

Annex I. IEO Findings Related to Recurring Issues

Annex 1 lists all IEO findings related to the five sets of recurring issues, any associated IEO recommendations/remarks, and any Board responses where applicable, along with the IEO's judgment on the current status; the selected actions when noted do not necessarily correspond to the IEO recommendations or any Board response. Expressions are paraphrased for brevity and may not fully reflect the nuances and subtleties of the original language. For complete statements, the original documents should be consulted.

The page numbers in the first three columns refer to the relevant IEO evaluation reports.

* indicates that the item has appeared previously and may be abbreviated.

N.A. denotes “not available” or “not applicable.”

A. Executive Board Guidance and Oversight

A.I. Guidance

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Lack of definition of prolonged use had contributed to failure to apply existing due diligence procedures (IEO, 2002, pp. 24, 34).	The Executive Board should adopt an operational definition of prolonged use (p. 81).	Directors saw merit in developing a definition to pursue greater due diligence (p. 220).	Based on the staff task force report (SM/03/46), in 2003, a definition of longer-term program engagements (LTPE) was adopted (BUFF/03/51), with an update in 2006 (BUFF/06/95).
There was a mismatch between the IMF's core mandate and the tasks it was being asked to perform (e.g., seal of approval), with the Board unable to resolve the differences of view regarding the IMF's longer-term role in low-income countries (IEO, 2002, pp. 36–37).	The IMF should aim to provide the international community with credible alternatives to the current situation where IMF lending arrangements have become a precondition for other bilateral and multilateral flows (p. 82).	Directors noted that it would be desirable to develop credible alternative ways of indicating to the outside world the IMF's approval of a member's policies (p. 211).	In 2005, the IMF established the Policy Support Instrument to provide policy support and endorsement to low-income countries that do not need financing but meet the standards of upper credit tranche conditionality (EBS/05/87; BUFF/05/131).
Lack of clarity on the handling of social policies in light of the streamlining initiative created uncertainty regarding how to interpret the 1997 Guidelines on Social Expenditure (IEO, 2003b, p. 55).	The IMF should clearly delineate the operational framework in which social issues will be addressed within program design in non-PRGF countries (p. 13).	Directors stressed that the IMF should not become involved in the detailed design of social policy as this was outside the IMF's mandate and expertise (p. 116).	The 2012 Guidance Note for Article IV Consultations (SM/12/246, Rev. 1) stresses the need to pay attention to macro-critical social issues, including social safety nets.
Reluctance to be over-prescriptive translated into lack of concrete indicators on what the IMF should be delivering in the PRS process (IEO, 2004a, p. 64).	The IMF should clarify what the PRS approach implies for the IMF's own operations; strengthen prioritization and accountability on what the IMF is supposed to deliver (pp. 9–10).	Directors agreed that the IMF needs to set out more clearly its role in the PRS approach, based on its core mandate (p. 129).	In 2007, the Board concluded that the primary focus of the IMF's work in low-income countries should be to provide policy advice and technical support on the design of appropriate macroeconomic policies (BUFF/07/139).
The PRSP/PRGF initiative was overpromising on what could be delivered, given the moderate reallocation of resources, and the lack of clarity/guidance on how to make the new approach operational (IEO, 2004a, pp. 72–73).		Directors welcomed the emphasis on better defining priorities for the IMF's work in low-income countries, and called for a careful assessment of the resource implications of adapting its role according to the report's recommendations (p. 129).	

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A.I. Guidance (continued)

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
There was no clear guidance from the Board or Management on the IMF's role relative to other TA providers or on what the PRS process implied for the IMF to better align its TA to country needs, given the lack of specificity on capacity-building priorities (IEO, 2005a, pp. 48–49).	In low-income countries, PRSP should form the basis for dialogue between the IMF and authorities on medium-term TA priorities: it should provide the vehicle for collaboration and division of labor with other donors (p. 5).	Most Directors agreed that in low-income countries PRSP should increasingly serve as a vehicle for identifying medium-term TA needs and improving coordination among agencies (p. 84).	Regional Strategy Notes (RSNs) have provided area departments with strategic perspectives for their countries and priorities for intensive TA recipients (SM/07/383).
The Board had not made a decision on the 2001 paper on sequencing of capital account liberalization, leaving ambiguity on formal policy advice unresolved (IEO, 2005b, pp. 22–23, 55).	The place of capital account issues in IMF surveillance should be clarified (p. 60).	Directors expressed a variety of views on the merits of a Board statement clarifying the elements of agreement on capital account issues, with many underlining the inherent difficulty in developing common guidelines that adequately take into account country-specific circumstances, especially given the lack of firm theoretical and empirical conclusions (p. 101).	Staff has produced multiple papers on capital flow management issues for Board review; the 2012 Integrated Surveillance Decision provided clarity on the place of such issues in surveillance (SM/12/156).
Lack of official policy on capital account liberalization led to inconsistency in policy advice across countries (IEO, 2005b, p. 47).			In November 2012, the Board discussed an institutional view on use of capital controls—called capital flow management measures—by member countries (BUFF/12/125).
Lack of a specific list of systemic countries blurred the emphasis on maximizing FSAP's contribution to national and international financial stability (IEO, 2006a, p. 10).	Management should clearly signal to the Board those countries that it sees as the highest priorities for FSAP assessments and updates, irrespective of whether they had volunteered (p. 40).	Most Directors agreed that, to align FSAP coverage with the needs of surveillance, Management should indicate to the Board which countries it considers the highest priorities for FSAP assessments and updates (p. 97).	In 2010, the Board made financial stability assessments mandatory every five years for jurisdictions with most systemically important financial sectors based on objective criteria (DEC/14736); in 2013, the number, initially 25, was raised to 29 (SM/13/304; BUFF/13/115).
IMF policy on mobilization of aid in the context of PRGF was unclear (IEO, 2007a, p. 26).	Clarify IMF policies on mobilization of aid and provide clear guidance to staff on what is required, encouraged, or permitted (p. 33).	Directors supported the recommendation on the need for further clarification of IMF policy on several aid-related issues, including mobilization of aid (p. 89).	In 2007, the Board clarified the role of the IMF in mobilization of aid (BUFF/07/102).
The Board had not formally assessed whether the stability of the international monetary system was best preserved by the choices of exchange regimes and levels now made by the membership, with no updated framework to guide policy advice in individual country contexts (IEO, 2007b, p. 35).	Practical policy guidance should be developed on key analytical issues, including stability of the system and use of intervention (p. 36).	While concurring that lack of clarity on rules of the game could impair the effectiveness of exchange rate surveillance, Directors expressed diverse views regarding the need for such guidance and on feasibility (pp. 131–32).	In 2009, a review of the stability of the system of exchange rates took place as an informal Board seminar, with no summing up (FO/DIS/09/112).
Policy calling for parsimony and criticality in structural conditionality left ambiguity about sectoral composition and conditions to be established outside the IMF's core areas of responsibility (IEO, 2007c, p. 15).	Conditionality should pertain to the core areas of IMF responsibility, with the IMF playing a subsidiary role to the World Bank in other areas (p. 20).	Most Directors reiterated that IMF conditionality needed to cover all measures critical for program success, regardless of whether they were in core or noncore areas (p. 37).	In 2009, structural performance criteria were altogether abolished in all IMF-supported programs (SM/09/69).
Lack of clarity from the Board on what was expected in terms of the design of structural conditionality led to pervasive conditionality despite 2000 streamlining initiatives (IEO, 2007c, pp. 16–17).	The Board should clarify what it expects in terms of number and focus of structural conditions (p. 20).	While Directors supported strengthened efforts to streamline conditionality, a majority saw a cap on number of conditions as overly rigid and mechanistic, preferring focus on criticality and rigorous justification for conditions (p. 36).	

