed further in Chapter 3.

In early FY2011, the IEO consulted with the Executive Board and other stakeholders within and outside the Fund on a work program going forward. On this basis, it identified topics for several future evaluations, two of which were launched in FY2011—one reviewing the IMF's advice on international reserves and the other exploring the IMF's role as a trusted advisor to member countries. The IEO is consulting with stakeholders to help define the proposed focus and approach for these new evaluations. Draft issues papers are available on the IEO website for public comment. Chapter 4 briefly summarizes the

tentative scope of these two evaluations and mentions other topics that may be launched during FY2012.

The recent global financial and economic crisis and its lessons have highlighted the importance of a strong, effective, and well-equipped IMF. Going forward, the IEO will continue to work to make a meaningful contribution to this end.

Moises J. Schwartz
Director
Independent Evaluation Office

Overview of Developments in FY2011

During the financial year 2011, the IMF Executive Board discussed the IEO evaluation of *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07*. The IEO also produced an evaluation of *IMF Research: Relevance and Utilization* and provided it to IMF staff for a factual review, consistent with agreed practice. During FY2011, the Executive Board approved a Management Implementation Plan (MIP) for the IEO evaluation of *IMF Interactions with Member Countries*. Following consultations with the Executive Board and other stakeholders inside and outside the Fund on a work program going forward, the IEO initiated two new evaluations.

Recently completed evaluations are addressed in Chapter 2 and ongoing evaluations in Chapter 4.

Monitoring the Implementation of IEO Recommendations

As noted in past *Annual Reports*, follow-up on IEO recommendations endorsed by the IMF's Executive Board is an essential element of establishing accountability and completing the cycle of learning to which independent evaluation contributes. The system for tracking IMF implementation of Board-endorsed IEO recommendations has been in place for four years. The Executive Board has agreed to five MIPs, consenting in December 2010 to the MIP on the IEO evaluation of *IMF Interactions with Member Countries*. The Board has agreed that Management will present a MIP for the evaluation of *IMF Performance in the Run-Up to the Financial and Economic Crisis* after the review of the Triennial Surveillance Review scheduled for September 2011; Management and staff will continue to work in several areas targeted by the evaluation. The Board has also concurred with the conclusions of three Periodic Monitoring Reports (PMRs) produced by IMF staff, most recently in February 2010. Chapter 3 elaborates on concerns about this framework for monitoring and reporting on implementation of IEO recommendations.

Budget and Staffing

In FY2011, the IEO expended approximately 94.5 percent of its budgetary resources (see Appendix 1).

The IEO ended FY2010 with a large number of vacancies. Over FY2011, following the appointment of a new director, the IEO gradually filled most of these vacancies. Nonetheless, over the course of the fiscal year some vacancies remained, representing the equivalent of more than two staff years, which resulted in underspending of about 5.5 percent of the budget.¹ 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.

On March 29, 2011, the IMF's Executive Board approved the IEO budget for FY2012 of \$5.5 million, consistent with zero real growth over FY2011. The IEO also presented indicative budgets for FY2013 and FY2014. The indicative budget for FY2013 and beyond included a proposal for an increase in real terms of 3 percent in structural resources in line with the increase in the Fund-wide budget already in place for FY2012.² The proposed medium-term budget would enable the IEO to continue actively working on two evaluations per year, which leads to an average of less than two completed evaluations per year.

Outreach and Communication Activities

The IEO continues to follow through on the recommendations of the 2006 External Evaluation report to engage in outreach as a “necessary tool” to inform stakeholders about IEO analyses and findings in order

¹ On average in FY2011, IEO had vacancies of two B-level positions for a total of 9 months, a senior economist position for 6 months, and a research officer position for 10 months.

