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IEO Releases Evaluation of IMF Financial Surveillance

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) released today its evaluation of IMF financial surveillance.

In releasing the evaluation report, IEO Director Charles Collyns highlighted the importance of IMF financial surveillance, noting that the IMF is the only international financial institution with the mandate and ability to conduct this function across a wide range of countries as well as the overall global system. He welcomed the strengthening of the IMF's work in this area since the global financial crisis, but also stressed that there is considerable room for further improvement.

The evaluation assessed the many initiatives launched by the IMF to strengthen financial surveillance to better advise member countries of vulnerabilities and risks and to foster greater resilience over the past ten years. The Financial Sector Assessment Program has provided in-depth assessments for the most systemic financial jurisdictions, Article IV consultations have paid increased attention to macrofinancial linkages, and the *Global Financial Stability Report* and the Early Warning Exercise have become leading sources of insight on the global financial system. While the resilience of the overall system has not yet been fully tested, the efforts have delivered a substantial upgrade of IMF financial surveillance.

At the same time, Ruben Lamdany, team leader for the evaluation, pointed to a number of ways in which the IMF financial surveillance could be improved further. Deepening the integration of the FSAP with Article IV surveillance remains a key challenge. The value-added of the FSAP could be increased by being more strategic in the selection of countries and coverage. The report also identified potential for greater rigor and transparency in multilateral surveillance, as well as enhanced contributions by the IMF to the global regulatory agenda. Fundamental to progress will be accelerating the build-up of the staff expertise needed for financial surveillance and ensuring adequate resources for this work. The evaluation sets out recommendations to address these challenges through a combination of new initiatives and adjustments to existing programs.

The Managing Director and the Executive Board responded positively to the evaluation and gave their broad endorsement to the recommendations. Mr. Collyns indicated that he look forward to action on the recommendations as the IMF reviews its policies in the year ahead to boost its effectiveness in this crucial area.

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