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Vague Board guidance made staff wary in addressing trade policy issues (IEO, 2009a, p. 7).	The Board should commit to periodic re-evaluation of its guidance on objectives of, approaches to, and modalities of staff work on trade policies (p. 20).	Most Directors supported periodic Board review of guidance on trade policies, which would help define parameters of trade work in ways that best support the IMF's broader mission (p. 212).	In 2009, it was decided to conduct a review of IMF work on trade policy every five years; taking the IEO evaluation as the starting point, the first review is expected in 2014 (SM/09/275).
Gaps in Board guidance on the IMF's approach to preferential trade agreements (PTAs) had discouraged staff interest (IEO, 2009a, p. 14).	The Board should establish guidance on the role and approach of the IMF in PTAs and trade in financial services (p. 20).	Most Directors considered it advisable to establish guidance on approach to PTAs where there were spillovers or significant macroeconomic effects (p. 212).	In 2010, reference notes on financial services and PTAs were issued; these will be reviewed as part of the 2014 Board review of trade policy (SM/10/239; SM/10/260).
Lack of clarity regarding the meaning of criticality in the disclosure principle limited the IMF's engaging in discussions with authorities at an early stage of policy formulation (IEO, 2013, p. 17).	Reduce unnecessary disclosure concerns by clarifying the intent of the Critical Disclosure Principle (p. 29).	Directors broadly endorsed the recommendation aimed at reducing unnecessary disclosure concerns (p. 50).	A guidance note was issued in 2013, requiring staff to inform authorities of the IMF's policy on treatment of confidential information (SM/13/322).
A2. Oversight			
IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Strategies and guidelines on prolonged use adopted by the Board were not fully implemented (IEO, 2002, pp. 33, 44).	Adopt an operational definition of prolonged use (p. 81);* undertake systematic ex post assessments of programs (p. 86).	Directors saw merit in developing a definition (p. 220);* Directors stressed the desirability of more systematic ex post assessment of cases where prolonged use occurred (p. 221).	In 2003, a definition of longer-term program engagements (LTPE) was adopted, with an update in 2006;* in the same decision, it was agreed to make ex post assessments of programs systematic.
There was no formal and transparent channel through which political judgments on technical assessments of risks could be fed into decision making before the final stage of Board approval (IEO, 2002, p. 64).	Develop a procedure to avoid the appearance of political intervention in the IMF's determination of whether programs are deserving of support, with accountability for political considerations at the level of the Board (p. 89).	N/A.	N/A.
Management and staff did not discuss exchange rate policy options at the Board, though the issue was raised by Executive Directors (IEO, 2004b, p. 22).	Work out a procedure to reconcile the need for confidentiality with the need for Board decisions to be based on full and candid information (p. 75).	A number of Directors saw a need for further discussion of approaches to strengthen the role of the Board, including further efforts to improve the provision of full information on all relevant issues (p. 122).	The 2012 Guidance Note for Article IV Consultations (SM/12/246, Rev. 1) requires candor both in discussions with authorities and in staff reports, including about risks; the IMF's deletion policy (SM/13/115) is designed to encourage candor in Board documents without creating public disclosure concerns.
Because staff reports were less than fully candid about prospects and risks, Executive Directors had less than firm basis for demanding answers to critical questions (IEO, 2004b, p. 62).			
Management and staff had often bypassed the Board, given the understandable reluctance to discuss highly sensitive issues where there was a risk of leaks, thereby undermining the Board's governance function and weakening the transparency and accountability of decision making (IEO, 2004b, p. 62).			

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A2. Oversight (continued)

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
The Board had not been proactive in performing oversight responsibility to safeguard resources, with few Directors voicing concerns about exposure to Argentina (IEO, 2004b, pp. 55–56). The Board had played a limited role in considering alternative strategies, given limited lead time and information, with decisions forced upon them at a late stage of the process (IEO, 2004b, pp. 61–62).	Executive Directors should be more active in their oversight function, including by exercising their right to call a Board meeting or to request the addition of any topic of concern to the Board agenda; formalize the right of Directors to request from Management ahead of Board discussion additional staff analysis on issues they consider critical (p. 75).		
Lacking needed information, the Board was not in a position to make judgment on standards (IEO, 2006a, p. 19); peer review of financial sector issues was weak, with Board discussion perfunctory and in a few cases unable to pick up on key messages in financial sector assessments (p. 27).	N/A.	N/A.	N/A.
As a forum for peer pressure, the Executive Board's contribution to multilateral surveillance was limited by the current setup for its involvement, with little active, free exchange of views on the substance of policy issues taking place (IEO, 2006b, p. 33).	Focus surveillance discussions on a few issues of critical importance to promote free and open discussion, with any conclusions submitted to the IMFC; endorse, every six months, a short statement on the state of the world economy; set up a committee to monitor progress on strengthening the IMF's and the Board's surveillance activities (p. 4).	Many Directors saw merit in the Board identifying and agreeing on key issues for ministers to discuss during IMFC meetings, but most did not support setting up a Board committee, as it should be the full Board that should retain ownership and oversight of surveillance (p. 47).	In 2007, the Board agreed on the adoption of a Statement of Surveillance Priorities (SSP)—a new instrument periodically setting out key surveillance priorities relevant to bilateral and multilateral surveillance (SM/07/277); the statement for 2008–11 was approved in 2008 (SM/08/316; DEC/14182), with a revision in 2009 (SM/09/235).
Despite the Board's support for a wider dialogue, the IMF's engagement with civil society was limited and ineffective (IEO, 2007a, p. 25).	Clarify expectations and resource availabilities for staff interactions with local donor groups and civil society (p. 33).	Directors welcomed the recommendation to clarify expectations under IMF policies and resource availabilities for staff interactions with local donors and civil society groups (p. 89).	The issue was addressed in 2007 by Board discussions on the IMF's communication strategy and its role in the PRS process and collaboration with donors (BUFF/07/92; BUFF/07/139); the 2003 Guide for Staff Relations with Civil Society Organizations is being revised.
When substantive discussions took place on regime choice, they were not reported to the Board, raising issues of accountability and the appropriate bounds of confidentiality; important information was not conveyed to the Board—or to the staff lest it be conveyed to the Board (IEO, 2007b, pp. 15, 34).	Clarify what is expected to be included in staff reports; what may be mentioned orally at Board meetings; and what may be understood to have been discussed with authorities on the clear understanding that it would not be revealed to the Board (pp. 38–39).	Most Directors emphasized that Management was responsible for providing the Board with full information and was accountable for balancing this duty with the IMF's confidential advisor role (p. 133).	The 2012 Article IV guidance note requires candor with authorities and in staff reports;* deletion policy is designed to encourage candor without disclosure concerns.*
The involvement of the Board came too late to have impact on dialogue with authorities (IEO, 2007b, p. 29).	N/A.	N/A.	N/A.
Except in small emerging and developing countries, the Board provided little peer pressure on policymakers (IEO, 2007b, p. 32).	N/A.	N/A.	N/A.

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
The Board was being largely reactive in the provision of strategic guidance (IEO, 2008, p. 7).	The Board should reorient its work practices towards a supervisory role, playing a more active part in formulating strategy, monitoring policy implementation to ensure timely corrective action, and exercising effective oversight over Management (p. 19).	[Joint statement of the Board and the Managing Director] The IEO report is part of an ongoing process to strengthen the IMF's governance framework. Many of the issues raised by the report are complex, interrelated, and need to be discussed holistically. They will take time to address. The report's findings should thus be seen as the beginning of a broader discussion. This discussion will require the engagement of all parties at many different levels (p. 40).	In 2008, Executive Directors and Alternate Executive Directors held a retreat to discuss issues related to strengthening the role of the Board; in 2010, the Executive Board Working Group on Committees proposed changes in Board practices designed to strengthen the Board's effectiveness and efficiency (FO/DIS/10/223, Rev. 1).
Overlaps between Management, the Board, and the IMFC in some areas, and gaps in others, detracted from effectiveness and efficiency and undermined accountability (IEO, 2008, p. 7).	To strengthen effectiveness and accountability, clarify roles and responsibilities of each governance body with a view to minimizing overlaps and addressing possible gaps (p. 19).		
Although the Board reviewed each lending and surveillance report, there was a gap with oversight of policy implementation (IEO, 2008, p. 8).	The Board should develop more effective processes to provide oversight over implementation of agreed policies and strategies, with particular focus on ensuring that corrective action is taken whenever needed. The results should be part of the feedback given to Management as part of its performance review (p. 20).		
A number of Executive Directors expressed concern that the Secretary, like the Legal Counsel, who was appointed by the Managing Director and acts as department director, was not sufficiently independent in providing advice to the Board (IEO, 2008, p. 13).	The Board should play a formal role in the selection, performance assessments, and dismissal of the Legal Counsel and the Secretary (p. 21).		
Partly because of insufficient financial sector expertise, the Board found it difficult to integrate financial sector issues into discussion of macroeconomic conditions (IEO, 2008, p. 14).	N/A.		The current contract for the Managing Director provides for an annual, confidential, and informal performance feedback from the Board (Press Release No. 11/270).
The Board provided limited oversight over Management; there was no mechanism to assess its own performance or receive feedback from the Board of Governors on its performance (IEO, 2008, p. 11).	The Board should adopt an accountability framework for Management and a regular process of self-evaluation (pp. 20–21).		
A large share of Board members and senior staff considered summings up to be sometimes or often vague or contradictory, with no clear distinction between decisions and consensus views (IEO, 2008, p. 14).	Summings up should state clearly what constitutes a formal decision or views of the Board, as opposed to views of groups of Directors while consistently reflecting minority viewpoints (p. 22).		In 2013, the Executive Directors' Working Group on Summings Up (established in 2012) issued recommendations to strengthen the process (IME, 2013b).