² It is expected that, with a lag, increases in the IMF-wide budget will lead to additional costs and evaluation needs.

to increase their 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 semi-annual 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 events

in FY2011, listed in Appendix 2. Of note, IEO conducted a meeting in Paris in October 2010 with an Advisory Group composed of eminent former government officials to discuss the emerging findings of the IEO evaluation of *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07*. A summary of the Advisory Group's views is available on the IEO website.

CHAPTER 2

Recently Completed Evaluations and Follow-Up on Past Evaluations

During FY2011, the IEO issued the report on its evaluation of *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07*, which was discussed by the Executive Board on January 26, 2011. The Executive Board agreed to a MIP for the IEO evaluation of *IMF Interactions with Member Countries* on December 27, 2010.

IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07

This evaluation assessed the IMF's performance during the period up to the crisis, focusing primarily on 2004 through 2007. Its analysis centered around three pillars, each examining a different aspect of IMF surveillance: multilateral surveillance, bilateral surveillance in systemic financial centers seen as those where the crisis originated (e.g., the United States and United Kingdom), and bilateral surveillance in selected other advanced and emerging economies that were affected by the crisis. The report integrates the findings, lessons, and recommendations of case studies and background papers prepared on these pillars.

The evaluation focused on the IMF's analysis, diagnosis, and recommendations on financial and monetary issues, which were seen as having been at the root of the crisis. It reviewed the messages that were conveyed by the staff, Management, and the Board to the membership and other stakeholders. The focus of the evaluation was on learning rather than accountability.

Findings

The evaluation found that during the period 2004 through the start of the crisis in mid-2007, the IMF did not warn the countries at the center of the crisis, nor the membership at large, of the vulnerabilities and risks that eventually brought about the crisis. For much

of the period the IMF was appropriately drawing the membership's attention to the risk that a disorderly unwinding of global imbalances could trigger a rapid and sharp depreciation of the dollar. However, the IMF gave too little consideration to deteriorating financial sector balance sheets, financial regulatory issues, possible links between monetary policy and global imbalances, and the credit boom and emerging asset bubbles. It did not discuss macro-prudential approaches that might have helped address the evolving risks. Even as late as April 2007, the IMF's banner message was one of continued optimism within a prevailing benign global environment. Staff reports and other IMF documents pointed to a positive near-term outlook and fundamentally sound financial market conditions. Only after the eruption of financial turbulence did the IMF take a more cautionary tone in the October 2007 *World Economic Outlook* and *Global Financial Stability Report (GFSR)*.

At different times during the evaluation period, the *GFSR* identified many of the risks that subsequently materialized, but not in an effective manner. Warnings about these risks were seldom incorporated in the IMF's banner messages. They were given in general terms, without an assessment of the scale of the problems or the severity of their potential impact, and were undermined by the accompanying sanguine overall outlook. To a large extent this was due to the belief that, thanks to the presumed ability of financial innovations to remove risks off banks' balance sheets, large financial institutions were in a strong position, and thereby, financial markets in advanced countries were fundamentally sound. This belief was strengthened by the extended period of global growth with low financial volatility that had generated the idea that serious recessions could be avoided, and that the global economy had entered a period of "Great Moderation." Another source of complacency was the result of stress tests and other analytical techniques in use that could not capture the vulnerabilities created by new and complex financial instruments.

The IMF missed key elements that underlay the developing crisis. In the United States, for example, it did not discuss, until the crisis had already erupted, the deteriorating lending standards for mortgage financing, or adequately assess the risks and impact of a major housing price correction on financial institutions. It was sanguine about the propensity of securitization to disperse risk, and about the risks to the financial system posed by rising leverage and the rapid expansion of the shadow banking system. In fact, the IMF praised the United States for its light-touch regulation and supervision that permitted the rapid financial innovation that ultimately contributed to the problems in the financial system. Moreover, the IMF recommended to other advanced countries to follow the U.S./U.K. approaches to the financial sector as a means to help foster greater financial innovation. The IMF did not sufficiently analyze what was driving the housing bubble or what roles monetary and financial policies might have played in this process. Furthermore, the IMF did not see the similarities between developments in the United States and United Kingdom and the experience of other advanced economies and emerging markets that had previously faced financial crises.

