ANNEX

3 Abstracts of Background Papers

BP/14/06. "IMF Leadership and Coordination Roles in the Response to the Global Financial and Economic Crisis," by Thomas Bernes

This report examines authorities' perceptions of the IMF's coordinating roles and its collaboration with other multilateral entities in the response to the crisis, namely the G20, the FSB, the Troika, and the Vienna Initiative. The report found that partners appreciated the IMF's collaboration in what were effective initiatives. Building upon these developments and clarifying roles, responsibilities and accountabilities with the G20 and other international organizations are key challenges going forward.

BP/14/07. "IMF Macroeconomic Policy Advice in the Financial Crisis Aftermath," by Sanjay Dhar

This paper assesses the effectiveness of the IMF's macroeconomic surveillance in the aftermath of the crisis. In 2008–09, the IMF was influential in calling for coordinated macroeconomic stimulus. But by 2010 it endorsed the fiscal consolidation plans of the major advanced economies, which turned out to be premature. Since then it advocated the use of accommodative monetary policies including quantitative easing to counteract fiscal drag and boost disappointing growth during 2011–13. The mix of fiscal consolidation and monetary expansion was less than fully effective in reactivating advanced economies and contributed to capital flow volatility. There was also insufficient tailoring of advice to countries facing very different circumstances in the crisis aftermath.

BP/14/08. "Aspects of IMF Financial Sector Surveillance During the Crisis," by Ross Levine

This paper assesses IMF financial sector surveillance as reflected in post-crisis *GFSRs* and a sample of FSSAs for systemically important financial sectors. The IMF warned about the need for quick action to address the deteriorating solvency of financial institutions. However, it underplayed governance weaknesses in regulatory agencies and how to address them, and the role of flawed regulatory policies in shaping incentives of decision makers in financial institutions. The technical quality of FSSAs was generally sound but some of the advice did not adequately consider country-specific factors.

BP/14/09. "The IMF Response to the Global Crisis: Assessing Risks and Vulnerabilities in IMF Surveillance," by David J. Robinson

This paper analyzes the IMF's approach to assessing risks and vulnerabilities as part of its multilateral and bilateral surveillance, especially the changes introduced following the crisis. A variety of new exercises have improved the analysis and filled gaps existing before the crisis. However, the analytical framework remains a work in progress and it will be critical to ensure that the current focus on risks and vulnerabilities is maintained. The paper also provides recommendations to consolidate and simplify the system, strengthen risk analysis and integration, improve dissemination, and increase policy traction.

BP/14/10. "IMF Efforts to Increase the Resources Available to Support Member Countries," by Eduard Brau and Louellen Stedman

This paper assesses the resource mobilization strategy implemented by the IMF as the financial crisis unfolded, when its resources were at a historic low relative to the size of the global economy and financial flows. Through the leadership of the G20, the IMF was able to quadruple its lending capacity to more than $1 trillion by May 2014. While the resource mobilization strategy successfully enabled the IMF to respond to member needs, the outcome left the IMF reliant on borrowed resources for a prolonged period, as an agreed quota increase did not take effect.

BP/14/11. "The IMF's Lending Toolkit and the Global Financial Crisis," by Thomas Reichmann and Carlos de Resende

This paper examines the revamping of the lending toolkit since the crisis: access limits and front-loading were increased, and conditionality streamlined. The IMF also launched the FCL, a precautionary instrument with no access limit and no conditionality for members with good policies and a strong track record. While the FCL has been praised by the three countries using it, further improvements are needed to address the needs of a larger group of countries.

BP/14/12. "A Review of Crisis Management Programs Supported by IMF Stand-By Arrangements, 2008–11," by Shinji Takagi and others

The paper reviews crisis management programs supported by Stand-By Arrangements in response to the crisis. The IMF was rapid, flexible, and decisive in providing financial support, thereby allowing a smoother adjustment in the midst of an adverse external environment, and averting deeper output contractions. Programs incorporated lessons from earlier crises: structural conditionality focused on core areas, they tried to avoid too rapid an exchange rate depreciation, and used public communications to build investor confidence. Vulnerabilities remained in many countries, however, highlighting the inherent difficulty in using short-term crisis management programs to tackle longer-term structural issues.