

# Foreword

A sound and stable financial system is now widely recognized to be critical for achieving economic growth and reducing poverty. This lesson was highlighted by the Asian financial crisis of the late 1990s, when weaknesses in Thailand's financial system triggered speculative attacks on its currency and the ensuing financial crisis spread quickly to other economies in East Asia. The crisis underscored the potential for financial disturbances in one country to threaten regional, and even global, economic stability and growth.

Shortly after the Asian crisis, the IMF stepped up its surveillance over the financial sector and related policies of its member countries and, in 1999, partnered with the World Bank to establish the joint Financial Sector Assessment Program (FSAP). The FSAP was created as a joint IMF–World Bank initiative to strengthen monitoring of countries' financial systems and enable them to provide better policy advice to help countries address their financial sector weaknesses.

Given the importance of countries' financial soundness for the stability of the international financial system, the IMF's Independent Evaluation Office has evaluated the experience with the program since its inception, focusing on the role of the IMF. The evaluation shows that the program has deepened the IMF's understanding of the financial sector and significantly strengthened the quality of its dialogue with member countries on financial issues. But the FSAP initiative, given its expense, faces important challenges with respect to setting priorities for coverage of assessments and ensuring the results are fully incorporated into IMF surveillance over its member countries' policies.

Following standard practice, this volume includes, alongside the evaluation report itself, the response of IMF management and staff to the evaluation, as well as the Summing Up of the Executive Board discussion of this report.



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