The IMF appropriately stressed the urgency of addressing the persistent and growing global current account imbalances, but it did not look at how these imbalances were linked to the systemic risks that were building up in financial systems. The IMF focused on the risks of an exchange rate crisis characterized by a rapid pullout from dollar assets, leading to a disorderly decline in the dollar and a spike in interest rates. It attempted to tackle this issue through a multipronged strategy, using its instruments of bilateral and multilateral surveillance and the newly-created multilateral consultation process. Its recommendations included fiscal consolidation in the United States, greater exchange rate flexibility in China, structural reform in the euro area, financial sector reform in Japan, and increased domestic spending in oil-producing countries. A second consultation on financial sector issues did not garner sufficient support from concerned member countries and, therefore, was not undertaken.

There were elements of good surveillance in many emerging and other advanced economies, but they were mostly focused on traditional macroeconomic risks and not necessarily on those that materialized in the crisis. The IMF urged countries to take advantage of favorable conditions to undertake measures that would make the country more resilient in the event of a shock. The IMF also gave advice to some of these countries on policies to enhance their financial sector regulation

and supervision. At the same time, the IMF paid too little attention to potential spillovers or contagion from advanced economies, despite concerns raised by the April 2006 *GFSR*.

Recommendations

In considering recommendations, the evaluation aimed to strengthen the IMF's working environment and analytical capacity to better allow it to discern risks and vulnerabilities and alert the membership in time to prevent or mitigate the impact of a future crisis. The evaluation determined that the Fund needs to cultivate a culture that is proactive in crisis prevention, rather than primarily reactive in crisis response and management. It also concluded that the Fund needs to take measures to prevent or mitigate future crises, as much as to address the weaknesses that were uncovered by past crises. To this end, IEO suggested that the Fund should continuously scan for risks and emphasize vulnerabilities, rather than playing the role of uncritical enthusiast of authorities and the economy.

At the time the evaluation report was issued, the IMF had already taken steps to address some of the weaknesses that were evident in the run-up to the crisis. Among these were the inclusion of advanced economies in the Vulnerability Exercise, the launching of the Early Warning Exercise, increased research on macro-financial linkages, the preparation of reports that analyze spillovers and contagion from systemic economies, and the recent decision to make financial stability assessments under the Financial Sector Assessment Program (FSAP) a mandatory part of surveillance for the 25 most systemic financial sectors. While these were welcome developments, the evaluation noted that in some cases similar measures identified after previous crises had not been implemented or the results were not as positive as had been hoped. Thus, the evaluation underscored the critical need to establish a process of monitoring reforms and evaluating their impact, as the basis for designing new and corrective initiatives. The implementation of these initiatives will need close attention by Management and Board oversight, as well as the support of authorities in member countries.

Most of the report's recommendations focus on changes to deal with risks and vulnerabilities in the financial sector. The IMF should also scan for risks and vulnerabilities in other areas that could be at the center of a future crisis. For example, a future crisis could have fiscal and/or debt sustainability origins. If so,

a possible response could be to develop a comprehensive diagnosis program focused on public finances, perhaps along the lines of the FSAP.

A common theme across this report's recommendations is the need to address weaknesses in IMF governance, a recurrent theme in IEO evaluations. In this context, it is critical to clarify the roles and responsibilities of the Board, Management, and senior staff in providing incentives for staff to deliver candid assessments, in overcoming the obstacles of silos and "fiefdoms," and in confronting political constraints. The IMF needs to establish better mechanisms for monitoring implementation of reforms and a clear accountability framework.

The evaluation made five general recommendations. The report also laid out more specific suggestions on how each broad recommendation could be implemented, to provide a starting point for further reflection.

