

**STATEMENT BY THE MANAGING DIRECTOR ON THE
INDEPENDENT EVALUATION OFFICE REPORT ON IMF PERFORMANCE
IN THE RUN-UP TO THE FINANCIAL AND ECONOMIC CRISIS**

**Executive Board Meeting
January 26, 2011**

1. I thank the IEO for putting forward many constructive ideas, which I broadly endorse. The failure of the Fund to warn about a systemic crisis in a sufficiently early, pointed, and effective way is a humbling fact that the institution has been frank about acknowledging and prompt about responding to. Indeed the focus the reform agenda being implemented is precisely on strengthening surveillance and financing for systemic stability.

2. Since the IEO's recommendations are at a high level of generality, it is incumbent on us to ask how they can be made actionable within competing work program priorities and budgetary constraints. The reforms in train since the onset of the crisis—the early warning exercise, the vulnerability exercise for advanced economies, G20 MAP inputs, integration of WEO-GFSR messages, mandatory financial stability assessments for the systemic countries, and cross-country and spillover reports to name only a few—will go a long way to enhance the candor and traction of surveillance, and arguably already have done so. In thinking about the scope for further progress, I would like to highlight a few points.

3. First, on the promotion of more diverse and dissenting views, we should consider carefully the idea of allowing direct inputs by eminent outside experts into systemic surveillance—e.g., WEO, GFSR, Article IVs of systemic countries. This would make available to the Board independent and real time critiques of staff and member countries' policy positions. For instance, outside experts, including those known to hold differing views, could from time to time provide commentary on staff reports on systemic issues and countries during

the circulation period prior to Board discussion. Surveillance is peer review, but peer review can be made more effective with outside input, increasing the imperative, as the IEO puts it, “to speak truth to power.”

4. Second, there are several IEO recommendations aimed at allowing staff to “connect the dots” better. Integrating the analysis of the WEO-GFSR is certainly a crucial dimension of that task, but does not necessarily equate to merging the documents. Incorporating financial stability assessments in Article IVs is another one on which I expect efforts will be intensified following the Board's recent decision on FSAPs. And yet another important initiative is the new Fiscal Monitor, which will allow a much closer look at emerging fiscal risks. The rising number of cross-departmental products—thematic reports, spillover reports, recent work on capital flows—are all signs of important progress of staff reducing silos, and on which we have to build. Meanwhile, there should be no doubt that we are committed to fostering staff diversity in all its dimensions, including diversity of opinion.

5. Third, on the delivery of clear messages on risks and vulnerabilities beyond those in the WEO-GFSR, we are now doing more via the early warning exercise to the Board and the IMFC in restricted settings. This is also increasingly the case in Article IVs, as exemplified by the recent Euro Area mission concluding statement. Nevertheless, we should think about doing more, perhaps even putting out large parts of the EWE in the public domain, with appropriate commentary and safeguards.

6. I look forward to hearing your views on the important issues raised in the IEO report.