



Independent Evaluation Office
of the International Monetary Fund

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IEO Releases Evaluation of IMF Response to the Financial and Economic Crisis

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) today released its evaluation of the IMF Response to the Financial and Economic Crisis. The evaluation was discussed by the IMF's Executive Board on October 28, 2014. It examines the IMF's surveillance and lending activities following the Lehman collapse through 2013, while excluding programs in the euro area, which will be addressed in a separate IEO evaluation.

In releasing the evaluation report, IEO Director Moises Schwartz emphasized that the IMF had played an important role in the global response to the crisis. It responded rapidly to requests for financial support, ramping up non-concessional lending from almost nil to about US\$400 billion in 2008-13, helping member countries deal with balance of payments and financial crises. It quadrupled its credit capacity and revamped its lending toolkit. The report argues that in 2008 the IMF made a timely and influential call for a global coordinated fiscal stimulus, but its endorsement in 2010-11 of a shift to fiscal consolidation in some of the largest advanced economies was premature as economic recovery was not yet firmly established. At the same time, the evaluation recognizes that the IMF showed flexibility in reconsidering its fiscal policy advice when the growth outlook worsened.

The evaluation found that the IMF had strengthened its ability to warn about mounting vulnerabilities since 2008. Nonetheless, it noted that many country authorities believed that the risk assessment framework had become too complex and had not provided clear warnings about key risks. The evaluation, therefore, recommended more prioritization, consolidation and integration of messages and reports. It also recommended greater focus of IMF financial stability assessments on the five to seven most systemically important financial centers.

To be better prepared to respond to future crises, 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 legitimacy. The report highlighted the importance of implementing the quota increase and governance reforms agreed in 2010.

In responding to the crisis, the IMF worked closely with a number of international organizations and entities. While country authorities thought that the IMF managed these interactions effectively, many were concerned about a possible erosion of the IMF's independence, whether actual or perceived. To address these concerns, the

IEO recommended that the Fund develop guidelines for structuring such engagements to protect its independence, to ensure uniform treatment of member countries, and to provide for greater transparency and accountability. These guidelines should focus on core principles but should be flexible and allow for adaptation to specific circumstances.

Mr. Schwartz concluded by stating that a well-equipped and effective IMF is critical for the international community to anticipate and respond to global crises. He expressed the hope that the evaluation would contribute to enhancing the IMF's capacity to warn about evolving vulnerabilities and risks and its effectiveness in crisis management and resolution.

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