A2.1. Candor—Board Documents

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Risks to programs of weak political commitments were often understated in Board documents, most of which contained no significant assessment of ownership; the view that the primary purpose of programs was to give confidence to members contributed to tendency to underemphasize downside risks (IEO, 2002, pp. 58, 65–66).	UFR proposals to the Board should contain a frank assessment of the readiness of potential borrowers to implement programs and a candid assessment of risks (p. 82); a review of internal incentives facing staff should be undertaken with a view to fostering increased candor (p. 88).	Director's supported the recommendation that staff papers be more transparent and candid in assessing institutional capacity and ownership (p. 221).	The review of the 2002 conditionality guidelines concluded in 2005 found substantial progress in increasing national ownership (SM/05/81; BUFF/05/59), a finding confirmed by the 2011 Review of Conditionality (SM/12/148).
Staff reports were often insufficiently candid about potential vulnerabilities and political factors that might influence the ability to implement agreed policy measures (IEO, 2003a, p. 26).	Management and the Executive Board should agree on a systematic plan of action to provide staff with appropriate institutional incentives for candor, possibly including measures to give greater independence to teams conducting surveillance (p. 52).	Director's strongly supported greater candor in assessment of risks and vulnerabilities in staff reports, including by providing institutional incentives to staff, while expressing a range of views regarding the potential conflict between candor and transparency (p. 161).	The latest Operational Guidance on Conditionality (SM/10/22, Rev. 1) calls for candid discussion of potential implementation and ownership concerns; the 2011 Review of Conditionality noted actions to enhance risk diagnostics underlying program design (SM/12/148).
Joint staff assessments (JSA) of PRSPs were sometimes insufficiently candid in their assessment of risks to implementation, especially with respect to weak administrative capacity and inadequate links between PRS and normal government processes (IEO, 2004a, p. 39).	Make explicit the criteria and benchmarks used to form judgments; report the views of third parties (especially local stakeholders and donors), and eliminate binary (yes or no) assessments of PRS as a basis for concessional lending (pp. 8–9).	Director's called for a reformulation of JSA with emphasis on graduated rather than binary assessments, with many noting that the purpose of staff assessments should be to provide candid feedback to countries (pp. 128–29).	In 2004, the Board accepted the staff proposal to replace JSA with joint staff advisory notes (JSAN) that focus on providing feedback to authorities on the PRS process and that do away with the binary assessment of PRSP (BUFF/04/175), with simplifications introduced in 2009 (DEC/14253).
Lack of candor in Board documents about political commitments may have created near universal confidence in authorities' ability and willingness to carry out reforms (IEO, 2004b, p. 37).	Work out a procedure to reconcile the need for confidentiality with the need to provide full information to the Board (p. 75).*	A number of Directors saw a need for further efforts to improve the provision of full information (p. 122).*	The 2012 Article IV guidance note requires candor with authorities and in staff reports; deletion policy is designed to encourage candor without disclosure concerns.*
Board papers paid insufficient attention to potential challenges for fiscal adjustment posed by volatility of foreign grants (IEO, 2005c, pp. 12, 17).	There is a need for greater candor in staff report assessments of risks to programs, ensuring accountability by staff and Management and allowing the Board to exercise oversight responsibilities effectively (p. 3).	Many Directors supported the call for greater candor in staff report assessments, especially of risks to the program (p. 88).	Staff assessed in 2006 that the staff reports under post-program monitoring for Jordan had become more candid, with the macroeconomic framework and adjustment profile informed by more rigorous fiscal and external debt sustainability analysis (e.g., EBS/05/154) (IEO Annual Report, 2005–06, p. 55).
Board papers generally did not elaborate on the consequences of significant policy slippages or alternative scenarios; they did not allow full understanding of the rationale underlying a particular program design (IEO, 2005c, p. 39).	The underlying rationale for key program design elements should be explained clearly in Board papers, especially about the magnitude and composition of targeted adjustment and external and public debt sustainability (p. 3).	Many Directors agreed that the Jordanian experience reinforces the need for Board papers to provide clearly the underlying rationale for key elements of program design (p. 88).	

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Candor in financial sector assessment was sometimes lost at the critically important stage of integration with Article IV surveillance reports (IEO, 2006a, pp. 22–23).	Strengthen the links between FSAP and surveillance by mainstreaming FSAP and follow-up work into regular surveillance activities (p. 41).	Director's concurred with the recommendation to strengthen links between FSAP and surveillance (p. 98).	Each area department has senior staff responsible for financial sector surveillance (FSS) and coordination with MCM; the interdepartmental Financial Sector Surveillance Group (FSG) has since 2009 ensured coordination across departments; a 2010 staff paper proposed modalities for integrating financial stability assessments into Article IV consultations for jurisdictions with systemic financial sectors (SM/10/235; DEC/14736).
When authorities were unwilling to share critical information, staff too readily certified that data were adequate for effective surveillance, given their perception that taking a stronger position would not be supported by Management and the Board (IEO, 2007b, p. 20).	Management and the Executive Board should send staff a clear signal that they will be supported when they take time to understand authorities' views, when they have difficult messages to deliver both to authorities and back to the Board, and when there are difficulties with provision of information by authorities (pp. 36–37).	Directors agreed that staff should be encouraged to raise controversial issues with authorities, to better understand the viewpoint of authorities, and to ensure evenhandedness (p. 132).	The Managing Director's paper on Strategic Directions noted the vision of a more assertive IMF communicating its concerns (BUFF/08/27).
The issue of authorities withholding relevant information was rarely flagged in staff reports, or taken up with Management (IEO, 2007b, p. 31).			
Authorities at times refrained from raising an issue on which they might want the IMF's views in fear that it might end up in staff reports (IEO, 2013, pp. 16–17).	Reduce disclosure concerns by clarifying the Critical Disclosure Principle (p. 29).*	Directors broadly endorsed the recommendation (p. 50).*	A 2013 guidance note requires staff to inform authorities of the IMF's policy on treatment of confidential information.*
Almost 60 percent of mission chiefs for advanced countries felt pressure to dilute the candor of staff reports in order to avoid upsetting authorities (IEO, 2013, p. 26).	N/A.	N/A.	N/A.

B. Organizational Silos

B1. Interdepartmental Cooperation and Internal Review

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
There was a tendency to split responsibilities without clear lines of command, e.g., insufficient integration of crisis management work by APD and MAE (IEO, 2003a, p. 45).	Centers of expertise should be developed to allow rapid application of IMF-wide expertise to emerging crises (p. 54).	Some Directors supported the creation of centers of expertise, whereas others put greater emphasis on mechanisms for drawing upon available expertise in the event of a crisis (p. 163).	In 2006, ICM and MFD were merged to enhance financial sector surveillance and to provide a center of expertise on banking crisis resolution; each area department has a senior staff member responsible for financial sector surveillance;* the interdepartmental FSG has since 2009 ensured high-level coordination.*

(Continued)

B I. Interdepartmental Cooperation and Internal Review (continued)

IEO Findings		IEO Recommendations/Remarks	Board Response	Current Status
A larger concentration of comments came too late in the review process to affect initial program design (IEO, 2003b, p. 26). Many specific comments about political commitment were raised at the review stage, with limited impact on program design (IEO, 2003b, p. 28).	There was only modest progress in strengthening the link between surveillance and TA following the 1999 review (IEO, 2003a, p. 25).	The internal review mechanism should place relatively more emphasis on early stages (p. 11).	Directors supported this recommendation while welcoming Management's initiative to enhance the effectiveness of the review process (p. 115).	In 2009, the internal review process was revised to make it more strategic and effective, including the establishment of interdepartmental policy consultation meetings for Article IV and UFR missions (IMF, 2009b).
	Only in AFR was PRSP used as a significant driver of decisions on the allocation of TA resources (IEO, 2005a, pp. 27–28).	Develop a medium-term country policy framework for setting TA priorities (p. 5).		
Strategic allocation of TA under the resource allocation plan (RAP) was hampered by the unwillingness of area departments to provide guidance on priorities across countries (IEO, 2005a, p. 35).	In low-income countries, PRSP should form the basis for dialogue on setting TA priorities and collaboration with other donors (p. 5).*	Explicitly acknowledge in the TOR for resident representatives that their role was to help develop a framework for strategic TA allocation (p. 6).	Most Directors agreed that in low-income countries the PRSP should serve as a vehicle for identifying TA needs and improving coordination among agencies (p. 84);* in other countries, Directors stressed the importance of developing country-centered frameworks for identifying TA needs (pp. 84–85).	Regional strategy notes have served as input into departments' business plans and the formulation of the resource allocation plan (RAP); monitoring of TA is included in the TOR for resident representatives (SM/07/383; IEO, 2014).
There was no clear institutional framework for linking FSAP recommendations to plans of action for TA delivery (IEO, 2006a, p. 31).	The IMF, in conjunction with other TA providers, should establish a framework for coordinating follow-up capacity-building TA, based on the country's own action plans (pp. 43–44).	N.A.		
Integration between WEO and GFSR did not take place on a number of issues even when it was feasible (IEO, 2006b, pp. 25–26).	Establish a Surveillance Department; give sign-off authority to RES on briefing papers and Article IV staff reports for systemic countries; make greater use of the Surveillance Committee; promote RES participation in country work; establish benchmarks for measuring progress on integration (pp. 5–6).	Directors were not persuaded about the need for broad organizational changes, noting that priority should be given to strengthening the integration between multilateral and bilateral surveillance especially for systemic countries (p. 47).	New products were launched to integrate work across departments and to strengthen the multilateral aspect of surveillance, including spillover; pilot external sector; and consolidated multilateral surveillance reports; the Management-chaired Surveillance Committee was strengthened and meets weekly, among others, to oversee efforts to integrate global perspectives into Article IV consultations.	The 2013 staff paper noted successful cases where TA provision followed FSAP recommendations (SM/13/128).
Global banking sector risks were covered in MFD's Financial Systems Trends, but not in GFSR (IEO, 2006b, p. 20).	N.A.	N.A.		
Insufficient reward was given to integrating best elements of analysis and expertise from inside and outside the IMF (IEO, 2007b, p. 28).	Make limited use of outside experts for Article IV missions (p. 38).	Many Directors saw need for further efforts in ensuring that missions had the right mix of skills and expertise (p. 132).	The Surveillance Committee meets weekly.*	In 2006, ICM and MFD were merged.*
Responsibility for exchange rate issues was scattered, diffusing responsibility and accountability for prioritizing and making integration difficult (IEO, 2007b, p. 38).	Management should clarify responsibility and accountability for exchange rate policy issues and actively use the Surveillance Committee (p. 38).	Directors encouraged further strengthening of existing coordinating mechanisms, including the Surveillance Committee (p. 133).		

