

**IMMEDIATE
ATTENTION**

EG/02/4

March 22, 2002

To: Members of the Evaluation Group
(Mr. Cippà, Chairman; Mr. Barro Chambrier, Mr. Quarles,
Mr. Shaalan, Mr. Wijnholds, Mr. Zoccali)

From: A. Mountford, Secretary of the Evaluation Group

Subject: **Progress Report on the Work of the Independent Evaluation Office**

Attached is a progress report prepared by the Independent Evaluation Office.

Mr. Cippa, the Chairman of the Evaluation Group, proposes that this report be forwarded to the Executive Board for transmission to the IMFC. In the absence of a request by a member of the Evaluation Group, by noon on Wednesday, March 27, 2002, for a meeting on this subject, this report will be sent to the Executive Board. If there is a need for a meeting, this item will be added to the agenda of the meeting of the Evaluation Group that is presently scheduled for Friday, April 5, 2002.

Att: (1)

Other Distribution:
Members of the Executive Board

Status Report for the IMFC on the Independent Evaluation Office (IEO)

1. The previous status report had indicated that the Director of the IEO was appointed in July 2001 and the process of recruitment and development of a work program was under way. The IEO is now fully operational with all full time positions—11 (including the Director and two Administrative Assistants)—filled. The staff comes from a diversity of backgrounds and experiences. More than half have been recruited from outside the Fund staff, as indicated in the terms of reference of the IEO.
2. The Executive Board has approved the IEO's revised budget proposal for FY 2002 and the proposed budget for FY 2003. The budgets are based on the assumption that the work program will consist of three projects initiated in FY 2002 to be completed in FY 2003 and that the program will be expanded to four completed projects a year by FY 2004. The initial proposal to reach a steady-state capacity of five projects a year by FY 2005 will be kept open for decision in light of experience gained in the first two years.
3. The work program for FY 2002/2003 has been finalized. Consistent with the independence of the IEO, final decisions on the composition of the work program were made by the IEO Director. The work program was reviewed and welcomed by the Executive Board. The program has been derived following an extensive process of consultation with government authorities, non-government organizations, members of the academic community and representatives of the financial sector, as well as the staff, management, and Executive Board of the IMF.
4. An IEO website has become operational and is being used as an instrument for outreach and also for receiving inputs. An initial note indicating the possible scope of the IEO work program was posted on the website and comments invited. Subsequently a note describing the work program as it emerged from the Board discussion was also posted on the website. The work program includes three projects firmly chosen for FY 2002/2003 as well as 12 other projects tentatively identified at this stage from which the work program for subsequent years will be chosen (see Box 1). Interested parties have been invited to suggest prioritization of topics to be taken up in subsequent years. IEO's proposed work program for FY 2004 will be announced before the next Annual Meetings.
5. The three projects chosen for FY 2002/2003 are (i) an investigation of the phenomenon of prolonged use of Fund financial resources and implications for the IMF; (ii) an examination of fiscal adjustment in IMF-supported programs in a group of low and middle-income countries; and (iii) an evaluation of the role of the IMF in three recent capital account crisis cases (Brazil, Indonesia and Korea). The evaluation of prolonged users will be completed before the next Annual Meetings and the other two projects during FY 2003.
6. An issues paper on the prolonged users project was prepared based on substantive preliminary work and discussions, and outlining the specific issues to be pursued and comments were sought from IMF management, the Executive Board, country authorities, and a range of external stakeholders. The issues paper was also posted on the IEO's website for comment by interested individuals or groups. Based on comments received, the issues paper was reformulated as a final terms of reference and posted on the IEO website. Interested parties have been invited to submit substantive inputs addressing issues included in the final terms of reference which could be taken into account by IEO. Issues papers for the other two projects are under preparation and it is expected that

they will be circulated to Management , the Executive Board and other interested parties and placed on the website by the first week of April.

Box 1. Proposed Work Program

FY 2002/2003 (Firm)

1. Fiscal adjustment in IMF-supported programs
2. A group of three capital account crisis cases, i.e. Indonesia, Korea and Brazil
3. Repeat use of IMF resources

FY 2004 (3 to 4 of the following and in FY 2005 4 to 5 of the rest)^{1/}

4. PRGF/PRSP (to be undertaken jointly with the World Bank's OED)^{2/}
5. The IMF's advice on financial sector restructuring after a crisis
6. Structural conditionality in Fund-supported programs.
7. The role of IMF surveillance in crisis prevention
8. The IMF's advice on exchange rate policy.
9. FSAP/FSSA
10. IMF technical assistance
11. Private Sector Involvement (PSI)
12. The IMF's approach to capital account liberalization
13. The role of multilateral surveillance
14. Additional country case (possibly Argentina or Turkey)
15. Low-income country case

^{1/} The number of projects chosen in FY 2004 and FY 2005 will depend on the size of the steady state capacity of IEO that is finally determined.

^{2/} Since this project is in the OED's work program for FY 2004 it is expected to be included in the IEO program for that year.