

**PROGRESS REPORT TO THE
INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE
ON THE ACTIVITIES OF THE
INDEPENDENT EVALUATION OFFICE OF THE IMF**

April 16, 2015

1. This progress report presents key conclusions and recommendations from an IEO evaluation of the IMF's response to the global financial and economic crisis and an update of the IEO evaluation of the IMF's approach to capital account liberalization, both issued since October 2014. It also describes ongoing IEO activities.
2. **Crisis Response.** The IEO evaluated the IMF response to the financial and economic crisis that followed the Lehman collapse in September 2008, excluding the euro area programs. This evaluation found that the IMF was proactive and prompt in responding, despite being in a weak position when the crisis erupted. It provided timely and influential advice on the need for a coordinated fiscal expansion and ramped up lending to help member countries cope with the crisis and contain spillovers.
3. However, more work is needed to better equip the IMF to anticipate and respond to future crises. The IMF has considerably expanded its exercises, tools, and analytical work to be more alert and effective in warning about potential risks. Now, the IMF needs to prioritize and consolidate these efforts to ensure that key messages reach policy makers in a timely manner and that financial surveillance is organized in a way that emphasizes systemic risk, focusing in particular on truly systemic financial centers. Moreover, the IMF should strive to remain a focal point for debate on macroeconomic and financial risks, and should continue to encourage an environment that remains genuinely open to alternative perspectives.
4. While the IMF succeeded in quadrupling its resources in response to the crisis, this was achieved by borrowing from member countries rather than through an increase in and realignment of quota resources. Implementing quota reform is vital for the governance and legitimacy of the institution—and it is also important to provide greater certainty that the resources will be available when needed. To safeguard its independence and help ensure uniform treatment of all member countries, the IMF also needs to define broadly applicable principles of engagement and cooperation with other organizations, while remaining pragmatic and generally flexible, and allowing for adaptation to specific circumstances.

5. The *IMF Response to the Financial and Economic Crisis* report was discussed by the Executive Board on October 28, 2014, and published along with the Statement by the Managing Director and the Summing Up of the Board Discussion on November 4, 2014.

6. **Capital Account Liberalization.** The IEO issued an update of the findings and conclusions of the 2005 evaluation of *The IMF's Approach to Capital Account Liberalization*. The IMF has made considerable progress since 2005 in clarifying its approach to the liberalization and management of capital account flows. The institutional view agreed in December 2012 recognizes that full capital account liberalization may not be an appropriate goal for all countries at all times, and that under certain circumstances capital flow management measures can have a place in the macroeconomic policy toolkit. But the consensus around this institutional view remains fragile, given the differing perspectives on how to manage capital flows within the IMF, as well as in the academic and policymaking communities. Continued efforts are needed to ensure consistent advice across the membership on capital flow management issues and to support multilateral cooperation on policies affecting international capital flows, against a backdrop of a patchwork of bilateral, regional, and international agreements regulating cross-border capital flows among different groups of countries. The IEO update was published, along with the Statement of the Managing Director, on March 17, 2015.

7. **Ongoing work.** The IEO has launched a new evaluation on “The IMF and the Euro Area Crisis.” The IEO is also working to conclude “An Assessment of IMF Self-Evaluation Systems” and an evaluation of “Statistics for Global Economic and Financial Stability: The Role of the IMF.” The IEO has also consulted with Executive Directors and other stakeholders on potential future evaluation topics, based on a January 2015 note on “Possible Topics for Evaluation over the Medium Term.”

8. **Follow up on IEO evaluations.** Management Implementation Plans to communicate planned follow-up on IEO evaluations are pending for three evaluations: *IMF Forecasts—Process, Quality, and Country Perspectives* (discussed by the Executive Board in February 2014), *Recurring Issues from a Decade of Evaluation—Lessons for the IMF* (discussed in June 2014), and the *IMF Response to the Financial and Economic Crisis*.