ANNEX 6

Conclusions/Recommendations from Previous Reports and Evaluations

Whittome Report on Fund Surveillance of Mexico (1995)

- IMF culture does not encourage frank discussion of risks. Staff in habit of second-guessing Management and Board.
- Managing Director must insist that analysis be pertinent, pointed, and take responsibility for degree of "political" understanding that should be allowed to affect the staff's conclusions.

External Evaluation of Fund Surveillance (1999)

- Fund should place greater emphasis in surveillance on financial sector and capital markets issues.
- Need greater linkage between bilateral and multilateral surveillance.
- The Board, Management, and senior staff should attempt to alter the incentive structure by making it clear that they will, if necessary, back up staff who give frank advice.
- Surveillance should devote more time to identification and analysis of alternative policy options.
- More financial sector expertise; more policy expertise (such as through secondment or interchange programs); and more outside experience in general to mitigate against insularity, conformity, and lack of hands-on experience.

Lipsky Report (2001)

- Focus, expertise, and support on financial sector/capital markets issues should be enhanced.
- Weak linkages between multilateral surveillance of capital markets and the Fund's core bilateral surveillance activities.
- More effort needed by area departments to follow financial market developments in countries.
- Active role of Fund Management in making financial sector work more effective. Requires "clear-cut support of senior management" to overcome "natural institutional inertia."

McDonough Report (2005)

- Provide incentives for interdepartmental collaboration to increase cross-fertilization between traditional macroeconomics and financial/capital market issues; overcome silo mentality that is reducing the IMF's overall effectiveness and influence. Requires clear direction from Management and Executive Board.
- Fundamental change of orientation and mind-set required for all departments, Management, and Executive Board with incentive structures to reward collaboration and penalize silo behavior, set clear objectives on what is expected in terms of integrating financial issues into surveillance. Sustain follow-up to ensure accountability.
- Clear guidance, continuous monitoring, and direct, regular, continuous, and visible engagement and leadership by the Managing Director and the Fund's senior leadership are required.
- Fundamental mind-set change in how the Fund thinks about financial issues. Put financial issues at the center rather than the periphery. Area departments yet to fully embrace the need to change the traditional macro focus and elevate financial issues to a central role in their work. Teams still comprise traditional macroeconomists who lack the necessary comfort level or expertise on financial issues.
- Departments set their own agendas and priorities. Systematic collaboration is exception rather than rule, and largely limited to calendar-driven events. Problems symptomatic of broader "silo"

mentality across departments impeding cooperation, and incentive structure rewards looking up (to Management and the Board) rather than across the institution. Internal silos can only be overcome with strong management.

- Having two separate publications (*WEO* and *GFSR*) raises questions of overlap and efficiency, and does little to reinforce an integrated view of the links between global macro and financial developments. The *GFSR* is not widely read or used by staff within the organization, and does not play a significant role in country work.

IEO Evaluation on the Financial Sector Assessment Program (2006)

- Improve the quality and impact of FSAPs through clearer prioritization of recommendations; improved stress-testing analysis; and more systemic inclusion in the analysis of cross-border, financial sector linkages.
- Strengthen links between FSAPs and Article IV surveillance by mainstreaming FSAPs and follow-up work into regular surveillance activities. Strengthen the internal review process to ensure that key messages on macro-financial stability are fully reflected in Article IV.
- Management should clearly signal to the Board those countries that it sees as the highest priorities for FSAPs and Updates, irrespective of whether these countries have volunteered.
- Utilize financial sector expertise (especially in MFD and ICM) more effectively in the surveillance process.

IEO Evaluation of Multilateral Surveillance (2006)

- Enhance role of Board and IMFC in multilateral surveillance.
- Improve content/form of multilateral surveillance outputs through streamlining and more focus on key issues.
- Strengthen multilateral surveillance by clarifying operational goals, organizational strategies, and accountability. Clarify scope of regional surveillance.
- Integration between *WEO* and *GFSR* and bilateral and multilateral surveillance (silo structure; bottom-up approach; too many products, too little focus).

2008 Triennial Surveillance Review (September 2008)

- Need to strengthen risk assessment (connect dots), highlight unknowns, think the unthinkable, guard against tail risks, incorporate risks at multilateral/regional level.
- Better integrate macroeconomic and financial sector surveillance.
- Do better cross-border inward/outward spillover analyses, cross-country analyses, exchange rate analyses.
- Pay attention to effective communication; preserve existing strength.