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
The internal review process, calling for greater clarity of program objectives and of strategies to achieve them, had little impact on the quality of program documentation (IEO, 2007c, p. 18).	Program documentation should be explicit about objectives supported by the IMF and how proposed measures help achieve them (p. 20).	Directors agreed that the link between program goals, strategies, and conditions should be better explained in Board papers (p. 37).	In 2009, the internal review process was revised;* the Operational Guidance Note on Conditionality, revised in 2008 and 2009, calls specifically for program documentation to present the links between program goals, reform strategies, and underlying structural conditionality (SM/08/245, SM/10/22, Rev. 1).
Silo behavior made it difficult to integrate macroeconomic with financial sector analysis, and multilateral with bilateral surveillance, and to work across departments (IEO, 2011a, p. 18).	Clarify rules and responsibilities for the internal review process and establish interdepartmental collaboration at an earlier stage of the Article IV process and of the development of themes and ideas for multilateral surveillance (p. 23).	Directors stressed that, while more could be done to foster cross-departmental collaboration, recent initiatives, such as the new internal review process, should be given time before changes were considered (p. 46).	New products were launched to integrate work across departments;* WEO and GFSR are presented to area department staff before publication; the Surveillance Committee meets weekly.*
Internal reviews failed to connect the dots and to ensure follow-up of concerns raised by the Board, Management, and reviewers, which typically took place too late to have impact (IEO, 2011a, p. 18).			In 2009, the internal review process was revised.*
Lacking sufficient oversight by senior staff and Management, turf battles were a major impediment to cooperation and collaboration (IEO, 2011a, p. 19).			N.A.
Bilateral surveillance missions to systemic financial centers were not always staffed with most experienced financial sector specialists (IEO, 2011a, p. 19).	Include experienced financial experts when staffing missions to G20 economies and other financial centers; give MCM a more prominent role in the surveillance of these economies, for example, by giving sign-off responsibility (pp. 22–23).	Directors welcomed ongoing efforts to hire financial sector experts, with some emphasizing the need to support more active MCM involvement in surveillance for systemic cases (pp. 45–46).	A financial expert has been assigned to each Article IV team involving systemically important financial sectors (SM/12/231).
Most staff were not aware of research that had been produced on macro-financial linkages, pointing to a need for better internal dissemination (IEO, 2011b, p. 10).	N.A.	N.A.	N.A.
Collaboration on research across units within the IMF was infrequent and resulted mostly from informal personal contacts (IEO, 2011b, p. 21).	Designate a research coordinator responsible for coordinating research across the IMF, including by setting standards and publication policies (p. 26).	Directors were open to various proposals, including designating a research coordinator, while a few cautioned that a centralized approach could undermine innovative thinking (p. 45).	Coordination of research was stepped up in 2011, with the inauguration of semiannual interdepartmental meetings (SM/12/277).
Silo behavior was cited by authorities as a factor undermining the value-added of IMF advice, with occasional discrepancies across different products (IEO, 2013, p. 21).	N.A.	N.A.	New products were launched;* WEO and GFSR are presented to area department staff before publication;* the Surveillance Committee meets weekly.*

B2. Integration

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Financial sector concerns expressed in internal reviews and multilateral surveillance exercises were not fully incorporated into Article IV reports (IEO, 2003a, p. 26).	N.A.	N.A.	New products were launched;* WEO and GFSR are presented to area department staff before publication;* the Surveillance Committee meets weekly;* in 2009, the internal review process was revised.*
IMF multilateral surveillance did not devote much attention to analyzing risks to emerging market economies of policy developments in advanced countries affecting capital flows (IEO, 2005b, p. 24).	The IMF's analysis and surveillance should give greater attention to the supply-side factors of international capital flows and what can be done to minimize the volatility of capital movements (p. 61).	Directors welcomed ongoing initiatives to strengthen research, analysis, and surveillance of the supply side of capital flows, and encouraged staff to continue to build on these efforts (p. 101).	Staff has prepared multiple studies on the supply side of capital flows, some of which have appeared in issues of GFSR (see SM/11/30, Supplement 1).
There were shortcomings in integrating FSAP technical expertise with area departments' country-specific knowledge (IEO, 2006a, p. 14).	Introduce changes in the organization of IMF mission activities to utilize scarce financial sector technical expertise more effectively in surveillance work (p. 42).	While welcoming the recommendation, many Directors noted that this would be considered in the broader context of improving financial sector surveillance as part of medium-term strategic review (p. 98).	Major initiatives were launched in connection with the 2007 Financial Sector Task Force Report (SM/07/57) and the Statement of Surveillance Priorities; each area department has a senior staff member responsible for FSS and coordination with MCM;* FSG has since 2009 ensured coordination;* the 2010 staff paper proposed modalities for better integration for jurisdictions with systemic financial sectors.*
Many in area departments felt that they lacked necessary training and experience to interpret financial soundness indicators (FSIs) and integrate analysis into ongoing surveillance work (IEO, 2006a, p. 18).			
Financial stability issues were not fully mainstreamed into Article IV assessments (IEO, 2006a, p. 27).	Strengthen the links between FSAP and surveillance by mainstreaming FSAP and follow-up work into regular surveillance (p. 41);* internal reviews should ensure that key messages on macro-financial stability are fully reflected in Article IV reports; prepare a short section in each FSSA to summarize in candid language the main macro-relevant findings (p. 41).	Directors concurred with the recommendation to strengthen links between FSAP and surveillance (p. 98);* they underscored the need to follow up on key vulnerabilities and gaps and integrate such issues into Article IV surveillance (p. 98).	
Potential macroeconomic significance of institutional weaknesses was often not emphasized sufficiently (IEO, 2006a, p. 18).	N.A.	N.A.	In 2009, the Risk Assessment Matrix (RAM) was introduced to make risk analysis more candid (SM/09/231).
IMF surveillance had a strong bilateral orientation, with the substance of policy advice virtually identical between WEO and staff reports on major countries (IEO, 2006b, p. 20).	Establish a Surveillance Department; give sign-off authority to RES;* utilize the Surveillance Committee;* promote RES participation;* establish benchmarks for progress on integration (pp. 5–6)*.	Directors noted that priority should be given to strengthening integration for systemic countries, not to organizational changes (p. 47)*.	New products were launched;* WEO and GFSR are presented to area department staff before publication;* the Surveillance Committee meets weekly.*
There was scope for bringing global perspectives further into bilateral surveillance (IEO, 2006b, pp. 27–28).			