- Create an environment that encourages candor and diverse/dissenting views.
- Strengthen incentives to "speak truth to power."
- Better integrate financial sector issues into macroeconomic assessments.
- Overcome silo behavior and mentality.
- Deliver a clear, consistent message to the membership on the global outlook and risks.

Managing Director's response

In his statement about the evaluation, the Managing Director expressed broad agreement with its conclusions and recommendations. He emphasized the importance of making key recommendations actionable and highlighted in particular the need for more progress to: promote diverse and dissenting views within the institution; integrate the analysis coming from different IMF products; and deliver clear messages on risks and vulnerabilities.

Executive Board discussion

Following are key excerpts from the Summing Up of the Board discussion on January 26, 2011.

Executive Directors concurred with the general thrust of the IEO evaluation and recommendations. They considered that the report provided a balanced assessment of the failure of Fund surveillance to adequately anticipate and warn about the global crisis....

Directors broadly agreed with the IEO findings on the factors that had contributed to the failure to identify risks and give clear warnings in the run up to the global financial crisis. They stressed, in particular, the need to further enhance capacity to better "connect the dots" between financial and macroeconomic surveillance and between multilateral and bilateral surveillance. Directors also agreed that more should be done to access thoughtful and diverse opinions within the Fund and from outside experts. They noted that, in addition to bolstering analytical capacity, efforts should be made to improve the institutional culture to encourage creative thinking and alternative views. A few Directors stressed that a broader framework that will help enhance the effectiveness of Fund surveillance should be considered and developed....

Directors broadly endorsed the IEO recommendations, particularly to help strengthen the IMF's institutional environment and analytical capacity. At the same time, they expressed a range of views on the appropriateness and suitability of some specific suggestions on how to implement the recommendations. Some Directors suggested a follow-up report by the Executive Board to the IMFC....

Directors agreed that incentives needed to be strengthened to ensure the Fund "speaks truth to power," while noting that this was an exceedingly difficult issue for any international agency....

Directors welcomed the IEO's positive appraisal of the recent changes to the FSAP, and felt that it would be useful to have further discussion of possible enhancements. Some Directors also emphasized the need to continue increasing MCM engagement in Article IV consultations for systemic cases....

The discussion concluded by highlighting the need to continue efforts to overcome shortcomings of Fund surveillance. It was noted that IMF Management and staff would give careful consideration to the views expressed by Directors in formulating the implementation plan.

IMF Interactions with Member Countries

As a follow-up to the December 2009 discussion of the IEO evaluation of *IMF Interactions with Member Countries*, IMF staff prepared a Management Implementation Plan (MIP) on May 27, 2010, and an informational Supplement on December 10, 2010, reporting on progress since the MIP was issued.

The MIP envisioned implementation of Board-endorsed recommendations primarily through the review of the Fund's mandate already underway at the time. It also proposed additional work, such as increasing staff tenure on country teams while balancing the need for

fresh perspectives. The Executive Board agreed on December 27, 2010, that the proposals contained within the MIP fulfilled the requirement of a forward-looking implementation plan for Board-endorsed recommendations.

CHAPTER 3

Cross-Cutting Issues

IEO evaluations over the past few years have shared several common concerns. Key among these is the need to strengthen IMF governance, in particular to provide greater clarity on roles and responsibilities, better integration of different streams of work within the institution, better management of institutional change, and a clear framework for assessing results and accountability. IEO evaluations have also called for the Fund to encourage diversity of views and alternative perspectives, and to ensure consistency of treatment accorded to countries across the membership. More broadly, in reflecting on the impact of IEO evaluations, recent attention has focused on weaknesses in the process for following up on Board discussions and in particular on IEO recommendations that had been endorsed by the Executive Board.

