Executive Summary

The IMF played an important role within the global response to the crisis. It reformed its lending toolkit and ramped up nonconcessional lending, from almost nil to about $400 billion in 2008–13. IMF-supported programs reflected many lessons from past crises and helped member countries cope with the crisis. The increased lending was enabled by a resource mobilization effort that quadrupled the IMF's resources to about $1 trillion by 2013. But the agreed doubling of quotas has not become effective, leaving the IMF dependent on borrowing arrangements for more than two-thirds of its total credit capacity.

The IMF's record in surveillance was mixed. Its calls for global fiscal stimulus in 2008–09 were timely and influential, but its endorsement in 2010–11 of a shift to consolidation in some of the largest advanced economies was premature. At the same time the IMF appropriately recommended monetary expansion in these countries if needed to maintain the recovery. However, this policy mix was less than fully effective in promoting recovery and exacerbated adverse spillovers. As time progressed and the growth outlook worsened, the IMF showed flexibility in reconsidering its fiscal policy advice and called for a more moderate pace of fiscal consolidation.

The IMF launched many initiatives to strengthen macro and financial sector surveillance, and expanded its tools and processes to identify and warn about risks and vulnerabilities. Authorities interviewed for this evaluation were largely supportive of these efforts, but they indicated that the number of such initiatives has grown beyond their capacity to absorb the results. Moreover, they highlighted that they would have appreciated earlier and clearer warnings regarding recent critical risks. There are also questions on whether IMF surveillance is currently well placed to detect emerging financial sector vulnerabilities in systemic financial centers in time to warn authorities and the membership at large.

The IMF collaborated with other organizations in important initiatives including the G20 Mutual Assessment Process and the Financial Stability Board. These collaborations were largely effective in addressing aspects of the crisis and also enhanced the traction of IMF advice. Looking forward, to protect the institution's independence and to ensure uniform treatment of the entire membership, the IMF should develop guidelines for structuring such collaboration arrangements that clarify the parties' roles and accountabilities.

Two reforms would enhance the IMF's ability to warn about emerging systemic risks. First, the IMF needs to consolidate the initiatives aimed at identifying risks and vulnerabilities, and it should better disseminate their findings to authorities. Second, it should focus its financial sector surveillance on the five to seven truly systemic financial centers. For these centers, a Financial Sector Stability Assessment should be updated annually in conjunction with the Article IV consultation.

To be better positioned to respond to the next crisis, the IMF should aim to have resources in place in advance of a need arising, relying primarily on member quotas to reduce uncertainty and to strengthen its legitimacy.