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Global and regional spillovers were infrequently covered (IEO, 2007b, p. 15). Bilateral surveillance failed to pick up financial market issues that might have affected several countries at once (IEO, 2007b, p. 24). Multilateral considerations did not feature prominently in most bilateral discussions, with staff rarely identifying or sufficiently integrating spillovers into analysis (IEO, 2007b, pp. 24–25).	Management should clarify responsibility and actively use the Surveillance Committee (p. 38);* incentives should be given to develop and implement guidance for integration of spillovers into bilateral and regional surveillance (pp. 37–38).	Directors encouraged further strengthening of existing coordinating mechanisms (p. 133);* Directors underscored the importance of better incorporating analysis of policy spillovers into regional and bilateral surveillance and welcomed ongoing initiatives under the Medium-Term Strategy (p. 133).	Staff produced a paper on interconnected economies in 2012 (FO/DIS/12/37), leading to “cluster consultations” with Nordic countries (SM/13/230) as well as on the German and Central European supply chain (FO/DIS/13/100) in 2013 on a pilot basis; production of Spillover Reports began in 2012 (SM/12/181); the 2012 Integrated Surveillance Decision (DEC/15203) institutionalized the integration of bilateral and multilateral surveillance.
Surveillance work on trade policy in area departments and FAD did not find an outlet in multilateral surveillance (IEO, 2009a, p. 11).	Trade policy—particularly involving PTAs—should be addressed periodically in multilateral and regional surveillance (p. 20); a small but critical mass of trade policy expertise must be built, with a division dedicated to trade issues (p. 21).	Most Directors agreed that attention should be given to regional and global effects of trade policies and that trade policy should be addressed periodically in multilateral and regional surveillance (p. 212); Directors also agreed with the need for a critical mass of trade policy expertise within the IMF but most did not support the creation of a separate trade policy division (p. 213).	Coverage of trade policy issues has increased in surveillance vehicles (SM/11/52, p. 8); in 2010, reference notes on financial services and PTAs were issued, highlighting the need for greater emphasis in multilateral surveillance on the global effects of trade policies and to tackle macro-critical trade policy issues (SM/10/239; SM/10/260).
Risks flagged in GFSR did not feature prominently in the IMF’s banner messages (IEO, 2011a, p. 8). Multilateral surveillance did not connect global imbalances with financial and housing market risks pointed out by GFSR and WEO (IEO, 2011a, p. 10). In bilateral surveillance of countries with advanced markets, many risks and vulnerabilities identified by multilateral surveillance or independent analysts found little voice (IEO, 2011a, pp. 10–11).	Deliver a clear, consistent message on the global outlook and risks, with clear specification of risks and vulnerabilities around the central scenario, including through better integrating analysis and assessments of WEO and GFSR or a self-standing global surveillance report (p. 23).	Directors considered it crucial that the analyses of WEO, GFSR, and <i>Fiscal Monitor</i> deliver a consistent message (p. 46).	Consolidated multilateral surveillance reports were issued in 2011 (SM/11/256, Rev. 1) and 2012 (SM/12/80, Rev. 1) to distill key messages from WEO, GFSR, <i>Fiscal Monitor</i>, and others; the Surveillance Committee meets weekly.*
Analysis of macro-financial linkages was typically better in emerging markets than in advanced economies (IEO, 2011a, p. 13). Staff tended to hold in highest regard macro models that proved inadequate for analyzing macro-financial linkages (IEO, 2011a, p. 18).	Continue to strengthen FSAP and the ability to monitor global and systemic financial markets and institutions, including through collaboration with the Financial Stability Board; report to the Board regularly on progress in macro-financial integration in bilateral and multilateral surveillance (p. 22).	Directors welcomed the IEO’s positive appraisal of recent changes to FSAP, and felt it would be useful to have further discussion of possible enhancements (p. 46).	N.A.

(Continued)

B2. Integration (continued)

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Staff attributed failure to integrate bilateral and multilateral surveillance and macro-financial issues in part to turf battles among departments (IEO, 2011a, p. 19).	Management should hold corresponding units and senior staff responsible for integrating multilateral and bilateral surveillance, taking account of alternative views, and bringing cross-country experience to bear (p. 23).	Directors stressed that, while more could be done, recent initiatives should be given time before changes are considered (p. 46).*	The Surveillance Committee meets weekly.*
There was little collaboration between RES and MCM, which may explain why macro-financial linkages did not receive more attention (IEO, 2011b, p. 21).	Designate a research coordinator (p. 26)*	Directors were open to various proposals, including designating a research coordinator (p. 45).*	Semiannual interdepartmental meetings were inaugurated in 2011.*
The majority of authorities saw improvement in the quality of IMF advice on macro-financial linkages and international spillovers since the crisis, but many believed that weaknesses remained (IEO, 2013, pp. 11, 20–21).	N.A.	N.A.	N.A.

C. Risks and Uncertainty

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Many programs had difficulty in dealing with uncertainty; many documents did not spell out key program risks, nor did they conduct suitable stress testing exercises (IEO, 2002, p. 58).	Programs should include more explicit discussion of the major uncertainties they face and of how policies would be adapted if underlying assumptions turned out differently (p. 86).	Directors underscored the importance of explaining clearly downside risks and of avoiding any bias toward over-optimism (p. 221).	The latest conditionality guidance calls for candid discussion of implementation and ownership concerns,* the 2011 Conditionality Review noted actions to enhance risk diagnostics.*
Surveillance had focused more on estimating the likelihood of shocks occurring than exploring the consequences if a shock were to occur (IEO, 2003a, p. 26).	Article IV consultations should take a “stress-testing” approach to analysis of a country’s exposure to a potential capital account crisis, including by itemizing risks (p. 51).	Directors agreed with the need to strengthen IMF surveillance by extending and systematizing assessment of crisis vulnerabilities (pp. 160–61).	In 2009, the IMF/FSB conducted the first early warning exercise (EWE) (SM/09/17); the semiannual vulnerability exercise, initially limited to emerging market economies, was extended to advanced economies in 2009 (SM/11/233) and to low-income countries in 2011 (FO/DIS/11/44); the latest Guidance Note for Article IV Consultations (SM/12/246, Rev. I) calls for discussion of baseline and tail risks.
Programs failed to incorporate uncertainty about key macroeconomic variables during crisis, for example by explicitly discussing major risks to the macroeconomic framework and indicating how policies would respond if risks materialized (IEO, 2003a, pp. 31–32).	Major risks to the program should be identified explicitly, along with a broad indication of how policies will respond in the event of sharper-than-programmed economic downturns (p. 53).	Directors agreed that program documents should set out assumptions, explain program risks, discuss alternative scenarios, and spell out how policies will respond in the event that risks materialize, with a few cautioning against excessive emphasis on risks as undermining confidence (p. 162).	The latest Operational Guidance on Conditionality calls for candid discussion of implementation and ownership concerns,* the 2011 Conditionality Review noted actions to enhance risk diagnostics.*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Failure to explain the link between assumptions and targets made it difficult to revise programs when the assumptions turned out not to hold (IEO, 2003b, pp. 48–49).	Program documentation should provide an in-depth justification for the magnitude and pace of fiscal adjustment and how it is linked with assumptions about the recovery of private sector activity and growth (p. 11).	Directors supported the recommendation as instilling discipline in program design, enhancing transparency, and providing the public with a convincing rationale, while a few cautioned against spurious precision and others noted political constraints on the magnitude and pace of fiscal adjustment (p. 115).	A staff paper issued in 2011 (SM/11/211) provides a strengthened framework for analyzing fiscal risks.
Sensitivity analysis failed to explore the impact of significantly less favorable external conditions and policy slippages on debt sustainability; there was no serious analysis of exchange rate sustainability (IEO, 2004b, p. 44).	Medium-term exchange rate and debt sustainability analyses should form the core focus of IMF surveillance; the IMF should refine tools for assessing the equilibrium real exchange rate that are more forward-looking; surveillance should examine debt profiles from the perspective of “debt intolerance” (p. 74).	Directors concurred with the IEO’s recommendation but cautioned that finding an appropriate measure of exchange rate sustainability would be difficult. Directors asked staff to sharpen tools for debt sustainability analysis further, with a few calling for strengthening the organization and independence of such work (p. 121).	In 2009, the first EWE was conducted;* the vulnerability exercise was extended to advanced economies in 2009 and to low-income countries in 2011;* the latest Guidance Note for Article IV Consultations (SM/12/246, Rev. 1) highlights the need for contingency planning when there are sustainability concerns.
There was no clear understanding of exit strategy because conditions for judging success or failure were not made explicit, and there was no discussion of what the next steps would be if the chosen strategy failed (IEO, 2004b, p. 46).	The IMF should have a contingency strategy from the outset of a crisis, including a set of criteria to determine if the initial strategy is working and to signal whether a change in approach is needed (p.73).	While most viewed contingency planning as useful, many Directors noted that in a crisis or pre-crisis setting, it was not always possible to assess contingencies and expressed concern that any indication of the IMF developing contingent strategies could undermine confidence (p. 120).	N.A.
Lack of viable alternative plan became reason for continuing to support a strategy with a low probability of success (IEO, 2004b, p. 50).			
Program documents did not spell out the assumptions underlying key elements of program design, which limited the ability to modify programs when they proved incorrect (IEO, 2005c, p. 11).	The underlying rationale for key program design elements should be explained clearly in Executive Board papers (p. 3).*	Many Directors agreed with the need to provide the rationale for key program design elements (p. 88).*	A 2011 staff paper provides a strengthened framework for analyzing fiscal risks (SM/11/211).
Excessive focus on the number of principles for which a country was fully or largely compliant could give a misleading signal on the downside consequences of remaining gaps (IEO, 2006a, p. 19). Some assessments had failed to analyze the consequences of politically sensitive shocks (e.g., public debt defaults) and emphasize the potential macroeconomic significance of institutional weaknesses (IEO, 2006a, pp. 17–18).	Steps to improve the quality of stress-testing analysis should include more candid judgments on the quality of available data and the limitations of any results (p. 42).	Directors encouraged staff to improve further the quality of FSAP and strengthen its impact, noting that recommendations should be prioritized and potential consequences discussed candidly (p. 98).	In 2009, the Risk Assessment Matrix was introduced;* the revised FSAP Procedures Manual, issued in 2010, stresses that recommendations should be candidly discussed and clearly prioritized by macro-relevance, and missions should cover all major risks, including politically sensitive ones; data inadequacies and analytical limitations should be discussed transparently (IMF, 2010k).
Reliance on stress testing in FSAP, which does not capture second-round shocks, led to complacency because limitations were not explicitly discussed (IEO, 2011a, p. 18).	Consider more severe shocks in FSAP stress testing, taking into account domestic, global, and regional developments and risks; enhance candor and clarity in financial sector surveillance, including an explicit discussion of data and methodological qualifications (p. 22).	Directors welcomed the IEO’s positive appraisal of recent changes to FSAP, and felt discussion of possible enhancements would be useful (p. 46).*	

