FOREWORD

Monitoring the stability of the global financial system and warning about risks and vulnerabilities are at the very core of the IMF's mandate. This evaluation found that since the Global Financial Crisis, the Fund's financial surveillance work has been substantially upgraded. The Financial Sector Assessment Program (FSAP) has delivered high-quality, in-depth assessments of the most globally systemic jurisdictions, as countries have strived themselves to make their financial systems more resilient. The IMF has contributed to the development of stress tests and a broad range of diagnostic tools, explored new policy approaches, and shared these innovations with the membership. Article IV surveillance has paid increased attention to macrofinancial linkages. And the *Global Financial Stability Report* and Early Warning Exercise are widely considered leading sources of analysis and insight on the global financial system.

While recognizing these achievements, this evaluation finds considerable room for further improvement. The IMF's financial surveillance has been uneven. With the expansion of products and activities, the IMF has faced difficult trade-offs in the face of resource constraints. Strengthening the integration of the FSAP with Article IV surveillance remains a key challenge. The value-added of the FSAP could be increased by moving to a more dynamic and risk-based approach to allocation of resources across countries and issues. The report also identified potential for greater rigor and transparency in multilateral surveillance, as well as enhanced contributions by the IMF to the global regulatory agenda. Fundamental to progress will be accelerating the build-up of expertise needed for macrofinancial surveillance, including by recruiting and developing the needed in-depth experience and skills.

The report sets out six recommendations aimed at strengthening IMF financial surveillance through a combination of new initiatives and adjustments to existing programs. I am pleased that all of the recommendations received broad support from the Managing Director and from Executive Directors when they met to discuss the report in January 2019. Crucially, most Directors agreed that the IMF needs to devote additional resources to strengthening financial surveillance, given the IMF's position as the only international financial institution with the mandate and ability to conduct this function across a wide range of countries as well as the global system as a whole.

I am encouraged by the positive responses of the Managing Director and the Executive Board to this evaluation, and I look forward to more detailed decisions in the year ahead on how the IMF will move forward to boost its effectiveness in this crucial area.

Charles Collyns

Director, Independent Evaluation Office