The Chairman's Summing Up
IMF Response to the Financial and Economic Crisis—An IEO Assessment

Executive Board Meeting
October 28, 2014

Executive Directors welcomed the Independent Evaluation Office (IEO) assessment on the IMF's response to the financial and economic crisis and the accompanying Managing Director's statement. They considered that the IEO report provides a generally balanced assessment of the IMF's response and noted that some of its findings are consistent with those of the recent Triennial Surveillance Review. Directors concurred with the general thrust of the evaluation and broadly agreed with most of the recommendations.

Key IEO Findings

Directors were encouraged by the overall finding that the IMF played an important role in the global response to the crisis. They were reassured that IMF-supported programs reflected many lessons from past crises and that a reformed lending toolkit, supported by a resource mobilization effort that quadrupled the IMF's resources, had helped countries cope with the crisis. A few Directors noted that the larger access that characterized the European programs should serve as a precedent for future crisis lending.

Directors noted with satisfaction that country authorities are largely supportive of the initiatives launched since the crisis to strengthen macroeconomic and financial surveillance, including the expansion of tools and processes to identify emerging risks and vulnerabilities.

Regarding the IMF's surveillance following the outbreak of the crisis, Directors agreed that the calls for global fiscal stimulus and accommodative monetary policies in 2008–09 were timely and appropriate, although a number of Directors considered that these could have been better tailored to country-specific circumstances. Views on the IMF's subsequent endorsement in 2010–11 of a shift to fiscal consolidation in major advanced economies were mixed. A number of Directors shared the IEO's assessment that this call was premature and that the implied policy mix, which relied heavily on monetary accommodation, was less than fully effective in promoting the recovery and exacerbated adverse spillovers. Most Directors felt, however, that the call for consolidation at a measured pace to protect the budding recovery was warranted considering the growth forecasts available at the time and the need to address fiscal sustainability risks. At the same time, Directors noted that the overall assessment of IMF policy advice is still tentative. More broadly, Directors agreed that the IMF had shown appropriate flexibility in recalibrating its fiscal policy advice once the growth outlook worsened.

IEO Recommendations

Directors endorsed the IEO recommendation of ensuring that the IMF, as a quota-based institution, has sufficient resources to contribute to future crisis resolution, relying primarily on member quotas to reduce uncertainty and strengthen its legitimacy. In this context, Directors called again on the United States to ratify promptly the 2010 Quota and Governance Reforms.

Directors agreed that the IMF's collaboration with other organizations has been largely effective in addressing aspects of the crisis and enhancing the traction of Fund analysis and policy advice. They generally supported the recommendation to develop guidelines for better structuring engagements with other organizations and clarifying the IMF's roles and accountabilities, to further safeguard the IMF's independence and help ensure uniform treatment to all member countries. However, most Directors noted that such guidelines should define broadly applicable principles of engagement and cooperation, while remaining flexible and pragmatic to allow adaptation to specific circumstances.

Directors broadly endorsed the IEO recommendation to consolidate and simplify initiatives to identify and assess risks and vulnerabilities. At the same time, they expressed a range of views on the appropriateness of disseminating the Early Warning Exercise findings to a wider audience, including by debriefing the Board. There was agreement that any such effort should not compromise candor or access to confidential information.

Most Directors saw limited merit in the IEO proposal to update annually (in conjunction with the IMF's bilateral surveillance) the Financial Sector Assessment Program (FSAP) for the world's five to seven largest systemic financial centers, in view of its resource costs and the slow evolution of the structural and institutional factors assessed under the FSAP. However, Directors looked forward to forthcoming proposals to mainstream macro financial surveillance, as recommended in the recent Triennial Surveillance Review.

In line with established practices, management and staff will carefully consider today's discussion in formulating the implementation plan, including approaches to monitor progress.