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D. Country and Institutional Context

D1. Analytical Work and Policy Advice

IEO Findings		IEO Recommendations/Remarks	Board Response	Current Status
Insufficient attention to program ownership and implementation capacity, and the design of conditionality related to core institutional changes, limited the effectiveness of IMF-supported programs in some prolonged-use countries (IEO, 2002, p. 49). The IMF repeatedly underestimated obstacles to policy implementation, including weak political commitment (IEO, 2002, pp. 53, 58).	There was not enough engagement with the private sector, regarding country conditions or factors influencing global portfolio allocations (IEO, 2003a, p. 26).	Specific operational procedures should be developed to ensure that program design places greater emphasis on the nature of the domestic policy formulation process, in order to maximize ownership (p. 83); tailor the effective time frame to the foreseeable length of the reform and adjustment process (p. 85); strengthen the ability of IMF staff to analyze political economy issues (p. 88).	Suggested changes should be seen as part of a broader effort to ensure greater effectiveness of IMF-supported programs. Some were being internalized as elements of the review of conditionality, with implementation involving sometimes difficult judgment (p. 221). Directors expressed a wide array of views on whether and how staff should take account of political economy issues while recognizing the need for caution given the sensitivities (p. 222).	The latest Operational Guidance on Conditionality calls for candid discussion of implementation and ownership concerns;* the 2011 Conditionality Review noted actions to enhance risks diagnostics.*
	Country-specific analysis of how quickly the real economy responds to macroeconomic policy was limited in program design (IEO, 2004a, pp. 43, 60–61). Lack of French-speaking experts undermined the ability to align surveillance with, and respond to, TA needs in West Africa (IEO, 2005a, p. 26). Nine “filters” endorsed by the Board to guide priorities for TA allocation lacked flexibility to respond to country-specific needs and circumstances (IEO, 2005a, pp. 32–33).	Article IV consultation missions should seek a wider dialogue with individuals beyond senior economic officials, including especially those in the domestic and international financial communities (p. 51). There should be more systematic explorations of country-specific macro-micro linkages (p. 10). N.A.	Most Directors agreed that the IMF should develop greater understanding of political constraints on program implementation, with a number cautioning against accepting private sector views uncritically (p. 161). N.A. N.A.	
Effectiveness of TA delivery was undermined by lack of awareness of institutional, organizational, and managerial particularities in recipient countries (IEO, 2005a, p. 43). Authorities often complained that recommendations were not taking sufficient account of local conditions and political constraints (IEO, 2005a, p. 65).	Staff was giving greater attention than previously to the overall environment and institutional constraints in advice on capital account issues (IEO, 2005b, p. 56).	Engage counterparts early on in the design of activity, explain its motivation, and try to assess institutional subtleties (p. 7). N.A.	Directors concurred that the case for discontinuing current filters was strong, with several supporting preserving some elements (p. 86). Directors welcomed the proposals for more participation by authorities in drawing up terms of reference (p. 85). N.A.	In 2005, prioritization filters were discontinued, in line with the Task Force Report recommendations (BUFF/05/130). In 2008, staff issued a paper on TA (SM/08/97) calling for coordination with authorities in identifying TA priorities; current guidelines emphasize the need for dialogue with authorities in developing reforms and identifying emerging TA needs; the 2013 review of capacity development strategy (SM/13/128) noted that decentralization of TA delivery through regional training centers had increased ownership and improved understanding of local circumstances and absorptive capacity. N.A.

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Program documents did not focus enough on fiscal structural reforms needed to sustain adjustment over the medium term (IEO, 2005c, p. 12).	Short-term quantitative targets without analyzing in greater depth the underlying strategies to achieve these targets are unlikely to be successful (p. 4).	N.A.	The 2011 Review of Conditionality (SM/12/148) called for paying attention to the contributions to fiscal sustainability of fiscal reforms.
Advice for greater exchange rate flexibility was based not on country-specific conditions but on the evolving institutional view (IEO, 2005c, p. 35).	N.A.		The Interim Guidance Note (SM/07/228, revised in 2009, SM/09/123) stated the need to pay due regard to country circumstances; and the need for analysis of regime choice to be candid, balanced, and comprehensive, taking into account country circumstances and implementation issues; the 2012 Article IV Guidance Note (SM/12/246, Rev. I) states that improving exchange rate analysis is an operational priority for 2011–14.
FSAP missions were typically given insufficient time to prepare and familiarize themselves with country-specific circumstances (IEO, 2006a, p. 14).	The Financial Sector Liaison Committee should ensure that FSAP team and deputy team leaders have adequate experience (p. 42).	N.A.	The 2009 FSAP Review (SM/09/231) and the 2012 Financial Surveillance Strategy paper (SM/12/231) highlight the need to tailor analysis to country-specific circumstances.
There was a tendency to follow a template approach without deep understanding of the situation in each country (IEO, 2006a, p. 15).	Engage authorities at an early stage on the objectives and scope of FSAP, including specific terms of reference (p. 42).	N.A.	
Authorities in many PRGF countries saw structural conditions as not adapted to the country's implementation capacity or political constraints and thus subject to unrealistic deadlines (IEO, 2007c, p. 12).	Staff should work with authorities to identify goals clearly and to set structural conditions that contribute to them (p. 20).	Directors called for greater reliance on authorities' views in setting conditions (p. 36).	The 2011 Review of Conditionality (SM/12/148) concluded that program design had been tailored to country circumstances, especially in higher and more frontloaded access in capital account crisis cases.
Advice in favor of exchange rate flexibility was not always backed up by formal analysis, including of country-specific obstacles to implementation (IEO, 2007b, pp. 22–23).	Advice on exchange rate regimes should be backed up more explicitly by analytical work (p. 37).	Directors agreed that staff's assessment of regime choice should be underpinned by comprehensive analytical discussion of pros and cons, taking into account country circumstances, authorities' views, and implementation issues (p. 132).	The Interim Guidance Note (revised in 2009) stated the need for analysis of regime choice to take into account country circumstances and implementation issues; the 2012 Article IV Guidance Note states that improving exchange rate analysis is an operational priority for 2011–14.*
Authorities found that the more country-specific the issue, the less useful the IMF's advice, perceiving IMF staff as having insufficient technical expertise or practical experience (IEO, 2007b, p. 23).	Make limited use of outside experts (p. 38).*	Many Directors saw need to ensure that missions had the right skills mix (p. 132).*	In 2007, a need to bring in more specialists, especially with financial sector experience, was acknowledged by an interdepartmental working group, which recommended strategic workforce planning to improve the mid-career recruitment process and the skills mix (IMF, 2007m); in 2013, the First Deputy Managing Director (FDM) instructed heads of departments to aim to achieve three years on average for country assignments (IMF 2013); the 2013 Review of the Accountability Framework reaffirmed the target of three years (IMF, 2013r).
Authorities mentioned inadequate knowledge of country-specific background, and less technical knowledge of the operational aspects of foreign exchange markets than enjoyed by them, as limiting the value added of IMF advice (IEO, 2007b, p. 31).			