Follow-up on IEO recommendations was a key issue in the first External Evaluation of the IEO in 2006. This Report highlighted the goal of enhancing the learning culture of the IMF as a key purpose for which the IEO was established.³ The Report noted that the Board chose to create an independent evaluation function rather than continue commissioning external evaluations as it had done in the 1990s because the latter were not always found to be useful or applicable to the Fund's operation, IMF staff had little ownership of the results, and no mechanism existed for implementing the recommendations or following up.⁴ A standing independent evaluation mechanism, it was hoped, would be more effective in promoting change.

The External Evaluation Report concluded that the IEO had had some impact but found little evidence that findings and recommendations of specific IEO reports

were systematically taken up and followed up by senior management and the Board. Accordingly, the Report called for a more systematic approach to follow up on IEO recommendations and monitor their implementation. It further recommended that the Board and the Evaluation Committee take responsibility and play a more active role in this regard.

Following the External Evaluation Report, the IMF put in place a process for follow-up that relies on IMF Management and staff to propose implementation steps (via a Management Implementation Plan, or MIP) and document their completion or remedial action still needed (Periodic Monitoring Report, or PMR). These documents are then reviewed by the Evaluation Committee and considered by the Board.

In considering PMRs, the Evaluation Committee has regularly endorsed staff's assessment of the status of performance benchmarks and implementation plans in response to the Board-endorsed IEO recommendations for particular evaluations. However, while accepting staff's assessment, the Committee typically has also made clear that further progress was needed on some issues. For instance, in its comments on the Third PMR in January 2010 the Committee called for more work on the system to track goals and strategies and links to specific conditions in IMF-supported programs; pointed out that the issue of excessive staff mobility had not been resolved; and indicated a desire for further attention to the issue of confidential information in Article IV staff reports.

As noted in the FY2010 *Annual Report*, the Evaluation Committee has also raised concerns about the follow-up process for IEO evaluations. Members of the Committee and other Executive Directors have noted on several occasions that IEO evaluations raised concerns that were broadly shared by the Board, but that were not included in MIPs because a specific recommendation had not been explicitly endorsed. Hence, Directors suggested that, after discussing each evaluation, more reflection by the Board was needed on what would be necessary to follow through on the lessons and

³ "Report of the External Evaluation of the Independent Evaluation Office," March 29, 2006 (available at www.imf.org). The other motivations were for the IEO to serve as a watchdog to help build external credibility, to assist the Executive Board in its oversight responsibilities over the IMF by providing independent feedback, and to serve as a tool of outreach by promoting greater understanding of the IMF both among its members and the broader public.

⁴ Ibid, p. 8.

recommendations in the evaluation. Moreover, Committee members pointed out cases in which specific actions contained in a MIP had been completed or were on track for completion, but where other reforms were needed to achieve the broader policy objective underlying the IEO's conclusions or specific recommendation. Thus, ongoing concerns about the current process stem largely from the question of whether the weaknesses and/or areas needing change identified in IEO evaluations are being acted upon—not whether specific steps recommended by the IEO are being implemented as written. During FY2011, the Committee broached the possibility of improving the PMR process, as one step in tackling the need to improve the follow-up process.

These concerns have implications for how the IEO presents its conclusions and recommendations in a way that facilitates change in the IMF.

In designing its recommendations the IEO faces important trade-offs regarding the degree of specificity. The IEO can provide general recommendations to complement its conclusions, leaving it to IMF Management to propose specific actions to effect change. This approach has the advantage of focusing attention on big picture goals and allows the Board to endorse the direction of needed reforms while allowing Management the flexibility to propose how best to pursue these goals and to present specific actions in the MIP to achieve them. On the other hand, this approach makes it very difficult for the Board to assess the extent to which Management's proposed actions would address the goals endorsed; further, often these actions are such that it is difficult for the Board to monitor their implementation.

