

**MEMORANDUM FROM FIRST DEPUTY MANAGING DIRECTOR  
TO DIRECTOR, INDEPENDENT EVALUATION OFFICE,  
APRIL 30, 2003**

**Subject: IEO Report on the Role of the IMF in Recent Capital Account Crises**

Thank you for the opportunity to review this excellent report. Attached are comments prepared by Mr. Geithner on behalf of Fund staff.

**Attachment: Memorandum from Director, Policy Development and Review Department to Director, Independent Evaluation Office, April 30, 2003**

I would like first of all to express our appreciation for this first report examining the Fund's important and often controversial role in resolving capital account crises. The report is well-researched, interesting, readable, and balanced, and will be a valuable contribution to the learning culture of the Fund.

The report focuses mainly on the Fund's involvement in the early stages of the crises. While this phase clearly holds important lessons—and has been the subject of much previous attention, both inside and outside the Fund—it is not the whole story. The current report would have been all the stronger, and provided greater value added over existing literature, if it had focused, not just on the initial crises, but also the later successes of the programs in restoring confidence, stemming capital outflows, and putting in place structural reforms that have reduced vulnerabilities.

The report provides useful recommendations about crisis prevention and management, but it also confirms the impression that every crisis is unique in the problems it poses. Anticipating and managing crises will always require difficult judgments in the context of great uncertainty. The Fund faced enormous analytical and practical challenges as it sought to help the authorities deal with the onslaught of the crises examined. Stemming these crises would have required that Fund staff invent innovative solutions to problems that were clearly well beyond its control, such as a lack of adequate financing from bilateral donors and creditors. We should not expect future crises to be any less challenging, even with the benefit of these experiences.

We generally support the report's conclusions. Management has asked us to prepare a staff brief for the Board meeting that would relate the report's conclusions and recommendations to the staff's current work. We look forward to Executive Board discussion of the report and expect the Summing Up of the discussion will provide the basis for taking forward the report's recommendations in the Fund's work.