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D1. Analytical Work and Policy Advice (continued)

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
The work depended on who happened to be on the mission and what that person happened to know, with little systematic effort to draw on the knowledge and experience available throughout the institution (IEO, 2009b, p. 9).	Replace defunct country surveillance agendas with strategic agendas; increase mission chief and staff tenure on country assignments as well as training and incentives for interactions (pp. 31–32).	A number of Directors supported further consideration of the proposal to replace surveillance agendas with strategic agendas, with others concerned that it could create an additional burden with little effect. Directors generally supported increasing mission chief and staff tenure while welcoming steps being taken (p. 172).	
The IMF was less systematic in customizing its approach to individual country conditions, especially in taking account of country-specific political economy dimensions in designing reforms in PRGF-eligible countries (IEO, 2009b, p. 24).	N.A.	N.A.	The 2011 Conditionality Review concluded that program design had been tailored to country circumstances;* the 2012 review of LIC facilities (SM/12/203) noted that the IMF had made debt limits policy and structural conditionality tailored to country circumstances.
Lack of understanding of country context and institutions undermined the relevance and utilization of IMF research (IEO, 2011b, p. 12). Authorities across country groups noted that the analytical framework used in IMF research was not suited to the realities of their countries (IEO, 2011b, p. 12).	Consult country authorities on selection of topics; discuss with them and other local experts preliminary results; give researchers freedom to explore issues without preconceived conclusions or messages, including by establishing incentives for innovative research (p. 25).	Directors broadly supported the IEO recommendation to consult more with authorities on research topics and agreed that staff should remain free to explore issues that they feel are most important; longer country assignments could facilitate collaboration with authorities and enhance familiarity with country-specific conditions (p. 45).	Reforms have been introduced to ensure appropriate balance between the need for cross-country perspectives and mission team continuity (SM/12/277); in 2013 FDMD instructed departments to achieve three years on average for country assignments, which was affirmed by the 2013 accounting framework review.*
Some authorities found many working papers too theoretical and that the frequent use of cross-country panel data undermining the relevance especially of the IMF's regional economic outlooks (IEO, 2011b, p. 13).	Conduct a periodic strategic review of research product lines in consultation with authorities; strengthen quality assurance and review processes (p. 25).	Directors generally saw merit in conducting a periodic strategic review of research products, and encouraged Management and staff to strengthen quality controls, the internal review process, and incentives to enhance the technical content of research subject to budget constraints (pp. 44–45).	New procedures have been adopted to ensure the quality of working papers and that a strategic review of IMF research was forthcoming (SM/12/277).
Authorities felt uneasy about the potentially prescriptive assessments based on the reserve adequacy metric, as it could become a one-size-fits-all measure applied in a pro forma manner without capturing country-specific context and the complexities of the costs and benefits of reserve accumulation (IEO, 2012, pp. 10–11). Authorities thought cross-country comparisons of reserves by IMF staff did not pay sufficient attention to country characteristics (IEO, 2012, p. 16).	Policy initiatives designed to deal with systemic externalities must take into account the relative size of countries; reserve adequacy indicators should be applied flexibly and reflect country-specific circumstances, including various potential sources of foreign exchange drain, relevant financial sector exposures, and other sources of liquidity (p. 18).	A number of Directors agreed that the relative contribution of a country to externality should be taken into account; Directors agreed on the desirability of a comprehensive assessment of reserve adequacy, with most seeing room for making guidance on reserve adequacy more alert to country-specific conditions, but consistently across countries with similar features (p. 34).	The revised paper on assessing reserve adequacy (SM/13/301) underscores the importance of country-specific factors.

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
A significant number of officials saw the IMF as lacking sufficient knowledge of country-specifics for advice to be useful; it was seen overly generic and one-size-fits-all (IEO, 2013, p. 20).	Consult at an early stage with authorities on their key areas of interest; draw on relevant cross-country experiences to provide examples of best practices; engage with local analysts and researchers (p. 28).	Directors supported early informal consultations with authorities on key areas of interest, though they had different views on the merits of sharing the macroeconomic framework and key policy recommendations ahead of missions (p. 50).	In 2013 FDMD instructed departments to achieve three years on average for country assignments, which was affirmed by the 2013 accounting framework review;* an overarching objective of the 2014 TSR is to strengthen the traction of IMF surveillance (FO/DIS/13/137).
A significant number of officials from emerging market and low-income countries considered the advice of Article IV and UFR missions as not contributing anything new (IEO, 2013, p. 20).			
D2. Staff Turnover			
IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Staff turnover was high for both prolonged and temporary users, as identified by authorities and staff (IEO, 2002, p. 49).	Review internal incentives facing staff to promote continuity on country assignments and to foster accountability (pp. 88–89).	The Board noted that such issues as career incentives for staff and continuity of staff missions, while under Management purview, deserved careful consideration (pp. 221–22).	In 2013 FDMD instructed departments to achieve three years on average for country assignments, which was affirmed by the 2013 accounting framework review.*
High staff mobility limited the accountability of mission chiefs, with most feeling that career progression did not depend significantly on whether programs achieved objectives (IEO, 2002, p. 68).	Monitor the length of staff assignments to country desks; establish a medium-term IMF-wide program to develop a critical mass of staff members with significant country expertise in each systemic country (p. 54).	A number of Directors favored longer country desk assignments, while others noted the importance of staff mobility in broadening experience and perspectives and maintaining impartiality (p. 163).	
Available internal knowledge was not fully exploited in formulating programs, with a relatively small number of participants having previous experience with the countries (IEO, 2003a, p. 45).	N.A.	N.A.	The IMF-wide online Expert Evaluation System was introduced in 2010 to assess and document the performance of field-based TA experts (IEO, 2014).
The rotation of staff among tasks and assignments could undermine the oversight of TA experts in the field (IEO, 2005a, pp. 45–46).	Need for greater staff continuity in follow-up on financial sector issues (both in surveillance and technical assistance) was a refrain heard frequently (p. 42).	N.A.	In 2013 FDMD instructed departments to achieve three years on average for country assignments, which was affirmed by the 2013 accounting framework review.*
Insufficient personnel continuity from previous financial sector work increased the burden of FSAP on authorities (IEO, 2006a, pp. 14–15).	Establish a unit dedicated to maintaining constant contact with relevant officials of systemically important countries; give more attention to continuity of representations at these meetings (p. 3).	N.A.	The Multilateral Surveillance Division was created in RES in 2006 to strengthen the IMF's work on intergovernmental groups.
There was lack of continuity in institutional representation and infrastructure to support the IMF's inputs into intergovernmental groups (IEO, 2006b, pp. 33–34).			

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D2. Staff Turnover (continued)

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Authorities complained about staff turnover as requiring scarce official time to retrain new IMF staff (IEO, 2007a, p. 20).	N.A.	N.A.	In 2013 FDMD instructed departments to achieve three years on average for country assignments, which was affirmed by the 2013 accounting framework review.*
Authorities mentioned frequent changes in mission chiefs as limiting the contributions of IMF advice to ongoing discussions (IEO, 2007b, p. 31).	N.A.	N.A.	
Insufficient staff continuity was a serious concern, particularly for small states, with officials indicating that the IMF's approach to staff turnover undermined capacity building (IEO, 2009b, p. 25).	Increase mission chief and staff tenure on country assignments (p. 32).*	Directors generally supported increasing mission chief and staff tenure (p. 172).*	
High staff turnover left mission teams in constant need of getting up to speed on country-specific issues, which made it difficult to come up with alternative views and policy options (IEO, 2011a, p. 19).	N.A.	N.A.	
Authorities viewed high turnover as diminishing value-added in IMF advice, especially in small countries; staff saw assignments on systemic countries as more career-enhancing; there are few incentives to ensure a smooth transfer of information from incumbent to new mission teams (IEO, 2013, p. 21).	Strengthen the continuity of the relationship between the IMF and member countries, including by developing a medium-term strategic plan in consultation with authorities; increase rewards for team work to ensure a smooth transfer of knowledge when members change (p. 28).	Many Directors did not support the development of medium-term strategic plans as introducing more bureaucratic processes; a number of them emphasized lengthening staff country assignments (p. 50).	The fifth PMR states that HRD, with the support of TGS, has instituted a system to monitor mission chief and team tenure, the results of which will be shared with the Board (SM/12/248, p. 5); in 2013 FDMD recommended that clear expectations and procedures for handovers, including on such issues as data management, should be set up by September 1, 2013, with assessments to be included in staff annual performance reviews (IMF, 2013).

