July 25, 2016

The Chairman's Summing Up
The IMF and the Crises in Greece, Ireland, and Portugal—
An Evaluation by the Independent Evaluation Office
Executive Board Meeting 16/69
July 19, 2016

Executive Directors welcomed the report by the Independent Evaluation Office (IEO) on the IMF and the Crises in Greece, Ireland, and Portugal, and appreciated the accompanying statement by the Managing Director. They agreed that the report's findings provide valuable insights and lessons for handling crises in members of currency unions. Directors underscored that the work of the IEO continues to play a vital role in enhancing the learning culture within the Fund, strengthening the Fund's external credibility, and supporting the Executive Board's oversight responsibilities. Directors broadly shared the general thrust of the IEO's main findings and broadly endorsed its recommendations, with some caveats.

Directors recognized that, while the Fund needs to learn from the experience of the three euro area crisis programs, it is important to acknowledge the difficult and unprecedented circumstances prevailing at the time. Key challenges included the abrupt loss of market access, the need to address deep imbalances without recourse to adjustment in the nominal exchange rate, and the absence of euro area firewalls. Directors also noted that the uncertainty and fear of contagion were acute given the backdrop of the global financial crisis. They emphasized that the Fund's performance in these crisis cases must be assessed in this broader context as it navigated uncharted territory.

Against this background, Directors considered that the Fund-supported programs had succeeded in buying time to build European firewalls, preventing the crisis from spreading, and restoring growth and market access in Ireland and Portugal. They observed that the political economy of the Greek crisis was unique and complex. Directors generally viewed the unprecedented Troika arrangement as efficient overall, noting in particular how the Fund's engagement had evolved over time. Nevertheless, the need to coordinate and reach common ground with the European partners might have affected the Fund's agility as a crisis manager, and gave rise to criticism that its decision-making process lacked transparency.

Directors broadly agreed with the principle underlying Recommendation 1—that the IMF's technical analysis should remain independent. They noted that procedures currently in place have been strengthened substantially in recent years in the direction recommended by the IEO. That notwithstanding, they recognized that there remains scope for further improving the analytical underpinnings of both surveillance and program design, especially

in the areas of economic forecasts, external sector assessment, and integrated surveillance. Some Directors saw merit in developing procedures to ensure the independence of the Fund staff's technical analysis in the face of any potential political interference. Many Directors noted that political-economy considerations, as with any legitimate differences of views, could offer relevant perspectives and help serve to ensure the program's feasibility and success. Given the fiduciary duty of the Executive Board, Directors emphasized the importance of preserving its ability to make informed decisions, based on the available policy options and in a transparent manner.

Directors supported the principle underlying Recommendation 2—that existing policies should be followed and that they should not be changed without careful deliberation by the Board. Directors noted that the systemic exemption to the exceptional access criteria, which had been introduced under extraordinary circumstances, should have been considered more carefully and transparently by the Board. They appreciated the Managing Director's commitment to handle similar circumstances better in the future and follow existing policies diligently. Most Directors considered that checks and balances are adequately in place, while a number of Directors saw scope for further strengthening existing procedures to enhance transparency and information symmetry within the Board.

Directors supported Recommendation 3—that the Fund should clarify how guidelines on program design apply to currency union members. They emphasized that, while such guidelines would help ensure evenhandedness across the membership, it will be important to take due account of heterogeneity across different currency unions. A number of Directors also saw merit in the IEO's suggestion that the circumstances and modalities for setting conditionality on union-level institutions should be clarified. A number of other Directors took the view that union-level policy recommendations should be made in the context of surveillance discussions with currency union institutions. A number of Directors stressed that evenhanded surveillance across the membership would help dispel the perception that euro area countries, and advanced economies more broadly, are treated differently by the Fund.

Directors supported Recommendation 4—that the Fund should establish a policy on cooperation with regional financing arrangements (RFAs). In doing so, they emphasized the need to maintain flexibility, given the different mandates, policies, and institutional arrangements of RFAs. They looked forward to discussing the forthcoming paper on RFA cooperation, as part of the ongoing work to strengthen the global financial safety net.

Directors supported Recommendation 5—that the Executive Board and Management should reaffirm their commitment to accountability and transparency, as well as the role of independent evaluation in fostering good governance. Directors underscored their strong support for the independent evaluation and the IEO's critical role in the Fund. They noted with concern the difficulty that the IEO had experienced in obtaining confidential documents that it deemed necessary for conducting the evaluation in a timely manner. They therefore

appreciated the IEO's specific suggestions under this recommendation to further strengthen Fund cooperation with the IEO, including with regard to the modality of interactions between the IEO and Fund staff and the IEO's access to information. Directors welcomed the Managing Director's strong commitment to ensure smooth collaboration between the IEO and the Fund, and to consider the IEO's specific suggestions as part of the Management Implementation Plan, especially the Managing Director's proposal to develop an IEO/Fund staff protocol. They also underlined the importance of timely preparation of Ex-Post Evaluations for all exceptional access arrangements.

In line with established practices, management and staff will give careful consideration to today's discussion in formulating the implementation plan, including approaches to monitor progress.