

Foreword

This report explores how the IMF performed during the Great Recession. It is the natural follow up to the IEO evaluation of the IMF's surveillance during the run-up to the global financial crisis, which was published in 2011. That evaluation concluded that the IMF had fallen short in delivering on its key objective of warning member countries about systemic risks and vulnerabilities.

So how did the IMF respond once the crisis took hold? This evaluation found many positive aspects. IMF-supported programs were timely and appropriately designed for the circumstances of the crisis: financial packages were large, disbursements were front-loaded, and conditionality was streamlined. This response was enabled by a quadrupling of credit capacity albeit through borrowing rather than quota increases. The IMF also coordinated closely and effectively with other entities; but member countries wanted greater clarity on roles and accountabilities to safeguard the IMF's independence and help ensure uniform treatment across its membership.

The IMF's call for coordinated fiscal stimulus in 2008 was timely and influential. But the evaluation argues that the Fund's endorsement in 2010–12 of a shift to fiscal consolidation in some of the largest advanced economies was premature. And while the IMF appropriately endorsed ultra-expansionary monetary policies, the ensuing policy mix of fiscal consolidation and monetary expansion was less than fully effective in promoting recovery and exacerbated adverse spillovers. Financial sector analysis was strengthened following the crisis and the approach to diagnosing risks and vulnerabilities was substantially revamped, although the IMF was still unable to provide timely warnings of subsequent important systemic risks.

The report includes recommendations to enhance the IMF's ability to respond to future crises and to strengthen its ability to warn about mounting risks. It also calls on the Fund to remain a focal point of debate and discussion and continue to encourage an environment that is open to alternative perspectives.

The crisis has again reminded us of the need for an effective and well-equipped IMF. I hope this evaluation will contribute to this endeavor.

Moises J. Schwartz
Director
Independent Evaluation Office