Alternatively, the IEO can recommend specific actions to address goals and concerns raised by its evaluations. Detailed IEO recommendations have the advantage that they are more likely to be closely aligned with the conclusions of the evaluation and easier for the Board to monitor. But this approach may diminish Management and staff ownership of the implementation plan, and would not make full use of their greater institutional knowledge and their ability to integrate the implementation of Board-endorsed recommendations into other strands of IMF work. In an effort to balance these competing approaches, the IEO often provides general conclusions and recommendations, accompanied by specific recommendations intended to give examples of how to achieve these aims.⁵

In an effort to enhance its own work, the IEO has launched a review of how recommendations in evaluations prepared over its first ten years have been implemented. In undertaking this work, the IEO intends to help enhance the impact of its work on the IMF's institutional effectiveness and learning. An anticipated second external evaluation of the IEO could also be expected to further this effort.

⁵ IEO evaluations also include specific recommendations that are considered in themselves, and not only as an example of how to achieve a broader goal. In context, it is usually clear whether a recommendation is just an example, or intended to be implemented as suggested in the report.

CHAPTER 4

Ongoing Topics and Future Menu of Evaluation Topics

As FY2011 came to a close, the IEO was in the process of completing its evaluation of *IMF Research: Relevance and Utilization* and had provided it to IMF staff for a factual review, consistent with agreed practice. This evaluation, available on the IEO website, focuses on the relevance and utilization of IMF research, with member country authorities as the primary target audience. It also examines the technical quality and the management of research. This evaluation was discussed by the Executive Board in early FY2012 and, therefore, will be covered in IEO's FY2012 *Annual Report*.

To prepare to undertake new evaluations, the IEO posted on its website in August 2010 a note on "Possible Evaluation Topics over the Medium Term," which reflected suggestions received from country authorities, IMF Executive Directors, Management and staff, as well as outside stakeholders. After further consultations with the Executive Board and Management, as provided for in the IEO's Terms of Reference, the IEO launched two new evaluations, one on IMF advice on international reserves and one on the IMF's role as a trusted advisor. These topics are outlined below; issues papers for each evaluation are posted for public comment on the IEO website.

The IEO is considering launching additional evaluations. Among the studies that are being considered are: an assessment of bilateral surveillance (to be defined after reviewing the Triennial Surveillance Review scheduled for FY2012), an assessment of the self-evaluation systems within the IMF, and an assessment of IMF contributions to fragile states. In addition, the Board and others have asked that IEO conduct an evaluation on the management of the economic and financial crisis, once it is clear that such an evaluation will not interfere with ongoing operations.

Table 1 shows the status of IEO evaluations completed or in progress.

International Reserves: IMF Advice and Country Perspectives

This evaluation will focus on the IMF's policy advice to its member countries on international reserves in the course of its multilateral, regional, and bilateral surveillance. The objective of the evaluation is to assess the nature and quality of IMF advice to member countries on international reserves against the background of its mandate, taking into account the perspective of country authorities. It will cover bilateral, regional, and multilateral surveillance. Key questions to be considered will include:

- Does the IMF have clearly articulated policies regarding international reserves?
- Is IMF analysis and advice based on appropriate definitions of international reserves?
- Has IMF advice been consistent, evenhanded, and useful?
- What is the analytical basis for the IMF's policy advice?

The evaluation will be based on the experience of member countries chosen to reflect a variety of characteristics that are likely to be important in the context of the evaluation, as well as to provide regional balance and include both emerging market economies and advanced countries. The evaluation will be based on interviews and document review; it will also incorporate and build on relevant findings of previous IEO evaluations.

The analysis will largely focus on the period 2000–10. The beginning of the evaluation period corresponds to the start of substantial buildup of reserves in a number of member countries that continued uninterrupted until the beginning of the recent financial crisis and resumed in 2010. The end-date for the evaluation was chosen to elicit post-crisis views on reserve accumulation but avoid interfering with current operations of the IMF.

