Overview

The IMF is charged by its Articles of Agreement and a landmark 1977 Executive Board Decision to exercise surveillance over the international monetary system and members' exchange rate policies. The overriding question addressed by this evaluation is whether, over the 1999–2005 period, the IMF fulfilled this core responsibility. The main finding is that the IMF was simply not as effective as it needs to be in both its analysis and advice, and in its dialogue with member countries.

The reasons for the IMF's failing to fully meet its core responsibility are many and complex. Among these reasons are a lack of understanding of the role of the IMF in exchange rate surveillance; a failure by member countries to understand and commit to their obligations to exchange rate surveillance; a strong sense among some member countries of a lack of evenhandedness in surveillance; a failure by management and the Executive Board to provide adequate direction and incentives for high-quality analysis and advice on exchange rate issues; and the absence of an effective dialogue between the IMF and many—though certainly not all—of its member countries.

The evidence supporting this conclusion, along with other key findings, is set out in this report. To assess the quality of the IMF's analysis and advice and the effectiveness of its policy dialogue with the authorities, the evaluation reviewed documents for the last two Article IV consultations for the entire membership through 2005, undertook a review of internal and Executive Board documents for 30 selected economies over the full review period, surveyed IMF staff and country authorities, and held a series of interviews with government officials, market participants, academics, IMF Executive Directors or their Alternates, and IMF staff.

The evaluation report presents a detailed set of recommendations, which, if acted upon, could go a long way in improving the quality and effectiveness of exchange rate surveillance by the IMF. Implementation of these recommendations will require the full commitment and support of IMF staff, management, the Executive Board, and the authorities of member countries. Without that, it is difficult to see how sustained improvements can be made.

In this context, it is important to note that, in preparing the evaluation, the IEO found numerous examples of good analysis and dedicated, highly qualified staff teams. It is this very human capital that can form the base on which progress can be achieved.