E. Evenhandedness

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
About half of mission chiefs reported that they had experienced strong political pressure from influential shareholders (IEO, 2002, p. 64).	Develop a procedure to avoid the appearance of political intervention in the IMF's program decision (p. 89).*	N.A.	N.A.
Lack of transparency in how program decisions incorporate political judgments could lead to exaggerated perception of political pressure (IEO, 2002, p. 64).			
Policy prescriptions emphasized, not actions to be taken by creditor countries, but those to be taken by emerging market economies (IEO, 2005b, p. 25).	Give greater attention to the supply-side factors of international capital flows and measures to minimize capital flow volatility (p. 61).*	Directors welcomed ongoing efforts and encouraged staff to build on them (p. 101).*	Staff has prepared multiple studies on the supply side of capital flows, some of which have appeared in GFSR.*

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Evidence does not support the criticism of a “one-size-fits-all” approach to the IMF’s policy advice (IEO, 2005b, p. 40).	Sharpen advice on capital account issues, based on solid analysis of country-specific conditions (pp. 60–61).	Directors urged staff to base policy advice on solid analysis of individual country situations, with a number recommending that staff reports should include a clearer, more systematic, and analytical rationale for advice (p. 101).	N.A.
There was no evidence that the threshold of acceptable program content was significantly different because of geopolitical considerations (IEO, 2005c, p. 42).	N.A.	N.A.	N.A.
Authorities from large emerging market economies were most critical of the quality of the IMF’s advice and its performance as broker for international policy coordination (IEO, 2007b, pp. 9–11, 13).	Make opportunities for multilateral concerted action a key strategic management focus (p. 39).	Most Directors considered multilateral consultations to be a useful addition to the surveillance toolkit (p. 133).	In 2006, the IMF introduced multilateral consultations as a vehicle of facilitating multilateral concerted action (institutionalized in the 2012 Integrated Surveillance Decision); in 2009, the IMF began to participate in the G20 Mutual Assessment Program (MAP).
There were no clear-cut cases of uneven treatment of members in the sample of thirty countries, but the perceptions of inconsistency remained strong (IEO, 2007b, p. 25).	Provide better explanations for particular policy advice in order to reduce the risk of inconsistency and the risk of being accused of lacking evenhandedness (p. 26).	Directors agreed that staff should raise controversial issues with authorities and ensure evenhandedness (p. 132);* Directors agreed that there remained scope to explore further ways to address any perception of lack of evenhandedness (p. 132).	The 2011 TSR noted that perception of lack of evenhandedness remained strong among a segment of the membership (SM/11/233, p. 21); the concept note for the 2014 TSR noted that evenhandedness concerns had become more acute recently;* one of Management’s Key Goals for FY14 is to “secure evenhandedness and the IMF’s reputation of independence.”*
Trade policy conditionality was extensive in Korea and Indonesia, absent in Brazil and Turkey, and episodic in Ukraine though all had moderately restrictive trade regimes (IEO, 2009a, p. 11).	The IMF should recommit to evenhandedness in trade policy advice, by giving more prominence to trade policy issues in large economies; and by re-engaging more broadly in developing countries whose world trade shares have risen rapidly in recent years (p. 21).	The Board noted that surveillance should discuss macro-critical trade policy issues, for all countries, while ensuring evenhandedness in trade policy advice (p. 212).	The 2011 Review of Conditionality (SM/12/148), noting the need to balance country circumstances and evenhandedness in tailoring conditionality, concluded that the balance was appropriate.
The IMF enjoyed little traction with large emerging economies, especially in surveillance. The situation was aggravated by their perception that surveillance was conducted in the interest of major shareholders (IEO, 2009b, p. 15).	Handle the IMF’s negative reputational legacy; establish clearly responsibilities and accountabilities for country relationship management (pp. 31–32)	Directors agreed with the importance of dealing forthrightly with current and past controversies, and that outreach efforts should be regularly updated to reflect ongoing reforms in IMF policies (p. 172).	A working group report in 2011 recommended measures to increase the effectiveness of resident representatives; in 2013 FDMD recommended that mission chiefs discuss outreach plans/strategy with authorities and that the TOR for resident representatives be clarified to underscore the importance of formulating outreach strategy (IMF, 2013).
In contrast to upbeat messages to the largest systemic financial centers, some smaller advanced and emerging market countries with similar vulnerabilities received repeated warnings about the buildup of risks in their domestic economies (IEO, 2011a, p. 13).	N.A.	N.A.	The 2011 TSR discussed a number of measures to increase the candor of surveillance (SM/11/233); Management’s Key Goals for the FY2014 Planning Cycle include the goal to “insist on candor.”

(Continued)

E. Evenhandedness (concluded)

IEO Findings	IEO Recommendations/Remarks	Board Response	Current Status
Many staff members felt there was a limit to how critical they could be regarding the policies of large shareholders, with concluding meetings becoming negotiation sessions on language (IEO, 2011a, p. 20).	Encourage staff to ask probing questions and challenge the views of Management and authorities; support well-founded analysis even when authorities do not support the diagnosis; clarify roles and responsibilities of the Board and Management in ensuring that staff is free from political considerations (p. 22).	Directors agreed with the need to strengthen incentives to ensure that the IMF “speaks truth to power,” while noting that this was a difficult issue for any international agency (p. 46).	
A good portion of authorities and staff indicated that too little research focused on low-income countries and too much on advanced economies (IEO, 2011b, pp. 9–10).	Prepare a medium-term research agenda in consultation with member countries and the Board; the research coordinator should be made responsible for coordinating research activities across the IMF (pp. 25–26).	Most Directors supported the preparation of a medium-term agenda (p. 45); Directors were open to various proposals (p. 45).*	In 2011, semiannual interdepartmental meetings on research priorities were inaugurated.
The share of authorities who believed that the IMF did not allow alternative perspectives was higher in large emerging market economies than in other country groups (IEO, 2011b, p. 14).	Allow researchers to explore issues without preconceived conclusions or messages; foster an environment and establish incentives to encourage innovative research (p. 25).	Directors considered worrisome the finding that there was a widely held perception that IMF research was message-driven; many Directors underscored the importance of addressing concerns about internal culture and institutional values (p. 44).	The 2011 TSR noted calls to broaden the surveillance paradigm beyond the Anglo-Saxon model as important for the credibility of IMF advice (SM/11/233); the statement of workplace values, announced by the Managing Director in 2012, calls for “an intellectually open atmosphere that seeks diverse views to develop the best solutions”; Management’s Key Goals for FY2014 include the goal to “seek contrarian views.”
Analysis of reserve accumulation, while focused on emerging markets, did not address sufficiently the factors driving capital flows in advanced countries (IEO, 2012, p. 9).	Advice should not be directed only to emerging markets but should also take into account concerns in advanced economies (p. 18).	Most Directors saw room for making guidance more alert to country-specific conditions and consistent across countries (p. 34).*	Further work on advanced economies was done in the revised paper on assessing reserve adequacy (SM/13/301); staff has prepared multiple studies on the supply side of capital flows.*
The IMF’s focus on reserves was perceived by some authorities and IMF senior staff as reflecting the interests of influential shareholders (IEO, 2012, p. 7).	Target perceived policy distortions directly, with focus on underlying causes of instability, and not on symptoms (p. 17).	Many Directors shared the view that excessive reserve accumulation was only a symptom of underlying distortions while a number of other Directors noted that it could become a cause of instability (p. 34).	The 2011 TSR noted that perception of lack of evenhandedness remained strong;* the 2014 TSR concept note stated that evenhandedness concerns had become more acute;* one of Management’s FY2014 Key Goals is to “secure evenhandedness.”*
Perception of lack of evenhandedness persists, especially among large emerging markets, with legacy and stigma displaying a strong regional dimension (IEO, 2013, pp. 26–27).	The effects of legacy can only be reversed through addressing governance deficiencies and consistent, rigorous efforts to be evenhanded (p. 29).*	Many Directors supported addressing the perception of lack of evenhandedness, including by addressing governance deficiencies (p. 50).*	
Authorities mentioned as examples of IMF lack of evenhandedness: recent euro area programs; recent policy papers on capital flow management and international reserves; IMF involvement in G20 MAP; and the 2007 Bilateral Surveillance Decision (IEO, 2013, p. 25).	The adverse effects of legacy and stigma in an important share of member countries can only be reversed over time through addressing governance deficiencies and consistent, rigorous efforts to be evenhanded and open-minded (p. 29).	Many Directors supported the need to address the perception of lack of evenhandedness in the treatment of member countries, with a number suggesting that addressing governance deficiencies would be helpful (p. 50).	The concept note for the 2014 TSR (FO/ DIS/13/137) noted that evenhandedness concerns had become more acute recently;* one of Management’s Key Goals for FY2014 is to “secure evenhandedness and the IMF’s reputation of independence.”*
Deletions were more frequent in staff reports for advanced countries than in those for other country groups (IEO, 2013, p. 26).	Implement transparency policy in a uniform and fair manner; strictly adhere to the guidelines on transparency for all countries, with a clear line of accountability for deletions and corrections (p. 29).	Directors broadly endorsed the recommendation aimed at implementing transparency policy in a uniform and fair manner (p. 50).	A review of transparency was issued to the Board in 2013 (SM/13/115), concluding that reforms introduced in 2009 had not completely dispelled residual concerns about evenhandedness.