



Independent Evaluation Office
of the International Monetary Fund

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IEO Releases Report on the IMF and the Crises in Greece, Ireland, and Portugal: An Evaluation by the Independent Evaluation Office

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) released today its report on the IMF and the Crises in Greece, Ireland, and Portugal. The evaluation examines the effectiveness of the IMF's surveillance and crisis management in three euro-area countries, in order to draw lessons for the future. The report was discussed by the IMF's Executive Board on July 19, 2016.

In releasing the evaluation report, IEO Director Moises Schwartz stressed the unique context of this evaluation. The euro area programs were the first instances of direct IMF involvement in adjustment programs for advanced countries within a currency union. The crises, coming so soon after the global financial and economic crisis, and occurring in a common currency area comprising highly integrated economies, posed extraordinary challenges.

The report finds that the IMF's pre-crisis surveillance identified the right issues but did not foresee the magnitude of the risks that would later become paramount. The risk of contagion was an important consideration in the May 2010 decision to provide exceptional access financing to Greece. The 2002 framework for exceptional access was modified to allow financing to go forward, but the modification process departed from the IMF's usual deliberative process. The Executive Board generally played a limited role in its supervisory function during much of the crisis period.

The troika arrangement (in which the Fund worked with the European Commission and the European Central Bank) proved to be an efficient mechanism for conducting program discussions with national authorities, but the IMF lost its characteristic agility as a crisis manager. The IMF-supported programs in Greece and Portugal incorporated overly optimistic growth projections; lessons from past crises were not always applied. The evaluation concludes that the IMF's performance was uneven while noting that many officials have expressed a positive assessment of the Fund's overall contribution.

The IMF's handling of the euro area crisis raised issues of accountability and transparency, which helped create the perception that the IMF treated Europe differently. Based on the lessons drawn from this experience, the IEO made the following recommendations for the IMF, all of which

received full or qualified support from the Executive Board when it met to discuss the report on July 19, 2016:

- Recommendation 1: The Executive Board and management should develop procedures to minimize the room for political intervention in the IMF's technical analysis.
- Recommendation 2: The Executive Board and management should strengthen the existing processes to ensure that agreed policies are followed and that they are not changed without careful deliberation.
- Recommendation 3: The IMF should clarify how guidelines on program design apply to currency union members.
- Recommendation 4: The IMF should establish a policy on cooperation with regional financing arrangements.
- Recommendation 5: The Executive Board and management should reaffirm their commitment to accountability and transparency and the role of independent evaluation in fostering good governance.

Mr. Schwartz concluded by stating that he was encouraged by the willingness of the Managing Director and the Executive Board to learn from the past, in order to improve the IMF's technical capacity and decision-making process and thereby to strengthen its central role in the international monetary system.

The report, the Managing Director's response, the Summing Up of the Executive Board meeting, along with supporting documents, are available at <http://www.iew-imf.org>.

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