Table 1. Completed and Ongoing IEO Work Program

Project	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)
IMF Performance in the Run-Up to the Current Financial and Economic Crisis: IMF Surveillance in 2004–07	Completed (January 2011)
Research at the IMF: Relevance and Utilization	Completed (May 2011)
International Reserves: IMF Advice and Country Perspectives	In progress
The Role of the IMF as Trusted Advisor	In progress

The Role of the IMF as Trusted Advisor

Gaining the confidence of the authorities is critical if the IMF is to help influence policymaking. This evaluation will thus seek to determine whether and in what circumstances the IMF is perceived as a trusted advisor by its member countries. It will also examine the factors that may affect authorities' choice to engage in a substantive way with the IMF, including: the impact of context, policy issues, and circumstances; and potential disclosure concerns with respect to advice on sensitive issues.

With the onset of the global crisis in 2007–08, the Fund's engagement with its member countries evolved, as the Fund was called to respond urgently with both financing and policy advice. In light of its experience

with the crisis, the Fund also adopted a number of initiatives aimed at strengthening its surveillance (with a greater multilateral focus) and providing member countries with more complete assessments of global risks, linkages, and spillovers. Whether and how these initiatives have influenced the perception of the Fund as a trusted advisor is also an area this evaluation will explore.

The evaluation will build on the findings of previous IEO evaluations, particularly the evaluation of *IMF Interactions with Member Countries*. It will also be based on information gathered from interviews, surveys, and document review. The evaluation will then draw lessons from its findings to help strengthen the IMF's role as a partner to its member countries.

Appendix I

Administrative Budget: Independent Evaluation Office

(In current U.S. dollars)

	FY2010		FY2011		FY2012
	Approved Budget ¹	Outturn ²	Approved Budget ¹	Outturn ²	Approved Budget ¹
Total	4,787,946	4,652,122	5,432,785	5,350,186	5,508,844
Regular staff allocation	3,211,400	2,293,685	3,795,730	3,356,718	4,281,320
Discretionary budget	1,576,546	2,358,437	1,637,055	1,993,468	1,227,524
Of which:					
Contractual services (including overtime)	857,382	1,824,955	883,104	1,226,194	602,268
Business travel and seminar program	509,236	437,608	537,011	599,322	402,917
Publications	144,485	73,594	148,820	75,101	105,987
Other fungible budgets	65,443	22,280	68,120	92,851	116,352

¹ In 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.

² IEO estimates.

³ The FY2011 budget was flat in real terms from FY2010. The nominal increase of 13.5 percent reflects the Fund-wide shift to standard costs by grade.

Appendix 2 Outreach Activities

May 2010, London, UK

Presentation of the evaluation of *IMF Interactions with Member Countries* to authorities.

May 2010, Beijing and Shanghai, China

Presentation of the evaluation of *IMF Interactions with Member Countries* to authorities.

May 2010, Tokyo, Japan

Presentation of the evaluation of *IMF Interactions with Member Countries* to authorities.

September 2010, Washington, DC, USA

Workshop to discuss emerging conclusions from the evaluation of *Research at the IMF: Relevance and Utilization*.

October 2010, Paris, France

IEO Director's meeting with an IEO Advisory Group to discuss the emerging findings of the IEO evaluation of *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07*.

December 2010, London, UK

IEO Director's attendance at the annual meeting of the Evaluation Cooperation Group.

February 2011, Washington, DC, USA

IEO Director's presentation of the findings of the *Crisis* evaluation to IMF staff.

March 2011, Brussels, Belgium

IEO Director's presentation of the findings of the *Crisis* evaluation at Bruegel.

March 2011, Berlin, Germany

IEO/GIZ (German international cooperation organization) seminar to conduct outreach on the *Crisis* evaluation and consult with stakeholders on the design of the evaluation on *The Role of the IMF as Trusted Advisor*.

March 2011, Hong Kong SAR, China

IEO/Hong Kong Monetary Authority seminar.

March 2011, Pondicherry, India

IEO/Pondicherry University seminar.

March 2011, London, UK

Presentation of the *Crisis* evaluation to the Executive Board of the European Bank for Reconstruction and Development.