

THE ACTING CHAIR'S SUMMING UP IEO EVALUATION OF IMF FORECASTS— PROCESS, QUALITY, AND COUNTRY PERSPECTIVES

**Executive Board Meeting 14/18
February 27, 2014**

Executive Directors welcomed the report by the Independent Evaluation Office (IEO) on “IEO Evaluation of IMF Forecasts—Process, Quality, and Country Perspectives” and the Managing Director’s statement on the report. They were encouraged by the report’s findings that country authorities generally have confidence in the integrity of Fund forecasts and place high value on the Fund’s analyses of scenarios and risks for the world economy.

Directors welcomed the IEO’s broadly positive findings about the quality of Fund staff forecasts. In particular, they noted that short-term GDP growth forecasts in the majority of Fund-supported programs were unbiased in the 2002–2011 period under study, although they tended to be initially optimistic in high-access program cases, and more generally in low-income countries. Moreover, medium-term GDP forecasts for the Middle East and Central Asia tended to be pessimistic and forecast accuracy was uneven across countries. Against this background, Directors agreed that additional efforts are needed to enhance learning from forecasts errors and independently commissioned studies, improve transparency in the Fund’s forecasting, and ensure that best practice and latest methodologies are followed. Appropriately designed incentives could improve accuracy and independence of staff forecasts. A few Directors made the case for expanding the list of countries covered in the World Economic Outlook (WEO) Updates.

Directors agreed that to enhance the learning culture in forecasting, the Fund should maintain the practice of

commissioning external evaluations of IMF forecasts by recognized experts and enhance processes for drawing lessons from past performance. They noted that the recent implementation of handover procedures for country assignments, which now cover all area and functional departments, constitutes a welcome step to preserve institutional memory and addresses a weakness identified by the IEO.

Directors supported the recommendation to provide guidance to desk economists about how best to incorporate advances in forecasting methodologies for both short and medium-term forecasts. Directors underscored that strengthening macroeconomic consistency in medium-term forecasts is desirable, but some noted that it would have resource implications.

To increase transparency, Directors supported the IEO’s recommendation to prepare a general description of the forecasting process used in the WEO for authorities in member countries and other users. They supported the recommendation of facilitating public access to historical forecast and outturn data, although most Directors recognized that, in light of existing resource constraints, further steps need to weigh both expected benefits to users and costs. Some Directors thought that the costs of dissemination of these data would be low.

In line with established practices, management and staff will give careful consideration to today’s discussion in formulating the implementation plan, including approaches to monitor progress.

